The Challenge to
Our Thought Leaders

Maury Seldin
Homer Hoyt Institute
August 2003

A monograph extracted from a book in progress

**Improving Decisions:**
Toward a New Age of Enlightenment
August, 2003

To our readers,

This thought-provoking work blends the development of real estate as an academic discipline and the emergence and development of the Homer Hoyt Institute into a broader analysis of our social, economic and academic system.

If you know of others who are potential supporters of real estate research and education we would be pleased to send a copy at your request. Please contact weimer@hoyt.org or call, (888) 829-3501.

Sincerely,

Ronald Racster
President
Homer Hoyt Institute
Table of Contents

Outline of Additional Parts of Book

Prologue

Preface

Introduction

The Challenge to Our Thought Leaders

What Were They Thinking?

Strategic Decision-making

Perspectives and Concerns

Acknowledgements and Some Background

Making Progress with Relevance as Well as Rigor

Chapter 1: Making Progress

Understanding Progress

Two Concepts of Progress

Moving Toward a Goal

Growth or Development

Land Use as an Example

Making Progress with Relevance as Well as Rigor

Advancing Our Disciplines

Mismanaged Systems

Academic Environment

Arts and Sciences in the Post World War II Era

Business Administration in the Same Era

The Students and Curriculum

The Faculty and Research

Evolutionary Progress in Disciplines

Roots of Modern Disciplines

Emergence of a Discipline

Prevailing Topic Selection

Enhancing the System

Real Estate

Academic Origin

Real Estate Centers Emerge

Academic Professional Organizations

An Advanced Studies Institute

Industry Participation

Further Institutional Change

Think Tanks

Individual Careers

The Real Thing: Rules, Tools and Fools

Land as a Real Thing
Chapter 2: **Enhancing the Quality of Life**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stages of Understanding</td>
<td>33</td>
</tr>
<tr>
<td>Epistemology</td>
<td>35</td>
</tr>
<tr>
<td>The Enlightenment: A Philosophical Shift</td>
<td>37</td>
</tr>
<tr>
<td>Social Science</td>
<td>40</td>
</tr>
<tr>
<td>Our Role in Quality of Life</td>
<td>42</td>
</tr>
</tbody>
</table>

Chapter 3: **Evolution to the Age in Which We Live**  

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradigm Shifts</td>
<td>44</td>
</tr>
<tr>
<td>Scientific Revolution</td>
<td>47</td>
</tr>
<tr>
<td>The Way Our Culture Works</td>
<td>48</td>
</tr>
<tr>
<td>- Founding Fathers</td>
<td>49</td>
</tr>
<tr>
<td>- Tocqueville’s View of Us</td>
<td>51</td>
</tr>
<tr>
<td>Illustration of Some Concepts</td>
<td>54</td>
</tr>
<tr>
<td>Rules by Which to Live</td>
<td>55</td>
</tr>
<tr>
<td>- Habits of the Mind</td>
<td>56</td>
</tr>
<tr>
<td>- Habits of the Heart</td>
<td>56</td>
</tr>
</tbody>
</table>
Outline of Additional Parts of Book not included in this Monograph

Part II: What Were They Thinking?

Chapter 4: The Paradigm for Predicting Outcomes
Behavioral Finance
Some General Concepts
The Flow of Funds Research Program
Toward an Understanding of What Were They Thinking
Habit as a Point of Departure
Habits of the Heart
Ethics at the Heart of It All
Habits of the Mind
Habits of the Collective Hearts and Minds
The Terrorists War on America
The Start of the War with Whom and Over What
Toward Understanding Islam
Behavioral Politics

Chapter 5: The Process of Choice: Mind and Values
Cognitive Spectrum and Analogy
The Role of Reason
Coming of Age
Motivation as a Factor
Consider Emotion
The Mind
The Brain
Paradigms
Judgment
Rational and Irrational
Values and Policy Choices
Policy Differences in the Stock Market
Values and Policy Choices

Chapter 6: Discipline Perspectives: Organizing Knowledge
Contrasts with Earlier Thinking
Ancient Thought
Age of Enlightenment
A Contemporary Problem and Progress
Progress Towards Consilience
Economics as a Social Science Example
Real Estate as a Social Science Example
Value Systems
Ethics and Religion
Moral Sentiments
Some Underlying Principles
Balance
Inertia/Momentum
Leverage
Risk and Uncertainty
A Discipline Perspective
Part III: Strategic Decision Making

Chapter 7: Real Estate Investment Strategy
Setting Goals and Utilizing Strategy
Setting Goals
Strategy as a Concept
Investment Objectives
The Securities Questionnaire
Benefits of Investing
Selection Criteria
Underlying Values
Truth
Justice
Freedom
Quality of Life
Risks
Traditional Real Estate Investment Risks
Irrational Behavior
Principles and Policy in Developing an Investment Strategy
Some Real Estate Investments of a Small Institution
Investing in REITs by the Institute
REITs in a Market of Irrational Exuberance
Policy in Developing Strategy for Dealing with Terrorism
Understanding Systems and Value Constraints
Some of the Principles Revisited

Chapter 8: National Security from Terrorists
Some Thoughts on Intractable Intellectual Segments
Behavioral Theory
Behavioral Finance
Behavioral Politics
An Application of the Principles
A Strategic Approach
Perfective Approach
As to the World of Islam
A Renaissance of Islam
Iraq
Example Expanded
Cascades
Turkey
Philippines
A Role for Academia

Chapter 9: Conclusion: Toward a New Age of Enlightenment
Civilizations Rise and Fall
Perspectives
Internal Threats to Our Free Society
Network Risks
America’s Identity
Historical Perspective
Missions
Balance: A Fundamental Principle
Values Again
Academia’s Efforts
Understanding Differences
Our Nation’s Efforts: A Strategic Approach
Domestic Intuitional Reform
Internationally
Prologue

If I said that this book was written for a small group of people, a reasonable response would be to advise me to send an E-mail. If I said that this book was written to alter the course of events in our society, it would probably be dismissed as an audacious claim.

The question the would-be publisher would ask is “Who is the intended audience?” The thinking would be to translate that to potential sales volume. Your thinking probably is moving toward a decision on how much time and effort to put into reading this work.

If you are looking for quick, easy answers and are not prepared to think through ideas, then you have just read all you wanted to read. It’s over for our communication. On the other hand, if you are searching for a better understanding of the system and want to do something to improve on it, then read on.

The first group of people, and there are really three groups to whom I want to communicate, is composed of academics. These are people who are in the business of developing and disseminating knowledge, although some would prefer to call it a profession. How the professor treats his or her career is what makes the difference.

The second group of people includes the recipients of the knowledge, particularly the thought leaders who develop policy for managing enterprises – public as well as private.

The third group of people includes philanthropists, particularly those who are prepared to get into projects early in the curve and stay with the development of knowledge through the application process because they want the “real thing,” as in Leo Tolstoy’s The Death of Ivan Ilyich.

That “real thing” refers to making a difference in some fashion, perhaps in repairing the world. That short novel of Tolstoy’s is more about living than dying; or really how to live. It is discussed at the end of the opening chapter, which is designed to get people to do things they might not otherwise do. That is what leadership is about.

This book is not designed to help someone become a leader. It is for leaders. You are free to read the book, whether or not you have the talent of leadership. But the target audience of the first group is a set of academic leaders who can pick up on the ideas and deliver the research that shows the way to better decisions built upon the concepts discussed in the book – and be role models in a variety of ways. From this group, there will emerge others who will leverage off the message and enhance quality of life. Additionally, the great hope is that other academics will emulate the leaders, leading to a cascading effect in academia and throughout the nation.

You probably want a summary of the concepts. I’ll provide one, but it might be akin to saying that Hamlet is the story of a fellow who didn’t like his stepfather. That is a stretch, but here is the capsule treatment.
The Age of Enlightenment moved reason to the forefront of decision-making. But, the pendulum swung so far that emotion gets short shrift, and intolerance put an end to the Enlightenment. Irrational exuberance and other aspects of human nature may take us where we don’t want to go. So, we need a better understanding of the system. Academia is charged with providing that knowledge, but the structure and incentives are not working as well as they should. Part of the problem is that we keep breaking down the areas of knowledge into disciplines, but devote too little attention to interdisciplinary approaches. While discipline focus is a good way to develop better understanding of some parts of the system, when one has an issue with which to deal, it may be critical to draw on multiple, preferably integrated, disciplines. Furthermore, there are some underlying principles that apply to many disciplines so that we could do a better job in our specializations if we expanded our breadth of knowledge. Strategy is a critical part of dealing with issues. So, if one is really good at strategy, one can make good decisions in a variety of areas provided some basic facts are obtained and an appropriate strategy applied. Furthermore, if a critical point towards a trend is reached, then there may be a cascading effect, i.e., others may follow the shift to more relevant research and better decisions.

That’s the story. I recall that 45 years ago, as a doctoral student, I was told along with my classmates in a Money and Banking class, by Professor Cleveland, that if we really understood this one sentence, “The quantity of money theory holds under conditions much more restrictive than required by its advocates, and \emph{a fortiori} its critics,” we should just come back in fourteen weeks when we will spend two weeks on another book. It was a rigorous fourteen weeks.

Not every reader interested in the ideas is interested in the rigor of my analysis, such as it is. Indeed, the development of the ideas is rather loose. But a wide array of literature is referred to, and is important in supporting the development of the ideas. In order to make it easier to read, especially for the second and third groups, I have used a style of including boxed text that may be skipped over when one is just looking for the line of reasoning being developed. For those not prepared to accept at face value the statements in the line of reasoning, elaboration is provided, usually using quotations. Thus, the book may be used as a point of departure for further study of the ideas that are put together to build the theme.

The second group, “…the recipients of the knowledge, particularly the thought leaders who develop policy for managing enterprises, public as well as private,” includes those business leaders who are interested in influencing academic research efforts to produce knowledge relevant to the issues that they face. In the area of finance, Wall Street has been a great benefactor of relevant research coming out of academia. The applicability of research has influenced academics in selection of topics. I am not referring to consulting assignments, but rather to basic and applied research that enhances the understanding of the system in a way that becomes the basis for engineering a solution. The difference between basic and applied is that the basic has a longer time dimension and the application is not known. The engineering of a solution, if it develops a new process, is applied research. If it simply applies a developed process, it is consulting.
The idea with this second group is to bridge the gap between industry and academia. This is one of the primary goals pursued by the Homer Hoyt Institute through its support of the Advanced Studies Institute in Real Estate and Land Economics and with its creation of the Hoyt Fellows.

The third group, which includes philanthropists, also includes foundations. The Homer Hoyt Institute is such a foundation. In its 35-year history, it has switched from being a grant-receiving organization to becoming a grant-giving organization. It has a track record of doing what is advocated in this book, and it certainly would welcome support for expanding research projects as advocated in this book. But it would also be pleased if the example set by the Hoyt Institute’s approach were applied to other disciplines.

Because of this broader interest, the major audience for this book is social scientists, irrespective of discipline. Examples are drawn from real estate because that is what we, at the Institute, have been doing for more than a third of a century.

The application to other disciplines is a big subject. As a start, the issue of terrorism has been selected to be an issue to which the concepts discussed may be applied, or more accurately, a case that can draw from many disciplines, including real estate. It happens to highlight a key area of study relating to decision-making. That area is the influence of cultural differences on decisions – and it merits a plurality approach.

The plurality concept is as value-laden as is the perspective of the system. The capsule summary is that Rousseau had it right when he saw a common set of arrangements as a social contract. The problem was an absolute set for all on a scale that did not allow for societal differences. Dealing with differences is a major issue, whether it is dealing with terrorists or the investors who have the irrational exuberance that drives our security markets to fiascos.

The title, *Improving Decisions: Toward a New Age of Enlightenment* reflects an effort to include plurality in an integration of emotion with reason in better understanding the system and improving decisions. In the words of my friend and colleague at the Hoyt Group, Ron Donohue, responding to a request for comment on the work at an early stage, “I believe the main message of the work is that true advancement comes from taking a holistic view of issues, moving beyond the traditional boundaries of knowledge in one's subject area and considering all fields as potential repositories of knowledge. Keeping an open mind and an inquisitive spirit is the key. Traditional methods become shackles that restrict freedom of movement and inhibit process.” This Prologue should help the reader to grasp what is intended. The “Preface” tells more about the work.
Preface

Introduction

The Age of Enlightenment, an era of transition from lesser forms of knowledge to knowledge acquired through reason, ended with intolerance, but provided a remnant of societal change. That change empowered great progress.

The progress was a result of process; a new way of thinking about things – gaining an understanding of the world in which we live. The process was driven by the Scientific Revolution of the previous century. The resulting system in our American society is alive, but ailing.

Internationally, the terrorists are trying to undermine our free society. Nationally, we, ourselves, are undermining the system with behavior that disrupts our capital markets. Our elected leadership, in pandering to special interests, is not providing the statesmanship that is necessary to effectively harness the forces that make a free society work as well as it should work. Our academic thought leaders are falling down on the job, worshiping at the altar of rigor, having only a nodding acquaintance with relevance.

Yet, our society may be at the beginning of another transition – one in which we might dramatically improve the quality of our decisions. The 9/11 terrorist attacks brought out the best of our values in the caring behavior demonstrated by Americans for fellow Americans. The habits of the heart showed through. It is the habits of the mind that are addressed in this book; in particular, those habits that lead to reasoned decisions. But, we need to be mindful that the decisions are driven by a blend of reason and emotion, so we must take a fresh look at how the system works in order to improve it.

