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Improving Decisions:
Toward a New Age of Enlightenment

By Maury Seldin

WORKING OUTLINE FOR

Part III: Strategic Decision Making

The purpose of Part III, "Strategic Decision Making," is twofold. First it is to show by example how strategic decision making in one area of activity can be used to improve decisions in another area of activity that is substantially different. Naturally, the strategy will be based on the underlying values and ways of thinking about things. So, different people may reach different conclusions, or they may consider adopting the values and thought processes and reach the same conclusions. The latter may not be likely because many people already know the answer before they start, or they believe that they do. In any event, the approach for improving the decisions is put on the table, and it is believed that it contains the elements contributing toward the development of a new age of enlightenment.

The rest of the twofold purpose is to inspire some strategic decision making that will in fact move us towards a New Age of Enlightenment. That inspiration effort builds upon this book's "Part I: The Challenge to Our Thought Leaders." It contains some frank criticism of our contemporary American society and suggests directions that would move us, and the rest of the world, towards a better quality of life.

The purpose of this chapter is to identify some basic principles and policies used in the development of a real estate investment strategy that may be used as an example of how to apply some principles and policies to quite different applications of strategy, e.g., one that may be used in dealing with terrorism.

The purpose of this chapter is to develop some aspects of a strategy for dealing with terrorism. While the previous chapter showed applications of principles drawn from other areas to real estate, this chapter shows that some principles drawn from real estate investment strategy may be applied to the terrorist threat.

The purpose of this chapter is to tie together the line of reasoning developed throughout the book indicating that just as we have applied some lessons of the legacy of The Enlightenment, also known as The Age of Reason, to improve our quality of life. Perhaps we can develop some lessons in this 21st century of the Common Era that might appropriately be known as A New Age of Enlightenment. It contains some frank criticism of our contemporary American society and suggests directions that would move us, and the rest of the world, towards a better quality of life.

Part III: Strategic Decision Making

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Chapter 7: Real Estate Investment Strategy

The purpose of this chapter is to discuss the development of real estate investment strategy as an example of the application some principles that are candidates for the fundamental laws envisioned by Edward O. Wilson in his book, *Consilience*. Having identified some principles and policies, this chapter sets the stage for the next chapter that seeks to apply some of the principles and policies to a strategy for dealing with terrorism.

Goals and Objectives

Goals may be thought of as general statements of a desired condition. Objectives may be thought of as the specific measurable targets which need to be achieved in order to realize the goals. Policies are the guides to actions used to achieve objectives. Strategy is the set of policies used in the plan to achieve the objectives, especially including the policies that are defensive in nature.

Setting Goals and Utilizing Strategy

Setting Goals. Individuals differ widely as to the practice of setting goals. At one extreme there are those who live day to day with little thought of the future. At the other extreme there are those who not only consider the future, long term and short term, but translate the goals into measurable objectives, and utilize a strategic approach in setting the objectives. That is, they outline defensive policies to protect against identified risk and unidentified uncertainty. These are in addition to the aggressive policies that they expect to pursue to achieve the goals.

As is understood from the earlier chapters, some of the inclination to whatever approach is taken is attributable to genetic influences and some to environmental influences. Dramatic shifts in style are unlikely, but one may certainly adjust style by making an effort, especially after observing the behavior of others who are admired. Or, one may otherwise obtain an education on the approach and make adjustments as a result of newly acquired wisdom. Free will enables such changes. But some people, for whatever their reasons, are less amenable to consciously changing their style to one that approaches problems by putting the problems in the context of goals and objectives, and strategy to achieving the objectives. The choice of what one wants to achieve, and how to achieve it, is a highly personal matter.

Strategy as a Concept. The term strategy is so widely used that everyone believes that he or she understands its meaning. As such, most may be right in a general sense. But, if one is involved in the process of developing a strategy, the results achieved will be better if greater precision is used in grasping the technical meaning. Indeed, if one looks to the dictionary, the definition will usually start with a reference to military strategy of utilizing “the science or art of combining and employing the means of war in planning and directing large military movements and operations.” A better understanding of the term is found in the book by John McDonald, *Strategy in Poker Business and War.* [W. W. Norton and Co., Inc, 1950.]

The following quotes shed some light on the technical meaning.

> "To be prepared [for uncertainty] is to have a strategy." [Page 12.]
> "Imperfect information creates uncertainty among individuals in games and in society…Where uncertainty exists, strategies is employed to clarify or further obscure the information…But it [the theory of games] may be able to tell what one can get and how one can get it." [Page 14.]
>
> "The strategical situation in game theory lies in the interaction between two or more persons, each of whose actions is based on an expectation concerning actions of others over whom he has no control. The outcome is dependent on the personal moves of the participants. The policy followed in making these moves is strategy." [Page 16.]

Some additional quotes from another book, *Real Estate Investment Strategy*, by Maury Seldin and Richard H. Swesnik, further clarify the point that strategy is the set of defensive policies. These quotes are as follows:

> "An investment strategy is a plan for making investment decisions…The guidelines in the plan are called policies"
> "Policies that are designed to protect the investor from loss are defensive policies." [Page 11 of the Third Edition, John Wiley and Sons, Inc. 1985.]

The point of this is that in developing a strategic plan, we need to be concerned with more than where we want to go, and how to get there. We need to be concerned with the risks that we face. Thus, our strategic plan should include defensive policies.

Investment Objectives

The Securities Questionnaire. As an example of what securities firms ask in order to help their clients select appropriate investments, consider the following categories of goals and objectives from the UBS PaineWebber "Investment Profile Questionnaire;"

Goals: "Building assets for retirement, generating a steady stream of income, maintaining assets for current retirement, new (or additional) home purchase, funding a child's education, general investment purposes, [or] other."

Primary objective: "Preserve capital, produce current income, achieve capital appreciation (emphasis on growth of capital, not income.), [or] produce a combination of income and capital appreciation".

In addition to asking for identification of objectives such as growth and income, there are questions relating to time horizon and attitudes towards risk.

Benefits of Investing. Benefits of investing may be categorized as benefits during ownership and benefits upon sale. Obviously there are benefits of income during ownership of some assets as for example with the benefits in the form of interest from bonds, dividends from stock, or cash flow from real estate. There may also be psychological benefits as in pride of ownership or other status associated with the investment.

The benefits upon sale of the asset include getting the investment back and a profit from appreciation, hopefully. When the income and/or profits are taxable, the applicable tax rates make a significant difference in that capital gains rates may be lower than rates on current income. Part of the benefit from investing in some assets may be in the deferral of tax because some of the cash flow may be classified as recovery of capital. When the cash flow counted as return of capital (depreciation) turns out to be a gain, it is later taxed. But it might be taxed at a lower tax rate applicable to capital gains. Additionally, the taxpayer gets the free use of the tax money for the deferral period. [See *Real Estate Investment Strategy*.]

Selection Criteria. Selection of criteria for investments according to desired benefits is the highly personal matter alluded to in the discussion of goals. Objectives may be thought of as quantifying goals so as to facilitate the creation of a plan. Becoming wealthy may be goal. Accumulating one million dollars in investment assets may be an objective. The quantification makes a difference because one can then set a time schedule and calculate the savings required and the required rate of return on investment. This becomes especially important in planning for retirement.

There are some people who are so ego driven that they are keeping score as to wealth achieved as in a contest with others. Such contests do exist. There are others for whom no score is sufficient. As my collective bargaining professor said, what unions want is “more.” When wealthy investors buy art, and ship empty cartons to avoid sales taxes, the drive for “more” is so strong that it overrules the motivation for observing the law. The tax saved by cheating will not alter the life style, but getting caught does.

For other investors it is all about life style. They want to increase their wealth so that they can afford a more luxurious life style. They may not be as compulsive about it as those who envision themselves in a contest or who just want more. They may not be willing to work as hard or take as much risk. The sensitivity to risk is likely to be higher because of the trade-offs in taking risks. Generally, it is more painful to lose than pleasant to gain so that the level of risk tolerance comes into play.

The savings for retirement is an excellent type of situation for illustrating strategy. One, having established a life style, at whatever level of expenditure, may set the goal of continuing that life style after retirement and may set an age objective for retirement. All the variables to be quantified are implied in the process. The key variable is the level of income required for life style. The other variables, savings, time to retirement, and rate of return on investment provide the numbers for the math required to make it work.

The resulting investment objectives will have been influenced by the investors underlying values. The concept of value is one of tradeoffs. What does one value so highly that he or she is willing to give up something else?

Underlying Values

Many Americans live with comforts not even dreamed of by the wealthy of an earlier era. Our nation caught the wave of The Enlightenment without the baggage alluded to in Chapter 2, i.e., the monarchy and the authority of the church in affairs of state. The free institutions contributed in great measure to the rising standard of living, although some would attack the character of the quality of life. Pun intended. It was attacked on 9/11 of 2001 with violence by terrorists in contrast to the verbal criticism that is an acceptable form of attack.

On the date this first draft of this part of the chapter was written, the New York Times reported that South Korea's per capita income was $8,900 and that North Korea's was $706. [NY Times, 12/30/02.] The cold war with communism is old hat. Hot war, albeit a different variety, is the war with terrorism. The NY Times story was about U.S. policy dealing with North Korea's defaulting on its nuclear capability agreement by expelling nuclear inspectors and reactivating the nuclear facility at Yongbyon. This is at the same time the US is dealing with the Iraq issue. The threats are of weapons of mass destruction.

In some measure, the disparity of wealth is why many of the terrorists hate us. As discussed earlier [see Chapter 4, "The Paradigm for Predicting Outcomes," under the side heading "Toward an Understanding of What Were They Thinking"], there are substantial differences in values among the cultures. Within America there are substantial differences in cultures and the associated values.

What people want to achieve and what they will do to achieve it differs so widely that whether we talk about investment goals or whether we talk about political-economy we get back to the underlying values. The basic natural law or principle here is that human natures differ, but they cluster, so that behavior on some activities is a good predictor of behavior on other activities. This was discussed in Chapter 5, The Process of Choice: Mind and Values, under the side heading "Values and Policy Choices," subheads "Policy Differences in the Stock Market" and "Psychographics."

The clustering may be looked at as a disaggregation of the population based upon a variety of characteristics, including those influenced by the forces at work in the marketplace or world politics. Understanding one's criteria in setting goals is aided by understanding the underlying values that influence the reactions to these external forces. The example used here specifies some underlying values used in developing the real estate investment strategy. This sets the stage for discussion of selection of values and selection of strategies. Later, the example is used for the discussion of strategy dealing with terrorists.

Truth. The first principle for developing an investment strategy is reality. It is unwise to deceive oneself about the reality of objectives, risks, and rewards. This reality is what we discussed in Chapter 6 as truth.

The Enlightenment brought significant progress in the move towards truth, especially in the blending of *a priori* reasoning and reasoning from experience. As a result, we have a better understanding of how the system works. Understanding is sometimes dichotomized as to theory and practice. The blend, by adding good judgment is known as wisdom.

The difficulty that we get into with theory is that we have to simplify the models in order to better identify the relationships. Systematic deviations from the model we use in theory may not be readily observable and quantifiable. The observed practice includes only the reality that we are able to see. Sometimes "gut feel" tells us a lot. Or, you can call it intuition. It may even be emotion. But, reality demands that we look to see things the way they are, not the way we wish them to be and not the way that we assumed them to be for the sake of constructing models used to help us better understand the relationships.

Many investors think that because they have made the investment that it is a good investment. It is amazing how much the view of quality of the investment changes from the time just prior to contract to the time right after closing. As in buying most things, it was okay or pretty good before buying, but great after having bought it. A picture of reality for a real estate investment is summarized as follows:

> "Consider that the value of any real estate is not enhanced simply because you are going to invest in it. No matter what management techniques you develop, what imagination you bring to bear, or how you handle the financing, the ultimate success of the investment will depend on its timing, its location, and the quality built into the structure. In short, how well does it serve the market? You cannot make a loser into a winner. It is possible however to make a mediocre investment produce satisfactory results by your own skills. That is the best you can do, aside from putting yourself in a position where timing and location will help you." [*Real Estate Investment Strategy*, 3rd ed., page 3]

The key is that you know the truth about the forces of the market, i.e., the external forces beyond your control. "May the force be with you" can be seen as a search for transcendental assistance, perhaps from a deity. The reality is that you are better off finding out what the forces are and developing a strategy of going with them with time on your side.

Another aspect of truth is in the context of representations made between parties. Strategy is much less complicated when one is dealing with someone that is trusted. Although the truth of representations is assumed, a written contract may be used to deal with a dispute that may arise. When there is not trust between the parties, the contract is necessary for protection, but not sufficient. Sufficiency relates to the ability to enforce the contract. That relies on an authority and a favorable cost/benefit relationship.

The authority is used to obtain justice. It cuts both ways. One's own behavior is restrained, or should be restrained by virtue of justice. It is also a basis for forecasting the behavior of others and outcomes.

<u>Justice.</u> Among the concepts of justice that are relevant here for real estate investment strategy is that related to obeying the law. The law constrains real estate decisions in that the government regulates real estate and is the vehicle for enforcement of regulations and contracts. Or, as one of my professors wrote,

> "No other economic good with the exception of narcotics is so greatly affected by government as is real estate. Perhaps this is inevitable in view of the fact that real estate after all is not a commodity but merely a bundle of rights created by government." [Quoted in *Principles of Real Estate*, Third Edition, by Weimer and Hoyt, from an article by Edward E. Edwards, "Real Estate Economic: A Return to Fundamentals, *The Appraisal Journal*, April 1949.]

Another constraint is that imposed by contract. The justice system is used to enforce contracts in real estate and governmental regulation. An additional concept of justice relates to land use in the idea of fair and equitable use. While regulation may be used to constrain use, owner's initiatives are important because one may do more than the law requires and one may influence the law, sometimes unfairly. Thus, justice or rather injustice may refer to abuse of the system. All of this is in the context of justice as the system for societal regulation and equity among parties.

As we will see in the discussion of terrorism, the governmental authority to be relied upon for justice may be a sovereign nation protecting itself. This is different from reliance on the jurisdiction of the government adjudicating among parties subject to the same authority. From the standpoint of real estate investment strategy, the relevance of justice is twofold; first it is the system on which one relies to enforce the regulations and agreements, and second, it influences a variety of ethical choices.

As to the first, the strategy involves tactical decisions that relate to developing relationships in which trust makes a great deal of difference and the sharpness of contracts is relevant. There are lots of ways to negotiate and the character of contracts comes into play. This all relates to style.

The other aspect, that of ethical choices, may relate to types of property in the portfolio, quality of development, and management policy. This also relates to style. Indeed the style is a reflection of values.

<u>Freedom.</u> As discussed in Chapter 6,"Discipline Perspectives: Organizing Knowledge," under the side heading Value Systems, and subhead Moral Sentiments, freedom and liberty are used synonymously. These terms are rooted in the natural rights of man, as we see it. These rights recognize the infinite value of the individual. This is in the context of system of justice reflecting the government as having its source of authority from the people governed.

There are alternative values in which the individual is subsumed to the community as a whole with the community having a life of its own different from the aggregation of individual interests, with a source of authority other than those governed. Under our system, investing in real estate relies on a system of authority from the people, but that authority constitutionally limits the authority of government. Thus, there is a protection from the tyranny of the majority. Although, there may be less protection from the tyranny of the majority in California where so much law is by referendum, which may be infringing on individual rights despite assumed constitutional protection.

The regulation of real estate is a good case in exploring the conflict of values and resolution of issues on justice and liberty. However, in the case of real estate investment strategy at hand, we are looking at the concept of the infinite value of the individual in decisions relating to the strategic processes, especially in dealing with people.

Investing in real estate require dealing with people. Direct investing has the most contact because of the various professional involved in acquisition, management, and divestiture. Investment through securities, such as real estate investment trusts (REITs), may have minimal contact.

Strategy again relates to style. For example, decisions on enforcing forfeitures of deposits or lease terms when a hardship issue arises raising questions on how to deal with individuals. Some investors grind out the last dollar, no matter what, while others show compassion. This speaks to a balancing of interests when one party has more control than the other.

The contrast that comes to mind as this draft is being written is the utter disregard Saddam Hussein has for his people in the way he conducts war. Those values influence his strategy and raise the question about our adjusting ours. At whatever level, the style of dealing with people reflects the values placed upon the value of the quality of life of other people as well as ones own quality of life.

Quality of Life. From the standpoint of investment strategy, the relevance of quality of life relates in large measure to the command of resources, normally through income and wealth. Our society is heavily dependent on the system which produces and distributes income and wealth.

That system is in constant need of repair because of the tendencies for abuse, both in "working the system" and violation of its regulations. Some of the repair is legislative and some is enforcement. But a great deal has to do with attitude in compliance with the spirit of the law. There is selfishness in the spirit of some as well as meanness in the consideration of the rights of others.

The now current classic case in the abuse of rights of others is the case of Saddam Hussein. As this is being drafted, that case is being settled. His violation of the disarmament agreement reached at the end of the Gulf War, 1991, posed a threat to our national security, especially from terrorism. Thus as a matter of protecting our freedom we have embarked upon enforcing the disarmament agreement. It is a repair of the world activity. This is a case of sovereign authority or authorities acting against another sovereign authority.

As will be discussed, the strategy for such war actions is at a different scale than the strategy for real estate investment. However, there is a continuum of doing the right thing as we see it.

Repairing the world speaks not only to the individual action as alluded to in the preceding discussion of the rights of the individual. It also speaks to improving the system, i.e., improving quality of life. That can be changing the rules or improving the institutional arrangements.

Many of these changes come through government policy, federal state and local. Real estate investment strategy can be heavily impacted by those changes. For example, changes in federal income taxation rules have from time to time heavily impacted the results of real estate investment. Thus, we are concerned with the societal values and actions as well as the individual values and actions.

These and other underlying values influence the selection of objectives and the position taken with regard to the risks to be encountered en route to the achievement of objectives.

Risks

Understanding the risks one is prepared to take also goes back to understanding values. Let's start with the major traditional risks for real estate investment and then go to the risk beyond reason.

Traditional Real Estate Investment Risks

There are a variety of real estate investment risks. But, the three greatest risks may be classified as (1) business or financial risk, (2) inflation or price level risk, and (3) liquidity risk, including interest rate risk.

Liquidity. Liquidity, the risk of loss from quick conversion to cash, may be thought of as being composed of two components. One in the interest rate risk which is a change in capital value associated with rate changes in the market place (or the obverse of not being able to reinvest maturing obligations at the same or better rates). The other is the spreads (that influence transaction costs) resulting from the thinness of markets. That may be reflected in a time to sell and/or the difference between buy and sell prices at the same time.

Investors who bear liquidity risks demand and get premiums in the market for bearing such risks. Short term treasuries have the lowest liquidity risks and have very small premiums. Ordinarily, the premium goes up with time to maturity giving a rising yield curve. Securities with no maturity, such as common stocks, have premiums most closely related to trading volume, reflected in bid and asked spreads. Real estate, with high transaction costs, is in a much less liquid category.

Direct investment in real estate has a great liquidity risk. Prudent investors typically only invest funds that are not expected to be need in the short run. Investment in real estate through the media of a real estate investment trust is much more liquid than direct investment. Yet, it still has substantial liquidity risk because it is a stock and stock prices fluctuate.

A good liquidity strategy is to mix asset types in the portfolio with an eye to meeting liquidity needs through cash flows from periodic income supplemented by maturing obligations such as bonds, notes or certificates of deposit. The idea is to avoid having to sell in an unfavorable market. This is especially applicable to real estate which has some of the highest premiums for the lack of liquidity. To an increasing extent, this is also true of real estate investment trusts, REITs, in that the flow of funds to REITs is in an ebb and flow pattern that will from time to time have unfavorable pricing relative to underlying assets and competitive stocks.

The time horizon approach facilitates portfolio construction designed to take advantage of as much liquidity risk as the investor sees as appropriate. This strategy is based upon some underlying principles that apply to a wide variety of disciplines.

Business Risks. Business risk is the chance of not getting the money back. Investments with expected higher returns generally involve higher risks. Some portion of a portfolio may be allocated to such investment s, but all investments have some business risk, with the possible exception of U.S. treasury obligations. The exception is attributed to the fact that the government can repay by printing the money. That, of course, is inflationary. Inflation will be discussed shortly.

Modern portfolio theory is probably most useful for the business risks because the sources of the risks are quite diverse. It would take a fairly sophisticated model to isolate the generating factors. One conceptual approach, however, would be a national input-output analysis with an adjustment mechanism for a changing international impact. The resulting industry by industry analyses could provide a pick and choose approach, or a diversification that would neutralize the different patterns of industry volatility. This is not advocated because of the practical difficulties, but conceptually, one could diversify out all of the differences among various business risks.

As a practical matter, the application of modern portfolio theory searches for the diversification that maximizes return at the acceptable level of risk. Real estate in direct ownership or securitized form is generally considered to be an element in a diversification policy. Furthermore, there can be substantial diversification in real estate among types of real estate and geography (or really different local economies). This is a matter of balance.

Price Level Risk. Price level risk in the chance of loss in purchasing power because of inflation. The risk is that even though the investor gets the money back, its purchasing power is diminished.

Portfolio construction to guard against price level risk has received a significant additional tool because of the creation of inflation indexed treasuries,. Putting aside the income taxation issue inherent in the way in which the income from the instruments are taxed (indexed value adjustments are taxed when the adjustments are made so that the investor is taxed without getting the cash, unless held in a retirement account), this is a clear neutralization method for the risk of inflation. Alternative methods of dealing with the risk include premiums for expected inflation (as reflected in the interest rate), variable rates as in mortgages, participations of various sorts, and direct ownership of assets with income that is responsive to inflation, e.g., rental apartments.

Some investors fear inflation more than others, and maybe with good cause. Depending upon the tolerance level of the particular investor, some protection from inflation needs to be built into the portfolio. Since tolerance levels differ, the impact of unexpected inflation may not have to be neutralized. All that may need to be done is the design for the tolerable level of risk. That will leave lots of choices as to form of investment and specific investments.

Irrational Behavior

Irrational behavior in the market place is a special source of risk. If the irrational behavior on a security disappears over time, it might be classified as a liquidity risk. If the irrational behavior does not disappear over time, then it is a business risk.

Some specialists in behavioral finance look to identify patterns of stock market behavior and seek to capitalize on the consistency. For example, the market is slow to respond to earnings surprises. As a result there is a behavioral bias. [See page 97 *Beyond Greed and Fear,* by Shefrin.] Now, let us look at how other aspects of irrational behavior that are typically attributed to specific segments of investors.

Shefrin writes, "Individual investors suffer from extrapolation bias, and naively extrapolate recent trends." [Page xv in Preface.] He reports on a study by Werner De Bondt noting that

> "First, people tend to formulate their predictions by naively projecting trends that they perceive in charts. Second, they tend to be overconfident in their ability to predict accurately. Third, their confidence intervals are skewed, meaning that their best guesses do not lie midway between their low and their high guesses." [Page 51.]

Shefrin writes, "Institutional investors suffer from gamblers fallacy, and are overly prone to predicting reversals." He also refers to a De Bondt study in noting that

> "De Bondt reports [utilizing market predictions collected by Joseph Livingston] that, in accordance with gambler's fallacy, these predictions consistently are overly *pessimistic* after three-year bull markets and overly *optimistic* after three-year bear markets. As for accuracy, De Bondt concludes that market predictions are not 'particularly useful." [Pages 46-47]

Gambler's fallacy was discussed at the beginning of Chapter 4, "Predicting Outcomes," under the side heading "Behavioral Finance." Other concepts discussed by Shefrin include "framing transparency" and "frame dependence." Frame dependence refers to the way in which something is perceived. As was discussed in Chapter 5, The Process of Choice: Mind and Values, under the side heading "The Mind," the mind operates with a schema which is the framework for our perception. Each person is dependent on his or her frame for perception. We sometimes choose not to see things or we see things through an opaque frame. Frame transparency refers to investors not being able to see the information.

Recent reports on security analysts providing stock analyses contrary to their beliefs is one issue. But, another is what the investor reads into reports that may contain ambiguity. The behavioral finance area is a burgeoning area of research. Shefrin notes that copies of some studies may be found on his web site and that of the Social Science Research Network. He also provides a great many references.

It is risky to try to capitalize on the irrational actions. However, it is even more risky to assume a rationality that does not exist. A very popular strategy is minimax.

Minimax is based on assuming the worst and planning based on that assumption. Such a strategy reduces the downside at the expense of giving up some of the potential gain if one operated under a different assumption. For example, the go-for-broke strategy assumes the best outcome and takes the risk of alternative outcomes. The gain is biggest when the desired assumed outcome materializes, but when the desired assumed outcome fails to materialize, the loss may be far greater than it would have been under a minimax strategy, and the loss is more frequent. There are circumstances where the go-for-broke strategy works best for some people, but statistically, over the long run, it is not expected to do as well as a minimax strategy.

Principles and Policy in Developing an Investment Strategy

Some Real Estate Investments of a Small Institution

The Homer Hoyt Institute is a small foundation serving as the support organization of an Advanced Studies Institute. Its investment objectives call for sufficient income to continue support within a set of risk constraints intended to preserve capital and provide sufficient liquidity for acquisition of problem properties as part gift and part sale, commonly known as bargain sales. It operates to achieve goals alluded to in the Preface and the first chapter of this book.

This discussion will focus on the real estate investment strategy over the past quarter of a century. It is important to deal with such a time span because conditions change and so portfolios may change as an adjustment to conditions. Also strategy may change.

Acquiring the First Investment. The Homer Hoyt Institute, founded in 1967 as the research and development (R&D) arm of the then Program in Real Estate and Land

Planning and Use Program at The American University School of Business Administration in Washington D.C., functioned as a grant receiving institution until late 1979 when it received a gift of a mile of ocean front land from Dr. Hoyt, for whom the Institute had been named since its inception. Until that time there were no assets that could be identified as investment assets. There was no real estate for which to have an investment strategy.

The land was appraised for $9,500,000, including some additional frontage of about 1000 feet owned with some minority interest holders whose interests were valued at 10% of the total value. At that time the objective was to convert the asset (with the Institute's interest valued at $8,550,000) to cash so that it could be in invested to produce income for a grant giving program.

Selling the land was a great problem because there was great uncertainty as to its potential use. The land area totaling 387 acres included 60 acres of submerged land. The remaining 327 acres included a 5 acre lake and 196 acres of swampland that contained mangroves. Thus, there was 126 acres of dry land, and much of that was not buildable because of the coastal setback requirements.

If the Institute were offered the property today it might be turned down because the risk of converting to cash within a reasonable period of time would be very high, with a cash drain from property taxes and other expenses that would use a disproportionate amount of the Institute's income. That is to say that the investment might take the portfolio out of balance.

Furthermore, The Institute has a momentum that could be destroyed by the burden of carrying the land. Financing the land, if financable, would increase the risk to the Institute so that leverage would not be appropriate. The timing and the location of the land would work for the investment value of the land, but as just noted, the timing might not work for the Institute now because it has its ongoing responsibilities as the support organization for the Advanced Studies Institute and the Institute might be wary of the liability involved in incurring vast costs to achieve developability, the success of which would not be assured. The back-up of selling the land for preservation might be an option. The decision would require a great deal of analysis.

As to "think network," [the thrust of the Barabasi book] the Institute is a major node, i.e., hub, in academia and industry with opportunity for more suitable gifts of real estate without jeopardizing the academic operations. Board policy, developed out of recent consideration of limits of exposure, would be more likely to accept a smaller project and perhaps one will come through the Hoyt Fellows or other sources.

However, in 1979 the Institute, although possessing a credible record as a grant receiving organization, was prepared to have to close its doors if it were not able to safely convert the land to enable it to become a grant giving organization. It had changed its official relationship with The American University and while it continued to perform the function for the Real Estate Program, the academic environment had changed and the Institute was willing to take the risk associated with the acceptance of the land. It had less resources to risk then and more to gain. There is an analogy here relative to the large majority of terrorists who have in their eyes little to lose from their current quality of life, except for life itself, and much to gain in their view in a hereafter life of a martyr.

Disposing of the First Investment. Most interested buyers for the land were interested in a deal contingent on developability so that if the purchaser were not able to obtain the permits they could cancel the sale. Others were interested in joint ventures with the Institute putting up the land and the developer financing the development with the land as security. Neither of these was attractive to the Institute because the purchaser/developer could, upon finding the property not sufficiently developable, opt out leaving the Institute with tainted land, i.e., land already demonstrated as not developable.

The solution to the design of a sale that could balance the risks between seller and buyer was to scale risk and reward with a variability dependent upon the permissible number of units for development. Dr. Hoyt had when he got the land back after the first sale many years earlier started with an asking price of $3,000,000, but as growth in tropical Florida moved towards the property he raised the asking price to $6,000,000, and then again over time to $9,000,000. When the Institute offered it for sale the asking price was $12,000,000. Growth was moving up the coast with spurts in momentum and with the subject location getting better. Nodes of development were being added to the network of ocean front communities so that the land was getting to be more attractive for development.

The sale designed was with a contract price of $10,000,000 with Campeau of Florida, a subsidiary of a Campeau of Canada. The price was, however adjustable. If more than the stipulated number of units were permitted the price could rise to as much as $12,000,000. If less than the stipulated number of units, the price could fall to as little as $8,000,000. But, the down payment was $1,000,000 and semi-annual interest payments were $375,000. The developer was obligated to proceed with efforts for development at the developer's expense and to turn over permits and associated documents relating to the efforts if the project were abandoned. What the developer needed was an ability to withdraw if the project was not feasible and at least get back the money paid to the Institute.

The solution was to promise to return the down payment and the semi-annual payments if the developer chose to withdraw. The difficulty with the promise was that the Institute immediately began a substantial grant giving program upon closing of the sale and was using the down payment and then the interest payments for the grants. The grant program was quickly rising towards the planned level of $500,000 per year with Florida State University to receive $100,000 per year, University of Florida $50,000 per year, and an array of other universities the balance. We believe that the developer was able to make better progress with the permitting process under this arrangement than if the seller had been a private person and kept the proceeds for his or her own personal purposes.

The environmentally sensitive land had a tremendous permitting problem. See accompanying box for some key items. The network of agencies was awesome. Yet, a momentum was built that was respectful of the environment and a level of permits acceptable to the developer was obtained and the price fixed at $8,000,000.

Among the permits obtained were the following:

From the Corps of Engineers: a permit to perform work affecting navigable waters and discharge dredged or fill material into the waters of the United States and a permit to fill 28.31 acres of wetlands for condo construction, parking and access roads, tennis courts, commercial restaurant facilities and install 14 culverts through impoundment dikes and construct a boardwalk/observation tower in impoundment 2;

From the Department of Environmental Regulation (DER): a permit to prepare land for residential and commercial development that included placing approximately 249,182 cubic yards of fill in approximately 28.31 acres of mangrove wetlands;

From the Department of Natural Resources: a permit to conduct activities seaward of the coastal construction line including selective removal of Australian Pine trees, placing sand fill on dunes, landscaping and stabilizing land fill with salt-resistant vegetation; and

From St. Lucie County: an approval of the site plan.

The plan, in the event permits were not obtained, was to pledge land in proportion to the cash paid to the Institute with a stipulated front foot valuation and to use a two to one ratio. Thus, if the Institute took the land back with the obligation to repay, the security would be a portion of the land sufficient to give the developer an asset to donate to the State of Florida or to a tax exempt environmental group and take a tax deduction. Fortunately, the developer got permits and did not have the right to terminate the process with a return of funds.

Unfortunately for the developer the market deteriorated during the time it took to get the permits and the developer decided that it was in their interests to transfer the property back to the Institute with a deed-in-lieu-of- foreclosure.

The grant program was rolling along and the Institute now had land that was developable and it needed a new strategy. Balance again came into play, but this time the Institute could take the role of the developer, which it did by hiring two of the key executives who had worked with Campeau of Florida, the company that returned the land.

