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Institutional Reform to Reflect Our Values; Part II: Moving Toward a Solution¹

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The first part of this essay took note of the idea that the economic development of lesser-developed countries is essential to enhancing the quality of life in those countries. As Americans, we believe that citizens of every nation have "...certain inalienable Rights, and that among these are Life, Liberty, and the Pursuit of Happiness." The issues revolve around the process of change, assuming those in lesser-developed countries are interested in bringing about change.

Our Nation's Efforts at Reforming International Policy

It would be a grave error to attempt to impose innately US institutional arrangements on other cultures. Rather, it would be more appropriate to assist in the development of institutions that enable other countries to better participate in the globalization process.

Thomas L. Friedman, in his book *The Lexus and the Olive Tree* (2000), identifies a number of 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; the absence of excessive restrictions on foreign investment; the elimination of quotas and domestic monopolies; the privatization of utilities and state-owned industries; deregulated capital markets; a convertible currency; policies that promote domestic competition; and significant reductions in government corruption. These are paraphrased from his description of what he calls "the Golden Straitjacket [See page 105].

In short, Friedman suggests that lesser-developed countries pursue the institutions that have served the West well in making economic progress. The key institutions may be summarized as those that enhance freedom, private property, and the rule of law, all in the context of justice.

A major change agent for the developing world may be in the form of international organizations like the World Trade Organization, International Monetary Fund, and World Bank, as well as others. Frequently, these organizations have shown a tendency to be sharply focused on their one issue and are myopic with regard to the ramifications related to a wide diversity of issues. Major changes are required in these international organizations and major changes are required in the foreign countries that wish to better avail themselves of the benefits of global markets. This essay, however, is focused on changes in US policy.

¹ This essay is derived from an essay series that is the spine of the Seminar on Improving Decisions at the Academy of Senior Professionals at Eckerd College. It draws heavily from the book in progress, *Improving Decisions: Toward a New Age of Enlightenment*, available on the ASPEC Center for Scholarly Enterprise (ACSE) site, <http://www.spicequest.com/acse/index.htm> [Click on "Improving Strategic Decisions"]. A major theme in that book is the application of the concept of consilience to enhance our social science disciplines in their use of forecasting outcomes of different policies. The two areas of particular attention are in dealing with terrorism and in dealing with a variety of real estate issues. Some of these essays are planned for publication by the Homer Hoyt Advanced Studies Institute because the underlying principles discussed apply to many disciplines.

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Needed Changes in US Policy

To put it in the simplest terms, US policy should foster global development akin to the development of the West, but consistent with local culture elsewhere in the world. The great progress of the West grew out of a European phenomenon, the Enlightenment of the eighteenth century. What is needed now is a New Age of Enlightenment as a worldwide phenomenon.

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

The economic development of the earlier Enlightenment was in the wake of a scientific revolution that 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. In the post-colonial era, many of these countries do not enjoy the full range of freedoms that are the hallmarks of the modern industrialized nations. A New Age of Enlightenment would require the development of free societies in post-colonial and other lesser-developed nations, although the concepts of freedom may vary widely.

The separation of church and state is a vital element in the freedom of the populace. Freedom, as with other values, can clash within the family of values. One such clash is found 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 and provide constitutional protection for 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, yet maintain a legal separation between church and state. The great issue for Islamic nations may well be the role of constitutional protection of individual rights. Without that protection there can be a tyranny of the majority. With it, a country can have a set of civil laws patterned after religious law, but provide for the separation of powers. This scenario still leaves some problems such as women's rights. But there is no panacea, only progress. The key may be in the process.

The American pattern of separation of legislative, judicial, and administrative functions may not mesh with the Koran's fundamentalist views. Yet, there is interpretation of law and there are many interpretations of the Koran. Those interpretations that do not foster tolerance may provide a major stumbling block to the Islamic world's participation in a New Age of Enlightenment.

Participation in the Enlightenment provides the benefits of economic development. The lesser-developed countries are likely to undergo their own industrial revolutions, which may or may not replicate that of the 19th century. Modern technology, and information technology in particular, can make the productivity gains far greater than that of the earlier era. The technological revolution not only enhances productivity, but ensures the spread of knowledge of the improved economic quality of life throughout the globe.

That spread of knowledge has brought both envy and hate. In an era when societies were more isolated, it mattered less. But now with the world becoming an international community, it matters more. Some societies may seek to restrict the sites accessible to Internet users, or limit exposure to foreign television or radio broadcasts. Others want to share in the benefits and see the benefits of technology "leapfrogging" as they move towards modernization, generally associated with Westernization.

Modernization, not Westernization. It is the notion of Westernization that is the big issue, particularly among Islamic countries. In fact, the Islamic countries have had problems with the concept of Westernization since Kemal Ataturk sought to transform Turkey into a modern republic over 80 years ago. Since that time, the periodic movements to modernize have been extreme, not in balance; and the reactions have been extreme. Such extremity, as in Iran, tended to cause pendulum swings without the benefits of the mean as envisioned by Aristotle in ancient Greece.

What do these lessons of the past mean for the globalization taking place today? The movement towards a New Age of Enlightenment requires sensitivity to the diversity of cultures that are being brought into world markets. It can be helpful to stand back and look at the issues from a variety of perspectives. Our corporate American perspective, for instance, is predicated on looking at the world as a territorial expansion of markets. The field, or perhaps discipline, of international business is designed to deal with foreign environments in a fashion designed to further the business enterprise.