A fresh look on that which is believed to be taking place is easier to understand if the focus is on a single area of decision-making. The area selected is real estate decision-making, public and private, but especially in the area of real estate investment strategy. Some examples may be drawn from other areas. The idea is to apply the underlying principles from one area to other areas. The key other area for application of ideas is our national well-being – that is, quality of life – especially as it relates to dealing with the terrorism that is threatening our inalienable right to “life, liberty, and the pursuit of happiness.”

Real estate, as a field of academic study, may be used to gain understanding of the system in which we live because real estate has attributes which readily reveal the impact of forces affecting use and value. Real estate is fixed in location, so it can not escape the environment; and it has a long economic life, so that forces affecting income have a great impact because the long-term future is capitalized into the present value.

In addition to drawing on principles from real estate, the ideas developed will be drawn from a broad array of disciplines. A substantial start in this process was made in writing essays as supplementary inserts to the newsletter of the Homer Hoyt Advanced Studies Institute in Real Estate and Land Economics, part of a venerable institution designed to improve the quality of decision-making in real estate and related areas. The Advanced
Studies Institute is dedicated to educating the educators. Other parts of the think tank deal with industry. The author’s work with this think tank, spanning more than a third of a century, has heavily influenced the thinking presented, as has his three decades of university teaching, especially the last part at The American University in Washington, D.C., which spanned a quarter of a century. This has been supplemented by work with the Academy of Senior Professionals at Eckerd College (ASPEC), located in St. Petersburg, Florida. The research and consulting work with industry and government has further added to the excellent source of material, and will be used to illustrate the development of the idea that we may be on the path to a New Age of Enlightenment. Furthermore, if we are not, we should be.

The Challenge to Our Thought Leaders

The challenge to our thought leaders is to make progress in enhancing the quality of life through developing and disseminating a better understanding of how the system operates. Part I of this book is titled, “The Challenge to Our Thought Leaders.” That challenge is to do significant research work relevant to repairing the world.

The opening chapter, “Making Progress,” distinguishes between making progress as moving toward a goal and making progress as growth or development in an evolutionary sense. The evolutionary sense is a macro concept, in contrast to the micro concept of progress towards a goal as in a business sense. The author asserts that the social sciences have lagged behind the physical sciences, and that in the selection of the area of research, relevance should trump rigor. It should help us define what we are trying to do and may influence some choices.

The second chapter, “Enhancing the Quality of Life,” focuses on 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. 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. This chapter is about how we are doing what it is that we do, or should be doing.

The third chapter, “Evolution to the Age in Which We Live,” focuses on the idea that the environment in which we live is changing, and the way in which we can most effectively deal with the changes also changes. The methods change because the research becomes more interdisciplinary, as does the engineering. But, in order to get the applications, we have to deal with the way in which people think. This is the lead-in to the second part of the book.

These three chapters are, for the most part reworks of essays published by the Homer Hoyt Advanced Studies Institute in its newsletter. The originals are on the web site, www.hoyt.org. Click on Homer Hoyt Advanced Studies Institute (ASI), and then in the left box, click on ASI Newsletter Inserts. There are three essays from spring 1999 through fall 2000 and a fourth from winter 2003. That last essay, “Rules, Tools, and
Fools,” makes the salient point of encouraging relevance in academic work. It is in the philosophic context of repairing the world.

What Were They Thinking?

Part II of the book, “What Were They Thinking,” starts with a chapter on predicting outcomes. That chapter starts with a discussion of the irrational exuberance that led to the recent stock market fiasco. It points out that, among other things, the players were not thinking through the concept of paying the present value of expected future benefits, and/or they were unrealistic in making an assessment of the future benefits.

The chapter continues with a discussion of how our domestic leadership did not understand the implications of the terrorist act that has been identified as the beginning of the war by terrorists against America.

The second chapter, “Operation of the Mind,” discusses the selection of information by the brain for processing and the way the mind operates. The discussion notes that thinking may not be logic bound and may be a mixture of emotion and reason. Finally, the role of values and plurality is discussed.

The third chapter provides a perspective for understanding disciplines in the context of dealing with interdisciplinary issues. Disciplines developed out of a necessity to focus in order to better understand the realities of life. But understanding the realities was enhanced by understanding the context, especially the system as a whole. There is a unity of knowledge in the understanding of the system as a whole in that some fundamental laws of the system are applicable to the different disciplines that focus on different areas. One way of enhancing understanding of a discipline is to draw on fundamental principles from other disciplines. That is the idea of *consilience*. Furthermore, the most difficult problems faced in the social sciences are interdisciplinary in nature and therefore require an interdisciplinary approach which involves understanding issues from multiple perspectives. In discussing the application of an interdisciplinary approach to interdisciplinary problems, the chapter provides a lead-in to the opening chapter of the next part of the book.

Strategic Decision-making

Part III, “Strategic Decision-making,” starts with a discussion of real estate investment strategy. That discussion, in Chapter 7, “Real Estate Investment Strategy,” draws heavily from an earlier work that some have considered a classic in its field. (That work, entitled *Real Estate Investment Strategy*, was co-authored by Maury Seldin and Richard Swesnik.) The current innovation, however, extends the strategic approach to explain some interdisciplinary aspects and suggest some of the common basic principles applicable to other disciplines as well as drawing on principles from other disciplines to better understand real estate investment strategy.
The next chapter, “National Security from Terrorists,” outlines some aspects of a strategy that might be used to deal with terrorism. It draws upon the principles discussed in the chapter “Real Estate Investment Strategy” and identifies some principles useful in creating a strategy for dealing with terrorism.

The final chapter, “Toward a New Age of Enlightenment,” ties together the three parts of the book and explains a hope for progress through greater relevance in academic work, interdisciplinary approaches to issues, and the use of strategy. 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.

Perspectives and Concerns

Once a literary work is produced, it is subject to many interpretations. Frequently, perceptive readers will see things the author had not seen because the readers’ perspectives are different. In this work, I have intentionally provided more than one perspective. The professional perspective is that of the leader in a think tank, where the intent is to inspire the Fellows of the Advanced Studies Institute to do three things: (1) trump rigor with relevance, thereby making progress, (2) enhance understanding by reaching out to other disciplines, and (3) make a greater difference by taking a strategic approach.

But there is a personal perspective, as well, that was influenced by the late Rabbi Jonathan Mielke, who was in the process of launching an institute of learning that was to focus on a New Haskalah. Haskalah is the Hebrew word for enlightenment. In the 1770s, concurrent with the West’s Enlightenment Era, Jewish society was also engaged in the dramatic change that was taking place. It was a change that was a precondition to emancipation of the Jews as well as the rest of the population in Western Europe. The first four topics that Rabbi Mielke scheduled for study were justice, truth, repair the world, and the infinite value of the individual. These concepts are fundamental to our Judeo-Christian heritage and the values of Western civilization. Another heritage that sprang from the “one god” concept, that of Islam, has many of the same values, but has not, with rare exception, accepted the full transition of the age of Enlightenment by separating church and state. That difference has proved to be significant. Part II of this book provides some discussion of that difficulty and the consequences thereof.

Out of personal concern for our nation’s future, the book includes a discussion of the terrorism issue rooted in the violence of a small minority of the Muslim fundamentalists. The value system, built on justice, truth, freedom, and quality of life, underlies the thinking on how to deal with this and other issues. It is overlaid with a strategic approach that happens to be an area of professional expertise in the author’s chosen field of real estate, which by the way is a discipline, or at least an area of study, substantially different from what most readers believe it to be.

A byproduct of the discussion in the book will be an indication that a sufficient justification of real estate as an area of higher learning is that it is a subject which,
because of its attributes, will help in understanding other areas of higher learning. That thought is attributed to the author’s mentor, Dr. Arthur Weimer, for whom the Weimer School of Advanced Studies in Real Estate and Land Economics is named. That school is housed in the Homer Hoyt Advanced Studies Institute of Real Estate and Land Economics, from whose newsletter inserts most of the first part of the book was drawn.

Acknowledgements and Some Background

First, I must thank the authors of the works that are quoted in this book. I have made extensive use of quotes because this book is designed to be a roadmap to further knowledge. Thus, the readership should not expect the answers out of this book. It only provides a beginning of an approach and some questions and ideas on direction. The readership needs to develop its own answers, and share them. The theme is to develop and disseminate knowledge as a means of improving the quality of life that may be experienced by our students and their students. It is a generation-to-generation process; it will probably take many generations to develop a New Age of Enlightenment.

The past and present members of the Board of Directors of the Homer Hoyt Institute have in various ways contributed to the development of this book, as has the Homer Hoyt Institute itself, as an institution. In 1967, the Institute was founded at The American University to serve as the research arm of the Program in Real Estate and Land Planning and Use. It was designed to bypass bureaucracy, but when an acting dean presented a bureaucratic problem in the relationship, the formal ties were severed. Still, the Institute continued to serve the purpose of being the research arm of the Program. Furthermore, when the Institute shifted from being a grant-receiving organization to a grant-giving organization, The American University was a major recipient of funding that ran in excess of a half-million dollars per year to a consortium of universities.

The Institute became a grant-giving organization instead of a grant-receiving organization after Dr. Hoyt made a gift to the Institute of a mile of oceanfront land in Florida. But acknowledgement for this book goes beyond that contribution to an earlier contribution – the setting of a standard for relevant research. Dr. Hoyt’s research contributions to knowledge are watershed marks in the development of the discipline, starting with his dissertation and book entitled \textit{A Hundred Years of Land Value in Chicago: 1830-1933}. His later works on city growth and structure, economic base analysis, and market analysis were used by a variety of disciplines and showed relevance. His name clearly was appropriate for the Institute that has the philosophy of relevance of research.

The American University School of Business Administration was an appropriate place for the founding of the Institute and for my academic development. Aside from the considerable advantages of the Washington, DC, location, the founding dean of The American University School of Business Administration, Dr. Nathan Baily, was a strong supporter of the real estate program and of the concept of bridging academia and industry. Under his leadership, strong relationships were developed with the two leading Realtor-designation organizations, the American Institute of Real Estate Appraisers (MAIs) and the Institute of Real Estate Management (IREM). Their courses were offered
for academic credit and professional designation credit when he recruited me to occupy a partially funded chair in real estate, the Realtor’s Chair. It was an outstanding environment until the pressures in the wake of the Ford and Carnegie studies of the late Fifties demolished other real estate programs and seriously constrained the one at The American University. Distinguished terminally qualified part-time faculty provided educational leadership not elsewhere available, but AACSB regulation changes made continuation of that impracticable. Chapter 1, “Making Progress,” presents some discussion of changes over the last four decades in schools of business education, including the impact of AACSB and related studies. It is worthwhile to note that I experienced, first-hand, the changes that were taking place. The Ford and Carnegie studies were published in 1959. I received my doctorate in 1960 and, after five years at the University of Southern California, went to The American University where I taught for 25 years, taking an early retirement because of the time required for leading the Advanced Studies Institute, the Homer Hoyt Institute, and its subsidiary Hoyt Advisory Services.

The doctoral experience at Indiana University was the pivot point in the education that led to my academic career, the creation of the Homer Hoyt Institute, and along with my education at UCLA, the development of a strategic approach in management. As a side note, I was selling real estate while I was an undergraduate at UCLA in 1953 when the recession killed an apartment house deal I was working on – making it clear to me that understanding the system was critical. My real estate professors at UCLA, Drs. Gillies and Case, had both received their doctorates from Indiana under Dean Arthur M. Weimer and said that that was the only place to go. Otherwise, they advised, I might as well stay at UCLA.

It was the place to go. Dr. Weimer had educated more real estate faculty than anyone before or since his time, as well as more deans. He took an administrative approach to real estate, in contrast to the then prevailing array of economic, transaction, and legal approaches. It was he who told me that a major justification for studying real estate in higher education was that understanding real estate would help in understanding other areas of study. The significance of this and other points in this lengthy section will only be appreciated after reading the book. These are the seeds or acorns of thought that have grown into what I like to think of as a mighty oak, biased as the metaphor might be.

Not only was Dr. Weimer my mentor when I was a doctoral student, but he served on the Board of Directors of the Institute, was Chairman of the Grants and Awards Committee, and was the Founding Dean of what began as the Post-doctoral School in Real Estate and Land Economics that became known, after his passing, as the Weimer School of Advanced Studies in Real Estate and Land Economics of the Advanced Studies Institute.

The Homer Hoyt Institute operated as a grant-receiving institution for first one-third of its third-of-a-century life. The fifth member of the Board of Directors of the Homer Hoyt Institute in those early years was Dr. Michael Sumichrast. Dr. Sumichrast, a part-time and then full-time faculty member at The American University, was the initial Secretary-Treasurer of the Institute and one of the most productive researchers I have known.
Beyond being the Institute’s lead researcher in those years, he provided me with an education in market analysis. Our consulting work in market analysis has added to the perspective of the need to understand how the whole system operates.

“The managed institution is society’s way of getting things done these days,” writes Peter Drucker, and so we believe at the Hoyt Group, which includes the Homer Hoyt Advanced Studies Institute (ASI), its support organization, the Homer Hoyt Institute (HHI), and HHI’s wholly owned subsidiary, Hoyt Advisory Services (HAS). Continuity is a major concern, especially because the philosophical approach is not mainstream. The mainstream has severe problems, as may be deduced from the section of the first chapter, Making Progress, called “Business Administration in the Same Era.”

The Hoyt Group has been fortunate in having second-generation leadership grounded in the administrative approach with the appreciation of relevance as well as rigor and the bridging of the gap between industry and academia. Two key people are Drs. Halbert C. Smith and Ronald R. Racster. Both are board and executive committee members of the three organizations that comprise the Hoyt Group.