The momentum for development was rolling along. So the opportunity to develop was worth exploring. As believers in understanding the system, the Institute studies the composition of the market to find the niche that was under served. New methodology was developed to identify the best segments to serve. Based upon identifying that segment, the Institute, through its subsidiary, which I wanted to call Shifting Sands, but settled on Treasure Beach Corporation, started the development process. (Finding the niche required advancing the state of the art. The methodology and example is reported in the literature [*Real Estate Market Analysis: Methods and Applications,* edited by John M. Clapp and Stephen D. Messner, Chapter 9, “Absorption Analysis” by Maury Seldin and R. Thomas Powers].)

That process of moving ahead involved preliminary design of the first building, a 60 unit condominium, and the land development necessary to support the building, its service areas, and access.

The key to the land development is the fill permits and the fill itself. The permits called for approximately 249,182 cubic yards. Obviously not all of this was needed for the first phase, but a start was needed. When I told the new staff to start the fill process, the question asked of me was how many trucks. So I asked how much fill can a truck handle. The answer was 18 to 20 cubic yards and eight or nine trips per day depending on whether they are hired by the day or the trip. I replied, “One truck, but I want it every day.”

At the same time this former vice president of the Canadian subsidiary was working on the development he was working on a sale of the land to the State of Florida under its preservation program. The one truck a day, with its eight or nine trips was enough to spark 3,000 letters from the Turtle Mothers to Tallahassee. I don’t know how they networked, but the land got on the list for state acquisition in record time.

More on the disposition of the land is discussed later in the chapter. The end result, however, can be revealed now. The land was sold for cash to the State of Florida and the Institute continued its grant giving program.

The proceeds of the sale were invested in laddered treasuries. That was a continuation of the policy pursued while the Institute had the potential obligation to accept a return of the land from the developer/purchaser and repay the funds provided to the Institute. Laddered treasuries refer to staggered maturity dates, so that the Institute faced an interest rate risk for reinvestment, but no liquidity risk in terms of having cash available for operations and minimal liquidity risk in getting cash for investments.

The price level risk was offset to some degree by the high level of prevailing interest rates that served as compensation. There was still some exposure from changing rates of inflation, but the Institute could live with that. Of course, with U.S. Treasuries there is no business risk. This investment strategy served the Institute well for its time, especially since funds were available for acquisitions of real estate that was part gift and part sale, commonly called “bargain purchases.”

Investing in Office Buildings. While the Institute was comfortable with the laddered treasuries, an opportunity arose for an investment in a small office building in Prince George’s County, Maryland. It is a two story structure without elevators. Access from the street level was up a half flight of stairs or down a half flight of stairs.

Under newly adopted the federal government guidelines, the building’s prime tenant, the National Park Service, was required to vacate unless handicap access was provided. Adding elevators was not economically feasible. The result was that the building lost the main tenant. And, tenants satisfactory to the owner were not found.

The owner, having built the structure almost twenty ears earlier, had taken most of the depreciation, but still owed about $100,000 on a mortgage. The property was valued under an MAI appraisal at $400,000. The county assessor assessed it for $400,000. The owner thought it was worth $400,000. Everyone thought it was worth $400,000 except perspective buyers that were contacted.

The owners offered to give the property to a hospital as a gift, but the hospital would have just sold it for quick cash and possibly jeopardized the amount of the tax deduction. Also, it wasn't clear that they would take it with the mortgage on it.

It was then offered to the Homer Hoyt Institute. The Institute gratefully accepted the gift, subject to the mortgage which it paid off at closing. The Institute looked at the building differently than the previous owner. The result was a standard for tenants lower that the previous owner had envisioned, and a rent up of the building that initially produced an annual cash flow well into the twenty thousands per year and then into the thirties. After about a decade it was sold to a tenant for $425,000.

The relevance goes beyond the portfolio issues. Clearly as an income producer to support the grant programs the investment was outstanding. The relevant point is that buildings go through life cycles. That building was in transition from a maturing stage to an aging stage and simply became more suitable to a tenancy expecting a quality of space less desirable than that found in the absorption stage and early maturing process. See the accompanying box for a discussion of the life cycle of a building with particular reference to the relevant stage of life.

An office building requires a capital investment for its creation. The reward is a stream of income that declines over time with the result that the building loses value. The following excerpts from *Real Estate Investment Strategy* by Maury Seldin and Richard A. Swesnik, convey some of the elements of the risk and rewards through which the investment may be viewed.

"En route to the end of the building's life, the rents will drop…Also as the building ages, the expenses will rise. There are four recognizable stages through which the property will progress. Although ordinarily slow, each change taking a decade or longer, the changes do occur with the passage of time. Each of the stages in the life of the property, on the downside of the pyramid, has a different level of risk. The investor may choose the kind of risk he can accept and will seek to be compensated for the risks he takes. [Page 91, 3rd Edition.]

A new balance was required for the role of the building in the array of space suppliers in its local market. The momentum of the loss of the major tenant hurt the chances of retaining and adding tenants. The key was understanding the system and being willing to accept reality

Years after the first office building acquisition, another opportunity arose for an office building investment. The Institute was in the market for expanded office space in the North Palm Beach area. There was a well located very troubled building. The building was half empty and half of the tenants that occupied the leased space were in arrears in their rent. Thus, the rental income was about a quarter of what the building would produce if well tenanted. The property was available for lease or purchase. The owner wanted 1 ¾ million dollars as a purchase price.

A check of the records showed that there had been a recent recorded sale of the property at a valuation of $2,000,000. But that was as part of a trade (two one-million dollar cats for one two-million dollar dog). The tax basis of the new owner was transferred to the subject building from a previous investment and he wanted to get out of this property into something more suitable for his purposes, including further deferring the tax liability associated with his low cost basis reflecting substantial depreciation previously taken.

A long story short, the Institute acquired the building part gift and part sale at the valuation of the 1 ¾ million dollars, but in this case had to actually pay more than half of the purchase price in cash with the gift portion being valued at less than one-half of the property's value. The Institute immediately spent $100,000 to renovate the building and rented up the space at what may have been below market rents. It worked for the Institute because it provided home office space and enough of a cash flow to justify the investment.

A look at the principles involved showed some similarity. The aging process and weak market had snowballed and the owners were not grasping the reality of what needed to be done. The reality was a renovation with a new look and strong management. The cash flows became attractive and the building has now been held for over ten years. The book value keeps declining which doesn't make the financial statement attractive, so a sale is considered.

The Institute has negotiated with some potential purchasers at around the $2,000,000 mark but hasn't closed on a sale because the Institute would remain as a tenant subject to new management, and finding the appropriate buyer at the acceptable price has not, as yet worked out. At this writing the rental market is weak, but the space is fully occupied. The location is getting better because of the surrounding development, and time is on the side of the Institute. The Institute will probable wait for a better balance in the market and sell when the buyers see an upward momentum in the rental rates. The biggest advantage to selling is that it would free up cash for another bargain purchase of similar or larger size. Cash is available for an acquisition of a smaller property. The key is to keep a balance in the portfolio.

<u>Investing in REITs by the Institute</u>

The balance in the portfolio comes into play because about a third of the Institute's assets are in directly owned real estate and about an additional third is in real estate investment trusts (REITs). On the face of it, it doesn't appear to be a very diversified portfolio. That would really worry some fiduciaries because most fiduciaries are fearful of underperforming benchmarks.

The Institute invests to support its grant programs. It took a very low risk route with U.S. treasuries because it was receiving sufficient income in the early eighties and early nineties for its programs. Indeed, it was making grants out of capital (see box). Higher yields were then not worth the risk. With the emergence of opportunities in REIT's that will be discussed shortly it was clear that the additional risk was worthwhile considering the rewards. This was especially true because the interest rates on treasuries declined, giving even greater spreads in yields between treasuries and REITs. These spreads vary over time, and it became especially advantageous to be in REITs because a cap rate arbitrage opportunity was present. The key, as always, is in understanding the system.

In the early nineties real estate markets were still recovering from the debacle of the late eighties. As you may recall, federal tax law had switched from being very liberal, which induced a great deal of development not needed in the space market. But, the capital market had pushed money into real estate anyway. Then the federal taxation reversed its exceptionally favorable treatment for real estate investors, and that along with the excess supply of rentable space, accounted for very high capitalization rates in the direct ownership real estate market.

At the same time, Wall Street was on a roll. Prices were rising, seemingly beyond reason. The real estate investment trusts participated in the rise in prices and became an attractive vehicle for raising new capital. The capitalization rates (cap rates) in Wall Street were very low. The difference in cap rates between Wall Street and Main Street (the direct ownership market) were so wide as to provide an arbitrage opportunity. Thus, the REITs could buy real estate cheaply on Main Street and sell their stock at dear prices on Wall Street. Besides, some development companies found capital so hard to get in the traditional direct equity and debt markets that they saw little option but to go public, i.e., have an initial public offering and turn their private companies and limited partnerships into REITs.

I saw that opportunity emerge as a reprise of the REIT boom a couple of decades earlier in which the mortgage REITs were operating on the same arbitrage arrangement. They eventually got into trouble because when they ran out of good construction loans they made bad loans, and when the leverage of the money borrowed from the banks worked against them rather than for them, many got wiped out. In fact it got so bad the some of the banks even lost money. When the banks lose money, you know it is really bad.

The Institute saw the emerging opportunity to invest in REITs, initially at dividend yields of at least six percent as the threshold rate with appreciation expectations. Because of the arbitrage, the appreciation occurred and the real estate holdings of the REITs expanded. The expanded portfolios of real estate by the REITs bought on the cheap permitted increasing dividends and the Institute was on the road to an increasing its REIT portfolio and reducing its treasury portfolio.

In the process of selecting REITs the Institute was doing its own analyses, actually through its wholly owned subsidiary now known as Hoyt Advisory Services (formerly Treasure Beach Corporation, not Shifting Sands). In order to evaluate the REITs the

Hoyt Group created a model that decomposed the cap rate in order to identify undervalued and overvalued REITs. [See the Hoyt web site, www.hoyt.org .] Then it expanded the model to assess the risks in the context of diversification. The diversification in REITs was practicable, not only by types of property and local economies, but by types of income in terms of long term leased property and shorter term tenancies.

The leverage used by REITs also changed, especially by some using short term debt at variable rates for long term investments. That provided the investors with opportunity to capitalize on changing rates as they were reflected changing prices of REIT stocks. The highly leveraged REITs were riskier than the lower leveraged REITs. Using the REIT Model to differentiate among the REITs as to interest rate risks, the Institute rebalanced its REIT portfolio and later used favorable opportunities to increase its investments in REITs to around the two million dollar mark, or about one-third of the portfolio.

As the risks in the underlying real estate market were increasing, the Institute adjusted the selection of REITs in its portfolio and moved towards REIT preferred stocks. The preferreds paid slightly higher yields than the common but had less appreciation potential and less of a down side risk. The real estate markets go through imbalances and then re-balance and overshoot. The stock markets also behave with volatility, including the REIT sector although the volatility is not as great as the market in general. The portfolio adjustments were re-balancing adjustments, not only on diversification by type of real estate and local economies, but also on selections of risk including consideration of leverage that entailed interest rate risks.

REITs in a Market of Irrational Exuberance

Reality is Truth. "Irrational exuberance" is a phrase utilized by Alan Greenspan, the chairman of the Federal Reserve Board of Governors, to refer to investors' behavior leading to stock market prices well in excess of that which would be justified by any reasonably expectations of returns. Rational investment theory holds that an investor is willing to pay up to the present value of expected future benefits. Some benefits may be income, but for most stocks the benefit is the price received at the time of sale, presumably based on the then present value of expected future earnings.

The "greater fool theory" holds that one may pay more than the present value of what the stock is actually expected to earn if it can be sold at a sufficiently higher price at a later date. The classic case is the tulip bubble in which unwarranted prices were paid for tulip bulbs, driving prices beyond reason, until the system collapsed. It is a little bit like musical chairs, except that you don't want the investment when the music stops. That is what happened with the NASDAQ traded high tech stocks collapsed. Investors had exhibited irrational exuberance. It was the "herd" effect that took them to investments at unreasonably high prices. The momentum investing got way out of hand.

The volatility of the stock market is nothing new. Sometimes stocks as a class of investments are overpriced, and sometimes they are under priced. According to conventional wisdom, trying to time the market is a perilous venture, except at the margin with moderate adjustments among stocks, bonds, and cash or highly liquid short term securities. The conventional wisdom is to be selective as to market segments under the theory that there are good values someplace.

The "one-on-many relationship," as in a stock market transaction, is thus a situation in which the investor must take the market as she or he finds it. When the high tech stocks were showing short term annualized returns in the double digits with the first digit being a 2 or 3 or higher, there was little interest in investments where the first of the two digits was expected to be a 1.

The principle that we are dealing with here is that one needs to take reality as it exists and develop a strategy to deal with it. The truth, as it is seen here, is that the market is not as rational as some theories hold, and the investor can not reason with the multitudes that make up the market group. That is similar to not being able to reason with the terrorist group as a group. One can however deal with segments.

<u>Momentum Draws Investors in.</u> Real estate investment trusts, commonly called "REITs," are the stocks that may be expected to yield returns in double digits with the first digit being 1 not 2 or 3. These securities are a form for investing in income producing real estate through organizations that may do some development or other related real estate service activities. According to the Internal Revenue Service they are passive entities which enables them to avoid the double taxation of "C' corporations as long as they meet certain criteria, including distributing almost all of the earned income. Thus, REITs are high dividend payers. The appreciation expectations and total expected returns cannot compete with the high fliers, but the flow of investment funds to REITs is impacted by the expectations in other segments of the stock market as well as in the REIT segment.

The principle here is that the momentum generated by some segments of a population may draw behavior from other segments in the population. In the case at hand, the momentum of some investors in high tech stocks drew other investors into that sector at the expense of what would otherwise have gone into a variety of other segments, including REITs. Thus, the investment in REITs is not confined to its own merits independent of the rest of the group. The herd effect which draws some investors to play follow the leader are caught up in a momentum that draws them away from what would turn out to be a better investment decision.

The relevance is that in the case of terrorists that are Muslim fundamentalists, they may in their zeal draw in other fundamentalists who would not otherwise resort to terror. Those drawn in are caught up in the momentum, however generated. This may be viewed as a cascading effect, or simply as sort of fashion.

Dealing with them involves considering the relationship that those fundamentalists who are followers have to the others who have interpretations of ethical behavior that are different from ours, especially with regard to the use of terror.

Dimensions of Leverage. It is more likely that would be terrorists may be discouraged by fellow Muslims than by the Western infidels. If working through others will magnify results, then we are dealing with a case of leverage.

The principle is that magnification of force is a function of distance so that the longer the lever on one side of the fulcrum the greater the power on the other side, but the distance to be moved is increased.

As to the application to REITs, one aspect is selecting REITs with consideration to the amount of leverage that is used. Some use relatively high proportions of debt while others use low proportions. There are other dimensions. These relates to the interest rate risk with the debt. Some debt is long term with fixed rates for as much as ten years. Other debt is short term and one runs the risk of changing rates when the debt matures. Some of this debt has interest based on floating rates such as LIBOR (London interbank offered rate) for short term debt with the result that interest rates change before maturity.

Additionally, one may invest by using a margined account. That is the security is used as collateral for the borrowed money. There are other methods of using the security as collateral for borrowed money used to invest in more of the security than would be bought on an unleveraged basis. At this writing there is an outstanding dispute involving a high tech investor who had lots of options that were exercised at high prices using borrowed money, and one issue in the dispute is the selection of a borrowing method that did not trigger a call as early as a standard margin account would have required.

Timing Matters. The issues for real estate investment strategy depend in some measure on time horizon. The leverage can be as useful device for catching the benefit of short term swings in the market. By way of contrast, for some long term investors, especially those that want income and some real estate in their portfolio, REITs are a reasonable selection unleveraged in purchase and low leveraged within most of the REITs. An added consideration is payout ratio.

Payout ratio relates to the ratio of the dividends to the cash available for distribution. This is not the same thing as earnings, in part because depreciation reduces earnings and the booked amount of depreciation bears little relationship to current cash requirements. There is more than one measure of cash available for distribution, but the key is that if the investor is buying for the dividend then the payout ratio is an indication of risk of dividend reduction.

Dividend reductions or increases generate great impact on traded prices of the security. The risk assessment of a REIT may then focus on dividend changes and price changes, which are related. However, prices may also change unrelated to dividends, and indeed unrelated to anything to do with the income of the REIT. The price may change because of changes in other segments of the capital market.

This brings us to the question of picking the right time in which to add to the portfolio or to reduce the portfolio. The reduction is easier that the addition. The reduction of the portfolio may be approached by looking at yields from REITs as compared to alternative income investments. Some growth may be expected in REITs, but they are by nature not growth type stocks, even though some REITs have tried to be, and some investors believed in it, to there dismay. Simply put, sell when the security is over priced. The over price is usually measured by yield spreads as compared to treasuries that are narrow by historical standards, and or premiums over net asset values of the underlying real estate.

The buying might be similarly approached by simply reversing the indicators. However, the behavior of others provides an additional option. The others refer to the various segments of REIT investors. These include dedicated REIT mutual funds, non-dedicated mutual funds, pension funds, and individual investors, among others. The individual investors' behavior may be further segmented to include the long term investors and the traders. The pension funds are usually followers. The dedicated REIT mutual funds have to go into REITs. It is the non-dedicated mutual funds that not only produce volatility in the REIT market, but that are typically the early movers.

The option, in addition to looking at attractive yields, is to buy and keep buying as long as the yields are attractive, but watch the segments that are driving down the yields (that is pushing up the prices). Movement by the non-dedicated funds heavily into REITs will drive up the prices. That flow of funds is a cautionary signal.

The principle here is that timing is critical. One should put time on one's side.

The classic application of the principle of timing being critical, in the case of securities in general is to buy a little late and sell a little early. Extrapolation misses the turning points, and it is the turning point that counts. In other words, leave something on the table, but put timing on your side by being there early enough to be able to get the benefit of the rise and have the staying power to be able to ride the cycle if you miss the turning point.

Putting time on one's side in the case of the war on terrorism involves a strategy of defeating the enemies timing. Remember, strategy is an interactive endeavor when others take actions that influence your actions and your actions influence theirs. Under this situation the timing is critical to deny them weapons of mass destruction, especially when there is an exhibited willingness to use such weapons.

Since the terrorism against the United States started with the hostage taking from our embassy in Iran, we obviously have been moving too slowly. This is further noted in that the cessation of hostilities in the Gulf war was predicated on Iraq's disarmament of weapons of mass destruction, and that disarmament promised was not delivered. We again violated the principle. Time was on Saddam's side because he could continue toward a greater store of weapons of mass destruction, and especially toward nuclear weapons.

If the weapons are already possessed, the case is different. The focus then shifts to conditions of willingness to use. Then, the timing may be used to wear them out or change their willingness to use the weapons. We wore out the Soviet Union by out spending them to the point that they spent themselves out of existence. The case on North Korea is still open with an effort to get them to reverse their decision on the nuclear facility. Without the reversal, time is on their side as long as they are selling weapons of mass destruction.

The change in willingness is what the long haul is all about. That refers back to the what went wrong question, and Islam's ability to make economic progress. Selling the oil was not economic progress. It doesn't do it, especially when most of the proceeds go to investment in Western countries and the source of the funds is a depletable natural resource. Their local economies survive, in some measure, on the spending of the wealthy and the dole.

Returning to the flow of funds analysis for predicting levels of price movement in REITs, unfortunately, the desired data are not readily available for such an analysis. The Homer Hoyt Institute has funded compilation or specification of such data as are available and a state of the art report. There is also a start on research to enhance substantive understanding of a segment. The status of the research and some of the research results are on the web at the Hoyt site, www.hoyt.org .

Policy in Developing a Strategy for Dealing with Terrorism

Understanding Systems and Value Constraints

Societal Objectives considering Value Constraints. The United States of America is a free society that intends to remain free. It provides constitutional protection for its citizens and maintains an armed force that could defeat any other armed sovereign nation. After the September 11, 2001 terrorist attacks, it created a unit for homeland defense designed to deal with the risk of terrorist attacks. It does this as part of its way of life discussed in the third chapter of this book.

The discussion for the balance of this chapter will focus on extracting some principles from the real estate investment strategy just discussed that are applicable to the development of a strategy for dealing with terrorism, particularly over the next decade. It is important to consider the principles in the context of values in that the principles deal with the mechanism by which the processes work. The principles or mechanical relationships are the same irrespective of the values.

The values deal with the choices made. Thus, just as different investors may have different values and make different choices out of their strategies, so may different societies have different values and make different choices out of their strategies. The greatest tragedies of our time, and in history, have been from societies that were sure that they had the Utopian or other answer to the organization of society and imposed their will on others. [See Isaiah Berlin, *Crooked Timber of Humanity,* Chapter 1, "The Pursuit of the Ideal."]

Our societal objectives have a primacy on living in freedom. The difficulty is that others are threatening that freedom and simply crushing them is not an answer in that our values call for living in peace with recognition of the concept of pluralism, or at least tolerance.

We do not impose investment strategies on the members of our society. We do provide some safety nets and influence choices by incentives and discourage some choices by penalties. Thus the investor operates in a system and will do better the better he or she understands the system. The same relationship holds for a nation operating in a system of nations. This book suggests that United States foreign policy may be used to influence other nations to adopt a strategy that will assist them in competing in the modern world within the constraints of their culture.

The next chapter, Chapter 8, "National Security from Terrorists," will provide some inputs to the de facto strategy being pursued by the American administration, as I understand it, in the form of putting some ideas on the table. It is built upon the underlying values discussed earlier in this chapter.

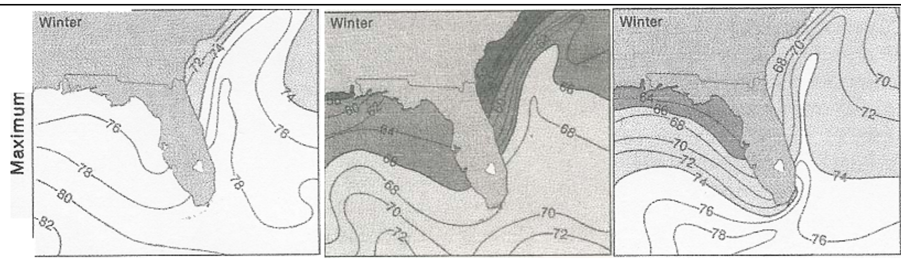
Understanding the System. This concluding section of this book, "Part III Strategic Decision Making," comprised of three chapters, focuses on some fundamental laws or basic principles that apply to a variety of disciplines. These are used to show how disciplines may draw from a unity of knowledge and reach better decisions using the strategy for dealing with terrorism as an example.

The brief discussion of the land that became known as the Green Turtle Beach project may have revealed to the reader that good decision making starts with understanding the system. Dr, Hoyt, when he assembled the parcel did so with the understanding that growth along the east coast of Florida was going to proceed in a northerly direction from the heavily urbanized areas of South Florida. The coastal area is warmed by the Gulf Stream that turns away from the east coast of Florida at just above St. Lucie County in which the land is situated. See the box that follows. [Contains map from page 35 of *Atlas of Florida*].

NATURAL ENVIRONMENT

The Gulf Stream is a current of warm water that flows out of the Gulf of Mexico, eastward past the southern tip of Florida, and northward along the Atlantic coast. The temperature pattern indicates the position of the Gulf Stream in most of these maps of sea-surface temperature. Its day-to-day changes and its meandering path, however, cannot be seen on these maps. The color pattern indicating sea surface temperature shown on the map of maximum winter temperature results from the effect of the Gulf Stream on surrounding water and does not define the width of the Gulf Stream itself, which is relatively narrow…

Sea Surface Temperature in Degrees Fahrenheight



Maximum Mean Minimum

Excerpted from *Atlas of Florida* ,edited by Edward A. Fernald and Elizabeth D. Purdum, page 35.

Among Dr. Hoyt's theoretical contributions was his sector theory of city growth and structure. He simply applied the theory to the coastal area and it was obvious to him that the time would come when the market for land would be so strong that it could support a high density development. His early promotion of the land showed that vision.

In fact, he has sold the land to a developer who started development but went bankrupt. The timing was a little early and the developer got caught in the down stroke of the cycle. When the Institute sold the land to Campeau of Florida the buyer had a vision of a luxury development. But, the timing did not work for them. By the time they had permits to develop the land the market had deteriorated and the land was less valuable than envisioned under the earlier circumstances. The location is great, but as discussed earlier, timing is critical. [See the end of Chapter 6, Discipline Perspectives: Organizing Knowledge," side heading of "some Underlying Principles," subheading of "Timing and Location."]

When the Homer Hoyt Institute initially acquired the land, the issues of timing, location, and markets was the relatively easy part. The really difficult part was the developability of the site. When the Institute got the land back from Campeau of Florida it understood, through research, that the realities of the market were such that even in the then overbuilt market, there was a segment of the market that could be served by development. With that understanding, the Institute started the process for a first building of 60 units through its wholly owned subsidiary, then known as Treasure Beach Corporation, now operating as Hoyt Advisory Services. The key in the feasibility of these projects is market absorption. [The absorption analysis used by the Hoyt Advisory Services (nee Treasure Beach Corp.) is published in book edited by John M. Clapp and Stephen D. Messner, *Real Estate Market Analysis: Methods and Applications*, as the chapter titled "Absorption Analysis," by Maury Seldin and R Thomas Powers.] Development would have proceeded had the State of Florida not bought the land. But, the Hoyt Institute understood the environmental sensitivity of the land and the State of Florida's interest in preservation.

Understanding how to deal with the environmental sensitivity, accompanied by massive regulation was the most difficult part of the development process. The Canadian developers were far better suited to dealing with the regulatory authorities than those who had the schemas in their minds home grown in the United States. The Canadians understood the system better because Canada is even tougher in its regulations than is typical in the United Sates.

Because of the developability risk, as discussed earlier in this chapter under the subheading “Acquiring the First Investment,” it was essential to understand the income tax system in order to be able to strike a deal that had acceptable risks to both buyer and seller. Indeed, the developability risk accounted for the great difficulty Dr. Hoyt had in finding a buyer on acceptable terms after the first developer’s fiasco. He was looking for standard terms on down payment with normal contingencies. That would not fly and he was getting on in years with the danger of dying with the land in his estate. The government would want the estate taxes in cash and the only liquidity in the land was the ocean, the inter-coastal, an interior lake, and the swamp. Dr. Hoyt had just sold a major tract of land in Fairfax County, Virginia, and the timing was right for a tax deduction for an “in-kind” contribution to the Institute that had been named for him twelve years earlier and had established a fine reputation in real estate related research on a series of soft money projects, i.e., grants received from outside sources with uncertainty as to future grants.

One of the minority interest holders, when offered the deal designed for the sale to Campeau of Florida responded that it was so convoluted and not really a sale that he would sooner give the land away than consent to the sale. He did to the Institute, and took a $225,000 tax deduction (with no capital gains tax to pay on the substantial appreciated value of his interest). It turns out that per chance he was audited by IRS. But, there was no problem. The value was reasonable. His counterparts with the other 5% minority interest went along with the sale. When the time came to try to rework something with Campeau of Florida, it made sense to buy them out for cash. That is what the Institute did for $250,000 cash.

The fall back position for Campeau if the land were not developable, you may recall was to return the land to the Institute in exchange for a promissory note with land as sole security for refund of the down payment and interest payments made up to the time of return. The land to be used as sole security for the note to be created would be valued at $1,500 per front foot and the loan-to-value ratio would be 50%. So, in the event of the return of the land for non-developability of the land in accordance with the terms of the contract, the down payment and interest payments could be recovered to the extent that there were tax savings from the subsequent contribution of land. The quantity of land to be returned to Campeau would be calculated at $750 per front foot (50% of the stipulated value of $1500 per front foot for the purpose of securing the note) and the tax deduction if Campeau chose to donate the land to an environmental conservation non-profit organization, or the state, would then based upon whatever the fair market value of the land would be, presumably around the $1500 per front foot, and the tax benefit would be dependent on the marginal tax bracket of the donor.

The relevant tax laws are designed to permit these benefits from gifts of appreciated property. It is just part of wise tax planning to know how to use the tools. That means understanding the system. And as noted in the Preface, the Homer Hoyt Institute's counsel, Thomas L. Howard, Esq., understands the taxation system.

The lesson is that the design of a strategy for dealing with terrorism will fare better if those designing the strategy understand the system better. Some points to consider in the design of strategy are now up for discussion.

First, since the terrorists were Islamic fundamentalists, it makes sense to try to understand that culture and their way of thinking. It would be an absolute disaster to assume that they would behave the same way as an American terrorist who was a fanatic on a domestic cause. Their minds do not work the same way.

In Chapter 5 the discussion dealt with the way the mind works. In summary, individuals develop a schema by which they select information for processing and then process the information in the ways in to which they have been accustomed. The Muslims have become accustomed to accepting the word of the Koran literally, but there are various interpretations. The fundamentalists have an interpretation that has a lack of tolerance for other beliefs, but other Muslims can live comfortably under a philosophy of pluralism or at least tolerance.

A strategy based upon Western non-Islamic people changing the views of the fundamentalists is doomed to strategy. We can not directly change their beliefs. The best chance for their belief change, if there is such a best chance, is through fellow Muslims. And if not belief change, then behavior change

.

An Interdisciplinary Approach. The effectiveness of a strategy in achieving its goals is likely to be influenced by its having taken into consideration the various disciplines involved. The obtaining of permits for the Green Turtle Beach Project was successful because it went well beyond the economics of the buyer and seller and the business administration fundamentals of both enterprises. It started with the ecological considerations and dealt with them realistically.

Furthermore, it was politically sensitive. Another interesting vignette comes from the sale of the land to the State of Florida. After the land got on the list for the Save Our Coasts program, I was informed that the Institute's priority listing was such that the state only had enough money to buy one-half of the land at that time, but they would give the Institute first consideration in the ensuing bond issue. The option was to sell one-half or go-for-broke and take the chance waiting for a sale of all of the interest in the next round.

As it happens the parcel ahead of the Institutes was in the county of one of the state's leading politicians. The Institute decided to sell a one-half interest in the property. So the was partners with the state until after the next bond offering, and leased the land to them for a dollar a year (and I don't remember our ever getting the dollar).

In case the reader is interested, the back-up was a division of the land if the remaining undivided one-half interest in the land were not purchased within a specified time period. That necessitated the prudence of determining the way in which the site would be split and getting an agreement as to the separation of interests. That took us back to a land use design perspective with the associated problems. But, a back-up plan was in order if one was going to be partners with the state because can you imagine suing for dissolution of the joint interests for an in-kind distribution where the adversary is the state and the court is a different part of the same state.

Beyond the politics, which existed at the local level as well as the state level, there were the implied legal issues. All of this was in addition to the initial disciplines involved from the start which ranged from various branches of engineering to aesthetics of design, and community relations. These had to be blended in the same fashion as the entrepreneur approaches his legal counsel by asking him or her not to tell him what he can't do, but rather how can he accomplish what is desired within the rules. The objective is to design a way to go forward, or shall we say, make progress.

Applying an interdisciplinary approach to dealing with Islamic issues is no small task because the paradigms are different. As will be discussed in the next chapter, some of the leading social scientists that are Muslims object to attempts "to emulate western social science, particularly political science." As is noted in the quotes in that chapter, "...the first priority... must be the development of integrated academic disciplines of economics, politics, and sociology, and alternative operational models for a future civilization of Islam."

As an additional preview, at least with regard to the segment of the Islamic rooted academic community, the thrust of the thinking is that the Muslim academics, instead of engaging in a "cosmetic tampering with what remains essentially a western system of knowledge," ought to be

> "Developing, defining, articulating and promoting the intellectual basis of the global Islamic movement, particularly in the crucial areas of political thought and the social sciences. A major part of this work must be to break the stranglehold which western ideas and thinking have on the minds of Muslims."