Perhaps corporate America needs to look at the world somewhat differently. After all, terrorists are attacking the very existence of the institutions that enable corporate America to survive and thrive. 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 helping the lesser-developed nations pursue economic development, with American foreign trade as a secondary objective.

That approach may be hard to swallow on an individual basis, much as with the classic commons problem.ⁱ Each company pursuing its own narrowly defined interests can contribute to collective actions that bring on disaster. Thus, legislative constraints may be required. But more than that, what is needed is a national strategy that identifies who we are helping and how.

That strategy has included toppling regimes in Afghanistan and Iraq. The war against terrorism necessitated toppling those regimes as a matter of self protection, and it has had the side effect of liberating people from tyrannical governments. This is an expensive way to help other societies, but there may be more regimes to be toppled unless some things change. And the tasks are exceptionally difficult when a new structure has to be created from the shambles of a destroyed structure. However, in some cases, there are few options. Hopefully, the strategy should favor working with orderly transitions that may be possible in some areas, so that toppling regimes is not needed.

Those transitions require a greater understanding of social, political, economic, and other systems, especially cultural. A great blending of disciplines is required. The book in progressⁱⁱ 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. However, there is substantial overlap. And, there may be conflict. But we have conflict among ourselves and with 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 a transition to gaining the benefits available to them from participating in the global economy.

That understanding becomes heavily interdisciplinary. But just as there are principles common to the various disciplines 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 with which we must deal.ⁱⁱⁱ

Domestic Intuitional Reform. We need to pay 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 the representations that they make as participants], but we must do it with the application of our system of justice. We must also improve the system to better harness the forces of the market. We must have realistic expectations of how others will behave and utilize the values of our society to develop the rules of the system.

The process of reform is a cornerstone 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 the pragmatic grounds that maintaining our freedom is fostered by encouraging other nations to maintain their freedom or obtain it. Consider the following poem, written by a World War I German U-boat commander who initially welcomed Hitler's rise to power:

“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 Reverend Martin Niemoller (1945)

Freedom and Democracy. Freedom requires a political structure that resolves the conflicts among the 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 and, thus, it gets abused. It gets abused because there can be a tyranny of the majority. Such tyranny is manifest in referendums that yield 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 institutions, we may focus our strategy by 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-challenged decisions because of lack of knowledge as to where the risks to their organization are coming from.

Those who do not see the threat to our free society have their heads in the sand. It is not a question of military might to win wars in Afghanistan 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 the transportation industry. We have no real concept of the total costs of the tradeoff in values we allow in order to get security by giving up some privacy rights 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 our way of life. It is time to focus on strengthening the fabric.

The fabric has been weakened in recent decades by the erosion of values. The auditing scandals in the business world, for instance, 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 to the paying portion of the business. But the transformation of many hospitals from non-profit to for-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 not to 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 adding only a small part of the total and 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 to cope with excesses in the system. Social contract or informal societal pressure is another; they work in many situations, but not in all.

A Network Approach. What makes self-regulation work, when it works, is that people have values that guide them to voluntary actions and those actions have cascading effects. The cascading effects, as depicted in network science,^{iv} refer to the self-perpetuating process in which the actions of some trend followers gather momentum by inducing other trend followers into similar actions.^v The key is the development of the critical mass that establishes the trend. The trend 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. They will be more responsive if they have a shared vision of how things should be, and if they understand how the system works. Others may, by understanding the system, simply work it to their own ends. Sorting these individuals out may require tougher enforcement by the law. 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. As the old saying goes, “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 others 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, may take a lead in reform. Consider the following excerpt from *The New York Times* article by Gretchen Morgenson (April 20, 2003):

“In the 1990's corporate executives were 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 in 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 in his book, *The Future of Freedom* (2003). He cites cases of making up/down decisions on the entire package, rather than cherry picking on individual issues. 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. Wisdom, in turn, requires education, but we unfortunately have seen an erosion of our educational system.

Reforming the educational underpinnings of American society is not a 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. It is time to educate the colleges and universities to a better understanding of their role in society. To this end, the Homer Hoyt Advanced Studies Institute has its own role to play. The strategic approach taken at the Institute is leverage; by educating the educators we are able to leverage the development of and dissemination of knowledge.

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 book in progress is about. That defense includes dealing with terrorism. The same principles apply in developing strategies for other situations.

Everyone in our country is free to believe what he 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 federal, state, and local laws. These protections 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.

Conclusions

Moving toward a solution will require changes in education and in research that will enhance education. 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 through 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 have a direct impact on 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, which will be addressed in the next essay in this series.

ⁱ The commons situation involved the over-grazing of common lands when there was no authority for allocating grazing rights.

ⁱⁱ See footnote on first page.

ⁱⁱⁱ Discussed in the book in progress. See chapter 9.

^{iv} Network science deals with the commonalities of systemic structures that form linkages as part of networks. Networks are composed of nodes that are connected. Up until forty years ago mathematicians assumed that the distribution of the frequency of connections between nodes in a system was random "...with nodes distributed like a normal curve, dominated by averages." This quote is from Joe Podolsky's review of the book authored by Barabasi, *Linked: The New Science of Networks* The review appeared in *The IT Journal*, Third Quarter, 2002. See the book in progress for further discussion.

^v See Chapter 7, "Decisions, Delusions, and the Madness of Crowds" in *Six Degrees: The Science of a Connected Age*, by Duncan J. Watts.