Dr. Smith, Chairman of the Hoyt Fellows, the counterpart to the Weimer School Fellows, conceived of the innovation and has led the growth and development of that distinguished group. (Hoyt Fellows are listed on the Hoyt web site, www.hoyt.org.) Dr. Smith and Dr. Racster are the key officers of the Hoyt Group entities.

Dr. Racster is the Dean of the Weimer School as well as President of the Homer Hoyt Institute. Under his leadership, the faculty of the Weimer School has grown as has the participation in management leadership. He has been particularly helpful in the development of the inserts to the ASI News, some of which serve as the basis for the first part of this book. This book could not have been written without his support.

HHI’s directors included, for a period of time, one of the nation’s leading patent holders, Robert Rosenthal. He is an engineer who innovates applications of basic research to practical problems. The philosophical approach to knowledge, a symbiosis of the natural sciences and the social sciences, is an important element in this book and I am thankful for the knowledge he has imparted.

The two other board members of HHI are Michael Hoyt and Thomas L. Howard. Mike, Homer’s son, has been supportive of the grant policy of supporting research with Institute resources while reserving only enough capital to assure continuation of the Weimer School and the Advanced Studies Institute. An Advisory Board member, William Greenough (who was Chairman of the Board of TIAA-CREF), had recommended to HHI that the capital be allocated over a finite time span in order to maximize the impact. That was not feasible, but the strategy of continuing to acquire financial support from new sources, especially from contributions of interests in problem properties, coupled with making the maximum impact within those constraints is being pursued.
Most of the Institute’s financial support has come from contributions of problem properties. Aside from the environmentally sensitive land (swamp) that started the process, there have been office buildings with ample space for market opportunities (vacancies) and condos and vacant land with weak markets. Dealing with these situations has required not only real estate expertise, including legal aspects, but also regulatory considerations, especially concern with the IRS because there are complex tax advantages for donors and HHI has always been sensitive to their interests (for example, never dumping donated real estate to get quick cash). Since the time of the contribution of the mile of oceanfront land by Dr. Hoyt in 1979, Tom Howard has been the Hoyt Group’s legal counsel. In more recent years, he has been added to the HHI Board of Directors because of his understanding of the mission and ability to provide continuity. These are of great value and not easily achieved.

There are others to be added after the manuscript is complete. At this time, Part I of the book, “Challenge to Our Thought Leaders” may be very useful as a Hoyt Group communication device, internally and externally. Thus, it may be distributed in various form or used in various forums as an aid to furthering the Institute’s mission.

Making Progress with Relevance as Well as Rigor

As may be surmised, Part I, “The Challenge to Our Thought Leaders,” is, among other things, intended to inspire people to make a difference by supporting relevance in research as a means of improving quality of life for others. How they do it depends on their role, not only with the Hoyt Group, but as social scientists or others involved in the advancement of the state of the art and its implementation. The book is intended for a very broad audience, but focuses on influencing social scientists. The early material is of particular interest to our Hoyt Group family and those who may be joining us.

Part II, “What Were They Thinking?” resulted from a frustration with governance of eleemosynary institutions in the Palm Beaches, where I moved after retirement from The American University (AU). While engaged in communal affairs in Washington, professional and charitable, I had become accustomed to a higher standard of decision-making than I found in my increased communal affairs in Florida. I often wondered – when seeing wisdom-challenged decisions – “What were they thinking?” Decision-making, especially on interdisciplinary issues, was a major part of a seminar that I taught as a capstone course at AU. Furthermore, while serving on an interim basis as Dean of the AU School of Business Administration, and interviewing a psychologist being added to our management faculty, I got a little bit of additional education on the process of how people think. It was only after retirement from AU that I read a really wide range of literature to get answers to the “what were they thinking?” question. After moving to the west coast of Florida, and becoming a member of the Academy of Senior Professionals at Eckerd College (ASPEC), I was able to further supplement my education, especially in philosophy. That section is a synthesis of a great deal of literature helpful in developing and applying strategy to a wide variety of situations. It is what I wish I could have read a decade earlier or, better yet, in the early stages of my education.
Part III, “Strategic Decision-making,” has two purposes. Its first 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 second part of the twofold purpose is to inspire some strategic decision-making that will, in fact, move us towards a New Age of Enlightenment.

The effort to provide inspiration 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 word, towards a better quality of life.
Part I: The Challenge to Our Thought Leaders

The purpose of Part I is to put on the table a challenge to our thought leaders, non-academic as well as academic. The challenge is to improve the quality of life in our civilization by developing and disseminating the body of knowledge of the social sciences. In particular, the challenge is to blend the disciplines so that we will be better able to deal with complex interdisciplinary issues.

Chapter 1: Making Progress

The primary purpose of this chapter is to develop two ideas and to note their importance. The first is that by better understanding the system, we can better forecast outcomes, and thus better achieve our goals. The second is that evolution enhances our capability to understand and deal with the system. Understanding evolution aids in understanding systemic changes and in bringing them about. The chapter notes that the ideas of making progress are important considerations for academics who desire to make a genuine contribution to the development of knowledge and leave a legacy of having made a difference in adding to relevant knowledge.

The secondary purpose of this chapter is to inspire fellow social scientists to leave a legacy that makes a difference in the quality of life for others because it is the right thing to do, irrespective of professional achievement. One need not wait to ask the question asked by Ivan Ilyich on his death bed, “But what is the real thing?”

A substantial portion of this chapter is drawn from essays that appeared as inserts in ASI newsletters. The originals are available at the Hoyt website, www.hoyt.org.

Understanding Progress

Two Concepts of Progress

The phrase making progress may mean moving towards a goal. Making progress may also mean growth or development.

Moving Toward a Goal. Management, with such goals as it has, sets objectives, organizes resources, and makes progress by moving toward its goals. Depending on the text one uses, the process may be anything from planning, organizing, directing, and controlling to choosing goals and directing people in some group effort. In all the cases, given whatever the parameters are, progress is moving towards the goal. That is the mainstream of thought in schools of business administration. The rest is commentary.

Growth or Development. In the growth or development sense, progress does not necessarily imply a conscious attempt to achieve a predetermined objective. Rather, it may imply an evolutionary process. Such a process engenders an enhancement of quality
of life. Our generation, compared to an earlier generation, may live longer, be healthier, or live a life enriched in many dimensions. That is progress. Some of it came from a natural process of a strengthening of the species as an evolutionary process.

Most of it came about because of advancements in the natural, physical, and social sciences. The Scientific Revolution that began a few centuries ago brought dramatic progress to our quality of life. Considering what technology has brought us, royalty of an earlier era could be envious of the quality of life of a substantial proportion of our contemporary society. More important than the technology, at least in my view, is the freedom brought about by the enlightenment of the same few centuries. Most people, today, think about things differently than did most people of a few centuries ago. This thought is grounded in the Scientific Revolution. It has migrated from the physical sciences to the social sciences.

The enrichment of life in multiple dimensions implies a value system in which there is a variety of values and degrees to which they may be achieved. More is better. Yet, there may also be a value of balance, so that the mix itself is a value. The tradeoffs may thus be for balance as well as higher rated values, i.e., those that are considered to be more important on their own merit when compared to other values.

As social scientists, we have selected specialties in which we seek to make contributions to the body of knowledge. The narrower the specialty, the more we can know about it. One wag has said that we know more and more about less and less until we know everything about nothing.

A proper response is that knowing more and more about something is not simply understanding more from the perspective of a single discipline. To really understand a system, one must see it from the perspective of a number of relevant disciplines.

As social scientists, we have deepened our studies and developed our disciplines to a high degree of complexity. However, an area of even greater complexity is the interaction of disciplines because of differences in perspectives. Blending disciplines into an interdisciplinary approach is a great challenge. The reward is also great, because greater understanding enhances the ability to obtain a better balance, which is a value in its own right, as well as an accommodation to a diversity of interests.

Consider a land use example.

Land Use as an Example

From time to time, a major land development project will carry a sign, “progress,” or the public relations news releases will tout the development as progress. In such a case there is an ambiguity, or perhaps a hybrid meaning. There are some local economic development goals towards which progress is being made. But there is also a natural process of evolution underway. The urban areas are an evolutionary phenomenon resulting from other societal developments.
Change is a necessary ingredient in progress. But, change is not necessarily a sufficient condition. Furthermore, change may be regressive. The key lies in the nature of change.

From a societal perspective, we start with a value system. Out of this value system emerges a societal system for meeting societal needs. Progress may be considered to be the change that enhances the quality of life from a balanced perspective. It may result from an evolutionary process.

The rate of progress has accelerated in recent times. In the area of physical or natural science, there was a Scientific Revolution during the past few centuries, perhaps starting as early as 1600. The Enlightenment, which was part and parcel of the process of change over the past few centuries, brought substantial progress to the social sciences.

Progress in the social sciences has, however, lagged behind that of the physical sciences. Consider the acceleration of the rate of speed at which man could travel as an indicator of progress in the physical sciences. In the pre-enlightenment/Scientific Revolution era, it took centuries to move from how fast man could run to how fast man could travel by riding a horse. The industrial revolution brought railroad travel with a shift to the speed of trains, and a subsequent acceleration. The early 20th century brought flight with an astounding acceleration in the move from propeller to jet travel and then to space travel. Visualize a graph with the last five thousand years on the horizontal axis and the speed of man on the vertical axis. We have turned the curve in the physical sciences.

We have not turned the curve in the social sciences. But, we have made progress. In the case of land development, there was a time when a picture of a factory with a smokestack, with smoke billowing out, was a sign of progress. It took some time for society to realize that air pollution was a serious unwanted side effect, so that progress – in the sense of moving ahead with a balance in values – necessitated a restriction on the pollution.

Requiring scrubbers, a pollutant removing device, was a sociological as well as a technological advance. Devising systems for measuring air as well as water pollution – and then using pricing to distribute the rights to emit pollutants constrained to tolerable aggregate levels – was an application of developments in the physical sciences, but it was also an application in the development of the social sciences. The issue may seem as though it is the advancement of the social sciences. But it goes beyond – it goes to the application of the knowledge. It is engineering and, to be realistic, much of our research is engineering based rather than basic research.

**Making Progress with Relevance as Well as Rigor**

The fruitful application of knowledge, whether gained by one's own experience or by the experience of others, requires wisdom. That wisdom is a synthesis of analytical systems and information, including the good judgment that may come with time. It is the sagaciousness that is the rarity, not the information.
The mind is the brain at work. Metaphorically, the brain is a wonderful machine, or computer, if you wish. It has a great deal of memory and an exceptional ability for random access of relevant information. This facilitates the development of wisdom over time, assuming that one is learning from his or her experiences, or through the experiences of others. These experiences of others may be based upon rigorous analyses as in scientific research. Or, they may be anecdotal. The synthesis is important. So, when we ask, “What was he thinking?” as a comment on a particularly poor decision, we are asking about how the information was processed as well as what were the facts that served as input. Each of us has habits of the mind that influence the path taken through his or her paradigm.

We also have “habits of the heart,” i.e., daily practices of life based upon the culture. These mores are, if not alternative systems of decision-making, at least influences that may alter the conclusions that would be reached by a rigorous analysis. It may well be that the habits of the heart, blended with the habits of the mind, make for the best progress.

We do not have, at least as far as I know, a comprehensive theory of wise decision-making that deals with the synergism of habits of the heart and habits of the mind. We certainly don't have a unified field theory, i.e., a theoretical system that integrates the relevant disciplines providing an overarching theory of the system. We operate within the paradigms that we have adopted and do well to recognize and apply such consilience as has emerged. Consilience is the linking of knowledge across disciplines to create a common groundwork of explanation. It was the use of this concept by Edward O. Wilson in his book, *Consilience: The Unity of Knowledge*, that inspired the beginnings of the essay from which the first part of this chapter is drawn.

**Advancing Our Disciplines.** Advancing our disciplines may be a misguided mission, at least if we are looking for progress in an evolutionary sense. The advancement of the discipline is just further refining things that are well known and understood; the refinements really don’t help anyone make better decisions and are not likely to so do. Advancing relevant knowledge is progress in an evolutionary sense, especially when it is a basic research endeavor. In that case, current applicability is not a test. Its usefulness will come in time; it need not be understood when the new knowledge is gained. The test of relevance is not limited to applicability. It includes building understanding of the system.

Additionally, advancing relevant knowledge can be progress in the sense of moving towards a goal. That is the case when one is seeking an engineering solution and engages in applied research in order to get a better understanding of the system or its applicability to particular types of situations.

It may also be the case when a professor sets the goal of moving toward the advancement of the discipline, and make progress towards it. But it may do less to advance the quality of life (except in a narrow perspective of the professor’s rank and tenure) than pursuing
the advancement of relevant knowledge. There may be a stature in such achievement that
goes beyond the rank and tenure indicia.

The key is relevance. There may be some merit in proving that which is believed and
counting that as advancing the discipline. However, disproving that which is believed to
be true is of greater relevance. We get into more trouble from the things that we know
that are not so than from the things we don’t really know, but which we believe. At least
if we are uncertain we can better deal with the risk. The validity of that which is believed
is whatever it is. The degree of certainty doesn’t alter the validity. We should be
focusing on getting the right balance of knowledge to improve the quality of decisions.

If one works in applied research, then the focus is on understanding what is necessary to
better engineer the process or institutional arrangement. That may require acquiring
knowledge in related disciplines and focusing on an integration with a paradigm suitable
for obtaining the desired results, an enhancement of quality of life under the accepted
value standards, balance considered. If our work is in basic research, then we could get a
better understanding of the system by devoting attention to multiple disciplines and
focusing on subject issues in a paradigm that integrates the various perspectives. This
goes beyond the tools of research. It speaks to the underlying elements that are common
to the disciplines that are relevant to the issues.