Now, the great challenge is to have the Muslim leadership see the same principles for their quality of life as we see for ours, but within their value system, not ours.

<u>Some of the Principles Revisited</u>

Remembering that it is behavior that is our concern for national self-defense, not belief, we need to look towards policies that will influence behavior. This is discussed in the next chapter. But to the extent that we wish to pursue any influence related to belief it would be better done though their fellow Muslims. That is a matter of leverage.

<u>Leverage.</u> That same principle of leverage may apply to behavior. From what I have read [see for example, Chapter 4, side heading "The Terrorist War on America," subheading "Toward Understanding Islam" and then "Additional Perspective"] Saudi Arabia is not the friend we pretend she is. Maybe the terrorist attack against Americans in Saudi Arabia will cause her to adjust her position against terrorism, but it will not be easy to find a suitable route for the leverage.

Afghanistan, and now Iraq, may offer opportunities as new administrations develop strength. The critical element in both these cases will be balance, both in the representation of the diversity of populations and in the ability to deal with other nations, i.e., internal and external balance.

Balance. Imbalance causes structures to topple. That was the case in the previous authorities running Afghanistan and Iraq. Imbalance also may run amuck as with a cancer.

One way of looking at that is to consider thinking network. A strategic approach might look at the series of countries that are not free and ask what in the course of human events would be likely to improve their quality of life. We thought of the reverse under the "domino effect" thinking of an earlier era.

Inertia/Momentum. Inertia is the law that bodies at rest tend to remain at rest and that bodies in motion tends to remain in motion. It comes from physics, but the principle is applicable to societal activity. Systems tend to continue doing what they do unless forces are present to make change. Unfortunately, now the momentum is for terrorism.

Motion is the natural state of affairs, or as said in real estate appraisal, change is ever present. That is, the natural state of affairs for living things is to grow and die, and then decompose. There is a never ending process of change.

Change is evolutionary when progress is made by structural changes that adjust to external forces. Societies evolve as do plants and animals. The challenge is to get structural change that does away with the terrorism.

Timing and Location. The discussion under "Leverage" is relevant to location in that the issue is where do we find the vehicle for leverage in pursuing the peaceful solution to the problem. That can be with nation states or with segments of the population that are in such states. The question is the timing for a particular location. That will be addressed in the next chapter.

The timing and location principle can be looked at as part of the think linkages issue. There are terrorist cells world wide. They develop out of a linkage process. It makes sensed to deal with neutralizing them also using a linkage approach. The challenge is to start a cascade of eradication of terrorism. If that is not practical, then the challenge is an eradication of terrorists.

Chapter 8: National Security from Terrorists

The purpose of this chapter is to develop some aspects of a strategy for dealing with terrorism as a step towards the creation of a New Age of Enlightenment by moving closer to the concept of unity of knowledge through application of some fundamental principles to an interdisciplinary problem. The previous chapter showed applications of principles to real estate, many drawn from other disciplines. It identified some principles applicable to the development of a strategy for dealing with terrorism. This chapter shows that some of those principles may be applied to the development of a strategy for dealing with the terrorist threat by outlining a strategy.

Some Thoughts on Intractable Intellectual Segments

When a wisdom challenged decision or act is encountered, there are a variety of choices on how to deal with it. It can be fought or accepted. It can sometimes be negotiated. Other times, a recurrence may be prevented or discouraged. There may also be other options.

This discussion is not an attempt at a comprehensive solution. Rather it is designed to shed some light on what appears to be ways in which to deal with the apparently wisdom challenged decision. “Wisdom challenged” is not simply meant as a politically correct way of saying that the decision was stupid. The decision (or decision maker) may have been. But, from the decision maker’s perspective it may have been reasonable, or at least understandable given the value system and emotional situation. There may be little or no hope in changing the perspective because the paradigm is set and the decision was but part of a deeply rooted perspective. The key is in identifying what can be changed and what cannot be changed, long and short run considered, and then dealing with the situation within those parameters. That involves a strategy.

Strategies differ substantially depending upon the type of relationships involved. It is therefore useful to consider the commonality of two types of relationships that deal with a group whose actions impact the party needing a strategy to deal with the decisions that generate the impact.

One type of relationship is the one-on-many relationships as in a stock market transaction. In such a market situation, the many are setting parameters in which transactions are likely, so one is dealing with an unorganized group and ultimately an individual party with whom a deal is struck. However, the unorganized group may have a variety of connections that provide substantial commonalities in behavior and may in fact be a network. The strengths of connections between the nodes may vary, but the deals are struck with a node whose behavior may have been influenced by the other nodes.

Here the discussion builds on the irrational exuberance in the form of excessive flow of funds to segments of the stock market as discussed in the previous chapter. The example showed a timing strategy for long term investing in real estate investment trusts (REITs). The relevance here is that we need a long term timing strategy for dealing with terrorism where timing is on our side in that we will not burn out our resources. As an example of the nature and importance of time on one's side, consider one explanation for the demise of the Soviet Union. We outspent them and they did not have the resources to continue with their structure.

Another type of relationship is a group-on-group relationship. This may be between governments, or between communal or other organizations. The case to be discussed here will be the government of the United States, possibly with allies, in its war against terrorism. The terrorists are a series of groups, which may include governments. The network concept still applies. The difference here is that there is an interaction of two networks to form a single larger network. Our action as a government is one of a series of nodes in which the other nodes are our allied governments and may be acting in concert based upon certain agreements. Or, as with France in the Iraq case, the cooperation was not forthcoming. This is different from the previous case of the individual acting independent of others, i.e. not in conspiracy, in relation to network behavior of the others.

Conspiracy is a criminal act when applied to domestic behavior to affect markets. Internationally it is called cartels and apparently there is no sovereign entity to make it illegal, and the domestic entities seem to like to participate in such arrangements when their business interests are part of the cartel. Domestically cooperation among local governments is called cooperation, not conspiracy. The difference is in who are the parties conspiring or agreeing to concerted action which may or may not be a secret or legal. The concerted action affects the markets beyond the way in which independent individual action does. Indeed, concerted action by a few may start a snowball effect by others chiming in as with mob action or simply synchronizing as in applauding a performance or chanting slogans. The snowball affect is what is referred to as cascading in the science of networks. [See earlier discussion in Chapter 6, side heading "A Contemporary Problem and Progress," paragraph heading of "Cascading."]

Groups by nature may be composed of segments, and the segments may have different views and reasoning. In the case of investing in REITs the groups included individual investors, institutional investors, mutual funds among others, and these segments may behave differently. In the case of terrorists the group includes various cells not part of formal governments and a variety of different governments that aid and abet terrorists in one way or another, or directly engage in terrorism. Patterns of behavior also vary among the segments of this group. Furthermore, the Muslim terrorists are but a small segment of the larger group of Muslims which have a diversity of beliefs based upon different interpretations of the Koran, and they live with different life styles depending upon their local culture and their personal perspectives. The diversity among the Muslims may set off some fundamentalists to deny that the others claiming to be Muslims are not true Muslims. This is a frequent characteristic of fundamentalism in Christian and Jewish fundamental sects as well as with Muslim fundamentalists. The major difference is that the violence attributed to fundamentalism is less frequent with the Christians and the Jews.

The conflicts involving fundamentalists start with different religious perspectives within the same religion. The conflict with those of other religions may become a follow-on. It may therefore make sense to work through those who have views commensurate with our own views.

If we take a network science approach, the issue may be stated as how do we get a snowballing effect in mustering support from allies in order to enhance our impact through the snowball effect in the toppling of terrorists nodes; also, what do we need to do to stem the tide of hate that supplies the followers. All of this has to be within the parameters of our collective value system.

The intent is to exert a force, yet to be described. In the case of Afghanistan and the Taliban, the force was that necessary to pursue Al Qaeda at its locations within Afghanistan. The Taliban did not choose to cooperate and so was removed from authority, an authority not generally accepted in international circles one might add. In the case of Iraq, Saddam Hussein as a despot chose not to honor the commitment to destroy his weapons of mass destruction and not to peacefully provide for a change in regime, so force was used to remove him from authority and power.

In the case of Iraq, the leverage of the United Nations was not forthcoming, attributable in some measure to the economic interests of France and Russia. Some allied support was obtained and sufficient force was exerted to change the regime in Iraq. That same force, has as yet, at least not as of this writing, been able to restore economic order, in part because of the pervasive lawlessness, especially looting and bounties put on killing Americans by remnants of the Saddam regime and/or their supporters.

Internally, with regard to the lawlessness, the momentum needs to be reversed. This involves understanding what are these people thinking? They have lived under a despot for a quarter of a century and are accustomed to a repressive regime. Are the liberators going to be forced to be repressive in order to restore an economic order? What will it take to develop a functioning free society that does not impose a terrorist threat to our national security? And, if a free society is not practicable under present circumstances, what transition process is desirable and feasible. These are some of the questions to be dealt with as part of the strategy for reducing or eradicating terrorism, especially because the same issues may arise if other administrations are toppled, and that may well be in the cards. The key in the strategy is how to get the snowball effect of removal of terrorist threats without having to keep going after nations that harbor the terrorists, or otherwise pose the threat in such proportion that it becomes too risky to let them stand.

The peaceniks would wait until the threat had gained excessive power and would have long passed the points of first shot and best shot. The earliest signs of cancer are not necessarily definitive. But the longer one waits for certainty the more drastic the action required. The action may go from cutting to burning and poison, i.e., from surgery to radiation, and chemotherapy. In the case of terrorism and cancer, the best shot is a matter of timing to protect and enhance the favorability of balance to whatever extent it exists. The first shot of terrorism in the present war was taken in 1979 assuming the war started with the occupancy of the U.S. Embassy in Iran and the jailing of American diplomats in 1979. The war started by their side because that act changed the rules. [See Chapter 4, side heading "The Terrorist War on America, subheads Toward Understanding Islam, Fundamentalism.] Since that time, for over a decade until shortly after September 11, 2001, the balance in the war effort moved. It did so because we failed to recognize the significance of the actions and act decisively to deal with it. It was only after the 9/11 terrorist attacked that the United States government policy recognized the threat for what it is, and mobilized to combat it. The balance started to shift with that recognition, and the first watershed mark may well have been the removal of the Taliban from their power after they passed up the opportunity to cooperate. Our position on the balance in the conflict strengthened with the regime change in Iraq and so now we have the momentum. The issue on the table is the strategy for making greater progress.

Principles that are up for application in developing a strategy start with those involved in application of network science. One needs to take reality as it exists and develop a strategy to deal with it. As in this case of the stock market in which there is the absence of rational behavior on the part of some investors, and we as other investors cannot reason with the multitudes that make up the market group, we are similarly not able to reason with the terrorist group as a group. One can however deal with segments.

> *The principle here is that segments of the larger group generating the impact are interactive in that the segment of greatest interest to our issue is not completely independent of the rest of the group. We need a strategy to operate focused on segments.*

It should be noted that the segments of Islam do not have a history of mutual cooperation. See discussion in the box in the last section of Chapter 6.

> *An additional principle here is that timing is critical. One should put time on one's side. Furthermore, we should neutralize the terrorist nodes in such a fashion as to reach the point of a cascading effect, i.e., a snowballing of neutralization of terrorist cells and a neutralizing of their support system components.*

Behavioral Economics

The behavioral theory that is applicable is still at an early stage of development. In economics, the emerging field is called "behavioral economics." It is in contrast to our accustomed to thinking in terms of the "rational man." That is, traditionally, we assume rational behavior meaning "that individuals maximize some target function under the constraints they face in pursuit of their self interest." Joachim Winter provides this definition and some related terms as follows: "The term *bounded rationality* is used to designate rational choice that takes into account the cognitive limitations of both knowledge and cognitive capacity. Bounded rationality is a central theme in behavioral economics. It is concerned with the ways in which the actual decision-making process influences decisions. Theories of bounded rationality relax one or more assumptions of standard expected utility theory."

We don't really have a good theory, as far as I know, of the system that combines the emotion and the reasoning. What we do have is some understanding that people may try to be rational to some degree but fall short. Duncan Watts in his book, *Six Degrees of Freedom*, writes as follows;

> "In the 1950's, Herbert Simon…pointed out that as mathematically attractive as it might be, rational utility maximization is ultimately a made-up theory, and so can only be considered a good description of human behavior to the extent that it actually works, if empirical evidence, not to mention common sense, suggests that people do not behave rationally, then why not make up a theory that is more plausible? Replacing mathematical convenience with intuition, Simon proposed that people *try* to behave rationally, but their capacity to do so is bounded by cognitive constraints and limited access to information. In short, they exhibit what he called *bounded rationality*. [Page 211.]

Behavioral Finance

There is also an emerging area of behavioral finance. According to Andreas Laschke,

> "Behavioral finance is a discipline within the field of finance which seeks for psychology-based theories to explain such anomalies. Within the behavioral finance paradigm it is assumed that the information structure and the characteristics of market participants systematically influence their investment decisions as well as market outcomes."

He also writes,

> "Despite strong evidence that securities markets are highly efficient, there have been scores of studies that have documented long-term historical phenomena in securities markets that contradict the efficient market hypothesis and cannot be captured plausibly in models based on perfect investor rationality. Such phenomena are often referred to as stock market anomalies."

He is part of the behavioral finance group at the University of Mannheim which seeks to "better understand and describe financial markets by the implementation of behavioral concepts." On their web site they write,

> "As opposed to classical economics, behavioral finance centres on the behaviour of market participants. The discipline is a critical observation of [the] way investors select and process information before a decision and of how that decision ultimately guides subsequent research. The discovery of anomalies reveals that there are limits to human rationality. Moreover, when errors do appear, Behavioral Finance demonstrates that most people make the same mistakes at the same time. This means that the errors are systematic and, therefore, forecastable."

As indicated by the earlier quote, one way to deal with this so-called irrational behavior is to get a better understanding of human behavior so as to better forecast the events. Simply put, the old model of economic man doesn't work anymore. Consider the following few paragraphs from Thomas Scoville's commentary on Robert Shiller's book, *Irrational Exuberance.*

> "Classical economists continue to defend the still-largely balmy investment climate with the argument of 'market efficiency:' All financial prices accurately reflect all available information at all times, both 'hard' (revenues, profits), and 'soft' (revenue projections, prospects, competition). As you might imagine, from this premise springs a body of largely mathematical models to describe and rationalize the mechanics of this alleged efficiency."

Shiller counters, "Economists have certainly made progress in understanding financial markets, but the complexity of real life continues to prevail." He steps outside the mostly mathematical realm of economic theory and integrates a much broader range of disciplines than is usually considered in writing about the market. Finance, portfolio theory and macroeconomics only take us part of the way, he declares, then turns the social sciences loose on the problem. It is primarily this consideration of human nature and the cognitive landscape that brings him to conclusions so radically divergent from the "efficient markets" school of thought. Markets, Shiller argues, can't be perfectly efficient or rational because people aren't efficient or rational.

He backs up this assertion with a litany of studies highlighting the swings and vagaries of human attention as directed toward the market: Herd behavior, or the finding that people who communicate regularly think similarly; the myth of fully independent judgment, or how people tend to cave in to the wrong answers when trumpeted by their peers; the "shocking" experiments of Stanley Milgram suggesting a universal tendency to suppose that when experts say something is right, it probably is, even if it does not seem so; the amazing human capacity to simultaneously hold conflicting beliefs with no apparent discomfort; a variety of investigations pointing to the proposition that in general, people think they know more than they do.

Research is a vehicle for better understanding behavior, and with application many investors could adjust their investment policies. But, the facts are that, whatever there reason, or emotion, many do not adjust. Thus, for others, the key is to understand the system and act accordingly.

That is sometimes known as "working the system," although in some contexts it has a negative connotation. The case that comes to mind is the abuse of rules while conforming to the letter of the regulation. However, in other cases, simply knowing (or believing that one knows) that the market is exhibiting irrational behavior, and that later adjustments will follow, is a sufficient guide to action. In other words, in the one on many relationship, if on can make reasonable forecasts of what the many will do (rational or not), and one is powerless to significantly alter the course of those events, then a way to deal with it is simply to adjust ones own behavior based upon the expectations of what will happen.

The principle here is that some participants in the process ***will not rationally adjust*** *to changing conditions and policies should consider their intransigence. A second principle is that* ***institutional changes will cause some of the would-be intransigents to adjust*** *as a result of the changes in the system.*

Institutional change is underway in the securities market. These include requirements of disclosures of conflict of interest, provision of independent research, and other measures designed to deal with the abuse of the system, especially by securities brokerage firms that also do underwriting. What is needed are measures that are comparable in function, but stronger in effect, for the issues dealing with terrorism.

Behavioral Politics

I have not come across any use of the term "behavioral politics." But if we have behavioral economics, why not behavioral politics. The predecessor to economics was political-economy. Then they split. Reunite them or not. But if not, let us apply the concepts under the theory of consilience.

The literature referred to in this book certainly is a start to understanding the behavior of the Islamic extremists who have resorted to terror, especially the Bernard Lewis book, *What Went Wrong? Western Impact and Middle East Response.* The author is a historian who received his Ph.D. degree in history from the University of London in 1938. He taught there until 1974, excluding the years of 1940-45 during which he served in the British intelligence. Professor Lewis then taught at Princeton University., now serving in an emeritus status as the Cleveland E. Dodge Professor of Near Eastern Studies.

Another historian has referred to Professor Lewis as "the patriarch of all Islamists." Many of his works are translated and read in Islamic countries. In the preface of one of his books published by the fundamentalist Muslim Brotherhood in Egypt, the translator wrote, "I don't know who this man is, but one thing is clear: He is either a candid friend or an honest enemy who disdains to tell lies." Apparently, with six trips to Washington D.C. in the three months following the September 11, 2001 attacks, his telling it as he sees it, is useful counsel. The book was in page proof on September 11 so that it does not purport to "deal with [the attacks], nor with there immediate causes and after-effects. It is however related to these attacks, examining not what happened and what followed, but what went before - the larger sequence and larger pattern of events, ideas, and attitudes that preceded and in some measure produced them." This last quote is from the preface of the book.

The concluding paragraph of the book is as follows:

> "If the peoples of the Middle East continue on their present path, the suicide bomber may become a metaphor for the whole region, and there will be no escape from a downward spiral of hate and spite, rage and self-pity, poverty and oppression, culminating sooner or later in yet another alien domination—perhaps from a new Europe reverting to old ways, perhaps from a resurgent Russia, perhaps from some expanding superpower in the East. But if they can abandon grievance and victimhood, settle their differences, and join their talents, energies, and resources in a common creative endeavor, they can once again make the Middle East, in modern times as it was in antiquity and in the Middle Ages, a major center of civilization. For the time being, the choice is theirs."

Although a web search for information on behavioral politics as a topic was not fruitful, some information on an interdisciplinary effort in the Islamic movement appears on the web. The following is from the Institute of Contemporary Islamic Thought:

> In Beyond the Muslim nation-States (1977), he [Dr. Kalim Siddiqui] critiqued both the existing political order in the Muslim world and Muslim attempts to emulate western social science, particularly political science. Both studies led him to similar conclusions: that, in the words of The Islamic movement: A Systems Approach, 'the first priority... must be the development of integrated academic disciplines of economics, politics, and sociology, and alternative operational models for a future civilization of Islam."

An excerpt from that paper was quoted in the web site of Muslimedia: November 16-30, 1999 as follows:

> "...the Muslim political scientist must ask himself a simple question: is he any different from non-Muslim political scientists who have identical degrees, university posts and publications? The honest answer is 'no'... In fact, the Muslim [social scientist] is the standard 'believer' in Islam, but his science is non-Muslim. The Muslim 'faithful' and the non-Muslim political scientist live in the single individual side-by-side and are the cause of much confusion. And when this schizophrenic 'Muslim political scientist' sets out to pronounce on 'the political theory of Islam' and 'the Islamic State', the confusion is worse confounded."

The piece was titled, "Western social sciences and Muslim social scientists Muslims." The quote was the lead to the piece. The next paragraph is as follows;

> "The formulation of Islamic disciplines equivalent to the western social sciences was one of the Muslim Institute's key objectives when it was established in the 1970s. Dr Kalim regarded this an essential pre-requisite to the re-emergence of Islamic civilization. The Islamic Revolution in Iran in 1979 changed the Institute's priorities to the study and service of the resurgent Islamic movement. Twenty years later, Dr Kalim is no longer with us; the Muslim Institute is sadly defunct, although some of its work is being continued by the Institute of Contemporary Islamic Thought (ICIT); the Islamic State is functioning as a prototype Islamic society for the future; and the Islamic movement is an established force for change in the world. But the problems facing Muslim social scientists, and the challenge of developing Islamic understandings of social issues, remain largely unaddressed.

The thrust of the thinking is that the Muslim academics, instead of a "cosmetic tampering with what remains essentially a western system of knowledge," ought to be

> "Developing, defining, articulating and promoting the intellectual basis of the global Islamic movement, particularly in the crucial areas of political thought and the social sciences. **A major part of this work must be to break the**

> **stranglehold which western ideas and thinking have on the minds of Muslims** [emphasis added]."

That quote is from the Institute of Contemporary Thought's introductory statement on its web page. Some further information about the Institute of Contemporary Thought (ICIT) is as follows, also from the same site:

> "The global Islamic movement is the dominant new reality in history. **The aim of the movement is to re-establish Islam as a source of power and justice in all Muslim countries, and throughout the world.** [Emphasis added.] At its broadest level, the sole aim of the Institute of Contemporary Islamic Thought (ICIT) is to contribute to the work of the global Islamic movement as best we can…"

> "The Institute of Contemporary Islamic Thought (ICIT) was established in 1998 to continue the work begun by the late Dr Kalim Siddiqui (1931-1996), who was Director of the Muslim Institute, London."

The indication is that there is a rejection of Western thought and an effort for Islam to develop its own counterpart disciplines. The following, from the Muslimedia piece, sums it up.

> "The problem is simple: the western-trained Muslim looks at Islam and society through a western framework of understanding. Instead of understanding society and the world through Islam, he (or she) tries to understand Islam in terms of the western concepts which he knows. Thus, in the politics workshop, the discussion revolved around the 'compatibility' of Islam and democracy, and the need to implement 'neutral democratic values' (such as social justice, freedom of speech and human rights (as though Islam is lacking in these areas) in Muslim societies. Instead of non-Muslim concepts being studied, understood and judged according to Islamic values and standards, we find the westernized Muslim intellectuals trying to understand, and daring to judge, Islam through western eyes and according to western standards. This is inevitable because that is all they know, but it cannot possibly be correct."

They have a point in that their values are different although with a great deal of overlap. Furthermore, the point is that they want to use their values in the structure of their society. That fits with pluralism and they can develop it on their own if they like. They do see it as interdisciplinary, which helps.

The emphasis added part reads to me as though these are fundamentalists that are looking to extend their authority beyond the Islamic countries to the rest of the world, or in their words "in all Muslim countries, and thought the world." If that means to impinge our freedom, that is a serious problem because we intent to remain a free secular society.

Having said that, perhaps some moderate Islamic social scientists can figure out how to build a free society on Islamic values. That may require a separation of church and state, but it can use sharia as a basis for civil law and use a constitutional protection to prevent a tyranny of the majority. If that is too much to ask from a predominantly Muslim country, then it can make whatever progress it can make, but the line is drawn on terrorism that is intended to destroy our way of life.

The big difficulty that they face is that there are many local areas that want the benefits of some modernization but are denied the liberty of pursuing it. The despots are protecting their power. Sometimes that power is challenged by the fundamentalists who would change the regime, but not bring freedom. Historically, the United States government has supported the non-communist tyrants when the alternative was the tyranny of communism. The more recent parallel is supporting non-Islamic tyrannical regimes when the alternative was a tyrannical Islamic regime. The idea is to foster a third option, a regime with liberty built within the values of Islam.

From a social science perspective, the design of an approach to the third option may include building a generic model of a system that engenders the Islamic values in a social, political, and economic structure. We have examples of models of the city as a system based upon American culture. (See the discussion at the beginning of Chapter 2.) The scope of a model to be developed may well be focused on a single country, particularly one assumed to be of predominantly Muslim population.

These city models generally have an economic sector, a social sector, and a political or governmental sector. Additionally, depending upon purpose, the model may have environmental or other sectors. Social sciences have progressed far enough that solutions to problems within a single discipline are reasonably doable for a wide range of narrow problems. The most difficult problems are, however interdisciplinary. And, they are usually the most relevant problems to improving the quality of life. The great challenge is in blending the disciplines to come up with an interdisciplinary solution.

The idea is that we should be moving towards an interdisciplinary model. That may start with a comparative analysis of Islamic and Western perspectives of sociology, economics and political science, but ultimately must blend them to be able to get an interaction among the various sectors. Such an interaction model will enhance the predictive ability of proposed programs intended to enhance quality of life. The model needs to be built upon a set of dimensions that encompass the relevant values of the subject culture.

An Application of the Concepts and Principles

An application of the concept of consilience may lead one to conclude that if Islam wants to apply social science disciplines to dealing the problems of what went wrong then it needs to extract the principles and put them in its own paradigm in which all knowledge starts with the revelation of the Koran. Aside from the great difficulty of misinterpretation, there is the problem of bias instead of preference. This latter point is elaborated upon in a subsequent section of this chapter, “A Renaissance of Islam.”

I am not optimistic about the Islamic institutions referred to in the preceding quotations because of their apparent fundamentalist interpretations. I am however hopeful that there are other social scientists of Islamic origin who can bring the principles of the social sciences to applications appropriate to cultures different from those from which the principles emerged. As is also discussed later, the mathematical relationships are no different even though the base numbering system and symbols may differ. It may require expanding theory to conceptualize a system of the sharia, Islamic law, as being at the heart of the social science applications for Islam, but it could work if it is only perspective or preference, and not bias. That is a different case from the church insisting that the sun revolved around the earth as it did in forcing Galileo to "retract his assertion that the earth moved around the sun." [But, a Rohmann writes in his *A World of Ideas,* "Legend has it that immediately after recanting he murmured under his breath, 'But, it still moves." [Page 155.]

The strategic approach to be discussed implies that we should be fostering this interdisciplinary applications in order to better understand what a different culture would need to do to make the progress we have made under a system that was freed from the domination of the church and royalty, and where reason was constrained as it existed before the Enlightenment. Many Muslim fundamentalists need some enlightenment but want a reversion to an earlier era.

Unfortunately, there is typically an attempt to dichotomize. According to Stephen Jay Gould in his last book, *The Hedgehog, the Fox, and the Magister's Pox,*

> "From the dawn of recorded human rumination, our best philosophers have noted, and usually lamented, our strong tendency to frame any complex issue as a battle between two opposing camps." [Page 81.]

Gould further writes,

> "Nature does not dictate dualities, trinities, quarterings, or any 'objective' basis for human taxonomies; most of our chosen schemes, and our designated numbers of categories, record **human choices from a cornucopia of possibilities offered by natural variation from place to place**, and permitted by the flexibilities of our mental capacities [emphasis added]. [Page 82.]

Gould was focusing on the dichotomization between the sciences and the humanities, but the principle is the same. The alternative view might be stated as one in which phenomenon are generally in a continuum rather than polar extremes. In contemporary jargon, we would do better to view things as analog rather than digital. The principle from the new science of fuzzy logic is as follows, "The fuzzy principle states that everything *is a matter of degree."* [From Bart Kosko's *Fuzzy Thinking: The New Science of Fuzzy Logic,* page 18.]

This is especially applicable to the concept of Westernization, as will be discussed when we get to discussing the secularization history of Turkey [near the end of this chapter].

The same point of dichotomization is relevant to our discussion of fundamentalism and renaissance along with change. Rather than dichotomy, we will be discussing segments, but the idea of fuzzy boundaries or continuums still applies.

The principles discussed earlier, upon which this section is focusing, relate to the point that even though some segments of any population may be intractable, none of the segments are totally independent of the others. Since there is an interaction among the segments, the best chance of change is through that interaction. The last sentence of that italicized paragraph [In the first part of the section with the side heading "Some Thoughts on Intractable Intellectual Segments"] is, "*We need a strategy to operate focused on segments.*"

This is not to say that every segment becomes tractable at some time. The second italicized paragraph contains the sentence, "*One should put time on one's side.*"

The other principles discussed earlier also come into play. We are looking to tip the balance in the network of Islamic states and other population segments to take on the effort to fight terrorism, or other wise be supportive of the war on terrorism. For some segments we can settle on their not being permissive to the terrorists.

The principle of leverage comes into play in that instead of trying to bring some segments around directly, it may be more effective to work through the entities that are closer in ethnicity, culture, or other interests. The idea is to work through those who have strong relationships. The key is to build a momentum in which a network effect of cascading occurs. This brings us to further discussion of the strategic approach. The box that follows, however, contains some quotes from a *U.S. News & World Report* article that supports some of these principles with some events recent to the drafting of this section of the chapter.

"**The Facilitator.** The efforts of the Jordanians are especially valued by U.S. officials. Their interrogators are used not only at al Jafr but also at other U.S. detention centers…'It's not that we have better interrogators,' the Jordanian agent explained. 'But when you want to interrogate a fundamentalist, it is not easy to get into his mind when he considers you an infidel.

"In the parlance of the intelligence world, such ties with friendly spy services are called 'relationships….

"It is impossible to overestimate the importance that our Arab allies played – the Jordanians, the Egyptians, the North Africans,' explains Roger Cressey, the former terrorism expert on the National Security Council. 'They understand them better, they penetrate the cells – we certainly didn't,'

"The Pakistanis, however, draw the most praise. Pakistan served as a midwife to the Taliban, helping bring the radical regime to power in neighboring Afghanistan. But after 9/11, Pakistani President Pervez Musharraf turned on a dime and cracked down on al Qaeda terrorists who sought refuge in his country.

That policy netted the war on terror's biggest fish.' [*U.S. News & and World Report,* June 2, 2003 Page 27.]

A Strategic Approach

Earlier in this discussion [near the end of Chapter 4, under the paragraph heading of "The Bush Doctrine] it was noted that, "Our nation has developed a three pronged effort to counter the attacks of September 11, 2001. That effort is focused on

1. Finding the perpetrators and bringing them to justice,
2. Undermining their financial ability to pursue terrorist activities, and
3. Enhancing our security measures in an effort to deter terrorism."

Those measures are essentially defensive and preventative. The preventative aspect focuses on the reduction of ability, rather than on the influence on their willingness to attempt to destroy us and our way of life.

Perfective Approach

The program is appropriate, as far as it goes. A comprehensive strategic approach requires what has been called a "perfective" approach rather than relying only upon preventative and curative approaches. Using a medical analogy, preventive measures are those such as inoculation against a disease. Curative measures are those such as taking medication once the disease has struck. Perfective measures are those such as eating the right foods and having the health habits that do not produce an environment that will facilitate the disease striking. And that if the disease does strike, the natural systems should be able to combat it. The box that follows elaborates on the perfective approach.

The Three Levels of Meeting Problems*

What happens when we are sick?

We turn to a doctor to cure what is wrong:
To stop an infection or repair an injury.
It is the most familiar way to treat an illness
- *after* it has occurred.
This is the CURATIVE level.

There is another level of medicine.
We now vaccinate to prevent polio;
And science continues to find new ways to
Protect us from disease after disease.
This is the PREVENTIVE level.

There remains a third level in the care of
our bodies. Medical science seeks not only to
cure and prevent illness but also to perfect
our health; to bring new strength and zest into
our daily life through fullness of health.
.
This is the PERFECTIVE level.

And wherever we turn, we find the same
Three levels of meeting any problem….

IN OUR NATION Democracy is an unfinished business in our land.

