

**The Prologue Built Upon the Remarks of President Barack Obama  
As He Prepared for Delivery Address to Joint Session of Congress Tuesday, February 24, 2009**

By Maury Seldin

This Prologue is to the essay, [Subprime Crisis Strategic Decision Making: A Discussion of What Went Wrong and Strategies to Deal With It](#), and to the blog discussion on the first topic, [Foreclosure Prevention](#). If the reader wants to get right to the discussion of what went wrong then she or he may use the above noted link to get to that presentation.

If the reader wants to get right to blog comments on Foreclosure Prevention, the she or he may similarly go to the link provided above. Please note that the topic of Foreclosure Prevention for the blog is intended as encompassing what is sub-classified as foreclosure mitigation, stabilization, and prevention in NGA Center for Best Practices report, [Emerging Trends: State Actions to Tackle the Foreclosure Crisis](#).

The thrust of this Prologue is to build on President Obama's remarks as relates to foreclosure discussing dissent in the context of what is described in the essay as ..." [sharing] a perspective that will assist others in modifying their perspectives and methodologies so as to better forecast outcomes, and (2) to inspire research relevant to facilitating better decision-making, especially by applications of interdisciplinary analyses and the use of a holistic approach. "

President Obama had only one paragraph in his prepared remarks that focused on foreclosure. It was as follows: "Second, we have launched a housing plan that will help responsible families facing the threat of foreclosure lower their monthly payments and re-finance their mortgages. It's a plan that won't help speculators or that neighbor down the street who bought a house he could never hope to afford, but it will help millions of Americans who are struggling with declining home values – Americans who will now be able to take advantage of the lower interest rates that this plan has already helped bring about. In fact, the average family who re-finances today can save nearly \$2000 per year on their mortgage."

Although the focus is on helping families in danger of foreclosure, the ["Homeowner Affordability and Stability Plan,"](#) released the previous week on February 18<sup>th</sup>, deals with three main topics: " 1. **Affordability:** Provide Access to Low-Cost Refinancing for Responsible Homeowners Suffering From Falling Home Prices, 2. **Stability:** Create A \$75 Billion Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners, and 3. **Supporting Low Mortgage Rates** By Strengthening Confidence in Fannie Mae and Freddie Mac."

The Obama housing plan is just a part of his economic agenda, the centerpiece of which is creating jobs. The targeted areas for investment include energy, health care and education. His first concern expressed in the speech was to increase the flow of credit. The housing plan was noted as the second item, and the third was restoration of confidence which returned to the first, the flow of credit. It is important to start with a grasp of the big picture.

With this as background we can go to the second of two ideas discussed in the main essay, "participants' perspectives and decisions." But, in this prologue I want to deal with the political perspectives rather than those of the participants in the provision and use of mortgage funds. This is being done because not all politicians and not all of the public that they were elected to represent agree with the Obama

plan; however, understanding and perhaps resolving some differences in opinion in both arenas is aided by the discussion that follows.

This is not to assert that the plan is perfect or that all should agree with it. Rather this is directed to improving research and analyses in order to get a better forecast of outcomes. The expected outcomes of the previous administration were apparently based on research and analyses that may not quite have reached the status of wisdom challenged. It is not appropriate to quarrel with underlying values; each person is entitled to her or his own choices. But, what is on the table is the reasoning and emotion that lies between the underlying values and the forecast of outcomes.

The discussion here is an expansion of a paragraph of the essay, but is included in the Prologue because the discussion is especially relevant to consideration of the Obama plan. The paragraph in the essay referred to is as follows: “The financial system is incredibly complex and changing. If the reader is satisfied that she or he understands it, don’t bother reading further. This essay is being written for people with inquiring minds and, believe it or not, for those with a humility imbedded in a belief that the social sciences have not made the turn that the physical sciences did in the scientific revolution. If we are sure we have it right and ride roughshod over the realities of the current situation to implement solutions based on the past, we are destined to pay a great price for our hubris.”

The exposition is built upon an adaptation of the ideas embodied in the contrast in behavior of the hedgehog and the fox.<sup>i</sup> The hedgehog knows one thing for his protection while the fox knows many things. The defensive behavior of the hedgehog is to roll up in a ball with the sharp needles outward, discouraging a predator from taking a bite. By way of contrast, the wily fox is more resourceful in producing options for defense.

This is not intended to characterize any political position as either that of the hedgehog or the fox, but rather to point out that initial reactions to any policy proposal may be tied to a single value without due consideration for other values, especially where incommensurate values exist. Also, forecasting outcomes may also be made without due consideration for unwanted side effects. **Often, people will reject an item because it contains an unwanted side effect but they may have not considered the tradeoffs involved.**

**A comprehensive view may require integrating principles well established in other disciplines but overlooked from a particular perspective. That can be costly in the selection of alternatives and the forecasting of outcomes. The essay is a lead in to the blog discussion and the intent is to gain the benefits of perspective from those well versed in other disciplines.** Thus, whatever our particular specialty we can do better in forecasting outcomes if we take an interdisciplinary perspective, but that requires an additional effort. The web based approach is designed to facilitate high productivity in gaining a better understanding of the system given whatever level of effort is exerted, but my wish is to inspire greater levels of effort – they really pay off.

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<sup>i</sup> The hedgehog and the fox analogy was brought to modern times by Isaiah Berlin in his book *The Hedgehog and the Fox*. It is an essay on Tolstoy’s view of history noting that he longed for a unitary vision. Isaiah Berlin, with his

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concept of pluralism, sees the world as a place for many different views. Stephen Jay Gould, who held Isaiah Berlin as his “personal intellectual hero” wrote a book titled *The Hedgehog, the Fox, and the Magister's Pox: Mending the Gap Between Science and the Humanities* in which he takes issue with Edward O. Wilson's concepts of consilience as expressed in the book *Consilience: The Unity of Knowledge*. Both Gould and Wilson achieved fame as evolutionary biologists and apparently had a long rivalry. But, although the focus of the Gould book is in science and the humanities and our interest here is on the social sciences, Gould does refer to the social sciences and Wilson offers a stinging indictment of economics in the following quote, “Economic theories also aim to create models of the widest possible application, often crafting abstractions so extreme as to represent little more than exercises in applied mathematics. That is generally carried too far. The result of such stringency is a body of theory that is internally consistent but little else. Although economics, in my opinion, is headed in the right direction and provides a wedge behind which social theory will wisely follow, it is still mostly irrelevant.” [page 220.]

This whole project on the web is intended to advance the state of the art and to share the gained knowledge with policy makers. But, as Polemarchus said to Glaucon, in the opening of Plato's *The Republic*, you can't persuade people who won't listen. So, what I have to say to you dear reader, there are no simple answers to the complex problems and the greater the diligence in pursuing knowledge the greater the likelihood of getting a better understanding of the changing system and better forecasts of outcomes; but none of the forecasts are likely to be wholly accurate, in part because they may change the system, so it is wise to learn more about strategy and dealing with uncertainty as well as risk.