Mismanaged Systems. Historically, in the last half of the 20th century, the
academic institutional arrangements for making progress in business administration
research focused on fostering publishable research in the most prestigious journals. The
concept of progress is the issue. Unfortunately, there is little thought beyond the criterion
of rigor, as to what should be the most prestigious research. That is the litmus test of
learned journals. It turns out that it is methodology that drives publishable research. The
methodology is very much a fashion item, varying over time with no apparent
relationship to societal progress designed to enhance quality of life, as discussed earlier.

The fact that academics have become carried away in the game of publishable research
focusing on rigor of analyses might be better understood if one considers the analogy to
the glass bead game discussed in the novel by Herman Hesse, The Glass Bead Game.
The following passage illustrates the analogy:

“The parody that Hermann Hesse wrote in his 1947 novel, The Glass Bead
Game, was the author’s view of the world as he “saw it then, and is
remarkably prophetic of our own time.” So writes Martin Anderson in his
Imposters in the Temple: American Intellectuals are Destroying Our
Universities and Cheating Our Students of Their Future [1992]. Consider
the following paragraph. “The glass bead game in Hesse’s book was
exactly that – a game. But it was played with such intensity that gradually
took over the professional lives of the intellectuals who played it. As they
played the game with increasing skill and fervor, they retreated further and
further from the concerns of the world, in effect, the intellectuals in
Hesse’s Glass Bead Game created their own fantasy world that
transcended reality, and as they earned respect and honor for their game skills, as being the highest possible level of intellectual achievement, they soared off into ultimate irrelevance.” [Page 63.]

Theodore Ziolkowski, in his foreword to the Hesse novel, writes, “Both authors [referring to Hesse and Thomas Mann] were obsessed, in addition, with what they regarded as the self-destructive course of modern civilization, and this concern pervades both novels [referring to Mann’s Dr. Faustus as well as The Glass Bead Game].” Later in the foreword, Ziolkowski writes, “Castalia [the Order] has more than a little in common with the intellectual and cultural institutions of the sixties as well as the eighties to the extent that they have become autonomous empires cut off from the social needs of mankind and cultivating their own Glass Bead Games in glorious isolation.” [Page xvii]

In the “General Introduction,” Hesse writes, “the Glass Bead Game is thus a mode of playing with the total contents and values of our culture;…”[Page 15.] He seems to refer to progress focused on the Age of Enlightenment (also known as The Age of Reason) when he writes the following: “Since the end of the Middle Ages, intellectual life in Europe seems to have evolved along two major lines. The first of these was the liberation of thought and belief from the sway of all authority. In practice this meant the struggle of Reason, which at last felt it had come of age and won its independence, against the domination of the Roman Church. The second trend, on the other hand, was the covert but passionate search for a means to confer legitimacy on this freedom, for a new and sufficient authority arising out of Reason itself. We can probably generalize and say that Mind has by and large won this often strangely contradictory battle for two aims basically at odds with each other.” [Page 19.]

Anderson, later in the same book, Imposters in the Temple, sums up his position by asserting ten critical points to restore integrity to the academic intellectual. The second of these points is, “STOP REWARDING SPURIOUS RESEARCH AND WRITING.” Excerpts from the summary paragraph are as follows:

“Only if and when our universities and colleges stop playing the glass bead game and begin to base academic promotions on and salary increases solely on the quality of research and writing, instead of quantity, will the mindless scramble for worthless publication cease….But the real winners will be the best and brightest of our scholars, who can concentrate on truly important research subjects and forget about how many pieces they publish in their careers.” [Page 207.]

I would argue that the real winners will be society. The system should work to offer incentives to encourage people to provide benefits to society as a result of their pursuits of their own interests. The system works perversely when it is mismanaged.

**Academic Environment**

Socrates was acclaimed by the Delphic oracle as the wisest of men. Socrates responded that “his only wisdom was the knowledge that he was ignorant.” [Chris Rohmann, *The World of Ideas*, p 370.] That knowledge led him to pursue a better understanding of life’s choices. That pursuit was for truth, which is what he and his disciples saw as “what is.”
The Biblical concept of truth is an ethical notion, not “what is,” but rather “what ought to be.” [Encyclopedia Judaica] “Thus, in the Bible, truth is connected with peace, grace, justice, and even salvation.” Secularly or religiously, truth is a value fundamental to our progress.

Academia is built upon seeking truth and making progress. But it has become organized by disciplines. As is discussed in Chapter 6, “Discipline Perspectives,” there has been a transition from broad perspectives to narrow focus from ancient times to modern times. This has enabled us to understand more about pieces, but a great deal has been lost by not having big pictures with varied perspectives. And the process has been corrupted.

Let us now turn to look at some transitions in academia over the last half century in order to gain a perspective of the environment in which academic thought leaders generally function. The idea is that we should be able to enhance that environment in order to make better societal progress, especially in the social sciences.

**Arts and Sciences in the Post World War II Era**

Science flourished exceptionally as a result of the Golden Age of Education – the three decades after World War II. Aided and abetted by the National Defense Education Act in 1958, which directly subsidized higher education just before the baby boomers were ready to enroll, science education was subsidized. This was aside from the practice of funding government research at the universities, and the earlier GI Bill that made a great many college educations possible. It was an era of meritocracy focused on research in structured disciplines rather than an interdisciplinary approach. In the words of Louis Menand in his *New York Review of Books* article, “College: The End of the Golden Age;” reprinted in *The Best American Essays: 2002*, edited by Stephen Jay Gould:

> “The ‘word relevance’ got very tiresome back in the 1960s, when it was used to complain about the divorce between academic studies and the ‘real world’ of civil rights and Vietnam. But the truth is that the Golden agers thought their work was relevant. They thought that the disinterested pursuit of knowledge, conceived as a set of relatively discrete specialties, was the best way to meet the needs of the larger society. There now seems to be a general recognition that the walls between the liberal arts disciplines were too high. Maybe it is also the case that the wall between the liberal arts and the subjects many people now go to colleges and universities to study – subjects such as business, medicine, technology, social service, education and the law – are also too high. Maybe the liberal arts and these ‘nonliberal’ fields have something to contribute to one another. The world has changed. It’s time to be relevant in a new way.”

Much of the scientific effort had to do with the Cold War. Simply put, we spent so much money that the Soviet Union spent itself out of existence by trying to keep up. While academia was still enamored with rigor in a discrete discipline structure, the space
program took a different organizational tack. The physicists, mathematicians, chemists, engineers and other professionals, working on the problem of getting a man to the moon, organized on a team basis rather than a discipline basis. It was an interdisciplinary approach to an interdisciplinary problem.

Business Administration in the Same Era

A trend has been emerging in which “...business school deans seeking to improve their ratings among recruiters often actively encourage faculty research that the news media will cite.” So writes Jerold D. Zimmerman. His September 2001 paper, “Can American Business Schools Survive?” begins as follows:

“The worldwide preeminence of American business schools is on the decline, and Internet-based distance learning is not the threat. Rather, leading U.S. business schools, institutions once dedicated to generating new knowledge and disseminating it to the next generation of managers via their MBA programs, are locked in a dysfunctional competition for rankings – notably the Business Week surveys. This ratings race has caused schools to divert resources from investment in knowledge creation, including doctoral education and research, to short-term strategies aimed at improving rankings. The resulting decline in business doctorates is creating a severe shortage of quality faculty. American business schools are mortgaging their future; they are consuming their seed corn.

“Fifty years ago, American ‘business education was irrelevant to most students, to employers, and to society...because of the low quality of its students and faculty and because of the narrowness of the training provided. Schools and faculties saw themselves as turning out functional specialists or industry specialists’ (Howell, 1984, p.9). American business education today is reverting to the narrow, functional industry training characteristic of the schools of the 1950s.”

Zimmerman continues with a discussion that refers to the 1959 Gordon-Howell Report that “described American business education as a collection of trade schools lacking a strong scientific foundation.” He then reports that graduate business education grew from 3,200 MBA degrees awarded in the 1955-56 academic year to over 102,000 in the 1997-98 academic year, an annual compound rate of over eight percent.

The Students and Curriculum. As is noted in the beginning of the next chapter, “Enhancing the Quality of Life:”

“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. 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.”

Then as in noted in the beginning of Chapter 3, “Evolution to the Age in Which We Live,” Everdell quotes Plank as follows:

“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.”

Considering these statements, it is obvious that there is a concern with the character and quality of the education of the business student. In an earlier era, the leadership and management may have had an education, but only a small percentage received it from a college or university in the form of specialization in business administration or management.

Porter and McKibbin, in their *Management Education and Development: Drift or Thrust into the 21st Century*, published in 1988, provided the results of a three-year study of higher education in business, commissioned by the American Assembly of Collegiate Schools of Business (AACSB), the accrediting body most influential in business education. It focused, in some measure, on the transitions in schools of business since the Ford- and Carnegie-sponsored studies of the late Fifties. (The Gordon/Howell Report referred to earlier was the one sponsored by the Ford Foundation.)

The Porter/McKibbin study reports that the MBA students “ranked ‘high probability of challenging career opportunities’ as their number one reason for deciding to obtain this degree. ‘Intrinsic interest’ in business/management was the second-ranking reason given by part-time students and the third-ranking reason given by full-time students. The latter indicated that the ‘high probability of a good job upon graduation’ was their second-ranking reason for choosing to enroll in an MBA program.” This was out of six alternatives including “Other,” “high income,” and “high-prestige career.” A substantial percentage had made the decision to pursue the graduate degree after having entered the work force and not having planned on an MBA as an undergraduate. Clearly, most were seeking a professional education.

At the undergraduate level, the top three reasons also prevailed, but the most frequently selected reason was “challenging career.” The undergraduate curriculum, according to AACSB standards, requires from 40% to 60% of the course work to be outside of business or economics. The major curriculum criticisms fall into two types: “Insufficient emphasis on generating ‘vision’ in students” and “insufficient emphasis on integration across functional areas.” On this latter item, some critics focus on “sufficient attention to both the need and the means to use specialized functional knowledge in an integrated approach to the increasingly complex, fast-changing, and multidimensional problems of contemporary business[.].” [Pages 64-65.] This issue is imbedded in the discussion of
“Discipline Perspectives,” which is the sixth chapter of this book and concludes Part II, “What Were They Thinking?”

Returning to the Porter/McGibbon book, the criticisms addressed to specific topic areas listed seven sets. The first two were: “Too much emphasis on quantitative analytical techniques” and “Insufficient attention to managing people.” Two others that will be especially relevant as the discussion in this book unfolds were numbers four and seven, to wit: “Insufficient attention to external (legal, social, political) environment” and “Insufficient attention to ethics.” [Pages 65-66.]

The criticism appears to be that there is a lack of liberal education. The question that I ask is, “How would the students get such an education, i.e., a liberal education, if the faculty is not attuned to that way of thinking?” As will be noted in the opening chapter of Part II, “Predicting Outcomes,” under the “Roots of Western Civilization,” discussion, “The key to our making progress is to find a new way of thinking and experiencing, a new way of understanding and feeling the world.” If we can’t find a genuine new way, at least we may be able to find a better way for us. That would be a major step toward a New Age of Enlightenment.

The Faculty and Research. The opening of the chapter on faculty in the Porter/McGibbon book includes quotes from the Ford and Carnegie studies of schools of business in the late Fifties. (The Pierson study is the Carnegie supported study.) The chapter opens as follows:  

“How times have not changed in business education:

‘The most precious resource which any business school can possess is a highly qualified and highly motivated faculty. (Pierson. 1959. p. 268.)’

‘The expansion of the student population has already outrun the ability of the business schools to find qualified teachers…One of the most important issues facing the business schools is how, in the face of pressures created by mounting enrollments, they can not only maintain but improve the quality of their faculties. (Gordon and Howell. 1959. p. 341.)’

“As these quotations so aptly illustrate, a crucial element – probably the crucial element – in university-based management education is the faculty, and the challenge – as in 1959 – lies in attempts to secure and develop as high a quality level as possible. In this sense, times have not changed in the past 25 years. In other respects relating to the faculty component of business schools, considerable change has, in fact, taken place.” [Page 126.]

The Porter/McKibbin chapter continues with a discussion that includes another quote from the Gordon/Howell report:
“It can be said of only a modest minority of business school teachers that they have a thorough and up-to-date command of their fields…Too many faculty members view their own areas of interest both too narrowly and too superficially and are too little concerned with what has been called ‘intellectual foundations of professional work.’”

After discussing developments during the 25 years since the earlier studies, and noting progress on a variety of fronts, they come to current criticisms relating to faculty:

“Current criticisms of business school faculty fall into two major areas: (1) they are too narrowly educated in a functional specialty, and (2) they frequently lack relevant work experience.” [Page 191.]

The discussion continues to note that this comes about because of the sharp focus of doctoral programs on specific functional areas or their sub-areas. The imputed reason is that the specialization leads to expertise that facilitates “original research.” They write:

“The outcome, from this perspective, is that many new Ph.D.s joining business school faculties lack sufficient breadth of understanding of real world business problems and are not able to see or appreciate how diverse factors or functions interact to influence those problems. In short, whether they have received their doctorates in business or in a related area (such as mathematics or behavioral science), they are not able to provide an integrated managerial approach in their classroom teaching. Even many relatively senior faculty members, according to the critics, are so imbued with the predominant research ethos that abounds in business schools today that they have succumbed to the lure of becoming specialists rather than attempting to retain something of a broader approach to their areas. They, as well as most junior faculty members, say the critics, often feel the pressure to publish research articles, which lead to narrowing the focus.