At the Curative level	Pass laws to eliminate legal injustice and economic hopelessness, wherever these may remain in the United States.
At the Preventive level	Recognize fully the interdependence of all groups in our society and all parts of our nation; realizing that no one can be sure of his freedom, or of his livelihood, when others are restricted in theirs.
At the Perfective level	Advance from adequacy to excellence in American Life; setting still higher standards of achievement for ourselves , and in service to mankind.
IN OUR WORLD	The nations of the world continue to fear each other.
At the Curative level	Deter force by force – in competing blocks of nations which divide the world.
At the Preventive level	Create an enduring world order through world law, maintaining the peace through a world police.
At the Perfective level	With the peoples of the world now living within sight and sound of each other, *live as neighbors, everywhere on earth* – working to increase together all that is good for the Family of Man.

Whoever we are-

Whether we find the problem in ourselves, in our family, in our work, in our city, in our nation or in our world – what we do about our problems is ultimately determined by our character. And each of us is given the power: to shape his character, to train himself in good action, to choose between right and wrong, to raise himself and those around him, to better levels of life, practicing the wisdom of Micah: "To do justice, to love mercy, and to walk humbly before your Lord." (Micah 6:8)

*Excerpts from an ad placed by the Jewish Theological Seminary of America circa 1969. Copy retrieved courtesy of the Ratner Center for the Study of Conservative Judaism, The Library of the Jewish Theological Seminary of America.

In the case at hand, it does not make sense for us to attempt to force our values upon their society, even though we fervently believe that they would be better off if they adopted secularism, i.e., the separation of the powers of the religious authority from the powers of the state. The concept of pluralism is relevant to the strategy under discussion. [For a definition of pluralism please see earlier discussion in Part II, Chapter 4, under the side heading of "Toward an Understanding of What Were They Thinking," and indented heading of "Habit as a Point of Departure.] There exist substantial differences in societal values. They are not necessarily commensurate with one another. No one set is best for all people. The best that we can do is to minimize the "social and political collisions" that take place. The collisions can "be minimized by promoting and preserving an uneasy equilibrium..." [Page 19, *The Crooked Timber of Humanity*, by Isaiah Berlin]

As to the World of Islam

"The vast majority of Muslims want no part of terrorism, and many Muslim states are as nervous about extremism as we are." [John Leo, 9/24/01 in U.S. News & Word Report.] There are substantial differences in the interpretation of the Koran. Khaled Abou El Fadl, a UCLA law professor, speaks out on Islamic law, or sharia. "His advocacy of a broad-minded, critical approach [that] has earned him the wrath of so many of his less tolerant co-religionists." He has become "… a thorn in the side of reactionary Muslims around the world…" He says, "We are in the dark ages of Islam." [U.S. News & World Report, April 15, 2002, page 38.]

The U.S. News and World Report article further reports;

> "But zealous congregants are not even the greatest problem, Abou El Fadl says: The imams and prayer leaders of America's 1,400 mosques and Islamic centers tend to be self-appointed religious experts training in Islamic law and traditions. Many are professionals in engineering or medicine or other fields, capable of quoting a few lines from the Koran or selected *hadiths*. Abou El Fadl is not alone in his concern. Taha Alalwani, president of the Graduate School of Islamic and Social Sciences in Leesburg, Va., which trains Muslim chaplains for the American military, worries that many of these imams 'are just Islamists,' often supported by Saudi organizations and more concerned with ideology than with complexities of the faith. 'I would love to see the Muslim community try to enrich their traditions and revive their values, and I try to encourage this in my school," he says. 'Unfortunately, many imams think in a different way." [U.S. News & World Report, April 15, 2002, page 38.]

Internationally there is a conspicuous absence of democracy in countries with Islamic majorities. Claudia Winkler, managing editor of *The Daily Standard*, wrote a story about a report that "highlights the lack of freedom in the Islamic world." She wrote in her 12/18/2001 column titled "Democracy and Islam" the following:

> "Seven out of ten of the least-free countries in the world have Islamic majorities."
> "…[the] Islamic faith is not intrinsically incompatible with democratic values."
> [There is some progress in a few countries. But,] "Still the present challenge is still gigantic: 'Not a single one of the 16 majority Arab countries is truly democratic or free."

Additionally, Winkler notes that "…the majority of the world's Muslims live under democratically constituted governments." See box for distribution of Muslim population sorted by classification as to free, partly free, and not free. The number in partly free is about equal to the not free, but those classified as free tip the balance.

Muslim Population

Country or area	Total Population	Percentage Muslim	Number of Muslims	Free	Partly Free	Not Free	Not Shown
Afghanistan	22,664,136	100	22,664,136			22,664,136	
Albania	3,249,136	75	2,436,852			2,436,852	
Algeria	29,183,032	99	28,891,202			28,891,202	
Angola	10,342,899	25	2,585,725			2,585,725	
Antigua and Barbuda	65,647	n/a					
Argentina	34,672,997	2	693,460	693,460			
Aruba	67,794	5	3,390				3,390
Australia	18,260,863	2.09	382,000	382,000			

Azerbaijan	7,676,953	93.4	7,170,274		7,170,274		
Bahrain	590,042	100	590,042	590,042			
Benin	5,709,529	15	856,429	856,429			
Bangladesh	123,062,800	85	104,603,380		104,603,380		
Bhutan	1,822,625	5	91,131			91,131	
Bosnia and Herzegovina	2,656,240	40	1,062,496		1,062,496		
Botswana	1,477,630	5	73,882	73,882			
Brazil	162,661,214	0.6	1,000,000		1,000,000		
Brunei	299,939	63	188,962			188,962	
Bulgaria	8,612,757	14	1,205,786	1,205,786			
Burkina Faso	10,623,323	50	5,311,662		5,311,662		
Burma	45,975,625	10	4,597,563			4,597,563	
Burundi	5,943,057	20	1,188,611			1,188,611	
Cambodia	10,861,218	1	108,612			108,612	
Cameroon	14,261,557	55	7,843,856			7,843,856	
Canada	28,820,671	1.48	400,000	400,000			
Central African Rep.	3,274,426	55	1,800,934		1,800,934		
Chad	6,976,845	85	5,930,318			5,930,318	
China	1,210,004,956	11	133,100,545			133,100,545	
Christ's Is.	813	10	81				81
Cocos Is.	609	57	347				347
Comoros	569,237	86	489,544		489,544		
Congo	2,527,841	15	379,176			379,176	
Cote d'Ivoire	14,762,445	60	8,857,467		8,857,467		
Croatia	5,004,112	1.2	60,049	60,049			
Cyprus	744,609	33	245,721	245,721			
Djibouti	427,642	94	401,983		401,983		
Egypt	63,575,107	94	59,760,601			59,760,601	
Eq. Guinea	431,282	25	107,821			107,821	
Eritrea	3,427,883	80	2,742,306			2,742,306	
Ethiopia	57,171,662	65	37,161,580		37,161,580		
Fiji	782,381	11	86,062		86,062		
France	58,317,450	7	4,082,222	4,082,222			
Gabon	1,172,798	1	11,728		11,728		
Gambia	1,204,984	90	1,084,486		1,084,486		
Gaza Strip	923,940	98.7	911,929				911929
Georgia	5,219,810	11	574,179		574,179		
Germany	83,536,115	3.4	2,840,228	2,840,228			
Ghana	17,698,271	30	5,309,481	5,309,481			
Gibraltar	28,765	8	2,301				2,301
Greece	10,538,594	1.5	158,079	158,079			
Guinea	7,411,981	95	7,041,382			7,041,382	
Guin.-Bissau	1,151,330	70	805,931		805,931		
Guyana	712,091	15	106,814	106,814			

Hong Kong	6,305,413	1	63,054				63,054
India	952,107,694	14	133,295,077	133,295,077			
Indonesia	206,611,600	95	196,281,020		196,281,020		
Iran	66,094,264	99	65,433,321			65,433,321	
Iraq	21,422,292	97	20,779,623			20,779,623	
Israel	5,421,995	14	759,079	759,079			
Italy	57,460,274	1	574,603	574,603			
Japan	125,449,703	1	1,254,497	1,254,497			
Jordan	4,212,152	95	4,001,544		4,001,544		
Kazakstan	16,916,463	51.2	8,661,229			8,661,229	
Kenya	28,176,686	29.5	8,312,122			8,312,122	
Kuwait	1,950,047	89	1,735,542		1,735,542		
Kyrgyzstan	4,529,648	76.1	3,447,062			3,447,062	
Lebanon	3,776,317	70	2,643,422		2,643,422		
Liberia	2,109,789	30	632,937		632,937		
Libya	5,445,436	100	5,445,436			5,445,436	
Lesotho	1,970,781	10	197,078		197,078		
Macedonia	2,104,035	30	631,211		631,211		
Madagascar	13,670,507	20	2,734,101		2,734,101		
Malawi	9,452,844	35	3,308,495		3,308,495		
Malaysia	19,962,893	52	10,380,704		10,380,704		
Maldives	270,758	100	270,758			270,758	
Mali	9,653,261	90	8,687,935	8,687,935			
Malta	375,576	14	52,581	52,581			
Mauritania	2,336,048	100	2,336,048			2,336,048	
Mauritius	1,140,256	19.5	222,350	222,350			
Mayotte	100,838	99	99,830				99,830
Mongolia	2,496,617	4	99,865	99,865			
Morocco	29,779,156	98.7	29,392,027		29,392,027		
Mozambique	17,877,927	29	5,184,599		5,184,599		
Namibia	1,677,243	5	83,862	83,862			
Nepal	22,094,033	4	883,761		883,761		
Netherlands	15,568,034	3	467,041	467,041			
Niger	9,113,001	91	8,292,831		8,292,831		
Nigeria	103,912,489	75	77,934,367		77,934,367		
Norway	4,438,547	1.5	66,578	66,578			
Oman	2,186,548	100	2,186,548			2,186,548	
Pakistan	129,275,660	97	125,397,390			125,397,390	
Panama	2,655,094	4	106,204	106,204			
Philippines	74,480,848	14	10,427,319	10,427,319			
Qatar	547,761	100	547,761			547,761	
Reunion	679,198	20	135,840				135,840
Romania	21,657,162	20	4,331,432	4,331,432			
Russia	148,178,487	18	26,672,127		26,672,127		
Rwanda	6,853,359	1	68,534			68,534	
Saudi Arabia	19,409,058	100	19,409,058			19,409,058	
Country or area	Total Population	Percentage Muslim	Number of Muslims	Free	Partly Free	Not Free	Not Shown

Senegal	9,092,749	95	8,638,112		8,638,112		
Serbia and Montenegro	10,614,558	19	2,016,766				2,016,766
Sierra Leone	4,793,121	65	3,115,529		3,115,529		
Singapore	3,396,924	17	577,477		577,477		
Slovenia	1,951,443	1	19,514	19,514			
Somalia	9,639,151	100	9,639,151			9,639,151	
South Africa	41,743,459	2	834,869	834,869			
Sri Lanka	18,553,074	9	1,669,777		1,669,777		
Sudan	31,547,543	85	26,815,412			26,815,412	
Suriname	436,418	25	109,105	109,105			
Swaziland	998,730	10	99,873			99,873	
Sweden	9,800,000	3.6	320,000	320,000			
Syria	15,608,648	90	14,047,783			14,047,783	
Tajikistan	5,916,373	85	5,028,917			5,028,917	
Tanzania	29,058,470	65	18,888,006		18,888,006		
Thailand	58,851,357	14	8,239,190	8,239,190			
Togo	4,570,530	55	2,513,792		2,513,792		
Trinidad and Tobago	1,272,385	12	152,686		152,686		
Tunisia	9,019,687	98	8,839,293			8,839,293	
Turkey	62,484,478	99.8	62,359,509		62,359,509		
Turkmenistan	4,149,283	87	3,609,876			3,609,876	
Uganda	20,158,176	36	7,256,943		7,256,943		
United Arab Emirates	3,057,337	96	2,935,044			2,935,044	
U K	58,489,975	2.7	1,579,229	1,579,229			
United States	266,476,278	3.75	9,992,860	9,992,860			
Uzbekistan	23,418,381	88	20,608,175			20,608,175	
West Bank	1,427,741	75	1,070,806				1,070,806
West'n Sahara	222,631	100	222,631				222,631
Yemen	13,483,178	99	13,348,346			13,348,346	
Zaire	46,498,539	10	4,649,854				4,649,854
Zambia	9,159,072	15	1,373,861		1,373,861		
Zimbabwe	11,271,314	15	1,690,697			1,690,697	
			1,504,193,632	198,527,383	647,873,164	648,616,256	9,176,829
				Total in Free Areas	Total in Partially Free	Total in Not Free	Total of Not Included

Sources: http://islamicweb.com/begin/population.htm for population data,
and Freedom House for ratings for 2001-20002 from Freedom House web site.

My read is that it is fruitful to look at the Muslim world as a network in which the nodes cluster with widely divergent characteristics from cluster to cluster. The largest cluster of nodes is composed of Muslim populations in a variety of democratically constituted governments. Another cluster of nodes is one in which the Muslim population lives in countries with non-democratic regimes, heavily concentrated in the least free countries. The terrorist problem generates its energy from some of the least free countries. It is these linkages that are critical to the development of an effective strategy.

The data from Freedom House ratings for the last five years showing political rights and civil liberties as well as the freedom classification is shown in the box for a selection of countries and areas clustered geographically. It is beyond the scope of this book to analyze the clusters of nodes and linkages, but there are patterns. Also, if one looks at the longer history (see the Freedom House site for the data) one will see patterns in changes in freedom. This is especially interesting in the countries of the former Soviet Union. Freedom House provides data on these as "Nations in Transit." Of special interest may be the Central Asian states.

Selected Muslim Population Sorted Geographically and Freedom Scores Indicated

The characters representing scores for each year are, from left to right, political rights, civil liberties, and freedom status. (Measured on a one-seven scale, with one highest degree of freedom, 7 lowest)

	Country Name	Total Population	Muslim Percentage	Number of Muslims					
	Central African Republic	3,274,426	55	1,800,934	3,5,PF	3,4,PF	3,4,PF	3,4,PF	5,5 PF
	Chad	6,976,845	85	5,930,318	6,5,NF	6,4,NF	6,5,NF	6,5,NF	6,6 NF
	Cameroon	14,261,557	55	7,843,856	7,5,NF	7,5,NF	7,6,NF	7,6,NF	6,6 NF
Central	Nigeria	103,912,489	75	77,934,367	7,6,NF	6,4,PF	4,3,PF	4,4,PF	4,5 PF
Southwest	Niger	9,113,001	91	8,292,831	7,5,NF	7,5,NF	5,5,PF	4,4,PF	4,4 PF
North Africa	Benin	5,709,529	15	856,429	2,2,F	2,2,F	2,3,F	2,2,F	3,2 F
	Togo	4,570,530	55	2,513,792	6,5,NF	6,5,NF	5,5,PF	5,5,PF	5,5 PF
	Ghana	17,698,271	30	5,309,481	3,3,PF	3,3,PF	3,3,PF	2,3,F	2,3 F
	Burkina Faso	10,623,323	50	5,311,662	5,4,PF	5,4,PF	4,4,PF	4,4,PF	4,4 PF
	Cote d'Ivoire	14,762,445	60	8,857,467	6,4,NF	6,4,NF	6,4 PF	6,5,PF	5,4 PF
	Sierra Leone	4,793,121	65	3,115,529	7,6,NF	3,5,PF	3,5,PF	4,5,PF	4,5 PF
	Liberia	2,109,789	30	632,937	4,5,PF	4,5,PF	4,5,PF	5,6,PF	6,5 PF
	Guinea	7,411,981	95	7,041,382	6,5,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
North and	Guinea-Bissau	1,151,330	70	805,931	3,4,PF	3,5,PF	3,5,PF	4,5,PF	4,5 PF
Western	Senegal	9,092,749	95	8,638,112	4,4,PF	4,4,PF	4,4,PF	3,4,PF	3,4,PF
North Africa	Mali	9,653,261	90	8,687,935	3,3,F	3,3,F	3,3,F	2,3,F	2,3,F
	Mauritania	2,336,048	100	2,336,048	6,6,NF	6,5,NF	6,5,NF	6,5,NF	5,5 PF
	Western Sahara	222,631	100	222,631					
	Morocco	29,779,156	99	29,392,027	5,5,PF	5,4,PF	5,4,PF	5,4,PF	5,5 PF
	Algeria	29,183,032	99	28,891,202	6,6,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF

	Libya	5,445,436	100	5,445,436	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
	Tunisia	9,019,687	98	8,839,293	6,5,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Egypt	63,575,107	94	59,760,601	6,6,NF	6,6,NF	6,6,NF	6,5,NF	6,6,NF
North and	Sudan	31,547,543	85	26,815,412	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
East	Ethiopia	57,171,662	65	37,161,580	4,5,PF	4,4,PF	5,5,PF	5,5,PF	5,5,PF
North Africa	Kenya	28,176,686	29.5	8,312,122	6,6,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Somalia	9,639,151	100	9,639,151	7,7,NF	7,7,NF	7,7,NF	7,7,NF	6,7 NF
	Yemen	13,483,178	99	13,348,346	5,6,NF	5,6,NF	5,6,NF	5,6,NF	6,6 NF
	Oman	2,186,548	100	2,186,548	6,6,NF	6,6,NF	6,6,NF	6,5,NF	6,5,NF
	United Arab Emirates	3,057,337	96	2,935,044	6,5,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Qatar	547,761	100	547,761	7,6,NF	7,6 NF	6,6,NF	6,6,NF	6,6,NF
	Bahrain	590,042	100	590,042	7,6,NF	7,6,NF	7,6,NF	7,6,NF	6,5 NF
Western	Kuwait	1,950,047	89	1,735,542	5,4,PF	5,5,PF	4,5,PF	4,5,PF	4,5,PF
part of	Saudi Arabia	19,409,058	100	19,409,058	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
Middle East	Jordan	4,212,152	95	4,001,544	4,4,PF	4,5,PF	4,4,PF	4,4,PF	
including	Gaza Strip	923,940	98.7	911,929					
Arabian	West Bank	1,427,741	75	1,070,806					
Peninsula	Israel	5,421,995	14	759,079	1,3,F	1,3,F	1,2,F	1,3,F	1,3,F
	Lebanon	3,776,317	70	2,643,422	6,5,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Syria	15,608,648	90	14,047,783	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
	Iraq	21,422,292	97	20,779,623	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
	Turkey	62,484,478	99.8	62,359,509	4,5,PF	4,5,PF	4,5,PF	4,5,PF	4,5,PF
	Azerbaijan	7,676,953	93.4	7,170,274	6,4,PF	6,4,PF	6,4,PF	6,5,PF	6,5,PF
	Iran	66,094,264	99	65,433,321	6,7,NF	6,6,NF	6,6,NF	6,6,NF	6,6,NF
	Afghanistan	22,664,136	100%	22,664,136	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
	Turkmenistan	4,149,283	87	3,609,876	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
Central	Uzbekistan	23,418,381	88	20,608,175	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
Asia	Kazakstan	16,916,463	51.2	8,661,229	6,5,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Kyrgyzstan	4,529,648	76.1	3,447,062	4,4,PF	5,5,PF	5,5,PF	6,5,NF	6,5,NF
	Tajikistan	5,916,373	85	5,028,917	6,6,NF	6,6,NF	6,6,NF	6,6,NF	6,6,NF
	Russia	148,178,487	18	26,672,127	3,4,PF	4,4,PF	4,5,PF	5,5,PF	5,5 PF
More of	China	1,210,004,956	11	133,100,545	7,7,NF	7,6,NF	7,6,NF	7,6,NF	7,6,NF
Asia	Pakistan	129,275,660	97	125,397,390	4,5,PF	4,5,PF	7,5,NF	6,5,NF	6,5 NF
	India	952,107,694	14	133,295,077	2,4,PF	2,3,F	2,3,F	2,3,F	2,3,F
	Bangladesh	123,062,800	85	104,603,380	2,4,PF	2,4,PF	3,4,PF	3,4,PF	3,4,PF
	Burma	45,975,625	10	4,597,563	7,7,NF	7,7,NF	7,7,NF	7,7,NF	7,7,NF
	Albania	3,249,136	75	2,436,852	4,4,PF	4,5,PF	4,5,PF	4,5,PF	3,4 PF
South-	Serbia and Montenegro	10,614,558	19	2,016,766					
eastern	Bosnia and Herzegovina	2,656,240	40	1,062,496	5,5,PF	5,5,PF	5,5,PF	5,4,PF	5,4,PF

Europe	Romania	21,657,162	20	4,331,432	2,2,F	2,2,F	2,2,F	2,2,F	2,2,F
	Philippines	74,480,848	14	10,427,319	2,3,F	2,3,F	2,3,F	2,3,F	2,3,F
South-	Malaysia	19,962,893	52	10,380,704	4,5,PF	5,5,PF	5,5,PF	5,5,PF	5,5,PF
eastern	Indonesia	206,611,600	95	196,281,020	7,5,NF	6,4,PF	4,4,PF	3,4,PF	3,4,PF
Asia	Thailand	58,851,357	14	8,239,190	3,3,PF	2,3,F	2,3,F	2,3,F	2,3,F
Other	Eritrea	3,427,883	80	2,742,306	6,4,PF	6,4,PF	7,5,NF	7,5,NF	7,5,NF
	Gambia	1,204,984	90	1,084,486	7,6,NF	7,5,NF	7,5,NF	7,5,NF	5,5 PF
	Mayotte	100,838	99	99,830					
	Mozambique	17,877,927	29	5,184,599	3,4,PF	3,4,PF	3,4,PF	3,4,PF	3,4,PF
	Sri Lanka	18,553,074	9	1,669,777	3,4,PF	3,4,PF	3,4,PF	3,4,PF	3,4,PF
	Maldives	270,758	100	270,758	6,6,NF	6,5,NF	6,5,NF	6,5,NF	6,5,NF
	Singapore	3,396,924	17	577,477	5,5,PF	5,5,PF	5,5,PF	5,5,PF	5,5,PF
	Tanzania	29,058,470	65	18,888,006	5,5,PF	5,4,PF	4,4,PF	4,4,PF	4,4,PF
	Uganda	20,158,176	36	7,256,943	4,4,PF	4,4,PF	5,5,PF	6,5,PF	6,5,PF
	Zambia	9,159,072	15	1,373,861	5,4,PF	5,4,PF	5,4,PF	5,4,PF	5,4,PF
	Zimbabwe	11,271,314	15	1,690,697	5,5,PF	5,5,PF	6,5,PF	6,5,PF	6,6 NF
Source:	Freedom	House							

Back in May 2002 when I gave a presentation in the Books and Ideas interest group of the Academy of Senior Professional at Eckerd College (ASPEC) that focused on the Lewis book, *What Went Wrong? Western Impact and Middle East Response,* I used some of the material from which this section is drawn. It is particularly interesting to note the following paragraph from my notes;

> "We are dealing with international political issues in which,the countries themselves need to come to grips with their problems. The Taliban in Afghanistan refused to deal with the Al Qaeda problem by giving up Osama bin Laden and the other terrorists, and their control of Afghanistan fell. Iraq and Iran have cause to be concerned."

Since then, as we all know, the situation has changed in Iraq in that there has been a regime change. More about Iraq is discussed in the next section of this chapter. But for now let's look a little deeper into the network science approach.

As to the religious issues, the Muslims need to deal with the Muslims. And, that is a severe problem. Some fundamentalists do not even acknowledge other Muslims as being of the faith. As noted earlier, their views vary considerably, and there is a lot of divisiveness. We become concerned when terrorist tactics become the tools of those pressing their points. Our strategy may well be built on combating the terrorism, but there are other issues that need to be dealt with in taking the perfective approach, and in getting a cascade going in which the Muslims themselves exert the force (theological, philosophical, emotional, and/or physical) to stem the terrorist tide. One might think that the May 2003 anti-American terrorism in the form of the car bombing in Saudi Arabia could be a turning point in the Saudi's behavior towards the terrorists. It might turn out to be, but I doubt that it crossed the threshold. Some segments are so entrenched that the difficulty or likelihood of changing their behavior as a result of a greater enlightenment is such that the potential success of any action needs to be compared with the potentials of alternative measures.

Consider the following, also drawn from the presentation at ASPEC: There is an abundance of social criticism about the way in which Americans live. Terrorists, who are the violent critics, by their causing the horrific acts of 9/11/01, are a force for changing the way we live. That does not mean that America is going to become a Muslim fundamentalist state. Not likely, but consider an excerpt from a story in the New York Times (9/15/01, page B2) "Mr. Salah [Sheikh Ra'ed Salah, the leader of the Palestinian Islamic movement] had a particular message for President Bush. If the American President wanted to achieve peace and security, Mr... Salah said, 'the only solution is for Bush to convert to Islam.' He added that there is no war between Islam and America." That is an interesting afterthought given the primary thrust of the statement.

Not only is the perspective different, but their way of thinking differs. Not all of the same facts are selected for processing by people of different perspectives; and when processed they may be processed differently using different values and expectations. Clinton Bailey, an authority on the Bedoin, in a speech I heard him give, noted that if you do the Arab wrong, he will retaliate. It is not simply getting even; it is to warn others not to mess with him. Furthermore, in negotiations, any concession is a sign of weakness, and will lead to the demand for more concessions.

Neamatollah Nojumi, wrote in his book, *The Rise of the Taliban in Afghanistan: Mass Mobilization, Civil War, and the Future of the Region,* "Because, long before Islam, there were three dominant principles that formed a common foundation for Afghan society: honor, hospitality, and revenge." [Page 3.] A strategy for dealing with terrorism emanating from Islamic culture needs to take cognizance of the culture in order to be effective. The communists, after having invaded Afghanistan, had a great deal of trouble in implementing their policies because they were oblivious to the local culture. [See the Nojumi book, particularly chapters 4 and 5.]

The newspapers carried a story reporting that, "The Director of the Federal Bureau of Investigation warned today that suicide bombings like those that have left hundreds dead in Israel are 'inevitable' on American soil." Make no mistake, America is at war. We are a target that needs to deal with the long run issues as well as the short run problems.

The Central Asia Case

Self-defense and pre-emptive strikes are acceptable behavior in our society. My hope is that we can develop some sort of Marshall Plan that would assist those countries that want to work through their problems make some progress so that we don't need armed self-defense or pre-emptive strike. That is a perfective approach. It is more than financial aid or even technical assistance. It is a process of helping them to do what needs to be done to get a robust economy utilizing their values and their culture. It is not a franchising arrangement. It is an educational process in which variations of the fundamental principles applicable to all cultures are applied by them in developing their institutions for their culture to thrive in what has become a worldwide economy. If they want to choose isolation, then leave us alone. The approach may not work because the power holders may not be seeking to deal with their problems in determining "what went wrong?' Rather they blame someone else, us. In that case they either leave us alone or if they use terrorist methods, their regime will be changed.

Historical Perspective. The imperialism of an earlier era has left vestigial remnants of problems that have come to haunt us because in our foreign policy we preferred anything to a communist regime. My recent reading on the totalitarian regimes of communism gave me a deeper understanding of how bad they were. Previously it was simply that a free society is better than a totalitarian society. Lately, with the news coming out of North Korean camps, the inhumanity puts a different cast on the issue.

We suffered in Asia picking up on problems generated by the French. Remember Vietnam. The British, along with the French, gave us a great problem in the Middle East, and now we will have to deal with aftermath of the Russian imperialism. It is my opinion that these are greater problems, more hazardous and difficult to solve than the problems of Germany and Japan in World War II. They are greater because they are the dichotomization of two alternatives, tyranny from religious zealots who use terror because they have (in their view) the only view that is right and it must be for everyone, and the secular terrorists who thrive on power, with not even a nodding acquaintance with justice. The missing option is a free society.

Consider the countries of Kazakhstan, Tajikistan, Uzbekistan, Kyrgyzstan, and Turkmenistan, carved out by the Soviet Union in Central Asia. The Soviets exploited the people and the land, including leaving some environmental disasters from the cotton farming that drained the water supply. But they left the oil pretty well alone because they had other oil resources. The management of these countries was imported from Russia, and when Russia left in 1991 they left some managers, from which emerged the new tyrants.

Ahmed Rashid in his book *Jihad: The Rise of Militant Islam in Central Asia* writes in the forward to the paperback edition about "The threat of a new three-way Great Game involving Central Asia's two giant neighbors, Russia and China, and the interloper in the region, the United States, [that] is now on the horizon." [Page xiii.]

He continues [page xiv] as follows:

> These new great power rivalries are not only about politics and spheres of influence, however. The real key to the future is the domination of the enormous, largely untapped oil and gas reserves of land locked Central Asia and the Caspian region. Whoever builds the pipelines to service new markets in Europe and Asia will wield enormous power. Russia has already put down its marker. In January 2002 President Putin told Central Asian leaders, 'It is time to seriously think about a creating a Eurasian alliance of gas producers,' a move that is clearly aimed at forestalling U.S. plans for gas pipelines that would bypass Russia altogether. Beijing has already invested up to $5 billion in Kazakhstan's oil fields and hopes to build oil and gas pipelines to China."

He continues noting that stability is a likely precondition to progress and that "the complete lack of economic reform over the past ten years has led to massive downturns in the economies of all of the Central Asian states." [Page xv, but discussed in Chapter 4.]

Those countries are mismanaged in that they do not function to provide even a modicum of quality of life for the inhabitants. The biggest industry is in the narcotics trade. They don't seem to have heard about the age of Enlightenment.

Repression is the modus operandi. Under those conditions the people turn to whatever straws they can grasp. The Islamic terrorist organizations may be better organized than the government. The Islamic Movement of Uzbekistan (IMU) is on our State Department's terrorist list. See box that follows. Interestingly enough, the repression in Uzbekistan pushes most of their operations into Kyrgyzstan and Tajikistan.

Terrorist Organizations. As background to the list of terrorist organizations, consider the following from the State Department.

> "The Secretary of State designates Foreign Terrorist Organizations (FTO's), in consultation with the Attorney General and the Secretary of the Treasury. These designations are undertaken pursuant to the Immigration and Nationality Act, as amended by the Antiterrorism and Effective Death Penalty Act of 1996. FTO designations are valid for two years, after which they must be redesignated or they automatically expire. Redesignation after two years is a positive act and represents a determination by the Secretary of State that the organization has continued to engage in terrorist activity and still meets the criteria specified in law.
>
> "In October 1997, former Secretary of State Madeleine K. Albright approved the designation of the first 30 groups as Foreign Terrorist Organizations. In October 1999, Secretary Albright re-certified 27 of these groups' designations but allowed three organizations to drop from the list because their involvement in terrorist activity had ended and they no longer met the criteria for designation. Secretary Albright designated one new FTO in 1999 (al Qa'ida) and another in 2000 (Islamic Movement of Uzbekistan). Secretary of State Colin L. Powell has designated two new FTO's (Real IRA and AUC) in 2001. In October 2001, Secretary Powell re-certified the designation of 26 of the 28 FTO's whose designation was due to expire, and combined two previously designated groups (Kahane Chai and Kach) into one." [FACT SHEET, Office of the Spokesman, Washington, DC, October 5, 2001]

The March 27, 2002 updated list is as follows: 1. Abu Nidal Organization (ANO) 2. Abu Sayyaf Group 3. Al-Aqsa Martyrs Brigade 4. Armed Islamic Group 5. 'Asbat al-Ansar 6. Aum Shinrikyo 7. Basque Fatherland and Liberty (ETA) 8. Gama'a al-Islamiyya (Islamic Group) 9. HAMAS (Islamic Resistance Movement) 10. Harakat ul-Mujahidin (HUM) 11. Hizballah (Party of God) 12. Islamic Movement of Uzbekistan (IMU) 13. Jaish-e-Mohammed (JEM) (Army of Mohammed) 14. Al-Jihad (Egyptian Islamic Jihad) 15. Kahane Chai (Kach) 16. Kurdistan Workers' Party (PKK) 17. Lashkar-e-Tayyiba (LT) (Army of the Righteous) 18. Liberation Tigers of Tamil Eelam (LTTE) 19. Mujahedin-e Khalq Organization (MEK) 20. National Liberation Army (ELN) 21. Palestinian Islamic Jihad (PIJ) 22. Palestine Liberation Front (PLF) 23. Popular Front for the Liberation of Palestine (PFLP) 24. PFLP-General Command (PFLP-GC) 25. Al-Qaida 26. Real IRA 27. Revolutionary Armed Forces of Colombia (FARC) 28. Revolutionary

Nuclei (formerly ELA) 29. Revolutionary Organization 17 November 30. Revolutionary People's Liberation Army/Front (DHKP/C) 31. Salafist Group for Call and Combat (GSPC) 32. Shining Path (Sendero Luminoso, SL) 33. United Self-Defense Forces of Colombia (AUC).
(Distributed by the Office of International Information Programs, U.S. Department of State. Web site: http://usinfo.state.gov)

Additional background on the terrorist list is in the box that follows.