“The second major criticism of business school faculty members – that too many of them lack relevant business school experience – is not unrelated to the first.” [Pages 131-2.]

It is worth noting that the Porter/McKibbin book also states that “…most business schools give relatively little systematic attention to the development of faculty members once hired.” [Page 144.] This is a good place to note this because it provides an opportunity to mention that the Homer Hoyt Advance Studies Institute has been described as providing continuing education for the leading academics in real estate and related areas. An important part of the Advanced Studies mission is to bridge the gap between industry and academia.

The Porter/McKibbin book was published in 1988. A more recent commentary is the Zimmerman paper quoted earlier. Zimmerman reports that MBA programs have been growing at faster rates than doctoral programs, with the result that increasing numbers of
doctrinal students have been coming from “countries whose legal and commercial institutions are very different from Western institutions,” especially from China and former Soviet states. Consider the following quote: “While the research produced by these students is technically sound, it often lacks an essential understanding of Western business institutions necessary to generate real insights.” [Page17.]

On a positive note, Zimmerman writes that:

“…the fundamental theoretical research caused a revolution in business education. Instead of teaching students a collection of facts about business, schools began to teach students how to think about business problems. Business schools changed from training future managers (vocationalism) to educating future managers. Instead of just describing how firms differ in terms of their debt/equity ratios, schools taught students to think about how capital markets set prices for debt and equity, adjusting for underlying risk, and what might determine an appropriate debt/equity ratio. Business education changed from giving rules of thumb – based on past observations that could become invalid in the future – to teaching them how to arrive at solutions to problems they would likely encounter. Driving these curricular reforms was basic research.” [Page 7.]

A counterpoint on the nature of research appears in the Porter/McGibbon book:

“These criticisms [by observers in and out of academia] can be grouped into three overall categories: (1) quantity of research has become more important to business schools than quantity, (2) the intended audience of most business school research is the academic community rather than the combined professional community of scholars and practitioners, and (3) owing to the effects of the first two tendencies, there has been a proliferation of arcane, trivial, and irrelevant research.”

They continue with discussion of these criticisms on relevance and conclude that the critics say that the basic nature of the research needs to be changed if the research is to be taken seriously.

The real problem seems to be that no one really cares. In part, that is because of the intended audience. They write:

“Most who share this criticism would probably go on to posit that the target audience of other academics is an intended one. That is, the argument is that most business school professors are purposely aiming their research reports toward their academic brethren and they do not care whether such publications are comprehensible to practicing managers or not. They would cite a number of reasons for this, most notably that tenure and promotion systems throughout universities, and not just business schools, reward this type of behavior.” [Page 167.]
The paragraph continues that it is a matter of what kinds of publications “count” in the academic system, and that even if some faculty wanted to communicate to business that they may not have the ability because of a lack of contact with the “real world.” The conclusion of the critics is “some combination of an inability to reach a professional audience and a lack of motivation to do so.”

Why not deal with research contributing to societal progress as the most prestigious research, utilizing the rigor that is realistic given the availability of data and the state of the art? University faculty have a responsibility in this area, as does the business community. Regarding the business community’s perspective, Porter/McKibbin write:

“The business world is generally speaking (and omitting a few very specific exceptions such as certain areas of corporate finance), ignoring the research coming from business schools. The business sector is neither very irritated or very upset by business school research quality, but most business executives do not laud it either. The total perceived impact is, judged by what we learned in some 200 interviews in the business sector, virtually nil.”

There is a strong preference on the part of faculty and deans to move towards more applied research. Provosts, however, are about evenly divided on the merits of whether or not there should be a shift toward more applied research from basic research.

It does not appear that schools of business in general have a well developed strategy on integration of research into their missions. The study raises the question of the merits of revising the AACSB standards for accreditation in a “way that would motivate schools to engage in scholarly activities more directly appropriate to their mission.” [Page 178.] The scholarly activities phrase relates to the definition used for research. The references to research go beyond discovery of new knowledge to include learned knowledge acquired by study, i.e., scholarship.

The chapter on research reaches the conclusion that the academic research has little direct impact on the practice of management/business. Some indirect impacts are noted. But the last page of that chapter had a quote from Clark Kerr, former president of the University of California and former chair of the Carnegie Commission on Higher education, that warmed my heart. It came from an interview for the study:

“I would like to see business schools become intellectual leaders on campus. Even though business schools have been the great success story of professional schools since the end of World War II, I had hoped that they would be more successful than they have in helping to bring a unity to the social science – a unity among social sciences, and unity between theory and applications.”

It is especially worthwhile to note that the interview took place a decade before Edward O. Wilson published his Consilience: The Unity of Knowledge. The unity of knowledge
concept, along with interdisciplinary studies, is included in Chapter 6, “Discipline Perspectives.”

Evolutionary Progress in Disciplines

The preceding discussion of schools of business falls into the first of the two concepts of progress discussed in the opening of this chapter in that it deals with research and education in management to achieve objectives. That is a large part of what schools of business administration do. That discussion is also relevant to the second concept or category, evolutionary change, in that it alluded to the development of the discipline of management or business administration.

Our concern here is with the evolutionary process in discipline development. It will be dealt with first by looking at how disciplines emerge as offshoots of other disciplines, especially with regard to real estate, but not exclusively. Then, the discussion will turn to the blending of disciplines or more particularly the formation of new disciplines, especially cognitive science.

Roots of Modern Disciplines

“That all our knowledge begins with experience there can be no doubt…

But although all our knowledge begins with experience, it does not follow that it arises from experience.” [Kant, *Critique of Pure Reason*]

The combination of the opening sentences of the first two paragraphs of Kant’s, *Critique of Pure Reason* is a pivotal point in the development of contemporary disciplines. It is retrospective in indicating the emergence of the modern approach to research in that our Western heritage of philosophical roots is built upon the *a priori* reasoning of the ancient Greek philosophers, especially Plato and Aristotle.

The part that did not arise from experience was, as summarized in the words of Steven Jay Kline [*Conceptual Foundations for Multidisciplinary Thinking*, page 195]:

“These Greek ideas exalted rational thought, logic, and the life of the mind. For the most part, however, the ancient Greek thinkers did not use empirical evidence; they relied on thought and discussion, not only as the sources for knowledge, but also as the means of verification.”

In the beginning of the Enlightenment era there was a unity of all knowledge outside the theological knowledge that provided the “sacred canopy” [see Peter Berger’s 1969 book referred to on page 194 of Kline’s book]. Kline identifies this unity of knowledge as a single body in the ensuing paragraph.

“Ancient Greek thought about the physical world had been summarized by Aristotle, and his writing was taken as an authoritative source regarding
natural phenomena by many European scholars in the period during and following the Renaissance. The use of Aristotle as a source of “the truth” about the physical world was similar to the away the Scriptures had served during the Middle Ages. This view led to what was called ‘natural philosophy,’ which was taken to include all the scholarly knowledge that lay outside the theological knowledge. For several centuries, natural philosophy was seen as largely a single body of knowledge.”

Kant blended the *a priori* with the empirical that turned out to be the foundation for the highest quality of knowledge – empirically verifiable results. The methodology, which is of great rigor, turns out to be the altar at which modern day academics worship.

The social scientists picked it up from the physical scientists, although the laboratory settings were not comparable. But, the methodology was critical to the development of modern day disciplines.

**Emergence of a Discipline.** Kline identifies eight steps in the development of a discipline, not necessarily taken in a particular order. [Pages 199-200.] The first four are as follows:

“Selection of a class of systems with an associated set of problems…
Observations of the behavior within the class of systems…
Organization of the observations into taxonomy…
Formation of ‘rules’ that describe the phenomena within the taxonomy either as a whole or for particular subdomains.”

The “rules” concept refers to a very broad array of relationships defined with various degrees of rigor. The other four steps refer to the process of refining the rules in order to better represent the system. Depending on the complexity of the system, one may develop a “grand theory” or settle for descriptions of relationships that represent behavior associated with a set of problems.

Generally, there is an empirical grounding “…which most clearly distinguishes modern from ancient study of truth assertions methodologically…” It was in the area of physics that Galileo and Newton provided “…the first instance of successful formulations of rules following the steps all the way from 1 through 4.”

**Prevailing Topic Selection.** Academia has been enthralled with the rigor. Thus, much of science, including social science, has focused on rigorously “mopping up” details of the discipline. Thomas S. Kuhn, in his seminal work, *Structure of Scientific Revolutions*, writes, “Normal research which is cumulative owes its success to the ability of scientists regularly to select problems that can be solved with conceptual and instrumental techniques close to those already in existence. (That is why an excessive concern with problems, regardless of their relation to existing knowledge and technique, can so easily inhibit scientific development.)” [p.96, Second Edition] The parentheses are his, and the key word is “excessive.”
Earlier in the same book, he writes:

“Few people who are not actually practitioners of a mature science realize how much mop-up work of this sort a paradigm leaves to be done or quite how fascinating such work can prove in the execution. And these points need to be understood. Mopping-up operations are what engage most scientists throughout their careers. They constitute what I am here calling normal science. Closely examined, whether historically or in the contemporary laboratory, that enterprise seems an attempt to force nature into the preformed and relatively inflexible box that the paradigm supplies. No part of the aim of normal science is to call forth new sorts of phenomena; indeed those that will not fit the box are often not seen at all [emphasis added]. Nor do scientists normally aim to invent new theories, and they are often intolerant of those invented by others [emphasis added]. Instead, normal-scientific research is directed to the articulation of those phenomena and theories that the paradigm already supplies.” [Kuhn, Thomas S. The Structure of Scientific Revolutions, 2nd edition, Chicago, The University of Chicago Press, 1970, p. 24.]

The thrust of modern research being in the box, and the difficulty of going beyond the established paradigm, is indicated in the following quote, again from Kuhn. [Page 76.]

“Philosophers of science have repeatedly demonstrated that more than one theoretical construction can always be placed upon a given collection of data. History of science indicates that, particularly in the early development stages of a new paradigm, it is not even very difficult to invent such alternates. But that invention of alternates is just what scientists seldom undertake except in the pre-paradigm stage of their science’s development and at very special occasions during its subsequent evolution. So long as the tools of a paradigm supplies continue to prove capable of solving the problems it defines [emphasis added], science moves fastest and penetrates most deeply through confident employment of these tools. The reason is clear. As in manufacture so in science – retooling is an extravagance to be reserved for the occasion that demands it. The significance of crises is the indication they provide that an occasion for retooling has arrived.”

Enhancing the System. The key is in the selection of problems to be defined. Momentum is a great force in research, as in other areas. The tendency is to define problems in the context of existing research, solvable with existing methodology. New disciplines may emerge when there is a “Selection of a class of systems with an associated set of problems.” So writes Kline in identifying the first step in the development of a discipline. It is the selection of problems that needs the attention in order to improve predictive ability relevant to improving quality of life.
The alternative view – that the goal of social science should be increasing intelligibility rather than predictive ability – is an epistemological issue addressed by Alexander Rosenberg in his *Philosophy of Social Science*. He writes, “If increasing the understanding of human actions improves our predictive powers, then of course there is no conflict.” [Page 213] The philosophy of social science underlying this discussion is that what we know and how we know it is important for the purposes of improving the quality of life. The basic research is to develop knowledge where the applicability is not yet evident, but where there is faith that in time it will make a difference.

Making a difference is what it is all about, and the birth of a new discipline is a way to sharpen the focus in studying a set of problems in order to get a better understanding of relationships useful in predicting outcomes. Auguste Comte, a philosopher in the Age of Enlightenment, was a pioneer in launching new disciplines in the social sciences. He believed that “…the future of humanity lay in science and that scientific methods could equally be applied to social studies.” [*A World of Ideas*, by Chris Rohmann, p. 72] Comte wrote about sociology, referring to it in the sense of a broad range of human sciences, as a discipline that should “descend from the other disciplines in a series of hierarchical steps…” [Kline page 208] In Kline’s words, “The hierarchy that Comte suggested went in descending order: math, astronomy, physics, chemistry, biology (including physiology), sociology.” The sociology was conceived as a “master discipline.” It included anthropology and psychology as well as sociology, all of which were born in the late 19th century.

Edward O. Wilson’s hierarchy goes from physics, chemistry, and biology to sociobiology, which is the link to the social sciences that he develops in his concept of consilience. Within the social sciences, political science goes back to ancient times, but is combined with economics in the discipline of political-economy. Economics develops on its own starting in the 18th century.

Economics later develops into sub-specialties such as labor economics and land economics. When land economics later develops as a discipline, the concern with its administration emerges into a discipline. For a long time, business administration was thought of as applied economics. But, it is obviously more. We don’t call it applied behavioral sciences or applied mathematics. We integrate those disciplines and come up with a new category called business administration or management. Thus, real estate administration has taken a variety of disciplines and emerged to deal with its own set of issues, which may include the natural sciences in dealing with the environment, and other social sciences in dealing with politics and sociological issues. It is interdisciplinary, not simply multi-disciplinary. We will get better predictive ability for the decisions relating to societal issues affecting our quality of life by drawing on the relevant disciplines and attacking the salient problems rather than tackling the problems that simply increase intelligibility. It reminds me of a joke I heard about 60 years ago: The moron, when asked why he was looking by the lamppost for his lost dime when he dropped it far from the lamppost replied, “The light is better here.”
Real Estate

Academic Origin. Real estate as an area of study emerged in academia when, in 1894, Richard T. Ely at the University of Wisconsin founded a program in public utilities and land economics. Then in the early forties, Richard B. Andrews, a thought leader in the urban land economics approach to urban and regional planning, influenced the direction of the program. Two years after Andrews, Richard Ratcliff joined the program and provided leadership for two decades in what became a major center for the land economics approach.

The next two decades were under the leadership of Jim Graaskamp, who took a multidisciplinary approach. Then, in 1989, the new era at Wisconsin began, led by Kerry Vandell. The next year, the Homer Hoyt Institute considered giving him a nonexistent award for faculty recruitment because he hired three outstanding faculty members with diverse interests. This is the story of only one real estate program, but it was the earliest and is certainly among the strongest. As a matter of disclosure, I should note that Kerry is a member of the Board of Directors of the Homer Hoyt Advanced Studies Institute and the Associate Dean of the Weimer School in Real Estate and Land Economics, while still retaining his faculty appointment at Wisconsin and serving as the Director of the Center for Urban Land Economics Research.

Real Estate Centers Emerge. Other real estate centers developed, reflecting the various thrusts of an evolving area of study. Among the earliest and best funded were those in the University of California system. Real estate license fees provided the funding, but the research was diverse. Such funding became popular in a number of states in the early part of the last half-century, but most of them tilted toward brokerage issues. During the latter part of the last half-century, support came from Wall Street and other sources interested in diverse aspects of real estate with the result being different directions in research.

Academic Professional Organizations. Directions in evolution might better be described by reference to the history of the academic organizations concerned with real estate research. In the early Sixties, partially as a result of the pressures of the Ford and Carnegie studies, real estate as an area of specialization was fighting for its life on campus. Real estate faculty needed to organize so as to provide more accessible forums for demonstrating scholarship, especially in reporting on research.

My recollection is that there were some national meetings circa 1963 that brought Art Weimer, George Pinnell, and George Bloom to Los Angeles where I was teaching at the University of Southern California. They had the idea of forming a real estate organization similar in type to the American Finance Association and the American Economics Association. They brought together a group of real estate faculty and we formed what became the American Real Estate and Urban Economics Association.

George Pinnell was Art Weimer’s successor as Dean at Indiana and went on to be Executive Vice President of Indiana University. He also became Chairman of the Homer
Hoyt Institute’s Advisory Board. As a side note, he had been my doctoral dissertation advisor. George Bloom, a professor at Indiana University and head of the University’s real estate program, was elected as the first president. He later became a Founding Fellow of what is now the Weimer School Fellows of the Homer Hoyt Advanced Studies Institute. The first Secretary-Treasurer was Halbert C. Smith. As another side note, Hal had been a master’s degree student at Indiana when I was a doctoral student there. He is now one of the three principal officers of the Hoyt Group. The third is Ron Racster – who also serves as the Dean of the Weimer School – his colleague on the faculty at Ohio State University in an earlier era and fellow doctoral student at University of Illinois, studying under Bob Harvey. Bob Harvey was one of the returning veterans studying under Weimer at Indiana along with my two UCLA professors, Gillies and Case, and with Pinnell and Bloom, and others.

These side notes are of consequence in understanding the evolution of organizations, not only the American Real Estate and Urban Economics Association, but also the Homer Hoyt Institute. When the Weimer School of Advanced Studies was formed, known originally as the Post-doctoral School in Real Estate and Urban Land Economics, the Founding Fellows were George Bloom, Hal Smith, Ron Racster, Art Warner, and Steve Messner. The last two were also former Weimer students at Indiana University and headed up real estate centers (University of South Carolina and University of Connecticut, respectively). There are long historical relationships of academics steeped in similar schools of thought built upon an administrative approach, including disciplines of land economics as well as other relevant disciplines. These faculty members had the intellectual genes. That is how a great many academic programs in real estate developed, not only because of what these individuals did at their universities, but by what was done by the academic organizations.

All of the board members of the Advanced Studies Institute have served as president of the American Real Estate and Urban Land Economics Association (AREUEA). At last count, all of the past presidents of AREUEA still in academia were Weimer School Fellows.

To continue on the theme of evolutionary changes, AREUEA began to organize annual meetings and published proceedings starting in 1969. Faculty could then report that they had presented papers, but there was no peer review on publication, an important consideration in rank and tenure considerations. When serving as president of AREUEA in 1972, I asked the designated successors, in a move-up-in-rank arrangement, to specify what would signify progress in their administrations. One chose the start of the AREUEA journal, a refereed publication. Another started the newsletter, which has since expanded. The third started the mid-year meetings. Those mid-year meetings were initially funded by the Federal Home Loan Bank Board. It helped that Hal Smith was the Chief Economist, a position he held after his appointment at Ohio State and before going to the University of Florida, where he spent most of his career.

The journal started as The Journal of the American Real Estate and Urban Economics Association. The contents shifted in some measure with the fashions in research
methodology. They reflected reasonably well what was going on in real estate academia in the arena of the highest quality research, but not necessarily relevance. The Journal’s name was changed to *The Journal of Land Economics* in 1995, reflecting what would be perceived on campus as more academic.

A southern chapter of AREUEA was formed in the early 1980s in order to hold regional meetings. In 1985, that chapter transformed itself into a new professional academic association called the American Real Estate Society. It took an industry tilt and has more members from industry than academia. Aside from its annual meetings, it publishes journals, especially focused issues. These provide venues for academics to publish their research and are more relevant to industry’s perceived needs because they require special funding from the industry segments upon which the special issues focus.

The evolution of the professional associations has been responsive to the rank and tenure procedures at the universities that have real estate programs. The professional associations typically use a presentation process that includes a reviewer to comment on the paper. That process often is a platform for the reviewer to attempt to show how bright he or she is.

An Advanced Studies Institute. In 1981, the Homer Hoyt Institute established a Post-Doctoral School of Real Estate in Land Economics that later became the Weimer School of Advanced Studies in Real Estate and Urban Economics. At the Weimer School of Advanced Studies in Real Estate and Land Economics, we have a process through which a Fellow candidate proposes a project for his or her year’s study back at the home institution, usually a university. The candidate receives comments from the fellows and then is teamed with a faculty member to work with during the year. The results are presented one year later. The atmosphere is collegial, since we have certified all participants as brilliant – a condition of their being invited to become a candidate. It is a rare exception that there are comments of the type alluded to at the end of the previous paragraph – although they are present frequently in the open meetings of the associations. Indeed, we have had some presentations so esoteric that few fellows present could follow the detail, and caution is present to avoid embarrassment by asking a foolish question. The sessions also include representatives from industry as presenters. The process can be described as “educating the educator.”

There is a conscious attempt to include a broad representation of disciplines in the presentations in order to provide a breadth of exposure not ordinarily encountered in what is typically a series of increasingly specialized efforts. This is continuing education of the nation’s leaders in real estate research and education; in recent years, it has expanded to include international leaders in real estate related research and education.

The key phrases that describe the Hoyt Group, which includes the Weimer School, are as follows: “developing and disseminating the body of knowledge in real estate and related areas,” “bridging the gap between industry and academia,” and “relevance as well as rigor.”
Industry Participation. There has also been an evolution in industry participation in the real estate education process. A 50-year perspective of the changing structure of real estate education is provided in a presentation that I made at the annual meeting of the American Real Estate Society in April 1998 in Monterey, California, at a Homer Hoyt Advanced Studies Institute-sponsored session entitled “Real Estate Education: Processes and Pedagogy.” It was published as a supplement to the ASI News in the fall of 1998.

SUPPLEMENT TO ASI NEWS, FALL 1998

The Changing Structure of Real Estate Education: A Personal Perspective*

By Maury Seldin

The vast majority of people working in the field of real estate have not received a formal academic education in real estate. At least, not the vast majority of such people with whom I have had personal business contact over the past five decades.

In discussing the changing structure of real estate education, I will focus on the last five decades, which happens to be the time period in which I, personally, have been involved. The perspective includes that of being a player and a practitioner. It also includes that of being a professor and a student – always a student. My goals have always included understanding the system. What I want to share with you today is my perspective in attempting to understand the system.

My First Decade (1948-57). My first decade started as the designated house hunter for my family when in the late Forties we were moving back into the city from the far suburbs. It didn’t take long to figure out that the search criteria, which included unit heat (excluding open flame gas heating), high ground (avoiding the damper climate), and school district implied a variety of other characteristics, e.g., building age, geographic location, and ethnic neighborhood.

That was a self-educating experience. That was the norm for those in the business. As a side note, I was in high school, and someone in the business, at the end of a discussion about what housing we would look at, suggested that real estate might be a career for me.

In the early Fifties, between my sophomore and junior years at UCLA, I took a summer job selling real estate. The broker/owner recruited about six young men whom he tutored for the California real estate salesmen’s exam and in learning enough about house values, location, and salesmanship to bring the deals far enough along so he could close when necessary. That was my first exposure to in-house training. Since then, in-house training programs have become more elaborate.

Later, that same decade, while a graduate student at UCLA, I was an appraiser for the State of California, and underwent one of the most formal training programs of the day – two weeks of intensive training in Sacramento.

The unusual thing about that decade was the beginning in the boomlet of real estate majors at the university level. Dean Arthur M. Weimer, at Indiana University, started providing doctoral level education to returning World War II veterans, and there were mushrooming real estate programs around the country. Other long-standing programs, including those at the University of Wisconsin and University of Florida, were adding to the supply of formally educated real estate professionals. Perspectives differed. Dean Weimer at Indiana University took an administrative
approach. Professor Richard Radcliff at Wisconsin took a land economics approach. Professor Al Ring at Florida took a valuation and transactions approach. And, there were others. But, in general, the programs focused on a specialized business, with typical curricula including a principles of real estate course, an appraisal course, one in real estate finance, and maybe one in real estate law if the principles course was really transactions rather than applied economics.

When I returned to school after the summer between my sophomore and junior years, my major changed from finance to real estate and urban land economics. I studied under Professors Fred Case and Jim Gillies, both of whom had been educated by Art Weimer. The major was the same for the MBA, also at UCLA. Then, in ‘57 I went to Indiana University for the Doctorate in Business Administration with a major in Real Estate Administration. This was highly specialized for academia. It is even more unusual now as compared to then.

The Second Decade (1958-67). The second decade brought the Ford and Carnegie Studies. These studies blasted the descriptive nature of the curriculum at most schools of business. They advocated more quantitative analyses, greater rigor. As a result, university programs, which focused on specialized industries, started to fall like flies. The fall continued into the Seventies and Eighties leaving relatively few specialized programs, including real estate.

Continuing the jump ahead in this discussion, most of the surviving programs in schools of business were housed within finance departments, with real estate treated as a subset of finance. Some of what was lost in spatial orientation was picked up by planning schools, which saw real estate development education as an area of opportunity.

My second decade started with the doctoral education, continued with a stint at the University of Southern California, which had a program typical of the times, and ended with my beginning a relationship at The American University, Washington, DC.

The Third Decade (1968-77). The third decade was one in which industry education took hold. It was the boom in professional designations. The American Institute of Real Estate Appraisers (AIREA), one of the most prestigious real estate associations and one of the longest standing, was running a booming business in education. To get the jobs, one needed certification or credentials of some sort. The MAI was the most prestigious appraisal credential. They later got a run for the money from the Society of Real Estate Appraisers and eventually the two organizations merged. Another lead industry organization was the Institute of Real Estate Management (IREM). Their main designation, CPM, was and is the lead property management designation.

As chance would have it, The American University had been offering official courses of AIREA and IREM for years before I arrived. My job, as program director and occupant of a partially funded chair in real estate (funded by the local real estate boards) was to build a unified program. Such a program not only had to meet the academic tests, but be responsive to industry.

From my perspective, that decade was the heyday of industry educational development. This went beyond the NAREB (now NAR) affiliates. We did programs and worked with the National Association of Home Builders, the Mortgage Bankers Association, Urban Land Institute and numerous other trade associations with interests in real estate. Also, other groups interested in land use, including the Lincoln Foundation, provided educational programs.

The Fourth Decade (1978-87). By the fourth decade, the late Seventies and early Eighties, there were an increasing number of conferences sponsored by a variety of trade associations and an
increasing number of for-profit conference programs. Industry was thus increasing its relative role in real estate education.

AACSB accreditation pressures on The American University had seriously changed the relationships with industry. Their cooperative work was confined to Institute/Center programs. Some fine cooperative programs had been developed elsewhere, e.g. University of Florida, which led the way in a new format of dual credit for the American Institute of Real Estate Appraisers. The biggest innovation of the decade, from my perspective, came late in the decade. Its roots were in the beginning of the third decade, 1967-68, when to round out The American University (AU) real estate conglomerate we started the Homer Hoyt Institute to serve as the research arm of the then real estate and land use planning program. It did that for over a decade on soft money, although it distanced its ties with AU with a bylaw change making it truly independent of the university. The watershed came in 1979 when Homer Hoyt donated a mile of oceanfront land to provide an endowment for the Institute named in his honor back in ’67. As a result of that donation, the Weimer School of Advanced Studies in Real Estate and Land Economics (nee the Post Doctoral School of Real Estate and Land Economics) was started.

This endeavor is to educate the educators. It is a leveraged operation. The Advanced Studies Institute provides programs which meet the highest academic standard and which serve to bridge the gap between industry and academia.

The Fifth Decade (1988-1997). This brings us to the fifth decade, and a related initiative of the Homer Hoyt Institute is establishing a Hoyt Fellows program to parallel the Weimer School fellows program. The key to the strategy is relevance as well as rigor.

This relevance as well as rigor has been and will continue to be the theme of the Hoyt Group in its mission to develop and disseminate the body of knowledge. The last part of this decade has been focusing upon the Hoyt Model for REIT valuation and analyses.

In the meantime, at the beginning of this decade, the Porter-McKibbin Report, sponsored by the AACSB, indicated a reversal of the trend of rigor at the expense of relevance. Even with that enlightenment, there has not been a rush by universities to fill the gap in real-estate education treating real estate administration as a field or discipline. In schools of business it is still viewed as a subset of finance.