FACT SHEET Office of the Spokesman Washington, DC October 5, 2001
Fact Sheet: Secretary of State designates Foreign Terrorist Organizations (FTO's)

Legal Criteria for Designation. 1. The organization must be foreign. 2. The organization must engage in terrorist activity as defined in Section 212 (a)(3)(B) of the Immigration and Nationality Act. (** - see below) 3. The organization's activities must threaten the security of U.S. nationals or the national security (national defense, foreign relations, or the economic interests) of the United States.

Effects of Designation, Legal. 1 It is unlawful for a person in the United States or subject to the jurisdiction of the United States to provide funds or other material support to a designated FTO. 2. Representatives and certain members of a designated FTO, if they are aliens, can be denied visas or excluded from the United States. 3. U.S. financial institutions must block funds of designated FTO's and their agents and report the blockage to the Office of Foreign Assets Control, U.S. Department of the Treasury.

Other Effects. 1. Deters donations or contributions to named organizations. 2.Heightens public awareness and knowledge of terrorist organizations. 3. Signals to other governments our concern about named organizations. 4.Stigmatizes and isolates designated terrorist organizations internationally.

The Process. The Secretary of State makes decisions concerning the designation and redesignation of FTO's following an exhaustive interagency review process in which all evidence of a group's activity, from both classified and open sources, is scrutinized. The State Department, working closely with the Justice and Treasury Departments and the intelligence community, prepares a detailed "administrative record" which documents the terrorist activity of the designated FTO. Seven days before publishing an FTO designation in the Federal Register, the Department of State provides classified notification to Congress. Under the statute, designations are subject to judicial review. In the event of a challenge to a group's FTO designation in federal court, the U.S. government relies upon the administrative record to defend the Secretary's decision. These administrative records contain intelligence information and are therefore classified.

FTO designations expire in two years unless renewed. The law allows groups to be added at any time following a decision by the Secretary, in consultation with the Attorney General and the Secretary of the Treasury. The Secretary may also revoke designations after determining that there are grounds for doing so and notifying Congress…. Released on October 5, 2001

A description of terrorist organizations is on the web, http://www.fas.org/irp/world/para/ The box contains their description of Islamic Movement of Uzbekistan (IMU), as one of 387 terrorist organizations.

Islamic Movement of Uzbekistan (IMU)

Description. Coalition of Islamic militants from Uzbekistan and other Central Asian states opposed to Uzbekistani President Islom Karimov’s secular regime. Although the IMU’s primary goal remains to overthrow Karimov and establish an Islamic state in Uzbekistan, IMU political and ideological leader Tohir Yoldashev is working to rebuild the organization and appears to have widened the IMU's targets to include all those he perceives as fighting Islam. The IMU generally has been unable to operate in Uzbekistan and thus has been more active in Kyrgystan and Tajikistan.

Activities. The IMU primarily targeted Uzbekistani interests before October 2001 and is believed to have been responsible for five car bombs in Tashkent in February 1999. Militants also took foreigners hostage in 1999 and 2000, including four US citizens who were mountain climbing in August 2000, and four Japanese geologists and eight Kyrgyz soldiers in August 1999. Even though the IMU's rhetoric and ultimate goals may have been focused on Uzbekistan, it was generally more active in Kyrgystan and Tajikistan. In Operation Enduring Freedom, the counterterrorism coalition has captured, killed, and dispersed many of the IMU's militants who were fighting with the Taliban in Afghanistan and severely degraded the movement's ability to attack Uzbekistani or Coalition interests in the near term. IMU military leader Juma Namangani was killed during an air strike in Afghanistan in November 2001; Yoldashev remains at large.

Strength. Probably fewer than 1,000 militants.

Location/Area of Operation. Militants are scattered throughout South Asia, Tajikistan, and Iran. Area of operations includes Afghanistan, Iran, Kyrgyzstan, Pakistan, Tajikistan, and Uzbekistan.

External Aid. Support from other Islamic extremist groups and patrons in the Middle East and Central and South Asia.

Sources and Resources: Patterns of Global Terrorism 2002 Report
http://www.fas.org/irp/world/para/imu.htm Maintained by Steven Aftergood, Updated April 30, 2003

Some Current Forces. There are several great hazards here, for the United States as well as the people of Central Asia and the world. The first is terrorism. The conditions are those that breed the dichotomization between a corrupt and inept tyranny and a revolution that has a utopian vision with certainty and zeal enough to take control and introduce there own tyranny. In this case it is the fundamentalist Islamics who will not be content with imposing their will on these countries, but will move to other countries as well, in the style of Al Qaeda.

The aforementioned web listing of terrorist organizations did not include the Hizb ut-Tahir, as far as I could tell from reviewing the list. Sometimes the names are confusing. However, Rashid devotes a chapter in his book, *Jihad: The Rise of Militant Islam in Central Asia*, to the group. The chapter is called "Hizb ut-Tahrir: Reviving the Caliphate." The organization is also known as "HT." The key aspect of this is that the phrase, "Reviving the Caliphate," refers to "…eventual control over the Islamic world and the spread of Islam to the non-Muslim world." Consider the following paragraph.

> "In *Draft Constitution of the Islamic State*, an- Nabhani [Sheik Taqiuddin an-Nabhani Filastyni (the Palestinian) who was the leader of the founders of HT in 1953] confidently predicts the party's eventual control over the entire Islamic world and the spread of Islam to the non-Muslim world. An-Nabhani's concept of the future Islamic state envisages a political structure in which a caliph elected by the Islamic shura (council) would have dictatorial powers in a highly centralized system. The caliph would control the army, the political system, the economy, and foreign policy. Sharia (Islamic law) would prevail, Arabic would be the language of the state, and the role of women would be severely restricted. The defense minister, whose title would be amir of jihad, would prepare the people for jihad against the non-Muslim world. Military conscription and training

> in preparation for this jihad would be mandatory for all Muslim men over 15." [Pages 117-118.]

HT is probably not listed as a terrorist organization because

> "…it does not advocate a violent overthrow of Muslim regimes as do other extremist groups, such as Osama bin Laden's Al Qaeda. Instead, the HT believes in wining over mass support, believing that one day these supporters will rise up in peaceful demonstrations and overthrow the regimes of Central Asia." [Page 117.]

The extent of the threat of HT in Central Asia "may be judged by the fact that there are more HT prisoners in Central Asia's prisons than those of any other movement, including the much better known IMU." [Page 115.] This is especially true in Uzbekistan.

Rashid further writes that movement leaders in Central Asia told him,

> "…that the HT originated in the revivalist Wahhabi movement of Saudi Arabia but that the HT had separated from the Wahhabis on several issues. 'We had a united plan with the Wahhabis but we soon developed differences and split. HT wanted to work with people in each country separately and bring about sharia in a peaceful manner, but the Wahhabis were extremists who wanted guerilla war and the creation of an Islamic army,' an HT leader in Uzbekistan , whom I shall call Ali told me in the autumn of 2000." [Page 118.]

The Wahhabis are very big on education through the financing of madrassahs, i.e., Islamic schools that indoctrinate the students in fundamentalist beliefs. These religious schools, at least for Afghan refugees in Pakistan …"provided free room and board for students and a monthly salary by which the students supported their families. [Nojumi in *The Rise of the Taliban in Afghanistan*, page119.]

Education, or at least indoctrination through education, is a key element in the Wahhabi strategy for furthering their pan-Islamic cause through increasing the supply of potential terrorists. Interestingly enough, Askar Akaev, president of Kyrgyzstan, writes in his book, *The Memorable Decades*, as quoted by Igor Grebenschikov, the following:

> "Experience has shown that repressive methods of opposition to religious fanatics frequently do not achieve their purpose. It is preferable to counter the terrorists' ideological weaponry with a more **perfective** [emphasis added] tool than force. The ground from under religious extremists should be removed with the power of intellect, belief and education." [Quoted in the article "The Hizb ut-Tahrir through the Eyes of Kyrgyz Journalists," by Igor Grebenschikov, an independent journalist, Bishkek, Kyrgyzstan, in *Media Insight Central Asia #22*, January 2002, published by Cimera, a Geneva based non-profit organization media development publication.]

Note the coincidental use of the word "perfective."

Grebenschikov continues, however,

> "However, the state prefers to use repressive means of struggle, because the authorities do not possess any power of intellect, belief and education. 'A young person joining the Hizb ut-Tahrir party can learn much from its members,' writes Aleksei Sukhov, Res Publica correspondent in southern Kyrgyzstan. 'Members

> of the party not only study religious issues, but problems faced by society, the economy and politics. Our government officials are not qualified to deal with these questions, and as a result the authorities cannot oppose this movement. Their own weakness naturally irritates them and compels the state to use strong fighting methods."
>
> The official Islamic clergy cannot help the authorities either. In the Osh region, for example, 80% of imams and mullahs have no higher education and many of them only know basic surahs of the Koran and some Islamic rites. The depths of Muslim doctrine remains outside the mullahs' understanding" [Page 1.]

We should give great consideration to education in the development of our strategy for combating terrorism using a long run tactic of a perfective approach. This discussion is leading to the role of social scientists in gaining a better understanding of different systems and then assisting others in developing their understanding, especially those who will be charged with the responsibility of delivery of services. This idea is implied in the third paragraph of the second chapter of this book, to wit,

> "The third stage is an acceptance of the application of the knowledge by the parties involved in the changed arrangement. This includes the users of the knowledge who are recipients of the benefits of the system as well as those who are involved in the delivery system."

The second paragraph was as follows:

> "Enhancing quality of life is the result of three stages of understanding. The first stage is an increase in knowledge through a philosophical or scientific breakthrough (basic research). The second stage is engineering an application. This stage may require applied research in contrast to the basic research of the first stage."

We need to ask, what happened to Central Asia as a result of the Enlightenment?

The answer is not much. There was some modernity brought in by the Soviets, but certainly not the concept of freedom. Freedom of thought, rather than imposed doctrine, the heart of enlightenment in the Enlightenment did not get to this area, even in the nineteenth century. Then for better than two-thirds of the twentieth century, the despotic rule of the soviets left them in isolation. The closed society impeded development except as a hinterland province closed to the rest of the world. There was repression. When they left, the party remnants took over. The economy is a disaster.

<u>The Palestinian Case</u>

The Palestinian case is classic. An exceptionally high proportion of the aid provided to the Yassar Arafat regime has gone in great measure to corruption and violence. One report asserted that he personally had amassed a billion dollars. Where has there been an economic development program for the Palestinians? The NY Times reported that Israel's Foreign Minister, Shimon Perez urged the formation of a Palestinian State on territories already controlled by the Palestinians, but "that the Palestinian leaders have called this approach unacceptable." If indeed the Palestinian Authority does not want to establish a state to live peaceably along side an Israeli state, and they have done nothing to build an economic development political structure, and they have had well over five decades to pursue the option, then the battles will continue until the leadership and polity changes. The addition of a prime minister is a first step in that process. There is a chance for a Palestinian state, but as is often said, “Arafat never missed an opportunity to miss an opportunity.” So if it happens, it will be under the leadership of someone who is really ready to peacefully coexist. The New York Times of June 6, 2003 reported that “Mr. Arafat’s criticism [dismissal of a promised Israel concession] was an implicit slap at the Palestinian prime minister, Mahmoud Abbas, also known as Abu Mazen, who has been trying to demonstrate progress toward improving Palestinian life as he lobbies militant groups to lay down their arms.” Lobbying it may be, but “militants?” The word is terrorists. James Bennet the author of the article is using the euphemism, as seems popular today.

As for Palestinian leadership, the addition of the prime minister makes things not what they used to be, but in this case it is for the better. But, they need more momentum. The title of the article, “Arafat Belittles Sharon’s Offer On Settlements,” can be read both positively (by showing Arafat as an obstructionist force) and negatively (as a criticism of step in the right direction).

The persistence of those who are committed to terrorism unless they have their way may be a precursor to life in America. We may have a prolonged period of suffering from terrorist attacks and so there may be no better option than the Bush policy of bringing terrorists to justice or justice to the terrorists, and that may require toppling more regimes. My hope, however, is that some of the Muslim majority states will, instead of asking “who did this to us?” answering the Satanic American’s; will ask, “what went wrong?” and answer we can preserve our religion and have a renaissance of Islam in peace with the rest of civilization. Interestingly enough, now that the Saddam Hussein regime has fallen and attention is being focused on the Bush “Road to Peace “ approach for the Palestinian Israeli conflict, there is a New York Times headline, “FIVE ARAB LEADERS VOW ACTIVE FIGHT AGAINST VIOLENCE.” [June 4, 2003.] The lead paragraph of that story is;

> “Five Arab leaders [from Saudi Arabia, Egypt, Jordan, Bahrain, including Mahmoud Abbas, the prime minister of the Palestinian Authority] pledged to President Bush today [June 3, 2003] that they would actively fight ‘the culture of extremism and violence’ that has undercut peace efforts in the Middle East for years, promising to staunch the flow of money to the terrorist groups that have carried out suicide bombings against Israel.”

The latest report, as of the date of this draft, is shown in an excerpt from an article in the NY Times of July 1, 2003, shown in the accompanying box. It indicates that the terrorists don’t want a peace.

Palestinian Factions Aiming to Control Outcome of Truce By James Bennet

GAZA, June 30 [2003]— The agreement by the three main Palestinian factions to suspend attacks on Israelis is based on bad faith — and that may give it a fragile chance of success.

The truce, which was announced Sunday, came about because of new international pressure after the war in Iraq. But its roots are deeper than that, in the complex politics of Palestinian violence, which fed the 33-month-old uprising against Israel and now might, haltingly, be bringing it to a close.

Mahmoud Abbas, the Palestinian prime minister, has set a trap for Hamas and other militant groups. He is hoping to whipsaw any relative calm resulting from a cease-fire to extract concessions from Israel, like the opening of military checkpoints inside Gaza today. Then he wants to use the political support he hopes will follow to comply with the international peace plan known as the road map, collecting weapons and punishing whoever violates the truce, his advisers say. He has made no secret that his goal is to turn Hamas into just another political party, stopping it from conducting in effect its own foreign policy toward Israel.

Hamas leaders see the trap clearly. That is why they called for Mr. Abbas's resignation earlier this month, after he urged an end to the armed uprising against Israel.

Hamas leaders are gambling that the cease-fire will fail and with it, Mr. Abbas and the American-led peace plan, say Palestinian officials who have negotiated with them. Hamas hopes Mr. Abbas's own trap will close over him, the conflict will resume and a negotiated solution will seem more hopeless than ever.

Interestingly enough, the largest cluster of terrorist organizations on the United States State Department list is of Palestinian organizations dedicated to the destruction of Israel. See box in preceding discussion of the Central Asian case, and if you wish look up the organizations on the website noted there for descriptions of terrorist organizations, see http://www.fas.org/irp/world/para/imu.htm.

Some Necessary Conditions

Economic Viability. There may be many necessary conditions in order to get a perfective approach going. One, just addressed, is the idea that there needs to be economic viability. The Palestinians were done a great disservice by Arafat by not having any program for economic development as a peaceful co-exiting state with Israel. In that case it was simple. The strategy was go for all the land, and it won't work. Hopefully, with the new Prime Minister, Mahmoud Abbas, there is a different approach, but as noted in the previous box, dealing with the terrorist organizations is a problem. Indeed, for the perfective approach to work there must be a vigorous program to neutralize the terrorist activities. Theoretically, by announced policy, it is on the Bush list, but seemingly farther down the line in that force by Israel to neutralize the Palestinian terrorists, including Hamas and Hezbollah, is discouraged by U.S. policy.

The lesson for the five Central Asian republics is that they need to get economic viability. As discussed, the danger is that the despotic regimes will be overthrown by new despotic regimes; the new ones being Islamic states that will be a great threat to further terrorism.

Afghanistan is another example of the necessary condition of economic viability. In that case, the isolation of Afghanistan from Europe insulated it from the impact of the Enlightenment. It was the "Great Game" between the British and the Russians which brought international interest beyond being a path for the Silk Route linking Europe and the Middle East with India and China.

In that Great Game, Britain viewed Afghanistan as a "…buffer state to keep Russia at a safe distance from India. [*Afghanistan: Lifting the Veil*, Reuters, page 4.] After a couple of wars in the 19th century, there was during the last two decades a repressive government that was isolationist.

Respect for Indigenous Culture. Westernization didn't start until the 1920's when King Amanullah picked up on the approach taken by Kemal Ataturk in Turkey, discussed later in this chapter. At first, King Amanullah kept with the tradition of the preserving a balance among "the tribal chieftains, religious leaders, middle class, and national bourgeoisie by obtaining their support and agreement for government policies." However, "When King Amanullah attempted to implement his radical-liberal social reform, he neglected the logic of such a power balance." [See page 7 of the Nojumi book.] The principle of balance is critical. The lack of balance caused his regime to crumble and he left Afghanistan in 1929.

His successors kept at modernization with some progress, especially with further constitutional development. During the cold war of the 1950's the Soviets and the United States were competing in assisting with infrastructure development. Then came a coup in 1973 with some renewed repression, followed by a series of communists taking over, including an invasion by Russia in 1979.

The occupation did not go well. The Soviet Union had not learned much by its experience with the five soviet republics of Central Asia, nor by Amanullah's downfall. The Soviets showed a disregard for the structure of the local culture and imposed a national pattern that was not in local interests. It was resisted. The land redistribution effort was again a case of their not really understanding the system, or ignoring it if they had an understanding. Consider the following quote from the Nojumi book;

> "A daring study showed that land redistribution was not the appropriate solution for the 25 percent landless farmers. In addition, the basic cultural and traditional values of Afghan society were based on the historical formation of their local communities: strong faith in Islam and a firm belief in freedom, private property rights, and private enterprise, along with self-sufficient structure of production that also produced surplus goods for the cities and enough goods to be exported." [Page 50.]

The Soviets were ousted by the war in 1987-88. Consider this quote from the Reuters book [page 6];

> "Afghanistan gradually became Moscow's Vietnam. The Communists could not defeat the rebels despite frequent Soviet carpet bombing, ground offensives, and massacres of civilians. The war was also a political disaster, since it produced the world's largest exodus of refugees – 4.5 million in Pakistan and Iran. Soon after taking office in 1985, the reformist Soviet leader Mikhail Gorbachev concluded the war was not worth it and decided to pull his troops out…sealing the most humiliating defeat for Russia since it began expanding into Central Asia in 1552."

The bad news was that the war shattered the Afghan economy. "The only crop that flourished was the opium poppy, annual production of which leaped from about 200 tons in 1978 to 2,000 by 1990. Much of this was refined into heroin and exported to flood the streets of the United States and Western Europe." [Reuters, page 6.]

The war effort was led by the Afghan Mujahideen, including foreign Mujahideen groups. There was support from the United States and others. But, the uniting factor in the Mujahideen was cultural not a political conviction. The culture was build around Islamic beliefs and a diversity of local traditions that respected the diversity. The difficulty was that after the Soviets were driven out, the diverse elements were not able to peacefully constitute a stable government. That led to the Taliban taking over with its promise of stability.

A Renaissance of Islam

If we are to take a perfective approach we need to try to understand a Muslim perspective of what constitutes a healthy self-correcting system for Islam as the heart of a number of societies among a world of diverse societies. We can never really know what another person is thinking or thoroughly understand the information selection and processing system they use to reach their decisions in a way sufficient to accurately forecast outcomes in the form of the choices that they will make in various circumstances. Furthermore, the wide diversity of Muslim views makes it even more difficult.

The difficulty is ameliorated by segmenting the population for analysis. By that process the variability encountered in the resulting choices is reduced. Consider these segments to be nodes of thought prevalent in Muslim groups, wherever they may be.

As to the fundamentalists that use terror in an attempt to impose their will and particularly those who directly commit terrorist acts against the United States, we are at war. Their view of a renaissance of Islam is an ever increasing territorial coverage of Islamic rule. Simply put, we have to defeat them.

The renaissance of Islam that we should be facilitating is one in which there is a peaceful coexistence of free societies with Islamic controlled countries and with Muslims free to practice their religion in these free societies as well as in the Islamic controlled countries. The renaissance is in the pride in their culture without bitterness to the West. Since the Enlightenment, the West has made great economic progress, but Islam lagged behind even though there were some attempts to pick up on some of the benefits of modernization. Unfortunately, there has been repeated confusion between the apparel appearance associated with the modernization of the West and the right to choose apparel appearance. It is the right to choose many things that has aided economic development. If the Islamic countries can make progress by economic development, even with fewer rights to choose, it will be less likely that the hate for the West will be fed by the disparity in the quality of life attributed to economic progress.

Ideally, the advances would be internally generated. To the degree that that is practicable, it is the way to go. However, the development in the sciences and humanities of Western civilization can in some measure be transported with adaptation to the Islamic culture. The Islamic social scientists referred to earlier in the chapter [under the heading "Behavioral Politics"] see the perspective as starting with the Koran and everything else following. Well, there are different interpretations of the Koran, and the Islamic leadership may start wherever it wishes. But, understanding how the West made progress will help them. And the understanding needs to include not only how the West made progress but where the West went wrong. Indeed, we need to understand where the West went wrong.

Those engaged in pursuit of this process of understanding should include social scientists with Islamic heritage as well as Western social scientists in general. In a new age of enlightenment the West can avoid the mistakes it made in the colonialization/empire building era, and the Islamic states would at least have tolerance, if not pluralism in their policies. Together, there would be an interdisciplinary approach to tackle problems of understanding that passion may trump reason and that attempts to impose Utopian views have consistently met with disaster.

The situation of the United States is that the strategy of self defense needs to go beyond the Bush plan summarized at the end of Chapter 4 as follows:

> "Our nation has developed a three pronged effort to counter the attacks of September 11, 2001. That effort is focused on
> 1. Finding the perpetrators and bringing them to justice,
> 2. Undermining their financial ability to pursue terrorist activities, and
> 3. Enhancing our security measures in an effort to deter terrorism."

It needs to stem the tide of feeding the supply of terrorists because of the oppression and poverty of the countries governed by tyrants. While the mission is not to remove all the tyrants, that is not our job, the mission is that where we have had to make intervention, as in Afghanistan and Iraq, to provide a framework where democracy can function under a constitutionally protected system of individual rights, thus to avoid the tyranny of a majority.

Some countries are in transition towards free societies, including those who have become free of Soviet domination. The challenge is to facilitate peaceful processes that will facilitate the renaissance of Islam in countries with preponderance of Muslim population by a peaceful process that will let us all live in peace.

This book is predicated on communication to social scientists as the prime audience in order to get them to improve decision making by taking on the most relevant research for their disciplines and blending in any related disciplines that would help in better understanding the system and forecasting outcomes. The intended audience is domestic and foreign. This section of the book happens to deal with the foreign.

Constitutional Protection

In the search for an appropriate Islamic self-correcting system capable of producing a renaissance one needs to ask about the separation of church and state that appeared to be a significant factor in the Enlightenment for Christian Europe. At the same time it is useful to consider the constitutional protection that may be afforded in an environment conducive to such a renaissance.

Consider the earlier discussion of fuzzy logic. The dichotomization is artificial in that there are in fact continuums. Even the separation of church and state in the United States may be viewed as an artificial dichotomization at least to the extent that our culture has a civil religion. [For a discussion of civil religion see *The Broken Covenant,* by Robert N. Bellah.] What we prohibit at the extreme is the state being subservient to the church

The question may be posed as to how to embody an Islamic content within a political structure that provides an acceptable degree of freedom. Thus the search for a renaissance may be defined as a search for a way to blend the fundamentals of an earlier era into the context of a world in which the scale has changed; and the change is so great that isolation will deny economic progress of a scale anywhere near what integration will provide.

The Jewish communities of Europe had in large measure lived in isolation within the secular society until the Enlightenment that also brought emancipation. The big issue was dichotomized as assimilation or continuing segregation. The H*askalah* Movement sought to blend the fundamentals of the religion into a secular society but went towards assimilation rather than integration. [See box containing quotes from *Encyclopedia Judaica*.] Integration is not assimilation. Integration may preserve the culture but permit an interaction among the cultures. The prime requirement is a respect for the other cultures that at least permits tolerance, and at best acknowledges pluralism. So now we need to look at how this is viewed from a social science perspective that is highly interdisciplinary.

HASKALAH …, Hebrew term for the Enlightenment movement and ideology which began within Jewish society in the 1770s … Haskalah had its roots in the general Enlightenment movement in Europe of the 18th century but the specific conditions and problems of Jewish society in the period, and hence the objectives to which Haskalah aspired in particular, all largely differed from those of the general Enlightenment movement. Haskalah continued along new and more radical lines the old contention upheld by the Maimonidean party in the Maimonidean Controversy that secular studies should be recognized as a legitimate part of the curriculum in the education of a Jew. For Jewish society in Central Europe, and even more so in Eastern Europe, this demand conflicted with the deeply ingrained ideal of Torah study that left no place for other subjects. As in medieval times, secular studies were also rejected as tending to alienate youth from the observance of the precepts and even from loyalty to Judaism.

The Haskalah movement contributed toward assimilation in language, dress, and manners by condemning Jewish feelings of alienation in the *galut* and fostering loyalty toward the modern centralized state. It regarded this assimilation as a precondition to and integral element in emancipation, which Haskalah upheld as an objective… [Wolfsohn Halle.]

Haskalah, like its parent the European Enlightenment movement, was rationalistic. It accepted only one truth: the rational-philosophical truth in which reason is the measure of all things. During the 1740s some of the youth had already begun to study Maimonides' *Guide of the Perplexed*. Haskalah accepted Enlightenment Deism, giving it a specifically Jewish turn …

The adherents of Haskalah shared the rationalist belief in the boundless efficacy of a rational education. They therefore turned to a change in the curriculum and methods of teaching as the main means of shaping a new mode of Jewish life. The first school to be guided by this ideal was founded in Berlin in 1778 and named both Freischule ("Free School") and Hinnukh Ne'arim ("Youth Education… The school had a revolutionary effect on Jewish education, for it heralded the transfer of the center of gravity from Jewish studies to general subjects. The school was successful from the beginning; only half of its 70 first pupils came from poor homes. [Azriel Shochat] [Excerpted from *Encyclopedia Judaica.*]

The roots of the integration of secular philosophy with religion, at least in the Jewish heritage, go back to the medieval time with the work of Maimonides. Maimonides, one of the leading Jewish scholars of all time was an Aristotelian in that he was able to blend the work of Aristotle with Jewish law. Interestingly enough, he lived in an Islamic society. In those days, the glory of Islam, there was a great deal of tolerance for the monotheists descended from Abraham, as they were. Thus, Christians and Jews could live in peace among the Muslims in a Muslim land.

There is historical precedence in the Eight Century in Andalusia. The following box contains a quote from the web indicating that "**This tolerance of the Jews and Christians by the Muslims**, characterized the early centuries of Islam in Spain. All the Jews and Christians who accepted the Muslims as the rulers of the country were allowed to retain their possessions and their beliefs and religious practices, and to continue their way of life within the framework of the society despite the fact that both these communities denied the continuance of the prophetic tradition beyond their respective prophets, Moses and Jesus, on whom be peace." [www.cyberistan.org/islamic/andalusia.]

At the end of the Eighth Century, the whole of Andalusia was the most populous, cultured and industrious land of all Europe, and remained so for centuries. Its trade with the outside world was unrivaled, and in this time of economic expansion, the **Jews**, who had been virtually eliminated from the peninsula in the seventh century by the Christians, grew once more in numbers and flourished. The following description of their position is to be found in Hume's 'Spanish People':

Side by side with the new rulers lived the Christians and Jews in peace. The latter rich with commerce and industry were content to let the memory of their oppression by the priest-ridden Goths sleep, now that the prime authors of it had disappeared. Learned in all the arts and sciences, cultured and tolerant, they were treated by the Moors with marked respect, and multiplied exceedingly all over Spain; and, like the Christian Spaniards under Moorish rule - who were called Mozarabes - had cause to thank their now masters for an era of prosperity such as they had never known before.

This tolerance of the Jews and Christians by the Muslims, characterized the early centuries of Islam in Spain. All the Jews and Christians who accepted the Muslims as the rulers of the country were allowed to retain their possessions and their beliefs and religious practices, and to continue their way of life within the framework of the society despite the fact that both these communities denied the continuance of the prophetic tradition beyond their respective prophets, Moses and Jesus, on whom be peace. The Muslims gave the Christians the freedom to make up their own minds. As long as the Muslims of Spain followed the guidance they had been given, they did not molest the Christians and, writes Gibbon:

In a time of tranquillity and justice, the Christians have never been compelled to renounce the Gospel or to embrace the Qur'an.

Source: http://www.cyberistan.org/islamic/andalusia

Discipline Perspectives. At this point it makes sense to refer back to the previous discussion of the Islamic social scientists that that find it a problem to view the social sciences from an Islamic perspective when their training is in the Western view of the social sciences. We need to address the paradigm issues.

At ASPEC I participated in an interest group led by Dr. Don Mittleman, a retired professor of mathematics and a former chief of the Computational Laboratory of the National Bureau of Standards. After Don explained that the ancient Sumerians used a base number system of sixty and the Mayans used a base number of twenty, rather than our ten, and that symbols and structures varied widely, I asked the question, is their a Sumerian math, a Mayan math, and a Chinese math as well as our mathematics, or are all mathematics the same. The answer I got, as I understand it, was that irrespective of the base system, symbols, vertical or horizontal presentations, the addition is the same, the subtraction is the same, the multiplication is the same, and the division is the same. The numerical relationships stand irrespective of the paradigm.

If it works for math, I expect it works for the social sciences in that the relationships are whatever they are. However, when it comes to making the observations through science and presenting the results it becomes a different matter. Stephen Jay Gould wrote in his book *The Hedgehog, the Fox, and the Magister's Pox* the following;

> "The peculiar notion that science utilizes pure and unbiased observation as the only and ultimate method for discovering nature's truth, operates as a foundational (and I would argue, rather pernicious) myth of my profession. Scientists could not so approach the world even if we justly so desired – for, as the distinguished philosopher of science N. R. Hanson once remarked, 'the cloven hoofprint of theory' necessarily intrudes upon any scheme of observation. So must it be, and so should it be – for how could we ever discern a pattern , or see any coherent, amid an infinitude of potential perceptions, unless we employed some theoretical expectation to guide our penetration of this plethora. Bias cannot be equated with the existence of a preference; rather, bias should be defined as our unwillingness to abandoned these preferences (or at least challenge them further and rigorously) when nature seems to say 'no' to our explicit searches and tests. Indeed, most scientists distinguish their work by imposing conscious and opposite bias upon their practice – that is, by applying *greater* skepticism and *more rigorous* (and frequent) testing to observations that support their preferences – precisely because they know how enticing, and thus how impervious to refutation, such preferences can become,." [Page 34-35.]

The quotation reminded me of the earlier quote from a statement by Max Plank, shown in this book in the opening of Chapter 3,

> "A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it." [Planck as quoted in The First Moderns by William R. Everdell.]

I am not here suggesting that no one will change his or her mind or that everyone will see the light. The point is that some social scientists, hopefully some that are significant nodes with lots of connections, grasp the concepts and that over time the knowledge will cascade.

The point is that scientists as human beings have developed schemas designed to select and process information in ways to rigorously identify truth, but the approach to the question is framed by their preferences. The best example I can think of is the story my former Dean Nat Baily at The American University liked to tell. Two men were arguing over whether one might pray and smoke at the same time. They decided to settle the matter when a leading religious authority arrived in town. The proponent of not smoking asked if one may smoke while praying. The answer was no, if you are praying you should not distract yourself by smoking. But the other insisted on asking the question his way. The question was may you pray while smoking. The answer was yes, you may pray anytime.

Framing the question makes a great deal of difference. The Muslim social scientists referred to in the earlier discussion [side heading "Some Thoughts on Intractable Intellectual Segments," paragraph heading, ""Behavioral Politics.] appear to see the way to approach social science as one in which their questions are framed starting with the premise that the Koran is the truth and that science follows from that. Thus, social, political, and economic organization of society starts with the Koran, and the disciplines build from those principles.

One might organize society on such premises, but if the analysis is based upon a bias interpretation of the system, forecasting behavior of the system may not give much accuracy, or rather even less than we currently get in our forecasts. It might works if the analyses are based upon preference rather than bias.

It does not work if the science is based on bias anymore than it worked when Galileo recanted from his findings that the earth revolved around the sun and thus Rome was not the center of the universe. Clearly some sects deal with bias rather than preference. The following quote [from Chapter 4, side heading Toward Understanding Islam, paragraph heading, Fundamentalism] is as follows:

> "The Islamic terrorists are fundamentalists that have their own interpretation of the Koran. There are substantial differences in the interpretation of the Koran among the Islamists, many of whom are not well educated in Islamic law, or *sharia*. Khaled Abou El Fadl, a UCLA law professor, speaks out on Islamic law

> as reported in U.S. News & World Report, April 15, 2002. In part, the article reports that his articles and op-ed pieces make clear that 'terrorism and suicidal bombing are 'not supported by the rigorous classical heritage' and 'are at odds with Islamic law."
>
> He says, "We are in the dark ages of Islam." He speaks of an intellectual reign of terror by the Wahhabi influence fostering puritanical doctrines. He advocates a broad-minded-critical approach. That earned the wrath of many of his less tolerant co-religionists.

Tolerance is not in the tradition of Wahhabi. Karen Armstrong. In her book, *The Battle for God,* writes,

> "…Abd al-Wahhab tried to create an enclave of pure faith, based on the practice of the first Muslim community in the seventh century. It was an aggressive movement, which imposed itself on the people by force. Some of the violent and projectionist Wahhabi techniques would be used by some of the fundamentalist Islamic reformers during the twentieth century, a period of even greater change and unrest." [Page 44.]

Constructively, the question is how to help the Islamic social scientists, given their preferences, develop their interdisciplinary understanding of how the system operates. The answer, I believe, is in perspectives of an Islamic renaissance and resolution of different perspectives.

By Islamic renaissance I mean a return of pride or glory such that the emotion felt did not inspire the hate that is spewn on the West because it is so much better off in material ways. As discussed, earlier in this book, the scientific revolution and the enlightenment moved the Christian society of Europe way ahead of the Islam in the material aspects of quality of life. Some attempts were made to modernize Islam, some of which is discussed later in this chapter with regard to Turkey. But the issue remains as to the choices to be made by Islamic communities. [See earlier discussion in this chapter, side heading "Some Thoughts on Intractable Segments, paragraph heading "Behavioral Politics"]

The oil wealth did not help build a viable society, as it might have if it had been used for domestic development rather than having the wealth invested in the West for the profit going to the few. The economic and social development issues have been dealt with as charity to the extent they have received attention rather than developing a robust economy. The question may well be one as to how does Islam build a vibrant society.

Afghanistan and Iraq come to mind as opportunities to demonstrate a way to develop a model that works for the religious ideals of Islam and bring an economic viability that would counter the hate for the West's successes. There has been another opportunity for over fifty years in the case of Palestine. The Arafat mentality has not sought to deal with building the socio-economic system that would improve quality of life for the Palestinians. Again, as has been frequently said, he never missed an opportunity to miss an opportunity. Maybe with the new prime minister, Mahmoud Abbas, and the roadmap approach, the focus will be on how to build rather than on how to destroy.

Iraq. Consider Iraq as an example of how a strategy might be developed. A good place to start is with the principle of balance. A major concern is the extent to which s*haria,* Islamic law, is the model for the law and how the Kurds and other minorities could be exempted if there is a fundamental religious conflict. Thus the principle of balance is applied where the differences are identified. Local differences are traditionally accepted in the culture of Islam, except by the extremists. That needs be addressed in the new constitution to be developed and in the choices to be made as to the form of representative government with special attention to avoiding tyranny of the majority. Iran is a good example of what not to do. Iran went from one extreme to the other.

A critical aspect of the Koran is the *sharia,* i.e., is the Muslamic law. Suppose that Iraq pursued balancing the diverse interests of its diverse population by balancing freedom and authority with constitutional protections so that there would not be a tyranny of the majority. Furthermore, if the civil law were framed reasonably consistent with *sharia, Islamic law,* as long as the constitutional protections were preserved, but administered as civil law, there would be a legal separation of church and state. Province or smaller area administrations could not only deal with those matters usually associated with local administration, but also facilitate response to ethnic preferences as to local practice. Thus the Kurds in the north while still under national law would have some degree of local autonomy.

The ideas presented are just conceptual to represent the pluralism concept within the country at least at as far as is practicable with in a national standard. If the fundamentalists can't buy into pluralism, then some measure of tolerance is necessary.

The constitutional issues are complex. A study, "Establishing a Stable Democratic Constitutional Structure in Iraq: Some Basic Considerations" prepared by the Public International Law and Policy Group with The Century Foundation sheds a great deal of light on the options that might most effectively be used to arrive at the compromisers that will determine the new form of government. The box that follows describes the study available on the web.

Establishing a Stable Democratic Constitutional Structure in Iraq: Some Basic Considerations	The Century Foundation Pub. Int'l Law & Policy Group Morton Abramowitz

With the rapid success of the war in Iraq and the fall of the Hussein regime, the people of Iraq will turn to the task of reconstituting an Iraqi state. One of the first steps in this process will be to design, agree upon, and implement a new constitutional structure. The challenges to drafting a new constitution are substantially magnified for Iraq given its complex mosaic of ethnic and religious identities, the history of repression under Saddam Hussein, the necessary presence of American forces, and Iraq's complex relations with its neighboring states. This report aims to serve as an aid to the future drafters of the Iraqi constitution in navigating the complexities of the constitution building process.

It does not set forth a proposed constitutional structure, but rather examines some of the principal issues that must be addressed in order to craft a viable constitutional framework in Iraq.

Example Expanded. On the international situation there is no central authority. Instead of an international constitution with law enforcement powers, we as Americans, have to rely on our own ability to protect ourselves. The key is not to overreach.

The colonialism of the Euorpean powers of another era left a terrible legacy. The resentment is still there. America is not interested in building an empire and we need to constrain our international corporations in order to provide sensitivity to local interests. That constraint, whatever it is, may never satisfy our harshest critics. There is nothing that we can realistically do that will please them. Our philosophy ought to be the pluralism approach. And, if they, as fundamentalists are not willing to subscribe to such an approach, then at least they need enough tolerance to let us live in peace.

Some segments of the Muslims, the Wahhabis as pointed out earlier, have no such tolerance. Others do, and the Islamic tradition shows tolerance as interpreted my most Muslims. Thus, those who persist in trying to change us by applying terrorism methods are destined for a battle. We will defend ourselves

That battle is on. The record so far is that we are able to root it out in selected areas by force. As a matter of balance, we as a nation may devote a reasonable amount of resources to that endeavor and do so along with a coalition of likeminded allies. We need not escalate, unless pushed into it. There is a momentum that need not accelerate.

The preferred path is the peaceful solutions. For the most part, that is a domestic issue for the foreign countries. The difficulty is that the problem countries are not free societies and that the authority in power is protecting itself and not necessarily looking at the welfare of their country as a whole.

Our role is not as savior to the world where we would go in and topple governments simply because they were despotic. Afghanistan and Iraq were toppled because they were part of the terrorist threat. More may be in line, but the perfective approach is intended to provide for the reduction of the threat of terrorism emerging from the internal leadership of foreign countries Hopefully, the successful examples of pluralism and/or tolerance will be followed from Islamic country to Islamic country as the benefits of economic development associated with a new age of enlightenment emerge. We would like to help them increase their quality of life, at least so we are not the objects of their hate. But they need to reconcile the way in which they can live in peace with the rest of the world. President Bush is not converting to Islam nor is our nation.

Cascades. The strategy is to get a cascade going. [See discussion of cascades and science of networks in Chapter 6, under side heading "A Contemporary Problem and Progress.] That is to have a snowballing effect of anti-terrorism in Islamic countries. That is no small task, especially since the greatest terrorist problems have sources that are within the borders of many of the least free countries of the world.

While it would be nice if the countries became free societies, as is the trend for most of the world, reality is that we are not undertaking a mission to free the world of despots. At least most of us are not, even though free societies have their zealots as do the totalitarian societies. Out of compassion we hope for the freedom of all people, but restrict armed intervention to cases of self defense that includes stemming a terrorist threat as with the case of weapons of mass destruction that were the subject of an agreement. This may give North Korea some cause to worry because they unilaterally broke their agreement on the Yongbyon nuclear complex. It may have just been a negotiating ploy. But it was a dangerous one. The contest for the next priority between North Korea and Iran, and whoever else is a really strange contest. But we see strange things as with the tyrants who were reportedly offended that their countries were omitted from the list of those in the axis of evil.

That story was told as joke, but consider the thoughts of a tyrant from the tyrant's perspective. The best analogy is the rivalry of bullies in the school yard or worse yet street gangs, or prison yards. Being top dog is a big deal. And if the crusade, pardon the word, is against the despised Americans and the play is to fellow pan-Arabists, the desire may be to be the top dog, and pardon that phrase also – no offense intended.

Secularism and the Dichotomization Problem

Secularism is the big issue for fundamentalists. For a framing of the issue, let us consider some quotes from the Lewis book, *What Went Wrong?*

> "In some Arab countries, defenders of what has by now become the old-style secular nationalism accuse the Islamic fundamentalists of dividing the Arab nation and setting Muslim against Christian. The fundamentalists reply that it is the nationalists who are divisive, by setting Turk against Persian against Arab within the larger community of Islam, and that theirs is the greater and more heinous offense.
>
> "In the literature of the Muslim radicals and militants the enemy as been variously defined…But their primary enemies, and the most immediate object of their campaigns and attacks, are there native secularizers – those who have tried to weaken or modify the Islamic basis of the state by introducing secular schools and universities, secular laws and courts, and thus excluding Islam and its professional exponents from the two major areas of education and justice. The arch –enemy for most of them is Kemal Ataturk, the founder of the Turkish Republic and the first great secularizing reformer in the Muslim world. Characters as diverse as King Faruk and Presidents Nasser and Sadat in Egypt, Hafiz al-Asad in Syria and Saddam Hussein in Iraq, the Shah of Persia and the kings and princes of Arabia, were denounced as the most dangerous enemies of Islam, the enemies from within." [Pages 106-107.]

If one recognizes that there are some minds that are not going to be changed, and that some of those minds, driven by emotion more than reason, are responsible for committing or fostering terrorist acts, one may conclude that self defense is the only option. If that is the case, then so be it. But there is a spectrum of minds or views. The vast majority of the Muslims do not take the narrow view and do not pose a threat. Indeed, the cascade of thought that is sought is of pluralism or tolerance. If it comes to armed conflict we are well armed and committed so that our reliance is not upon others although the coalition is not only desired but an integral part of the strategy. But the coalition is even more important in the sense of Muslims communicating to Muslims that they can live their pious lives without attempting to terrorize those whom they consider to be infidels.

For this discussion, rather than focus on neutralizing those who will not let us live in peace, I would rather focus on understanding what went wrong, and how to do something about it, and sharing that understanding in the context that would be useful to the social scientists who take an Islamic perspective. They can adapt the principles in accord with the concept of consilience. I would not pretend to see things from their perspective. Rather I prefer to share my interpretation which hopefully others will seek to understand. Once understood, I hope others will report on the diverse perspectives of others, going to the sources, using the quotations and references. This whole book may be viewed as a study guide with references to the literature that was most enlightening to me. It is a guide I would preferred to have had available for my pursuit of understanding, but I had to write it in order to read it.

Turkey. We can learn some lessons from the history of Turkey. The first is that dichotomization can be very destructive. Or, perhaps it is better to say that extremism can be very destructive. Identify it as you will, but after Mustafa Kumal Ataturk led in the establishment of the sovereign state of Turkey he continued an ethnic cleansing started under the regime of the Ottoman Empire. The establishment of the first secular democracy in the Middle East was progress in the sense of modernization of the society. But, it was extremism in that it was a suppression of religious rights not to mention the imposition of required Western attire. In the words of Karen Armstrong from her book *The Battle for God,*

> "But in the Middle East, secularization was experienced as a violent and coercive assault. When later Muslim fundamentalists claimed secularization meant the destruction of Islam, they would often point to the example of Ataturk."
> [Page 192.]

A more favorable view is on the website http://www.turkishnews.com/Ataturk/. An excerpt is in the box that follows.

> "Mustafa Kemal Atatürk, the founder of the Turkish Republic and its first President, stands as a towering figure of the 20th Century. Among the great leaders of history, few have achieved so much in so short period, transformed the life of a nation as decisively, and given such profound inspiration to the world at large

"Emerging as a military hero at the Dardanelles in 1915, he became the charismatic leader of the Turkish national liberation struggle in 1919. He blazed across the world scene in the early 1920s as a triumphant commander who crushed the invaders of his country. Following a series of impressive victories against all odds, he led his nation to full independence. He put an end to the antiquated Ottoman dynasty whose tale had lasted more than six centuries - and created the Republic of Turkey in 1923, establishing a new government truly representative of the nation's will.

"As President for 15 years, until his death in 1938, Mustafa Kemal Atatürk introduced abroad range of swift and sweeping reforms - in the political, social, legal, economic, and cultural spheres - virtually unparalleled in any other country."

The other view, in excerpt form, from an Armenian perspective is in the box that follows.

The final chapter of the Armenians in Anatolia was written in Smyrna (Izmir) as Kemalist forces routed the Greek army and entered the city in September 1922. Soon after, a fire begun in the Armenian neighborhood consumed the entire Christian sector of the city and drove the civilian population to the shore whence they sailed into exile bereft of all belongings. With this exodus from the mainland, Mustafa Kemal completed what Talaat and Enver had started in 1915, the eradication of the Armenian population of Anatolia and the termination of Armenian political aspirations in the Caucasus. With the expulsion of the Greeks, the Turkification and Islamification of Asia Minor was nearly complete.

"With the restoration of Turkish sovereignty over Anatolia, Kemal turned his attention to the modernization of the country. Designated President of the newly proclaimed Republic of Turkey in 1923, he embarked upon a thorough-going process of Westernization while promoting a secular Turkish national identity. This effort was epitomized in the adoption of the Latin alphabet for the modern Turkish language. In 1934 the Turkish Grand National Assembly hailed Kemal with the surname of Ataturk, meaning the father of the Turks, in tribute to his singular contribution in forging modern Turkey. With an eye toward securing his legacy, in 1931 Kemal founded the Turkish Historical Society, which was charged with the guardianship of the state's official history. In 1936 Kemal began to pressure France to yield the Sanjak of Alexandretta, or Iskenderun, a district on the Mediterranean under French administrative rule whose inhabitants included 23,000 Armenians. Preoccupied with the deteriorating situation in Europe, France yielded when Turkey send in its troops in 1938. Kemal died that year having prepared the annexation of the district. His action precipitated the final exodus of Armenians from Turkey in 1939 as most opted for the French offer of evacuation to Syria and Lebanon rather than risk mistreatment yet again.
[*Rouben Paul Adalian* Armenian National Institute122 C Street, NW, Suite 360]

As an update to modern times, it is especially worthy of note that an Islamic party won the election in Turkey in November of 2002. Some excerpts from a NINEMSMN Bulletin with *Newsweek*

> "Dr. Abdullah Gul, Turkey's likely next prime minister, sits in his sleekly modern office as darkness descends. It's not dusk – his window is obscured by a giant five-story-high portrait of Mustafa Kemal Ataturk, the modernist, ultra-Western founder of the Turkish republic. The picture is being gently rolled down the

facade of his party's headquarters to celebrate its landslide victory in last week's stunner of an election.

> “For an organisation described by critics as "dangerously Islamic," the Justice and Development Party was showing its true colors in a most unreligious manner – literally cloaking itself in the mantle of Ataturk, the symbol of all that's progressive (and utterly secular) in Turkey. As a symbol, the message could not have been clearer. "We are not a religious party," says Gul, emphatically, as Ataturk's three-yard-wide bow tie twitches into position outside his window. ‘We want to show that a Muslim society can be transparent, democratic and compatible with the modern world…’
>
> “…If one is to take the AK at its word, that could mean massive and rapid social and political reform, especially in the realm of human rights. It means an acceleration of Turkey's drive to join the European Union – and a push to defuse several brewing crises abroad. Above all, it means a new impetus for economic change, principally a drive to clean up the cronyism and corruption that have hobbled Turkey's banking and financial system for decades.”
>
> “All this is good news. But AK's power to change Turkey also raises fears, especially – among the country's military and security elites. For all the fine words about democracy and modernity, they worry that the party's leaders have not fundamentally changed since their days as Islamic radicals. AK's charismatic chairman, Recep Tayyip Erdogan, was himself imprisoned for four months as recently as 1999 for ‘inciting religious hatred,’ after he famously recited a religious poem at a rally. Never mind that Ataturk was also fond of quoting the poem in question. Erdogan was banned from ever holding public office – a restriction he now plans to fight even at the cost of changing the Constitution (interview). "I hope the party has changed, and doesn't engage in any provocative acts," says one retired senior general with ill-concealed distrust. "It will be closely watched."
>
> “…As part of that drive, AK aims to quickly implement a raft of EU-inspired legislative reforms passed in August – including the right of Turkey's 12 million Kurds to broadcast and teach in their native language, the abolition of the death penalty and guarantees of free speech and other minority rights that in the past have all too often been honored in the breach. Though certain to arouse controversy in Turkey, this agenda would be considered moderate by Western standards. The most extreme cause in the party's program is the right of women, should they choose, to wear head scarves in government offices and schools. For now, even that is on the back burner. Such change must come through "consensus," Erdogan tells NEWSWEEK. ‘It mustn't be allowed to become a point of conflict."

Modern Turkey, even under the leadership of an Islamic party, may be paving the way for an Islamic renaissance within the context of a predominantly Muslim populated state.

The question on the table is how will the issues with the fundamentalists be resolved. This will require talent from many disciplines. A start is indicated in the next section identified with the paragraph heading ,"Fundamentalism."

Fundamentalism. Karen Armstrong, in her book *Battle for God*, in discussing fundamentalism in the first quarter of the twentieth century, reports on a Jewish scholar's description of how fundamentalism works in that it

> "…is not an immediate, knee-jerk response to modern secular society but only develops when the modernization process is fairly advanced. At first traditionalists – like the Eastern European members of Agudat [an Orthodox Jewish sect] – try simply to find ways to adapting their faith to the new challenge. They adopt some modern ideas and institutions, and attempt to prove that these are not alien to tradition. But once society has become more completely secular and rational, some find its innovations unacceptable. They begin to realize that the whole thrust of secular modernity is diametrically opposed to the rhythms of conservative premodern religion, and that it threatens essential values. They begin to formulate a "fundamentalist" solution that returns to first principles and plans a counteroffensive." [Page 191-192.]

She continues the discussion noting that Muslims at this time had not as yet reached that stage. Later they saw secularism as an attempt to destroy Islam. In her other book that I have quoted from, *The Death of God,* she writes,

> "Freud had wisely written that any enforced repression of religion could only be destructive. Like sexuality, religion is a human need that affects life at every level. If suppressed, the results are likely to be as explosive and destructive as any severe sexual repression. Muslims regarded the new Turkey and Iran with suspicion and fascination." [Pages361-362.]

The problems developed over a long period of time. Apparently the principle of balance was migrating from the physical sciences at a very slow pace. The momentum has been rising and the policy for dealing with it needs to be extended to include the perfective approach. However, even though we still have a lot of work to do in the corrective and preventative area, we need to be mindful of creating conditions that do not foster terrorism. On this point, consider the Philippines where a free society is shooting itself in the foot.

Philippines. The Philippines is a case in point for some segments of society being denied fair consideration, and for intervention to prevent the supplementing of terrorists through training camps organized for that purpose. The box that follows provides some excerpts from a story about the training of Al Qaeda's allies.

Excerpts from "Philippine Camps Are Training Al Qaeda's Allies, Officials Say"
By RAYMOND BONNER, New York Times, May 31, 2003

MANILA, May 30 — The southern Philippines has become the training center for Al Qaeda's Southeast Asia affiliate, Jemaah Islamiyah, drawing recruits from a number of countries, according to Western and Philippine officials.

For the last six to nine months, recruits mostly from Indonesia and Malaysia, but also a few from as far off as Pakistan and the Middle East, have received training at inaccessible, rough-hewn sites — basically a few huts and some tents — in a marshy region on the island of Mindanao, officials said.

The training is similar to what their older colleagues in terrorism got in Afghanistan when that served as Al Qaeda's base, they added.

In Mindanao, though, the training appears to include more of a special emphasis on the use of sophisticated explosives, the officials said.

"We've closed the camps in Afghanistan, but they're still operating in the southern Philippines," said an Australian official in Canberra.

More broadly, intelligence officials say there is a constant movement of international terrorists across an area that includes Mindanao, islands in the Sulu Sea, the Malaysian state of Sabah and northern Indonesia…

…The training camps are in an area under the control of the Moro Islamic Liberation Front, which has been waging a guerrilla war for an independent state for 25 years, officials said.

Hundreds of Qaeda recruits trained at Moro camps in the late 1990's, including some of the men being tried in the Bali bombing, Western officials said. But those camps were destroyed by the Philippine Army in 2000, and Moro rebels have steadfastly denied any links to Al Qaeda…

In general, the information has come from interrogations of Moro front and Jemaah Islamiyah members who have been captured in Malaysia and Indonesia as well as here.

The relationship between the Moro group, Jemaah Islamiyah and Al Qaeda demonstrates the amorphous nature of the Qaeda movement. The Moro rebels have a limited goal: an independent Islamic state on Mindanao. Jemaah Islamiyah, which was founded in the early 1970's and has been declared a terrorist organization by the United States State Department, seeks the establishment of an Islamic state across an arc of Southeast Asia.

Al Qaeda has often been likened to a franchise operation, with Jemaah Islamiyah as the Southeast Asia franchisee. Recently, the Indonesian government has begun to crack down on the group, arresting a number of its leaders, including Mr. Bashir.

In the mid-1990's, when he was looking for places to train recruits outside Afghanistan, Osama bin Laden sent an emissary to the Moro Islamic Liberation Front, which controlled territory and already had a military training course for its own purposes….

American officials say the only solution to the Abu Sayyaf problem [characterized as a criminal in the article – an interesting story but not on point here] is a military one because the group has no real political goal about which to negotiate.

But one official said that was not the case with the Moro Islamic Liberation Front, which is not considered a terrorist organization by the United States. Therefore, he said, a negotiated political solution is possible.

The group has longstanding grievances about decades of ill treatment and neglect of the Moro ethnic group on Mindanao, which is Muslim. Although the island has some of the most fertile land in the Philippines, supporting vast pineapple and banana plantations, it is one of the poorest regions of the country, with the highest infant mortality and lowest literacy.

"The M.I.L.F. is becoming stronger and stronger, both in terms of numbers and in support from the local population," said one ambassador. "The economic situation in Mindanao is so bad that the people have nothing to lose by joining the M.I.L.F."

The Philippine government's policy toward the Moro front has been markedly inconsistent, several diplomats here noted this week.

It has done everything except engage in a serious development program in Mindanao, one ambassador said. The government has always talked about development and appointed cabinet ministers and committees to deal with the issue, the ambassador added, but it has never spent serious money.

Until recently the government thought it could negotiate with the Moro rebels, but that changed after terrorist attacks in March and April at the airport in Davao, the largest city in Mindanao, and at a market.

As a result, on the eve of her state visit to Washington earlier this month, President Gloria Macapagal Arroyo turned the army loose against the Moro rebels.

At the conclusion of that visit, President Bush announced that the United States would commit itself diplomatically and financially to finding a negotiated solution to the war.

The American role, which includes a promise of at least $30 million in development assistance, has been embraced by the leadership of the rebel group.

An American official said a negotiated end to Moro rebellion would create a "less hospitable environment" for training of international terrorists."

The article, as noted, discussed some other issues. However, our focus is on the Moro Islamic Front. An additional perspective is shown in the box that follows.

Excerpts from "Moro Islamic Liberation Front"

"The MILF is the vanguard of the Islamic movement in the Bangsamoro homeland in Mindanao and the neighbouring islands. The MILF was formed in 1977 when Hashim Salamat, supported by ethnic Maguindanaos from Mindanao, split from the Moro National Liberation Front, advocating a more moderate and conciliatory approach toward the government. In January 1987, the MNLF signed an agreement relinquishing its goal of independence for Muslim regions and accepting the government's offer of autonomy. The Moro Islamic Liberation Front, the next largest faction, refused to accept the accord and initiated a brief offensive that ended in a truce later that month. The Mindanao-based Moro Islamic Liberation Front fields around 2,900 troops. Islam in the Philippines has absorbed indigenous elements, much as has Catholicism. Moros thus make offerings to spirits (diwatas), malevolent or benign, believing that such spirits can and will have an effect on one's health, family, and crops. They also include pre-Islamic customs in ceremonies marking rites of passage--birth, marriage, and death. Moros share the essentials of Islam, but specific practices vary from one Moro group to another. …

"Because of the world resurgence of Islam since World War II, Muslims in the Philippines have a stronger sense of their unity as a religious community than they had in the past…

"Divisions along generational lines have emerged among Moros since the 1960s. Many young Muslims, dissatisfied with the old leaders, asserted that datu and sultans were unnecessary in modern Islamic society. Among themselves, these young reformers were divided between moderates, working within the system for their political goals, and militants, engaging in guerrilla-style warfare. To some degree, the government managed to isolate the militants, but Muslim reformers, whether moderates or militants, were united in their strong religious adherence. This bond was significant, because the Moros felt threatened by the continued expansion of Christians into southern Mindanao and by the prolonged presence of Philippine army troops in their homeland."

[From a website Created by John Pike Maintained by Steven Aftergood Updated April 17, 2002.]

The preventive approach should eliminate the training camps. But, the perfective approach should change the conditions of unfair treatment that are pushing some of the population to see an independent state as the only solution.

A Role for Academia

The previous discussion is intended to provide ideas for discussion and potential research leading to an interdisciplinary effort to tackle an interdisciplinary problem. The theme is minimizing the supply of fundamentalists so dissatisfied with their quality of life that they are drawn into resorting to terror. There is a distinction here between those who at the low end of the quality of life and are grasping for something better with little to lose, and those who happen to have a strong ideological mission with reactionary fundamentalist beliefs and may well be affluent. These leaders and their followers may have many things in common, but the resources and motivations may not be among them. Ideologically, ***pluralism is preferred.*** But, where that is not possible, ***tolerance needs to be assured.*** [For a definition of pluralism please see earlier discussion in Part II, Chapter 4, under the side heading of "Toward an Understanding of What Were They Thinking," and indented heading of "Habit as a Point of Departure.]

Philosophically I believe that pluralism is the way to go. A key philosophical summation is provided in a paragraph by Isaiah Berlin in his opening chapter, "The Pursuit of the Ideal," in his book, *The Crooked Timber of Humanity: Chapters in the History of Ideas*,(edited by Henry Hardy);

> "The first public obligation is to avoid extremes of suffering. Revolutions, wars, assassinations, extreme measures may in desperate situations be required. But history teaches us their consequences are seldom what is anticipated; there is no guarantee, not even, at times, a high enough probability, that such acts will lead to improvement. We may take the risk of drastic action, in personal life or in public policy, but we must always be aware, never forget, that we may be mistaken, that certainty about the effect of such measures invariably leads to avoidable suffering of the innocent. So we must engage in what are called trade-offs – rules, values, principles must yield to each other in varying degrees in specific situations. Utilitarian solutions are sometimes wrong, but, I suspect, more often beneficent. **The best that can be done, as a general rule, is to maintain a precarious equilibrium that will prevent the occurrence of desperate**

> **situations, of tolerable choices – that is the first requirement of a decent society; one that we can always strive for, in light of the limited range of our knowledge, end even our imperfect understanding of individuals and societies. A certain humility in these matters is very necessary**." [Pages 17-18.] [Emphasis added.]

From an academic perspective, the essence of the strategy for dealing with the terrorist threat over the long run is to enhance our understanding of what it takes to develop an application of a perfective approach. That is to avoid the desperate situations. My friends, the people that know me the best, would classify me as hawk – one who will do what is necessary to protect our rights to live in a free society. But they also know me as a strategist, and as such one who searches for a way to avoid the necessity for an armed conflict. Forecasting outcomes is the start of the process in the search for the ways to achieve the goals while dealing with the risks. That means understanding the system and bringing to bear the relevant knowledge, and developing it where necessary. That is what these chapters have been leading to.

In the case of terrorists who happen to be Islamic fundamentalists, part of the issue is nationalism. Another quote from *The Crooked Timber of Humanity* is appropriate here. It is from the final chapter of the book (which is a collection of essays that Henry Hardy edited), "The Bent Twig: The Rise of Nationalism."

> "It [referring to resisting encroachment to a way of life] is to be found among those hitherto suppressed peoples or minorities – those ethnic groups which feel humiliated or oppressed, to whom nationalism represents the straightening of bent backs, the recovery of a freedom that they may never have had (it is all a matter of ideas in men's heads), revenge for their insulted humanity." [Pages 260-161.]

Passion trumps reason. Yet, we need to use reason as a tool for our understanding of outcomes, but we cannot rely on reason as necessarily being a predictor of the actions of others. Most may use it. But, when driven by passion, by a cause, with little to lose, and bolstered by a promise of rewards in a hereafter, the behavior is a bounded rationality, with some behavior beyond reason.

There are errors in selection and processing of information, and these may lead to non-rational decisions. [See earlier discussion at the beginning of Chapter 4, side heading "Behavioral Finance," paragraph heading "Some General Concepts."] Once that decision is reached, even in a moment of weakness, it can be buttressed. Consider the suicide bomber who having agreed to become a martyr makes a video as part of the departing ritual, and is told of the financial rewards to his family. Once started down that path, pride is controlling. Some have even blown themselves up in attempts where they saw no one else was going to be taken with them.

There are a lot of disciplines involved in understanding the behavior just alluded to and to understanding the conditions that lead to such behavior. There are a lot of disciplines involved in building a viable society that would lessen the conditions of desperation. I found understanding the city as a system as useful device in research and teaching. You may recall that there is a box in Chapter 2 in the section titled "Stages of Understanding." that reports on the experience in using a simulation model for teaching. It seems to me that it would be fruitful to develop models showing relationships that will help in understanding what would be effective ways for creating a transition from a hypothetical country, with Islamic roots, from a totalitarian society to a free society, or at least to one not hateful to the West even if it remained under control of a despot. The hate is blamed on the West because we have prospered while they have lagged, and their question should be, "What went wrong and how to fix it?"

They should be asking that question. And if they feel that the social sciences needed to deal with it should be rooted in the Koran, then that may be a way to go as long as they can differentiate between biases and preferences. We need not push our help on them, but we certainly might develop models that work with the reasoning of science and the predictability that factors in behavior generated by passion. They may have the joy of discovery to adapt from that knowledge as they see appropriate. The mathematical relationships are the same irrespective of the culture. [See "Discipline Perspectives," earlier in this chapter under side heading "A Renaissance of Islam," subheading of "Constitutional Protection."] The underlying values will give preferences to how the relationships are analyzed and the symbols may be different, but the difficult process of integrating disciplines to understand complex systems is transferable from case to case.