Industry has been filling the gaps to some degree in two ways. One is the professional courses alluded to earlier. The other is in the conferences and other specialized programs.

The conferences and specialized programs do an excellent job of keeping practitioners current on what is going on. They also fill in some technical detail. What they do not do, and which is ordinarily expected of academia, is to provide a paradigm of rigor. Such a paradigm contains rigorous curricula in a frame of reference that enables the student to see and apply the body of knowledge.

The Next Decade (1998-2007). The next decade, starting this year, is going to provide a resurgence of individual education in a non-classroom environment. That is how I started fifty years ago. The difference this time is that rather than face to face communication, the vehicle will be on the Web.
Distance learning has been with us for some time in the form of correspondence courses. Sometimes they were tied to direct contact after an interval of correspondence, such as the Mortgage Bankers’ three-year program with one week of training during the summer, preceded by home study. The distance learning boom is starting on the Web in a variety of areas.

The Hoyt Group is making a foray into the area by taking its Hoyt Model for REIT valuation and risk analyses on the Web and linking it to a series of three monographs which will comprise a book on REIT Investment Analyses. The book will be the first part of a course on real estate analyses. The second part will be what we would consider to be on-line lectures. Beyond the lectures, there will be Internet discussion groups.

I believe that this will be the forerunner of numerous real estate courses, many of which will be offered by universities for certificate and/or degree credit.

One possibility which will spur the competition to provide the courses will be a format in which some of the nation’s leading real estate educators will provide courses on a contract basis on the Internet, independent of their primary university affiliation. Thus, colleges and universities wanting to offer high quality real estate courses can, as an alternative to hiring in-residence faculty, contract for the courses. They may even, with in-residence faculty, hire the national experts to team teach.

University budgets are strained and tuition expenses are becoming a crisis problem in some households. The present university system, while making significant contributions to intellectual development and professional education, is not the only way in which to have the job done. Industry has set up substantial competition in formal as well as informal educational programs, and so if universities are to enhance their position in real estate education, it will be through the application of technology.

In any event, industry has staked its claim in real estate education and will utilize technology as a delivery vehicle.

I learned a long time ago that the first principle of forecasting is to make forecasts for the distant future. The second principle was to keep your own records. Well, these comments are recorded in print, and the forecast is only for a decade. With some luck, I’ll make it through at least one more decade and you can hold me accountable for the vision.

The vision is that we are beginning a revolution in education, including real estate education. You will not only be a part of it, but may also be among its leaders. The best of luck to you.

*Presented at the annual meeting of the American Real Estate Society, April 15-18, 1998, in Monterey, California, at a Homer Hoyt Advanced Studies Institute-sponsored session entitled “Real Estate Education: Processes and Pedagogy.”

**Further Institutional Change**

Further institutional change should be responsive to the changing needs of society by fostering relevant as well as rigorous research. But, where are the forums for searching...
out the relevant issues and gaps in critical knowledge? In the case of real estate, the Homer Hoyt Institute has a long history of research roundtables. Yet, what else is there?

If universities as institutions were managed so as to facilitate relevant research, our society might make more progress. This is not to say that the university determines what is relevant and what is not. Nor is it to say that faculty committees have that responsibility. Individual faculty members choose their research interests. What is required is recognition of relevance as a criterion among other criteria, including rigor. It is a cultural change that comes from habits of the heart as well as a change that is a habit of the mind.

**Think Tanks.** Think tanks may attempt to fill the breach by searching for relevant areas and then filling in gaps where feasible. At least that is what we at the Homer Hoyt Institute have tried to do. In fact, the criteria for Weimer School Fellow projects at the Advanced Studies Institute are not so restrictive as to limit projects to research, let alone only rigorous projects. Our concern is with the advancement of the state of the art and its dissemination. It is a leverage operation; projects that enhance the leverage are as valuable as those that advance the pure research-built body of knowledge, maybe even more so because of the rarity of dissemination projects.

**Linkages and Networks.** As will be discussed in later sections of this book, changes are influenced by linkages and networks. This is true of discipline development. Contemporaneously with the writing of this chapter, an excellent article is being published in *The Appraisal Journal*, titled “The Academic Roots and Evolution of Real Estate Appraisal,” by Norman G. Miller and Sergey Markosyan. Here is the relevant paragraph:

“In the process of doing our research we came across one very interesting trend. All of the advancements in appraisal were linked by people, who were also linked to one another in some way. In other words, nearly all the contributors to appraisal methodology studied with and worked with other thought leaders. No one worked in a vacuum and independently originated a major improvement or refinement in the field of appraisal. Contributions have always come by building on the ideas of others and it was fascinating to see who worked with whom or under whom during the apprentice years of their career. From an academic point of view we see that most of the thought leaders, but not all, were based at major universities who now continue to have respected real estate programs. Aside from some intellectual prowess we note that such professors were in a position to be critical of current practice without the inherent liability of a practicing appraiser.”

The evolution of the specialty is summarized in a chart from the same article (penultimate copy because I could not excerpt from electronic format of published version).
Homer Hoyt (1895-1984) received his J.D in 1918 and Ph.D. in economics in 1933 from the University of Chicago. He started his career in real estate in 1925, working as a real estate broker and consultant in Chicago. In 1934 he joined the Federal Housing Administration, where he worked as a principal housing economist until 1940. Recall at that time the influential real estate professionals, Babcock, Ratcliff, and Weimer worked with him. From 1944 to 1946 he was a visiting professor of land economics at the Massachusetts Institute of Technology and Columbia University. The most famous of his works include One Hundred Years of Land Values in Chicago: 1830-1933 (1933) and Principles of Real Estate, which was written with Arthur Weimer and published in 1939. There were six more editions of this later book with the last one in 1978 and his One Hundred Years book remains in print to this day.¹

In the first edition of their joint book, Weimer and Hoyt stated that the income method is the “soundest approach” in determining property value, which is based “on the forecasting of future returns and the reflections of these in the present value by application of a proper

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¹ Homer ended up marrying the Chicago clerk who gave him his limit of 5 public records each trip from the property auditor’s office. Perhaps had he not fallen in love he would have written “25 years of land values in Chicago” instead.
capitalization rate.” They considered location, market, legal, governmental, and physical factors to be the most important in affecting property values with the most emphasis on location and market factors.

Homer Hoyt was a successful investor and he became fairly wealthy with several land and property holdings. One significant property in Florida was donated in 1979 to an Institute that today bears his name, the Homer Hoyt Institute based in North Palm Beach, Florida. The land was sold for several million dollars by Maury Seldin, a professor at American University at the time and a founder of the Homer Hoyt Institute, HHI. Names like Weimer, Wendt, Nourse, Kinnard, Case, participated in this Institute whose mission is to improve land use decisions. To this day invited scholars and top professionals come from around the world in a unique think tank-like setting to present research, and to discuss ideas and trends. In this regard Homer may have had his greatest impact.

Arthur Weimer
Arthur M. Weimer (1909-1987) received his Ph.D. from the University of Chicago in 1934. In 1934 he joined the Federal Housing Administration, where he worked as a housing economist until 1937, working at the same time at the Georgia Institute of Technology from 1935 to 1936. From 1937 to 1979 he worked as a professor of real estate and urban land economics at Indiana University, Bloomington, and in 1939 he was named Dean of the School of Business. He worked as a Dean until 1963 and played an important role in improving the school, still home for Jeff Fisher, Ph.D., who continues to direct the real estate center and remains an active participant in numerous professional organizations.

The most famous work of A. Weimer is his book Principles of Real Estate, written with Homer Hoyt in 1939 and published for four decades, but his greatest contributions have been felt through his leadership of others and thus the honor of having the Homer Hoyt Institute Post Doc school being named the Weimer School in 1982.

The Second Stage of Real Estate Appraisal Development (1950s through the first half of 1960s) - Theory Refinement Period

During the 1950s and into the 1960s, real estate appraisal methods were critiqued, discussed, extended and refined. Leon Ellwood, Richard Ratcliff, and Paul Wendt published the most influential works of this period. Among these Leon Ellwood, who never pursued a Ph.D., was one of the most influential on the practice of appraisal. He was clearly a man well ahead of his time. Had he lived through the age of modern computers he would have probably developed software that would have dominated the industry.

Individual Careers. Certainly, the way the system is structured, the incentive is to play the game and advance in academic rank and tenure. Moving along in the university system in that fashion can be called progress. But it is also progress to enhance quality of life in segments of society that will benefit from the relevant research. The team effort works when all parties are committed to the common goal. It fails when one breaks for individual benefit at the expense of others. That is a fact well known by most football

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3 HHI evolved from the real estate center at American University under the auspices of Maury Seldin.
4 This institute continues to be directed by Maury Seldin, Chairman of the Board; Ron Racster, Dean of the Weimer School; and Hal Smith, Director of the Hoyt Fellows, all past Professors at American University, Ohio State University, and the University of Florida, respectively.
players. While some universities have research centers that operate in a team fashion, team efforts are usually built on a project basis. The sharply focused mission driven research unit is a rarity.

Legacies may be left on the basis of institutions influenced. This is a great opportunity if one subscribes to the philosophy just alluded to. Legacies may also be left on the basis of lives influenced. That is what many professors do on an individual basis as a result of their work in the classroom and outside the classroom. There are also academic legacies that come about because of ideas that are generated. Sometimes the pursuit of the ideas and the institutional change are not popular. But, just as there are righteous people who have left legacies by helping others at great personal risk to themselves, there are crusaders for ideas and institutional change. Sometimes legacies are left just because we do our teaching jobs as professors, but sometimes because we pursue justice as we see it.

Of particular relevance here are the legacies in academia that are left by the institutions we influence. For our Weimer School Fellows these may be their departments, schools, colleges, or universities. They may also be their professional associations, and indeed their institutional clients. There are opportunities with these institutions for making progress.

What is done at the Advanced Studies Institute can be done at other think tanks focusing on other areas of decision-making. The process also can be utilized within university structures.

There are also opportunities for legacies in making progress through development of ideas. This may come through the relevant research. It also may come from the dialog at the Weimer School sessions. The exchange of ideas is phenomenal, even when it becomes so esoteric that only a few people in the room are following the nuances of the issues. At The Hoyt Group, we have a venue for making progress.

As professionals, we are committed to the advancement of the state of the art. How we pursue our mission is a personal choice. The forces of the academic institutions are significant because of their compensation, rank, and tenure structure. But, the stature structure goes beyond the institution. Who is to say that the institution is not becoming obsolete, or at least atrophying, or not changing responsively to contemporary needs? And, what may be the role of the faculty in the change? If universities do not change to become better vehicles for improving quality of life by greater attention to the relevant, then much of the activity will be generated by other institutions just as business corporations have internalized the provision of higher education for a selection of their employees.

Making progress may be viewed as individual development as well as institutional development. Setting personal goals is one way to approach a career. Moving with habits of the heart is another. They are not necessarily mutually exclusive. But maximization does not reign supreme. Whatever reigns will do better with a broader understanding of the system and a better understanding of the brain at work.
The Real Thing: Rules, Tools and Fools

“Be all you can be” is the slogan that led the U.S. military renaissance of the last quarter century. The appeal to recruits was predicated on their own development rather than responding to a societal need.

The 9/11 disaster called forth a communal response demonstrating self-sacrifice for fellow Americans. That response will forever stand as a credit to our nation.

What are these rules that we, as Americans, live by? And how do we resolve the apparent contradiction of self-interest and communal interest?

Alex Tocqueville gave us a clue in the 19th century when he identified the American perspective of the relationship between self-interest and communal interest. That clue was, as quoted in the article, “The Age In Which We Live” published in Supplement to the ASI News of Spring 1999, “…[the legislators] thought that it would be well to infuse political life into each portion of the territory in order to multiply to an infinite extent opportunities of acting in concert for all the members of the community and to make them constantly feel their mutual dependence. The plan was a wise one.” [Alexis de Tocqueville, 1835 as edited by Bradley, Phillips Democracy in America. New York, Vintage Classics, 1945, page 103.] In short, Americans used local institutions to build participation based on recognition of mutual dependence.

Robert Bellah and his co-authors provided a clue as to our habits of the heart associated with our civil religion in their book, Habits of the Heart. These are based on values rooted in our Judeo-Christian heritage, not the least of which are truth and justice. They wrote, “there was a common set of religious and moral understandings rooted in a conception of divine order under a Christian, or at least a deist, God. The basic moral norms that were seen as deriving from that divine order were liberty, justice, and charity, understood in a context of theological and moral discourse which led to a concept of personal virtue as the essential basis of a good society.” [Robert N. Bellah, 1975] The quote is from the preface, as cited in the ASI News article.

But, the clue most relevant to this essay is from Leo Tolstoy in his The Death of Ivan Ilyich. Ivan Ilyich was a magistrate who administered justice. As a judge, it was his job, and he did it with all fairness. But he did not pursue justice as a mission in life nor, according to my reading of the story, did he pursue any mission in his life other than fitting in to his society with the accompanying accoutrements appropriate to his vision of status.

According to my reading, Ivan Ilyich questions his choices as he is dying. He questions whether the life he lived was the “real thing.” A key quote is “.Perhaps I did not live as I should have, but how could that be when I did everything one is supposed to do?” It is true that he lived by the rules of his society that governed the relationship of the individual to society. But, it appears that his value system left him without a societal purpose. As a magistrate, he did his job with justice, but it was his job, not his mission in life. It appears that he had no mission in life, and that the only personal relationship that
was really close was perhaps revealed only at the end with the concern, understanding and pity his young son, a boy named Vasya, felt for him.