Islam needs a renaissance, or enlightenment renaissance, for the emotions of the vast majority of Muslims that are living under deprived conditions. The issue is on the integration of modernity into the vision because the world has changed substantially over the last millennium, and especially the last few centuries, and indeed in more recent times. Their challenge is to live in peace, especially since they cannot win the war.

Our challenge is to protect our freedom, but hopefully to do so with the perfective approach as well as the curative and preventative approaches. There is a federally sponsored organization in Washington D.C. known as the United States Institute for Peace. It provides research and studies and serves as a bridge between academia and the policy community. It has a Special Initiative on the Muslim World which has the objectives to;

> "Develop crisis prevention strategies for managing and resolving international conflicts resulting from the violence of terrorism and turmoil in the Muslim world.
>
> "Bring the unique strengths of the Institute to bear on the policy debate and actions necessary to respond to the enormous challenges of terrorism.
>
> "Support those in the Muslim world working through nonviolent means to integrate democratic and human rights principles into existing Islamic political, social, and economic frameworks." [Source www.usip.org.org website.]

I came across the Institute of Peace in the late stage of writing this book. The bridging of the gap approach was, of course, quite familiar as you will understand from having read about the Homer Hoyt Institute. What occurs to me is that the Institute of Peace might take the lead in the interdisciplinary approach advocated in this book as a means of enhancing knowledge to supplement our national strategy for dealing with terrorism.

I am mindful of the quote from Berlin at the beginning of this section, “A certain humility in these matters is very necessary.” As noted, this book in not intended to provide a panacea, rather to help those engaged in the development and dissemination of knowledge in getting more progress from their efforts. The secondary purpose is to provide direct help to the policy makers, public and private. That can be through policy development or through enhancing resource availability by communicating to the philanthropists or other funding sources.

All of this is in the context of moving toward a new age of enlightenment. Such a new age should at least contain tolerance if not plurality. It should at least be interdisciplinary if not consilient. And, it should have imbedded in it the strategic approach, and especially be cognizant of the science of networks. And so we turn to the next chapter. “Conclusion: Toward a New Age of Enlightenment.

Chapter 9: Conclusion: Toward a New Age of Enlightenment

The purpose of this chapter is to tie together the lines of reasoning developed throughout the book. The main point of is that we have applied some lessons of the legacy of the Enlightenment to improve our quality of life. Some of the world of Islam has lagged behind to a degree of economic privation. The information revolution has made them aware of the disparities, and some simply hate us.

We can develop some additional knowledge in this 21st century of the Common Era that will contribute to the enhancement of the quality of life for others in the international community as well as ourselves. Of particular concern is the portion of the Islamic community living in unfree countries and in desperate straits. This is a pool of people from whom the terrorists of the future may be drawn. We should help them, not only on humanitarian grounds, but out of self interest. That help would facilitate peace and our national security. Such progress might be made in an era that could appropriately be known as “A New Age of Enlightenment.”

The chapter contains some frank criticism of our contemporary American society and suggests directions that would move us, and the rest of the world, towards a better quality of life. Among the criticisms are those of academia. Finally, the chapter concludes with some thoughts on strategy leading to a new age of enlightenment.

Civilizations Rise and Fall

Civilizations rise and fall. If you are not concerned with the survival of our civilization you have probably wasted your time in reading as much of this book as you have already read.

Even if you are concerned with the future of civilization, but not worried about survival, reading may also have been a waste of time. I say that because the situation is incredibly complex and the ideas in this book about it are very difficult to grasp. A number of themes are woven into the fabric of this work. They include the following;

- A perspective of the emergence of modernity from the Age of Enlightenment,
- A view of the development of the discipline of real estate focusing on the use of strategy to improve the quality of decisions,
- A discussion of the merits of an interdisciplinary approach to issues especially drawing on principles envisioned in the concept of consilience, and
- A discussion of a strategy for dealing with terrorism.

An important element of the strategy is that the Islamic community needs to come to grips with its problems – a point discussed earlier with particular reference to the Bernard Lewis book, *What Went Wrong?* Part of the problem has been the humiliation associated with the disparities of progress. Part of the solution is a renaissance in Islam that incorporates the benefits of modernity that they wish to incorporate, but does so in a context of Islamic history that adds to their pride.

Western social scientists may take a role in helping social scientists of Muslim heritage on the same basis as social scientists of one discipline help social scientists of another discipline; they look for the commonalities of principles and share them in an application to different circumstances or parameters drawing from the different perspectives or paradigms. Such an exchange is not a blow to pride of anyone. It is a mutually beneficial process.

The Muslim social scientists may take particular pride in their 14^{th} century scholar Ibn Khaldun. That scholar, in his historical work analyzing the rise and fall of societies, was a forerunner of Western social science, especially sociology. Furthermore, his work was highly interdisciplinary. Thus, Western social science can benefit from grasping his thoughts developing our understanding of societal systems. Of particular importance is Ibn Khaldun's concept of *asabiyya*, group feelings and relationships. In a comparative analysis it is important to consider that this differs from American values which start with individual liberty.

Perspectives

No one has to grasp all of the themes. All you need to do to have made your time worthwhile is to grasp enough of some theme to be able to improve some your decisions, or to favorably impact the ability of others in reaching their decisions. That includes favorably affecting the attitudes that will affect decisions that will be made at some point in the future. But, at some point in time, *someone actually has to do something* in order to make a difference. Not all the problems are solvable. But, each of us should work on some selection and do what we can. This thought is elaborated on the closing section of "Chapter 1, Making Progress."

> One might argue that an exception to the position taken with regard to utility in improving the quality of decisions as a criterion for reading this book is that it may simply be viewed as an art form. As such, it may make one feel some emotion such as just getting the joy of understanding something better. That may be a valid position. But, the benefits are a byproduct not an intended purpose of this book.

The prologue identified three groups of people to whom this book is addressed. These are as follows:

- First the academics, especially social scientists;
- Second, the recipients of knowledge who have the job of managing institutions, public as well as private for profit as well as not-for-profit; and

- Third, philanthropists, especially those who can get in the curve early and who can stay with the development of knowledge through to an application process.

Others may find it useful, and they are welcome to the knowledge if they are in some way strengthening the fabric of our society. It is the strengthening of that fabric that is my concern. The heart of the start of this book was addressed to my academic colleagues who specialize in real estate. That has been modified to include all social scientists, especially in their research topic selections and integration of additional disciplines into their approach where appropriate. As the book developed it occurred to me that social scientists of Islamic origin would find the book particularly useful.

Internal Threats to Our Free Society

I believe that that fabric of our society has been weakened in recent decades by what we are doing to ourselves, by some aspects of our foreign policy, and by what the terrorists have done to us and are committed to pursue even further. There are no panaceas! But, as I believe you will see by this chapter, building on the preceding chapters, the threat to our way of life in a free society is real, and some of it is unknowingly within, unintentional, but just plain selfish and shortsighted.

> As a side note, this section is being drafted on the last day of Passover in 2003. Those celebrating it take the view that the celebrants were personally among those being freed from slavery. I take note that there was some dissension during the Exodus. Some wanted to return, willing to be slaves again rather than face the uncertain future. Unanimity is rare. Vision counts and so does leadership. My ancestors were slaves. My parents, born in the late 19th century, grew up in a totalitarian society. I live in a free society because they made a journey to America, an America that led the way to modernity and is now despised by those who believe that the only way to live is in what they perceive was the way of an earlier era when Islam was in its glory. My concern is the world of my descendants and your descendants. Please identify your concerns.

Our survival as a free nation is not just an issue of military strength. It is an issue of being able to function as a society under siege when the danger is that the system may not survive as a free society because of economic collapse, not necessarily depression, but rather delivery of basic services in a complex society. It is a matter of systems collapse.

The power outage that hit the Northeast on August 14, 2003 was not a rare experience. The Northeast had blackouts in 1959, 1961, 1965, and 1977. Other areas have been hit since then, most notably in 1996 when an outage started in the West Coast cascaded to include Idaho, Utah, Colorado, New Mexico, Arizona, , and Nevada. The research report on that catastrophe noted a number of problems including the interdependence of the system. [See Watts, page 23.]

There are numerous problems associated with the societal management necessary to deal with the issues. See accompanying box.

Our society is built upon a concept of social contract in which individual rights form the basis of social control. Constitutional protection is provided as the foundation of a rule of law. The system functions to harness the forces of the market. The system is in contradistinction to an authoritarian system in which royalty, religious authority, or any despotic central authority sets the rules. The contrast may be likened to the difference between karate and jujitsu. In karate, one defends oneself by repelling force with force on sensitive areas. In jujitsu, one defends oneself by using the force of the opponent to deal with the opponent.

We need to be especially cautious of those who misuse the system for their own advantage. Corporate executives who cheat their companies and companies that cheat the government are cases in which the very fabric of the system is weakened. The same thing applies to public officials who abuse their power. The biggest danger is the response that everyone is doing it. If the harmful practices cascade the fabric comes apart.

Our ability to address these issues will influence the strength of our societal fabric. One might consider how we have been doing in the various dimensions.

Most of the world's population lives under conditions that we find deplorable and they may not have the wherewithal to change the system. Now that we have liberated one of those societies from Saddam Hussein and his regime, we can readily see that the fabric is fragile and hard to reweave. It is even harder when some of the populace loots their own service delivery systems. Looting their own hospitals is an act that raises serious questions about their society. Did the despot destroy their social contract so that now that he is gone only fear can constrain their actions rather than the understanding of what it takes for a society to function? Without at least some understanding of the social contract the society reverts to street gangs and war lords. Might we have done better to retain some people of the old administration, at least in a transitional process?

Our population performed well after 9/11, but there were some freeloaders that faked loss in order to get undeserved gains. But, what is even more damaging is the abuse of power in the public and private sectors. See the previous box for some discussion.

We try to deal with this by institutional reform. Understanding our identity helps in the process as does understanding what we need to do to preserve our precious heritage of freedom. Before turning to identity, we should consider the network risks that affect the strength of the fabric of our society.

Network Risks and Rewards

The cascading effect of the electrical outages is an excellent example of network risk. But, it is only an example. Network risk exists wherever the linkages are structured so that bad things happening in one node can link to bad things in another node for a variety of reasons. The structure for power or energy shifts may occur in the social sciences as well as in the physical sciences. That is, human behavior may follow from one node to another in the form of human energy much in the same way that electrical energy may shift because of overflows. The overflow in human behavior is the example set by others as an inspiration to take action. It can be good or bad, depending upon what is and how it is viewed.

The web is a powerful network. It can be used for good or evil. There is some really bad stuff on it, counterproductive to moving toward a new age of enlightenment. That includes hate material with America as a target with lies included. But, the good part is that we can use it to strengthen our societal fabric.

The weapon of the web, if that is what it is, is there and is going to be used. We need to deal with its risks and we need to use it to our advantage. This book is designed to be an electronic publication that will aid social scientists in further broadening their education by use of the links provided as well as the paradigm provided.

America's Identity

Historical Perspective

America's identity might be viewed from a variety of perspectives. One such perspective, but not the one on which we will focus, is from the point of view of a history of intellectual life in America. For those interested in that view of our identity I recommend Lewis Perry's book, *Intellectual Life in America: A History.*

Three items from the "Preface" of that book will serve our purposes in leading to the discussion of the strategic approach taken here in an attempt to alter the course of events. The first quote is "The glory of America was, not economic advance, but the spread of refinement and idealism." Economic advance may not have been the glory, but it is the power that enables us to defend ourselves. The fact is, however, without "refinement and idealism" that power is undermined. You might want to read the phrase "refinement and idealism" as the values of our society and relate that to the earlier discussion of truth, justice, freedom, and quality of life.

The second item from the Preface that fits in to our discussion is the following:

> "We shall trace the great reversal by which the emotions, once regarded as subversive of orderly thinking, achieved respectability and even dominance in the most common views of morality. There emerged an American orthodoxy that accorded "the heart" precedence over "the head."

Perry continues in the same paragraph with a discussion of the limits to this orthodoxy. For our purposes, a review of the three chapters comprising the second part of this book on a new age of enlightenment indicates, at least my view, that the decisions that we make are a result of the combination of reason and emotion, and that the prevailing patterns in America are substantially different from those of the cultures which are spawning the terrorists. Our identity may be said to have a greater reliance on reason, but one may argue that we went overboard on the reliance on reason. This is especially applicable to the disciplines that assumed rational behavior.

The third item presented from the Perry preface relates to the "…responsibilities of educated men and women in a democratic society…" Perry identifies two impediments to defining these responsibilities. One is the views of those who champion "nonelitist" histories undermining the relevance of intellectuals' history "as central to everyone else's." The other, and the more relevant to our discussion is as follows"

> "The second reason is the fragmentation of intellectual life in our times. In some ways university education has become coordinated, more closely than ever before, with problem-solving in public agencies and training for employment in the private sector. Intellectuals, therefore, ought to be less vulnerable to the charge that they are elitists who live in an ivory tower remote from the people's culture. But **so much specialization has emerged within disciplines and such chasms have opened up between different approaches to knowledge** [emphasis added] that there is no longer a ruling consensus about the nature of intellectual life. Students and teachers lack the agreement that prevailed in previous generations concerning the **values that should characterize the educated person** [emphasis added] there is no prevailing political ideology, religious faith, or psychological theory to link intellectual activities in varied fields to a common view of human nature or the future of society." [Preface, page xv.]

The phrases that I have put in bold print relate to points made earlier. The theme here is that academics, by the nature of their profession, influence the development and the dissemination of knowledge. Furthermore, unless they want to miss the "real thing" as did Ivan Ilyich, as discussed at the end of the first chapter, there should be some mission.

Missions

Unfortunately, there are what many of us would characterize as misguided missions on campuses throughout the nation. The term misguided is obviously value laden and is intended to be in the sense that it reflects the values discussed in the "Value Systems" section of "Chapter 6, Discipline Perspectives: Organizing Knowledge."

As example of misguided missions on the campuses of some of our nation's universities, is indicated by the following, an article by Alan Dershowitz, a law professor at Harvard.

"Treatment of Israel Strikes an Alien Note," from the *The National Post,* November 4, 2002, by Alan Dershowitz.

If a visitor from a far away galaxy were to land at an American or Canadian university and peruse some of the petitions that were circulating around the campus, he would probably come away with the conclusion that the Earth is a peaceful and fair planet with only one villainous nation determined to destroy the peace and to violate human rights. That nation would not be Iraq, Libya, Serbia, Russia or Iran. It would be Israel. There are currently petitions circulating on most North American university campuses that would seek to have universities terminate all investments in companies that do business in or with Israel. There are also petitions asking individual faculty members to boycott scientists and scholars who happen to be Israeli Jews, regardless of their personal views on the Arab-Israeli conflict. There have been efforts, some successful, to prevent Israeli speakers from appearing on college campuses, as recently occurred at Concordia University. There are no comparable petitions seeking any action against other countries that enslave minorities, imprison dissidents, murder political opponents and torture suspected terrorists. Nor are there any comparable efforts to silence speakers from other countries. The intergalactic visitor would wonder what this pariah nation, Israel, must have done to deserve this unique form of economic capital punishment. If he then went to the library and began to read books and articles about this planet, he would discover that Israel was a vibrant democracy, with freedom of speech, press and religion, that was surrounded by a group of tyrannical and undemocratic regimes, many of which are actively seeking its destruction. He would learn that in Egypt, homosexuals are routinely imprisoned and threatened with execution; that in Jordan suspected terrorists and other opponents of the government are tortured, and that if individualized torture does not work, their relatives are called in and threatened with torture as well; that in Saudi Arabia, women who engage in sex outside of marriage are beheaded; that in Iraq, political opponents are routinely murdered en masse and no dissent is permitted; that in Iran members of religious minorities, such as Baha"is and Jews, are imprisoned and sometimes executed; that in all of these surrounding nations, anti-Semitic material is frequently broadcast on state-sponsored television and radio programs; in Saudi Arabia apartheid is practiced against non-Muslims, with signs indicating that Muslims must go to certain areas and non-Muslims to others; that China has occupied Tibet for half a century; that in several African countries women are stoned to death for violating sexual mores; that slavery still exists in some parts of the world; and that genocide has been committed by a number of countries in recent memory. Our curious visitor would wonder why there are no petitions circulating with regard to these human rights violators. Is Israel's occupation of the West Bank and Gaza -- **an occupation it has offered to end in exchange for peace --** worse than the Chinese occupation of Tibet? Are the tactics used to combat terrorism by Israel worse than those used by the Russians against Chechen terrorists? Are Arab and Muslim states more democratic than Israel? Is there any comparable institution in any Arab or Muslim state to the Israeli Supreme Court, which frequently rules in favor of Palestinian claims against the Israeli government and military? Does the absence of the death penalty in Israel alone, among Middle East nations, make it more barbaric than the countries which behead, hang and shoot political dissidents? Is Israel's settlement policy, which 78% of Israelis want to end in exchange for peace, worse than the Chinese attempt at cultural genocide in Tibet? Is Israel's policy of full equality for openly gay soldiers and members of the Knesset somehow worse than the policy of Muslim states to persecute those who have a different sexual orientation than the majority? Is Israel's commitment to equality for women worse than the gender apartheid practiced in Saudi Arabia? Our visitor would be perplexed to hear the excuses made by university professors and students for why they are prepared to delegitimate Israel while remaining silent about the far worse abuses committed by other countries. If he were to ask a student about the abuses committed by other countries, he would be told (as I have been): "You're changing the subject. We're talking about Israel now." This reminds me of an incident from the 1920s involving then-Harvard president A. Lawrence Lowell. Lowell decided that the number of Jews admitted to Harvard should be reduced because "Jews cheat." When a distinguished alumnus, Judge Learned Hand, pointed out that Protestants also cheat, Lowell responded, "You're changing the subject; we're talking about Jews." It is not surprising, therefore, that as responsible and cautious a writer as Andrew Sullivan, formerly editor of The New Republic and now a writer for The New York Times Magazine, has concluded that "fanatical anti-Semitism, as bad or even worse than Hitler's, is now a cultural norm across much of the Middle East and beyond. It's the acrid glue that unites Saddam, Arafat, al-Qaeda, Hezbollah, Iran and the Saudis. They all hate the Jews and want to see them destroyed." Our intergalactic traveler, after learning all of these facts, would wonder what kind of a planet he had landed on. Do we have everything backwards? Do we know the difference between right and wrong? Do our universities teach the truth? These are questions that need asking, lest we become the kind of world the visitor would have experienced had he arrived in Europe during the late 1930s and early 1940s.

Most of the social scientists for whom this book is being written hold appointments at colleges and universities. Many of these institutions have serious problems for our society in that for some their functions have turned out to be an institution for dissent. In the words of Clark Kerr, President Emeritus of the University of California and former chair of the Carnegie Commission on Higher Education, "the appropriateness and nature of dissent is related to time and place." [*The Great Transformation in Higher Education*, page 56.]

Near the end of Chapter 6, under side heading of "Some Underlying Principles," there is a discussion of timing and location. That discussion is relevant to the idea on dissent as noted by Clark Kerr.

Kerr identifies three general groups into which the dissention may be classified as functions within a university. These are the dissenting professor, the dissenting academy, and the partisan camp. [Pages 54-55.]

Kerr writes, "Individual dissent is now well accepted within the modern university… It is part of the pluralistic university as it now exists." In describing the group classified as the dissenting professor, Kerr writes,

> "First there are those who emphasize the 'dissenting professor' and his or her protection – the professor who individually and of his own or her own free will decides to criticize some aspect of society or society in its totality. The rules governing academic freedom and tenure grow out of the concept of the 'dissenting professor.' Some believe that the professor, out of his or her knowledge, has an obligation to provide free and independent criticism of the surrounding society in his area of specialty. Others view the professor as having a more generalized obligation, as an educated man or woman and a free agent, to comment on the affairs of society outside as well as inside his or her specialty."

Sometimes this right is abused. And sometimes the faculty of the university in its zeal to protect faculty rights makes grievous errors in protecting fellow faculty members who have stepped over the line in their non-academic endeavors. Consider the case of Sami Al-Arian discussed in the accompanying box.

Editorial from The Washington Times July 1, 2002:
"Islamic Jihad and Academic Freedom"

Two breaks in the case of Sami Al-Arian. Remember him? He's the University of South Florida (USF) computer science professor whose life changed after a September appearance on the "O'Reilly Factor." Why? Maybe it was his tepid performance in professing to be shocked, shocked, that Ramadan Shallah, a man Mr. Al-Arian helped gain an entry visa and a USF position, later returned to the Middle East to head up Islamic Jihad. Or maybe it was the reference to another Al-Arian performance—this one, no doubt, more convincing — in which he declared, "Jihad is our path! Victory to Islam! Death to Israel! Revolution! Revolution until victory! Rolling to Jerusalem!" (Or, maybe it was Mr. Al-Arian's classic opener in response to the latter:

"Let me just put it into context . . . . ")

Whatever it was, after the prime-time debut of Mr. Al-Arian — who, not incidentally, used to run a pair of USF-affiliated organizations closed by the FBI in 1995 as terrorist fronts — everything changed. As "Terrorism U" was besieged by calls and threats, as donations and student applications fell off, Mr. Al-Arian was suspended with pay. Citing a contractual violation and safety concerns, USF President Judy Genshaft announced in December that he would be fired.

Then, nothing. Or not much, as far as visible action was concerned. The Justice Department announced in February that Mr. Al-Arian was continuing to be investigated for links to terrorism. He remains suspended from the university, but continues to draw a paycheck. He still hasn't been fired — or reinstated, which is what the American Association of University Professors (AAUP) has just called for. Concluding that Professor Al-Arian's statements fell "well within" the boundaries of academic freedom, the AAUP urged President Genshaft not to fire him — or else face censure, an action best described as academia's equivalent of cooties.

Well worth pondering is the function of academic freedom's boundaries if even calls for "jihad" and "death to Israel" (and fundraising for both) are considered vital to the unfettered pursuit of excellence in computer science. But there's more. Citing "current and former senior Israeli intelligence officials," the Tampa Tribune reported this week that Mr. Al-Arian didn't just hang out with people who — voila — turned into terrorists, or raised cash for groups linked to terrorism, but he also "helped found the governing council of the Palestinian Islamic Jihad and then served on it."

According to the Tampa paper, authorities are focusing on whether money Mr. Al-Arian raised in the United States went to finance Islamic Jihad terrorism in Israel — "in particular," the paper reports, "an April 1995 bombing attack on a bus that killed eight people in the Gaza Strip," including Alisa Flatow, a 20-year-old American student. Stephen Flatow, Alisa's father, recently testified about his daughter's murder before a federal grand jury in Tampa. Maybe "context" is close at hand.

As an update, Sami al-Arian has been charged by the United States Department of Justice. Please see the box containing the Washington Post article.

Fla. Professor Charged as Terror Group Leader

Eight People, Including Four U.S. Residents, Indicted

By John Mintz Washington Post Staff Writer Thursday, February 20, 2003; 8:04 PM

The Justice Department today accused a former university professor in Florida of conspiracy to murder more than 100 Israelis and Americans in overseas suicide attacks and said he has secretly been a top leader of the Palestinian Islamic Jihad terrorist organization for years.

In a 50-count indictment unsealed in Tampa, Sami al-Arian and seven other people, including three other Muslim activists in this country and several top officials of Palestinian Islamic Jihad overseas, also were charged with crimes ranging from racketeering to money laundering.

Among those charged were Ramadan Abdullah Shallah, who was a close associate of al-Arian in Tampa during the 1990s and now heads Palestinian Islamic Jihad (PIJ) from Syria; and Abd Al Aziz Awda, a founder and spiritual leader of PIJ.

Federal agents have spent a decade pursuing the case of al-Arian, who has been relieved of his duties as a computer sciences professor at the University of South Florida in Tampa. His case is one of the longest-running and most controversial probes into alleged terrorist activities in this country's history.

The criminal case against al-Arian was made possible by the USA Patriot Act, an anti-terrorist law about a month after the Sept. 11, 2001, attacks, officials said. That law removed long-standing legal barriers to bringing information gathered in classified national security investigations into criminal courts.

As to the second group, the dissenting academy, Kerr describes it, including quotes from Roszak, as follows;

> Here the responsibility of providing dissent is collective, rather than individual: the 'central business of the academy is the public examination of man's life with respect to its moral quality'; universities should 'cease functioning as the handmaidens of whatever political, military, paramilitary, or economic elite happens to be financing their operations."

As a side note from another source, see the insert that follows that contains an excerpt from a book review by Anthony W. Marx titled "Academia for Sale (Standards Included.) The book reviewed is *Universities in the Marketplace: The Commercialization of Higher Education,* by Derek Bok. Bok was for a longtime president of Harvard University.

"What might Harvard do for money if necessary? Put Nike logos on sports uniforms or the gym? Hold back a scientific discovery until it could be patented or produced? Offer credentials over the internet?...

"Research and testing have been biased. (I have even heard of university patent officers urging researchers to design lifesaving devices that require more frequent replacement, thereby increasing potential profits.) Faculty hiring, promotion and salaries have been skewed by a university's profit-seeking strategies…."

"Universities cannot effectively teach ethics if they are themselves unethical, nor can they hope to teach that there is more to life than making money if they are unconstrained in their search for revenue.

"Our best protection may lie in self-criticism within the university – in scholars and officers asserting their passion for knowledge over their interest in profits. In our present market-driven culture, this may be a weak reed to rely on, but it is the only hope. Having Derek Bok remind us of our higher calling and the present dangers may, if his words are heeded, be more consequential than we can imagine." [New York Times, May 17, 2003]

Kerr further writes that "The supporters of the 'dissenting academy' see the academy, as a collectivity, helping to change society." On the next page he notes that, "the 'dissenting academy 'is not accepted." The reasoning presented appears to me to be that the efforts towards a single point of view develop a strain within the faculties that is not productive, and that if the single point of view is developed and enforced then the rights of individual faculty members are abused. It denies the benefits of plurality.

The third group, which may be characterized as revolutionary is labeled the "partisan camp." It "serves as the basis for guerrilla activity against the surrounding society." Kerr identifies a variety of examples, including the successful ones in Cuba and China, and the unsuccessful ones in France and at Berkeley (in the late 60's). But, he does say,

> "Even the 'partisan university' may have its occasional and temporary place in acting against a clearly oppressive regime (as Harvard and Columbia did before and during the American Revolution, and as Charles University did in a restrained fashion in the face of the Russian invasion in 1968). The appropriateness of the nature of dissent is related to time and place."

The time and place conclusion brings us back to dealing with fundamental principles including balance and leverage. Universities are excellent institutions for leverage. But, the issue is leverage for what.

The for what may be identified by using the definition for intellectuals provided by Kerr,

> "I would define an intellectual as one who takes a broad interest in affairs of society, who is not solely concerned with these affairs for personal material reasons and who is also interested in philosophical and analytical approaches to understanding. I do not suggest by any means, that everybody that goes to college becomes an intellectual; but colleges constitute a major source from which intellectuals are drawn." [Page 190.]

My intention is reach social scientists who have the concerns identified by Kerr in his definition of intellectuals. Since many of these social scientists are on campuses of American colleges and universities, campus activities are especially important, as is the nature of the institution.

<u>Balance: A Fundamental Principle.</u>

Freedom on campus is not license to destroy or undermine the values embedded in our constitutional protections any more than it is the right to shout fire in a crowded theater in which there is no fire. Certainly there may be differences of opinion as to whether or not a fire is raging. So, individuals have a right to speak out, but that does not include the right to engage in terrorist support activities as has been attributed to Sami al-Arian

The principle of balance should keep us from going to the other extreme of requiring loyalty oaths as was done during the McCarthy era. There is a difference between dissent and illegal activities. Dissent is reasonable, and the lack of tolerance for different views did the Enlightenment in (see discussion in Chapter 2, section titled "The Enlightenment: A Philosophical Shift"). What we need is leadership in institutions of higher learning that is able to deal with these issues.

So now let us turn to application of the basic values discussed earlier, but take note of a quote of Ch'u Ch'eng-Po as presented by Jedediah Purdy in his *Being America*: [Page 184.]

"In the present world our trouble is not that we lack the institutions but that we lack upright minds. If we seek to reform institutions, we must first reform men's minds.

- Ch'u Ch'eng-Po, imperial censor, 1895"

The quote was written in an era when China was attempting to industrialize as the West was industrializing. Another source (Wellington K. K. Chan's chapter titled "Government, Merchants and Industry to 1911" as chapter 8 in Volume 11, of *The Cambridge History of China* edited by John K. Fairbank and Kwang-Ching Liu) concludes "China in 1911, despite the Western challenge and influence, still lacked the institutional basis on which modern history could develop with private initiative and capital." That same source, however, notes the following: "Having become obsessed with the idea that modern enterprise begets wealth, and that wealth begets power, official promoters in the late Ch'ing soon decided that industry was too important to be left in the hands of private entrepreneurs. [Page 419.] …In 1897, the conservative censor Ch'u Ch'eng-Po memorialized the throne condemning the traditional discrimination against merchants. [Page 420.]." [The advocacy of] "modern commerce and industry as a means to save China from Western imperialism [brought officials and merchants closer, in part because] merchants purchased official ranks and titles."[Pages 420-21.] That chapter continues with a discussion of corruption, the reluctance of merchants to invest in officially sponsored enterprise then noting "It would be hard to say whether bureaucratic control or under-capitalization was the more debilitating to the growth of modern enterprise during the late Ch'ing." [Page 431.] There was a move towards privately managed companies and an ineffectual awards emanating from the central government, and limited success, but not enough to build up a strong industrial base. Consider the case of China in the context of Islam also not industrializing and the West making dramatic advancements in wealth and power aside from its imperialistic endeavors.

Values Again

Freedom is a critical value. As discussed earlier (see Chapter 6, side heading of "Value Systems," subheading of "Moral Sentiments," and paragraph heading "Freedom"), there are trade offs in the exercise of freedom. Furthermore, the value has sometimes facilitated exploitation. It comes back to balance.

America's wealth and power is in some measure attributable to a capitalistic system that is at the heart of modernity. Or, to put it the other way, in Purdy's words, "It [modernity] creates a capitalist world where markets both build and destroy lives, and carry freedom and exploitation together." [Page x.] Purdy's book, *Being America*, asks "how today's lives produce both liberty and violence." [Page x.]

Purdy summarizes his perspective as follows:

> "In exploring this tumultuous world I have chosen the compass of Edmund Burke, the defender of the rebellious American colonists, critic of the French revolution, and enemy of British imperialism in India. Burke defined his marriage of liberty

> and conservative commitment by saying he loved liberty and hated violence. He meant that we should cultivate the arrangements that enable people to live together in peace and dignity, and should refuse to accept coercion and injury as ordinary features of social life. Sometimes violence is necessary to defend liberty, but the two are nonetheless contrary principles. Enough violence always destroys liberty; mutual respect is the best stay against violence. Moreover, the two appeal to opposite parts of human nature: violence to self-righteousness and the taste for domination, liberty to forbearance and a love of everyday life." [Page x.]

<u>Academia's Efforts</u>

<u>Truth and Justice.</u> Application of rigorous analysis in the pursuit of truth as the representation of how the system operated was a great contribution of the scientific revolution. Building upon that progress, the emancipation of thought from superstition, dogma, and, to some extent myth, was a great contribution of Age of Reason, also known as the Enlightenment. Truth is what made the difference.

Justice fell short. The lack of tolerance for diversity of thought in the wake of the French Revolution did the Enlightenment in. Then, in the United States, the progress of tolerance during the ensuing two centuries set the stage for a new age of enlightenment. For some people it wasn't tolerance but rather an appreciation of pluralism that made the difference. In accepting pluralism people accepted the idea that there was no single utopian vision where one vision fits all.

Either that concept of pluralism for the most enlightened, or tolerance for diversity by those who were sure they had the only answer, is a necessary condition for a New Age of Enlightenment, but is not in of itself sufficient for a New Age of Enlightenment.

<u>Taking Action.</u> The pursuit of truth might be placed in the context of the pursuit of wisdom. Wisdom is truth used in the guide to action. It is the result of the process of reasoning coupled with an appropriate mixture of emotion. The Enlightenment enhanced the capacity of the Western world to improve its judgments.

Action is required in the effort to move towards a New Age of Enlightenment. The first type of action proposed is directed to my academic colleagues; our research should be aimed at improving the quality of knowledge to fill the gaps most relevant to improving the quality of decisions. Rigor does not trump relevance. We should use the most rigorous analytical systems applicable when attacking an issue, but the shortfall of data essential to rigor is not a reason to bypass the effort to find out what we need to know.

Furthermore, what we need to know goes beyond the projections of models constrained in order to enhance rigor. What we need to know includes the behavior expected through decisions of others that are not based upon reason, or that are based upon faulty reason. The understanding of those decisions requires knowledge of the other disciplines that have impacted the decision. This would ideally be pursued by a consilience that abstracted the principles from the various disciplines to get the common grounding of the hierarchy of knowledge of how the systems work. The compromise, as a realistic alternative for the time being, is the use of interdisciplinary analyses in attacking interdisciplinary issues. And, most of the time, better decisions are better made by making outcome forecasts that include knowledge drawn from more than one discipline.

Bodies of Knowledge. Real estate investment strategy has been used to provide an example of the drawing on other disciplines. It paved the way for the discussion of the issues on better understanding systems and networks for the purpose of dealing with terrorism. The real estate investment strategy was also used to make the second major point that we will make better decisions if we are tolerant of the lack of reason in others and do not assume that they will necessarily come to see things as we do.

The example of integrating the behavioral sciences into economics or finance was only an example of the necessity of integrating disciplines in order to take an interdisciplinary approach. Most complex issues are complex because they deal with numerous disciplines. Thus, a researcher either needs a working knowledge of the related disciplines or team mates versed in the relevant disciplines.

Academia's Strategy. The task at hand is educating the educators. Our efforts at the Homer Hoyt Advanced Studies Institute include presentations by leading academics at the cutting edge, doing the cutting and industry representatives that help with guiding research toward the relevant issues. Additionally however, many of the inserts to the newsletter of the Advanced Studies Institute, particularly those that prompted this book, are directed towards broadening their perspective.

Consilience, the search for unity in knowledge, has been one of the issues. As has been discussed, there are some basic principles that apply to all disciplines. In addition to an interdisciplinary approach for specific problems we need a better understanding of the development of the discipline. For real estate our latest initiative comes from the Hoyt Fellows, the industry counterpart to the Weimer School Fellows of the Homer Hoyt Advanced Studies Institute (ASI). My endorsement of that initiative was used as the basis for an ASI newsletter insert shown earlier in Chapter 6 (under the side heading "A Contemporary Problem and Progress," subheading, "Real Estate as a Social Science Example," and paragraph heading, "Discipline Development).

The Hoyt Fellows proposal, now under consideration by a task force, also deals with networks. Aside from looking for the development of thought, it is intended to identify connections through which the discipline developed. This may or may not be appropriate for other disciplines, though some have already done efforts in this area. The two books that were the catalyst for the proposed program were, *Geographical Voices: Fourteen Autobiographical Essays* and the Watts book, *Six Degrees.* That book led to the Barabasi book, *Linked.*

As this is being written the plan is to invite Albert-Laszlo Barabasi as a speaker to the next January session of the Weimer school of advanced Studies in Real Estate and Land Economics to discuss his book *Linked* and especially the following two paragraphs;

"Now we are close to knowing just about everything there is to know about the pieces. But we are as far as we have ever been from understanding nature as a whole. Indeed, the reassembly turned out to be much harder than the scientists anticipated. The reason is simple: Riding reductionism, we run into the hard wall of complexity. We have learned that nature is not a well-designed puzzle with only one way to put it back together. In complex systems the components can fit in so many different ways that it would take billions off years for us to try them all. Yet nature assembles the pieces with a grace and precision honed over millions of years. It does so by exploiting the all encompassing laws of self-organization, whose roots are still largely a mystery to us.

"Today we increasingly recognize that nothing happens in isolation. Most events and phenomenon are connected, caused by, and interacting with a large number of other pieces of a complex universal puzzle. We have come to see that we live in a small world, where everything is linked to everything else. We are witnessing a revolution in the making as scientists from all different disciplines discover that complexity has a strict architecture. We have come to grasp the importance of networks." [Pages 6-7.]

The call to action is for social scientists, of every discipline, to make a concerted effort beyond disciplines that have been blended (e.g., cognitive science, sociobiology, and behavioral economics) to take a holistic view of the system with an integration of network science and to also seek the fundamental principles from other sciences for applicability as envisioned in the concept of consilience.

Disciplines will continue to be developed. But the really challenging problems are in integrating disciplines when the problem at hand requires more than one body of knowledge. And, as discussed in Chapter 1, "Making a difference is what it is all about. [See "Enhancing the System" and "Rules, Tools, and Fools."]

My latest effort in making a difference, at the time of drafting this section, is in an article titled "Transitions." It is in press in *Real Estate Issues.* The excerpt in the box points out the idea of transmitting knowledge from one discipline to another. Not in the box, but discussed in the article are: property rights, externalities, city growth and structure, space markets, and capital markets

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History of Thought in Real Estate

Just as combining different chemicals may transform constituent materials into a new form, so a combination of the resources of land and building materials can engender a transition to income- or amenity-producing real estate.

The real estate literature, beginning with pioneers such as Homer Hoyt and Arthur Weimer, tracks a history of thought that produced the principles that assist us in making wise choices in the combination of resources. Principles rooted in economics include those that relate to getting the right balance between building investment and land as well as the right balance between the land use and other land uses. Indeed, the idea of balance, as related to real estate, goes beyond the discipline of economics to include city planning, law, and public administration. The idea of balance also applies to the architecture and engineering, a reminder of the irreducibly physical character of real estate

There are other principles common to many disciplines; for example leverage and inertia. The idea of the commonality of basic principles is expounded in the concept of consilience as written about by Edward O. Wilson.

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We can extend this concept of consilience to the idea of transitions of thought. This is a mighty challenge because we know more about how the system works at a point in time than how it changes over time, especially in the time dimension of the long run evolution of society. Also, we know more about the natural sciences, including physical sciences, than the social sciences. Even so, let us take a look at the study of real estate as a social science and see what we can learn about the process of transition of thought. Then, by applying the concept of consilience, what we learn about the process of transition, by the techniques of studying intellectual history, may be applied to other issues. One such issue is a strategy for dealing with terrorism, as was alluded to [in an] earlier in foot note.

Deleted: Terrorism is an example of another issue and is dealt with in the book in progress referred to earlier.

One might ask why we care to use the study of real estate, especially its intellectual history, as an example of consilience. Some academics might say for status on campus. Some practitioners might say for status of the industry. But, we all should say because the understanding of the system is an important step in improving the quality of life. Such a study elucidates values that are under threat from fundamentalisms of all kinds, imposing by fiat or force that which cannot be won by intellectual persuasion.

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The discussion that follows makes some observations on principles or theories, whose development might be traced to give us a better understanding of how we got to know what we think we know. We should then examine that process by which the principles or theories were developed, and seek to apply the process to other areas of social science…

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Understanding Differences

The evolution of the thinking of others has been influenced by their environment, as has ours. This applies within our American culture and beyond, especially to the cultures from which most of today's terrorists were bred. There may be no absolutes in the truth or justice that will apply to all cultures at all times. So, while we may see many commonalities, there are still some very real differences. Understanding these differences is critical to effectively dealing with the issues.

Forecasting the behavior of others, whether in the stock market or the international political arena, is best done by understanding their system of thinking. Dealing with the results of that forecast depends upon the nature of the issue.

In the stock market, as an individual investor, one does best to deal with a risk-reward strategy that does not necessarily assume that the other players will "come to there senses" and do things right. Rather it is better to look for the patterns of behavior but remember that things change. Institutional arrangements change. There is an evolution of societal structures for guiding markets. What worked before may not work in the future. One needs to be aware of the changing rules of the system in order not to get blindsided. That is how we may best make progress in achieving our investment objectives. That is also how we can avoid problems that get exacerbated because of lack of attention which was the case in 1979 when the American Embassy in Iran was seized. Recall from Chapter 4 under the section titled "The Start of the War with Whom:"

> "The war began .… when Ayatollah Khomeini of Iran seized the American Embassy and jailed the American diplomats. That violation of diplomatic

immunity introduced a new set of rules…The editorial by Baily, written while a visiting professor at Hartford College, went on to say,

> ‘This violation of diplomatic immunity was an announcement that the norms and rules set by the West were finished. A new order, set by Islam, would replace the international dominance of the West. Our failure to understand that the West and its leader, the U.S., have been at war since 1979 is what led to the recent attack. We were unprepared. Now that the new Pearl Harbor has happened, however, our ability to win the war depends on our grasping the nature of the fundamentalist enemy.”

Our Nation’s Efforts at Reforming Ourselves

Domestic Intuitional Reform

We need more attention to institutional reform internal to our American society. Domestically, from a societal perspective, we need to continually enhance the system by which the markets operate. We need to deal with those people who have no respect for truth in the sense of their representations as participants, but we must do it with the application of our system of justice. We must also improve the system by better structures designed to better harness the forces of the market. We must be especially mindful of the realistic expectations of how others will behave and develop the rules of the system so as to effectively deal with it utilizing the values of our society.

Academia encompasses a great many institutions ranging from liberal arts colleges to major research universities. These institutions exert a tremendous impact on the evolution of America’s identity, especially though values, knowledge, and economic progress. The social scientists in academia have special role in this process. First, they influence the intellectual development of the students. Then, they impact the development of knowledge. And, of course, they are part of the influence on the changing character of the academic institutions with which they are affiliated.

The process is one of a free society. That freedom is our most valuable asset, and it needs to be used wisely. It also needs to be shared and defended. It needs to be shared at least on pragmatic grounds that maintaining our freedom is fostered by facilitating others to maintain their freedom or obtain it. Consider the following,

> “First they came for the Communists, and I didn’t speak up,
> because I wasn’t a Communist.
> Then they came for the Jews, and I didn’t speak up,
> because I wasn’t a Jew.
> Then they came for the Catholics, and I didn’t speak up,
> because I was a Protestant.
> Then they came for me, and by that time there was no one
> left to speak up for me.”
> by Rev. Martin Niemoller, 1945 [from the web]

Freedom and Democracy. Freedom requires a political structure that resolves the conflicts among freedom of different persons and groups of persons. Democracy is one such political structure and it has served us well.

But, it has not served us well enough in its present operation in that it gets abused. It gets abused because while it is a form of government used to counter tyranny, there can be a tyranny of the majority. Such a tyranny is manifest in referendum that yields to majority rule in violation of rights of a minority. Sometimes these referendums are overturned by the courts because we have constitutional protections that limit the rights of the majority. It is part of the rule of law that is designed to make democracy workable

We need a strategic approach to enhancing our democratic system. There is no Utopia, but we can do better.

Since much of societal change takes place through the managed institution, we may focus our strategy of getting changes in the relevant institutions. By institutions we mean a selection of governments at all levels, associations representing individual organizations in common areas of business or other activity, and the individual organizations themselves, including business organizations. We also mean the academic institutions.

Each of these institutions has, explicitly or implicitly, some plan or strategy by which it operates. For most entities, survival comes first. Yet, organizations as well as people make wisdom challenge decisions because of lack of knowledge as to where the risks to their organization are coming from.

Anyone who does not see the threat to our free society has their head in the sand. It is not a question of military might to win wars in Aphganistan or Iraq or anywhere else. It is the question of the strength of the fabric that holds together the operation of our society.

We have no real concept of the total costs of the added security in transportation. We have no real concept of the total costs of trade off in values in order to get security by giving up some privacy and by acceding to profiling. These are things that we need to do to protect our way of life, or really the right to choose the way of life. It is time to focus on strengthening the fabric.

The fabric has been weakened in recent decades because of the erosion of values. The scandals in the business of auditing reveal the transition from professional practice to expedience of business volume and profits. The same can be said of the legal profession. The medical profession has also changed, but probably from forces coming at it somewhat differently.

There was a time when most hospitals took care of indigents and passed the costs on the paying portion of the business. But the transformation of many hospitals from non-profit to profit cut out that service so that indigent care is concentrated among the surviving hospitals that provide such care.

Institutional structures change and so do institutions. It is short sighted for any institution to not make some assessment of the risks of a weakened social fabric by not stepping up to the plate and doing the right thing. The best analogy that I can think of is carrying luggage on a plane. Without limits to each passenger, any passenger could carry on or ship as much as he or she desired. Each might believe that he or she is only a small part of the total and so be a little too liberal on the weight,

Without regulation the plane may not get off the ground. But even if a heavily burdened plane did get off the ground, unexpected turbulence could cause it to crash. Regulation is one way. But social contract or informal societal pressure is another. It works in a lot of situations, but not in all.

A Network Approach. What makes it work is that people have values that guide them to voluntary actions and there are cascading effects. The cascading effects refer to the self perpetuating process in which the actions of some trend followers gather momentum by inducing other trend followers into similar actions. [See Chapter 7, "Decisions Delusions, and the Madness of Crowds" in *Six Degrees: The Science of a Connected Age,* by Duncan J. Watts.] The key is the critical mass that establishes the trend. It then takes on a life of its own.

In order to get the ball rolling, some people need to understand how the system works and be willing to do the right thing. The more that they understand about how the system works, the more responsive they will be if they have the basic values. Others may by understanding the system simply work it to their own ends. Sorting them out is an issue. Sometimes it is only doable with law enforcement. But just strengthening law enforcement may not be the best long run approach.

Over the ages many of us have benefited from the sages in philosophy or others who were concerned about how to live. Education is one route. Religion is another. Peer pressure in a communal setting is a third. It is the old, "it takes a village to raise a child." Well, we have a lot of children who didn't grow up in villages and we have a lot who didn't go to kindergarten and learn some of the basics of living in society.

There is no panacea. But, better management of our institutions can be done, and it can be done by holding them accountable. Some institutions upon seeing the situation take a lead in reform. For example, consider the excerpts of changes that took place in Duke Realty, a real estate investment trust, noted in the news release quoted in the box.

Duke Realty Corporation (ticker: DRE, exchange: New York Stock Exchange) News Release - 7/31/2002

Duke Realty Announces Corporate Governance Initiatives;
Expensing of Stock Options and Repeal of Poison Pill Among Today's Announcements

INDIANAPOLIS, Jul 31, 2002 (BUSINESS WIRE) -- Duke Realty Corporation (NYSE:DRE) reported today that its Board of Directors approved several new corporate governance initiatives. Some of these initiatives are effective immediately and some are recommended changes to Duke's articles of incorporation to be voted on by shareholders at the Company's 2003 annual meeting next April.

One of the new initiatives announced today pertains to how the Company accounts for stock options. Beginning in the second quarter, Duke began expensing the fair value of stock options granted to its associates…

The Company also announced today that, beginning this quarter and in the future in accordance with any guidelines or regulations established by the New York Stock Exchange or the Securities and Exchange Commission, Tom Hefner, Chairman and Chief Executive Officer; Denny Oklak and Gary Burk, Co-Chief Operating Officers; and Gene Zink, Chief Financial Officer will certify the completeness and accuracy of materials made available by Duke for investors, including the Company's financial statements.

Duke also disclosed today that its Board of Directors voted to revoke the Company's shareholder rights plan, or poison pill. In doing so, the Board further stated its intent not to authorize the issuance of preferred stock for any anti-takeover or defensive purposes without the consent of the Company's shareholders…

In order to memorialize the Company's policies of compliance with the highest prevailing standards of corporate governance, the Board of Directors also approved today the guidelines and principles set forth below:

A recommendation that the Company's Executive Compensation Committee amend all existing stock option plans to prohibit re-pricing…

All Company directors, officers and associates must be fully familiar and comply with the Company's code of ethics in all circumstances. The code of ethics shall be publicly available, and any waiver of its provisions shall be disclosed promptly;…

All standing committees of the Board of Directors, including the Corporate Governance Committee, Audit Committee, Executive Compensation Committee and Finance Committee, shall be comprised solely of independent directors;…

The Corporate Governance Committee, on an annual basis, shall review the independence of each independent director and submit such review to the Board for affirmation;…

The independent directors shall meet regularly, and at least quarterly, in executive session with no members of management present;

The independent directors, on an annual basis, shall elect a lead director. It is recommended that the lead director also serve as Chairman of the Corporate Governance Committee;

Independent directors shall receive no compensation from the Company other than compensation received in their capacity as directors;

Equity based compensation plans of any kind have been and must continue to be approved by the Company's shareholders;

The Board has adopted and will annually review guidelines for the minimum ownership of common shares of the Company by directors, officers and management;

The Corporate Governance Committee, on an annual basis, shall conduct a review of the performance of the Board including a survey of all independent directors;…

The Independent Directors, and each Committee of the Board, shall have access to the Company's outside advisors and the authority to engage at the Company's expense such outside advisors as they may deem necessary or appropriate from time to time; and…

Other REITs are making the similar moves because they see that the functioning of the institutional arrangements which are treating them well is dependent upon observance of values that make for a just system. Others react only under some pressure. And some hold out.

Consider the following excerpt from NY Time article by Gretchen Morgenson (April 20, 2003, Section 3, page 1

> "In the 1990's corporate executives allowed to siphon off so much shareholder wealth that it seems some of them still cannot see why shareholders – the true owners – are finally taking issue with their grasping ways.
>
> "Times have changed. But executives, at some companies, are still in me-first mode. Consider what officials at TIAA-CREF, the big public pension fund, found when they approached about 50 companies about reforming their pay practices.
>
> "Using the threat of requiring a shareholder vote on pay structures, TIAA-CREF received commitments from most of them to move to a method that aligns executive compensation with shareholders' interests."

In essence, a very large pool of retirees and those saving for retirement are having an 800 pound gorilla represent them on keeping some companies in line. Can you imagine how difficult it would be for shareholders to organize on a company by company basis to accomplish the same thing? It is much more practicable to be operating through competent powerful entities.

Unfortunately, the same process can be used for undesirable purposes. Lobbying for special interests can subvert the system when those in position to make just laws wind up pandering to supporters who have a lot more luggage for the trip than is reasonable. Fareed Zakaria speaks to this issue and other related issues we have been discussing in his book, *The Future of Freedom.* He cites cases of up or down on the entire package, rather than cherry picking. Consider this quote;

> In a sense these new arrangements [distancing decision-making from day-to-day politics] are simply an extension of the way an administrative department, say the Department of Health and Human Services, works in the United States. It formulates and implements policies based on broad guidelines handed down by Congress. The legislature exercises ultimate control but leaves much of the policy to unelected bureaucrats," [Page 253.]

The strength of a democratic society lies in the wisdom of its populace. That requires education. We have seen an erosion of our educational system…

This is not short term effort. Higher education has a great role to play in this process, especially at the undergraduate level. Colleges and universities have not done as well as they could have or should have. The strategic approach we take at the Homer Hoyt Institute is leverage; by educating the educators we are able to leverage the development of and dissemination of knowledge. It is time we educated the colleges and universities to a better understanding of their role in society.

Whatever the shortfalls of our society, and there are numerous others, it is still ours and we have the right to defend it. And, we have the obligation to do so.

Defending our freedom is what the other series of discussions was about. That defense is in dealing with terrorism. The same principles apply.

Everyone one in our country is free to believe what she or she chooses to believe. It is only behavior that is subject to control. That control of behavior is limited through constitutional protections and the protections of lesser laws, federal, state, and local. These apply not only to governmental regulation but to the regulations of voluntary associations that we willingly join. Within the limits, these organizations exert some control on behavior.

Our system of justice proscribes options for constraints or punishment as well as limitations on such constraints or punishments. It is a product of social contract as well as legal contract.

Internationally, Our Self Reform

History is replete with the injustice of the empire builders. The stories are those of expanding territories and exploiting resources, human and natural. The results have been a matter of human tragedy of those who lived in those times. The results have also provided the remnants of the exploitation, even after the crumbling of the empire. These remnants have impeded the ability of the local societies to function effectively, especially in Central Asia. But it has also been elsewhere, and it has given the West a bad name.

The situation is aggravated by the differences which emerged in the welfare of the Western nations that realized the benefits of the Enlightenment and the welfare of the nations did not capitalize on the economic progress that accompanied the new found freedoms that emerged in the West. This disparity as a feeder to the hate for the West, especially for America, is a feeder to the supply of terrorists, terrorist supporters and terrorist sympathizers.

Now comes the ironic part. Those countries hat are the least developed have their best chances for economic progress with the benefits of the internationalization of economic development. The Central Asian countries are a case in point. Under Soviet rule their borders were closed except to the rest of the Soviet Union. After the collapse of the Soviet Union there was little local leadership available for economic development and the governments were cases of one tyranny succeeding another. There is a wealth of oil and gas reserves there, and a new Great Game. This time the Great Game is between the United States and Russia, and perhaps China, rather that Great Britain and Russia as in an earlier era.

This Great Game still has the economic dimension, but the politics of the region are critical to policy. The route of a potential pipeline is in debate and the use of pressure for human rights in some of the countries is at issue. [See Nojumi page 196 and Rashid page 190.]

Foreign Policy. The issue will be what rules do we live by in our foreign policy. In the era in which the empire builders were subjugating foreign lands, the control over the people was by force. That control varied as to what it imposed, but imposition by force is what it was. The issue here is how do we play the hand with a balance of the vital strategic interests of our nation and the local interests, as well as the economic interests of oil companies. The perceptions of our international business activity have an impact on the attitudes towards us. This area is absolutely critical to our future and to the future of free societies. We must zealously guard against special interests exploiting the economic opportunities at the expense of the values of our heritage.

Consider the following quote from Thomas L. Friedman's *The Lexus and the Olive Tree* [that was noted in Chapter 6, Discipline Perspectives: Organizing Knowledge, side heading, A Contemporary Problem and Progress, indented heading Progress Towards Blending Disciplines, Paragraph Blending Disciplines];

> "There is increasingly a seamless web between all these different worlds and institutions, and reporters and strategists need to be as seamless as that web. Unfortunately, in both journalism and academe there is a deeply ingrained tendency to think in terms of highly segmented, narrow areas of expertise, which ignores the fact that the real world in not divided up into such neat little beats and that boundaries between domestic, international, political and technological affairs are all collapsing." [Page 24.]

The point here is that we would do well to view the policy issues from an interdisciplinary perspective. We need to start with our values and then proceed to our interests. But, and this is critical, we must be realistic as to the workability of the institutions involved in and required for the successful transformation of other economies being drawn into globalization of markets.

American institutions developed over the last few centuries, building upon culture derived mostly from Europe. The economic progress of the West was significantly greater than that of the rest of the economic world, especially that part with predominant Muslim population. Those parts of the world did not develop the institutions that facilitated western progress, particularly institutions of freedom, private property, and competitive capital markets.

<u>Globalization</u>. Thomas L. Friedman, in his book *The Lexus and the Olive Tree,* identifies the following factors for effective participation in global markets; a private sector as the primary engine of economic growth, a reasonably stable price level, a shrinking state bureaucracy, an approximation of a balanced budget, reduced tariffs on imported goods, absence of excessive restrictions on foreign investment, eliminating quotas and domestic monopolies, privatizing utilities and state-owned industries, deregulating capital markets, making the currency convertible, promoting domestic competition, significant reductions in government corruption. These are paraphrased from his description of what he calls "the Golden Straightjacket. [See page 105.]

In short, Friedman suggests that these countries pursue the institutions that have served the West well in making progress. Of course, the West could do a better job internally with these institutions. The key institutions may be summarized as freedom, private property, and the rule of law, all in the context of justice.

A major change agent for the countries referred to may be in the form of international organizations. Frequently, these organizations are sharply focused on their one issue and are myopic with regard to the ramifications related to a wide diversity of issues.

International Organizations. We have been a major player in the development of international organizations that affect the globalization of economic activity. In the words of Michael Hirsh in his book, *At War with Ourselves,*

> "Every major international institution – the UN, the World Bank and International Monetary fund, the 'trade rounds' that led to the WTO, NATO – was literally made in America. The open byways of this system, of international markets and trade rules, international standards for human rights, and even democracy, are largely American-influenced and secured by American power." [Page 71.]

We have fostered globalization of markets and it is this globalization that holds hope for economic development of the countries that have not yet benefited from the sea change following the Enlightenment. The strategy needs to take cognizance of the realities of changes in cultures that are significantly different from our own.

Moving Towards a New Age of Enlightenment

A New Age of Enlightenment would have a variety of requirements. The first of which is that the intolerance that was the downfall of the last Enlightenment of several centuries ago needs to be superceded by at least tolerance, but preferably pluralism.

The Enlightenment of the eighteenth century was largely a European phenomenon. A New Age of Enlightenment would have to be a worldwide phenomenon. The economic development of the lesser developed countries is essential to their enhancing the quality of their economic lives. The issues revolve around the process of that change assuming they are interested in having a change.

The economic development of the earlier Enlightenment was in the wake of a scientific revolution. That revolution put reason at the forefront of decision making and facilitated the changes that resulted in an industrial revolution. This was accompanied by a separation of church and state and a new found freedom in making choices.

Unfortunately, that freedom did not extend to the countries engulfed by the empire building of the era. Many of those countries are still not free. A New Age of Enlightenment would require their freedom, although the concepts of freedom may vary widely. A free society is a basic characteristic of Enlightenment.

The separation of church and state is an element in the freedom of the populace of a state. Freedom, as with other values, can clash within the family of values. One such clash is in the Western concept of freedom and the Islamic concept of the unity of religious law and civil law. Americans separate the religious law from the civil law providing constitutional protection of the freedom to choose on religious matters.

There are degrees of separation of church and state. America developed with a culture of civil religion, but with a freedom of choice. Other Western nations may have their population tightly clustered on religious matters, and substantial elements of support, and yet have a legal separation. The great issue for Islamic nations may well be on the role of constitutional protection of individual rights. Without that protection there can be a tyranny of the majority. With it, one may have a set of civil laws patterned after religious law, but with a separation of powers. The American pattern of separation of legislative, judicial, and administrative functions may not be applicable in fundamentalist views in that the Koran has already legislated. Yet, there is interpretation of law and there are many interpretations of the Koran. Those that do not foster the tolerance historically accepted are a major stumbling block to the participation in A New Age of Enlightenment.

The participation in the Enlightenment provides benefits of economic development. The lesser developed countries may go through the stage of economic development through there own industrial revolution. Modern day technology can make the productivity gains far greater than that of the earlier era. The technological revolution has brought an information age. That information age not only enhances productivity, but it spreads the knowledge of the quality of life of others.

That spread of knowledge has brought both envy and hate. In an era of isolation of societies, it mattered less. But now with the world becoming an international community it matters more. Some societies may choose to live without the information technology such as television. Others want to share in the benefits and move towards modernization, generally associated with Westernization.

It is this Westernization that is big issue. The Islamic countries have had problems with it since Ataturk in Turkey over 80 years ago. [See discussion in Chapter 8, side heading "A Renaissance of Islam," indented heading "Secularism and the Dichotomization Problem.] The movements have been extreme, not in balance. Such extremity, as in Iran, causes pendulum swings without the benefits of the mean as envisioned by Aristotle of ancient Greece.

The movement towards a New Age of Enlightenment requires sensitivity to the diversity of cultures that are being brought into world markets. Stand back and look at the issues from a variety of perspectives. Our corporate America perspective is predicated on looking at the world as a territorial expansion of markets. The field, or perhaps discipline, of international business is designed to take cognizance of dealing with the foreign environments in a fashion designed to further the business enterprise.

Perhaps corporate America needs to look at it somewhat differently. I say needs to because the very existence of the institutions that enable corporate America to survive and thrive are under attack by terrorists. These are terrorists that want to destroy us and our way of life. A prudent strategy for corporate America might well be to undermine the sympathy, support, and supply of terrorists by taking the tack of helping the lesser developed nations in their development issues, with American foreign trade as secondary.

That may be hard to swallow on an individual basis, much like the luggage on the plane [see section earlier in this chapter, Our Nation's Efforts at Reforming Ourselves, Domestic Intuitional Reform, Freedom and Democracy]. This, it may require legislative constraints. But more than that, it requires a national strategy that identifies who we are helping and how.

That strategy has perforce included Afghanistan and Iraq because the war against terrorism necessitated toppling the regimes. And I expect that there will be more. But the tasks are exceptionally difficult when a new structure has to be created from the shambles of a destroyed structure. In some cases there are no or few options. I believe that that was the case with these two and it will be with some more. But, I believe that the strategy should be to minimize that process in favor of working with the orderly transitions that may be possible in some areas.

Those transitions require a great blending of disciplines. This book has discussed why cultures develop differently, and starts with the premise that one takes them as they are found. They have their values and we have ours. There is substantial overlap. But, there may be conflict. So we have conflict within our own values. We have to make the choices as we see them. They have to make the choices as they see them. If we are to help them, we need a better understanding of how they see it.

That understanding becomes heavily interdisciplinary. But just as there are principles common to the various discipline as in consilience, so there are common principles when one looks at the issues from the perspective of another culture. It is those common principles that we must deal with.

The first principle is balance. We have seen it a critical in many areas. We must be prepared to strike a balance of our interests and theirs in developing the economic relationships. They also need a balance in their governmental structure. We don't make deals with the devil, but we make deals with the tyrants all the time. Maybe it is different because we can forcefully destroy any single tyrant. But there are a lot of tyrants and we have a lot of other stuff on our plate so we are not the policeman of the world. Or, in a sense have we become that?

If so, it is quite selective. Our strategy has apparently been to create a variety of institutions/organizations designed to assist in the process of assisting an international community. The United Nations can perform some useful functions, but as an international policeman it is useless. Our reliance is on the series of organizations with special purposes. The problem is in enforcement.

In the case of Iraq, we made a deal after the first Gulf war. Saddam Hussein failed to live up to it. No one else was there to enforce it, so we did our best with a coalition and it was enforced by toppling the regime. That way of thinking is understood in that part of the world. It is the predictability that is important in the sense that one needs to know that there are consequences of failure to meet the commitments. The role of unpredictability comes in wondering who is next. North Korea and Iraq have cause to worry.

There is a lot of talk about our throwing our weight around. I thought that is why we spent the money on getting the weight. Hopefully it is a deterrent so that it does not have to be applied as physical force. But in the absence of alternative institutional arrangements that work, that is the last resort.

We look for alliances that will bring pressure without force, and we make deals to induce actions that we want to see. But we need to be careful in separating those deals and actions that are for just plain economic interests and those for national security. Different rules apply.

National security may require actions not acceptable for mere economic purposes. Just as we have different standards for privacy when fighting terror as compared to fighting crime, so we have different standards for armed conflict when fighting terrorists as compared to fighting crime. We must be governed by our values of truth, justice, and freedom in our preservation of and pursuit of a better quality of life. And we must understand and apply the underlying principles of balance among others.

We have a momentum now that we two regime changes. They are expensive, but we can afford more if necessary. But, we need to develop more leverage through Muslim leadership that sees the merits of pluralism and tolerance so that the alterative of force is not necessary.

In applying that leverage, there needs to be consideration of timing and location so as to pick those countries best situated to benefit in order to show progress, we already have two of the toughest cases, Afghanistan and Iraq. Let's get some easier ones and help them to participate in the benefits of economic development as a free society. But we should be doing this, as much as is practicable, by educating their populace, letting them do the math in whatever system they see best, within the context of their values and culture. The addition, subtraction, multiplication and division are the same whether the base is ten or twenty or two. They need to do the math, but we need to help them, but in the context of their culture, not ours. That is our enlightenment; theirs is to find a peaceful way of enhancing their quality of life without blaming us, hating us, and trying to destroy our way of life.