In a sense, people pursuing their own enlightened self-interest are tools of society. And, that works reasonably well when compared to alternative systems, as long as one abides by the rules. Greed, as it appears in the sales tax case against the former chairman of Tyco, is a problem. Furthermore, in other cases, market-achieved wealth that is used to corrupt the political system is a serious problem for the operation of society. But, it is a lesser evil to society than the alternative system, as described by Bernard Lewis in his book, *What Went Wrong? Western Impact & Middle Eastern Response*, in which political power is seized and the markets are corrupted.

There are many ways to corrupt markets, and some are legal. Consider the *New York Times* story of July 28, 2002, in which Lynnley Browning writes, “Venture capitalists are offering the companies they bankroll increasingly hard knuckled deals that lead to little wealth for a start-up’s managers or original backers. The moves are leading some entrepreneurs, desperate for money, to decry today’s investors as bullies.” Consider what that may do to innovation.

Our democratic system, built on the ideals of a free society, has its flaws. Efforts to improve the system’s operations are an ongoing mission of many, and a widely held responsibility. Those who undermine the system may be thought of as fools – in the sense that they use the freedoms they enjoy to destroy the system that enables them to have their freedoms.

The system enables individuals to do well, and playing by the rules supports the system. We use a system of law to restrain those who corrupt the rules and that would lead to a destruction of the justice of our society. Lately, there has been a great show of disdain in our society, including the very public arrests of some executives, for example the former chief executive of Adelphia Communications.

Our mechanisms operate better at the national and local levels than do the mechanisms of the international body politic. That is the case because not all participants in the international scene respect the rights of free societies. There are those who would destroy us and our way of life. Thus, there are severe limits to the trust we can reasonably place in an international structure to do justice.

Under these circumstances, we can rely on world organizations only within severe limits, but we seek coalitions. Ultimately, however, we must be prepared to do what we must, even if alone, to defend ourselves. As Americans, we see a purpose in life that includes the preservation of a free society. We respect the rights of other nations to pursue their own values, and rely on a plurality concept to preserve a delicate balance when our way of life is not threatened.

In this consensus vision we rely on rule of law and value systems in which individuals may pursue their own personal visions, if they have them. They may focus their lives as
they wish, if they choose to focus. Some have little apparent focus to their lives, but that is their choice.

Many Americans, however, have a mission to work towards repairing the system. It gives them a purpose in life and a focus for their efforts. The scale need not be at the national or even local governmental level. The scale may be at the community level and in organizational structures not related to mandatory membership. Voluntary associations are critical vehicles for societal progress, with or without governmental involvement.

An effort to repair the system, at whatever scale, is sufficient for a purpose in life. Ivan Ilyich did not have it.

A mission to make things better does not have to be at a communal scale in order to be a purpose in life. The family scale is a noble enough for a full life for some people. It is enough for the “real thing.” Indeed, it is the focus of a substantial portion of our population, and has worked well in our society. Furthermore, the erosion of the family as an institution in our society has had unintended and unwanted consequences.

One of my professional colleagues takes the position that he has all the analytical tools for his professional endeavors, and like Ivan Ilyich, lives by the rules, especially in academia for rank and tenure. But he shows no sign of mission to improve the quality of real estate decision-making. Nor does it seem that he seeks out relevance as a guide to his efforts in the selection of research. He does publishable research without apparent concern for relevance. By contrast, there are those who find a life's purpose in their professional work with attitudes and choices intended to make a difference. For them, it is not just a job or a ladder-climbing vision.

Then, there are those who choose to make a difference through their communal work as volunteers. The joy of one-on-one help may be as great as the joy of helping a multitude. Helping one person is helping the world. It is the real thing.

And for others, the real thing is the family. The nurture of the next generation and the others that are impacted may be a magnification, a leverage, similar to that of a teacher who inspires other teachers to inspire. These are certainly among the ways of making a difference, and none are mutually exclusive.

Those who work to repair the world. They find meaning in life, and by giving the most, they get the most. It is the real thing, and if Ivan Ilyich missed the real thing, perhaps it was because he did not know that it existed until, on his death bed, he by happenstance placed his hand on his son's head. And his son kissed his hand.

Land as a Real Thing

How important is land as a real thing in our lives? That question could be answered in many ways. For a starter, I like the opening paragraphs of the book I edited with the first

“The possession of land is the key to understanding the origin and continuity of private property. It is the manifestation of the human instinct for self-preservation and the most important ownership right of both the prehistoric people who fought for their caves and present day owners and renters.

“Club, spear, or sword were used by cave dwellers 8,000 years ago – and are used by Bushmen today – to protect their squatter rights. The right of possession in our developed societies is conveyed by a legal process and protected by a state or central power. The right of possession has thus shifted from defense by physical strength to defense by a legal system of justice.” [Real Estate Handbook, page 3.]

Our sovereign nation is under an attack that, if the terrorists had their way, would wrest control from us of our lives as well as our land. But understanding how we deal with our system of private property and associated land issues, or real estate issues, will help us in understanding how we can deal with issues associated with the war on terrorism.

Although the real estate issues focused upon in this book are those related to investment strategy, there is a commonality of principles that applies not only to a broad array of real estate issues, but to a broad array of disciplines including those of the natural sciences and humanities as well as the social sciences. Some of these principles are extracted and used as examples of the process of application to other disciplines, in this case those associated with strategies dealing with the terrorists.

Our next step, however, is to get a handle on enhancing the quality of life and understanding more about how we got to where we are. This is done in the next two chapters.
Chapter 2: Enhancing the Quality of Life

The purpose of this chapter is to explain that our quality of life is enhanced through the application of knowledge and that the existence of knowledge is not a sufficient condition.

Stages of Understanding

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.

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.

In the social sciences, especially those related to real estate decision-making, the institutions and the institutional relationships are critical parts of this process. [See box reporting on land use game.] In some measure, the public-private relationship is at the core because it sets the rules. But, beyond that, the relationship between the academic community and industry/government is at the heart of institutional change.

The stature of academia isn't what I thought it was for the greatest part of my career. The habits of my mind looked at knowledge, or understanding the system, as a great value in my world of values, and as a superb tool in decision-making. That others perceived it differently was information that came in bits and pieces over the years. Even though I had substantial business contacts in my field, most were with people who sought me out, thus the population sample with which I had contact was very skewed.

The author is pleased to acknowledge the help of his good friend and colleague, Dr. Ronald L. Racster, in the development of the essay that led to this chapter.

Excerpts from “Chapter XI – American: City Model Usage for Courses in Real Estate and Urban Economic Development,” An Environmental Laboratory for the Social Sciences, U.S. Environmental Protection Agency*

Maury Seldin, chapter author

COURSE OBJECTIVES

The purpose of the course is to improve the quality of real estate and urban development decision-making through the use of a body of knowledge. This objective is sought through the education of students who are or may become the decision-makers. The course is designed to give them an opportunity to conduct the analysis which leads to the decisions and to see the consequences of those decisions and subsequent actions. This gaming approach is different from the term project approach in that in the Game they make the decisions and have the opportunity to implement them. They receive a feedback from their actions. In addition, other forces are constantly at work which alter the effectiveness of their programs for achieving the objective they set forth. They therefore have a learning experience in how to deal with the changing environment. The round-by-round play gives them the feedback so they get significant
experience in selecting the type of analysis which is necessary to move them toward their objectives. The allocation of their time as well as of their Game resources is a critical determinant of the success they hope to achieve.

The course is designed to enable them to improve their analytical ability. It starts out geared to the developer-investor and others who are primarily concerned with individual parcels of real estate. But as the course develops, it is obvious that these decisions must be looked at in terms of what the rest of society is doing.

The resultant administrative process integrates decision-making through the various disciplines. As the Game progresses the students see that they are at sufferance of the environment in which business needs to perform its functions. They increase their involvement in the management of that environment. They apply the same administrative processes to the management of that environment. They then learn more about the relationship between business and society.

The types of analyses at the micro-level include market analysis for shopping centers which are simulated by “personal goods” and “personal service” industries. Other market analyses are used for various types of property to be developed. Appraisals need to be made for various purposes. Business and property analyses are made in order to improve profitability of the enterprises. Investment portfolio analyses are conducted. In a sense, the economic teams manage a variety of business enterprises and a portfolio of real estate resources. Unfortunately the income to business and the income to the real estate are not separated. But, the student is able to explore the application of principles which he has learned in his real estate and business administration courses. He also finds that human relations and leadership qualities become important determinants of his success.

At the macro-level the objective is to improve the student’s understanding of how the system works. He does this by assuming a public role in which he does the planning and zoning or provides the transportation facilities or utilities, or he may be mayor and coordinate public sector efforts. The Game is so devised as to provide the feedback which can be used as a measure of the quality of performance of these various public sector functions. The student then sees how the proper (effective?) functioning of government influences the proper (effective?) functioning of business, or perhaps more correctly how the improper (ineffective?) functioning of government adversely influences the proper (effective?) functioning of business.

Since the public and private interest become interwoven, the Game provides a good way of demonstrating decision-making in a society in which there is some community of interest between the public and private. The class determines its own standards of morality. A system of ethics and law develops in a way that enables the society to function. The set of values varies with the student group, but whatever the values, they show through in the operation of the Game.

The operation of the public sector provides significant opportunities to apply analytical techniques for public decisions in much the same way analytical techniques can be used for profit-oriented decisions.

For example, a school location decision is not so different from a shopping center location decision. Experience in the Game shows that the private sector decision-makers do use that knowledge of analytical techniques for public sector decisions.

The public sector demonstrates a need for balance in the system. The balance is not only in the provision of public facilities but also in the private development of the appropriate mix of land uses.

One of the great lessons of the Game and of the course is that the urban development process may be managed by providing an environment in which the private decision-makers pursuing their own objective respond to public sector objectives. They build where the facilities are available and at the best place to serve the markets. Since the public sector can control the locations where the facilities become available, there is an opportunity to be socially and politically, as well as economically responsive. An efficient system can be developed by developing balance.

The inefficiencies become expensive not only to the developers but to the community as a whole, so it becomes evident that it pays to have an improved analysis of the problems of managing the environment in order to achieve public objectives, whatever they may be.

In CITY MODEL the public objective decision-making is complicated by the presence of a separate social sector which is generally muted in the classes under discussion. Some development may take place in activating this sector. But the social sector receives little attention because of the small size of the class and the entrepreneurial tendencies of the students generally, as well as because of the selection of students.
The Cosmos Club of Washington, DC, published in its annual journal some thoughts of some of my fellow club members that not only reinforced what I had been gleaning over time, but also articulated some ideas that sparked the essay from which this chapter is adapted. [See ASI News, Spring 1999.]


The first quote is from Haskins On the Control of Nature, taken from his Report of the President 1968/69, Carnegie Institution of Washington.

“A predominant part of our material civilization, of our comfort and affluence, of our physical health, as we are acutely aware, is the cumulative consequence of investigative work directed to those ends of a span of at least two hundred years. In our day we should not need to be reminded although there is now real and growing evidence that we do need to be reminded that, materially as well as spiritually, scientific research is one of the most significant of all our activities.” [emphasis added] [Page 94.]

The comments continue with a discussion of balance between scientific investigation directed at understanding nature and that initiated with the objective of controlling nature. These, of course, are the first two stages referred to in the opening paragraph of this chapter.

The second quote is from Henry H. Work's comments on an article in the same issue by Jesse H. Asubel, Reasons to Worry About the Human Environment.

“Ignorance of the benefits of knowledge serves to increase the resistance to its proper use… Science appears to be a threat to many people as well as to existing philosophies of living. Thus, there is appearing in various forms a wave of anti-science. While it seems hardly likely that we are about to return to a do-nothing state, we are at risk about moving forward.” [Page 18.]

Much of our discussion will draw from the natural or physical sciences, although our focus is social science.

Epistemology

As social scientists, our understanding of the nature and limits of knowledge, epistemology, is rooted in philosophy and scientific developments in the physical
sciences. We technologically attempt to transfer the methodology of the physical sciences to the social sciences.

The way we look at knowledge of the physical sciences had a watershed two-thirds of the way through the 18th century. This watershed for the Age of Enlightenment may have been the approach to knowledge taken by Sir Isaac Newton. In the words of Sir Isaiah Berlin,

“Newton had performed the unprecedented task of explaining the material world, that is, of making it possible, by means of relatively few fundamental laws of immense scope and power, to determine, at least in principle, the properties and behavior of every particle of every material body in the universe, and that with a degree of precision and simplicity undreamt of before. Order and clarity now reigned in the realm of physical science:

Nature and nature's Laws lay hid in Night:
God said, Let Newton be! and all was Light!”

One of the greatest books in the history of science is Newton's Philosophiae Naturalis Principia Mathematica. The title in English is Mathematical Principles of Natural Philosophy. Although the classifications of his scientific contributions were in the fields of mathematics, physics, and astronomy, the work is also philosophical.

Berlin, up until his death in 1997, was considered by some to be Britain's greatest living thinker. He was a philosopher who in the preceding quote was developing an introduction to a work focused on nine philosophers from the Age of Enlightenment. The continuation of his eloquent discussion contains the following phrases, which when taken as a whole in the context presented by Berlin, indicate some of the efforts of an application of the methodology of the physical sciences to philosophy.

“Yet, the ancient disciplines of metaphysics, logic, ethics, and all related to the social life of men, still lay in chaos, governed by the confusions of thought and language of an earlier and unregenerate age... Indeed this task [the application of methods and principles] was of critical importance: for without a true and clear picture of the principal ‘faculties’ and operations of the human mind, one could not be certain how much credence to give to various types of thought or reasoning, nor how to determine the sources and limits of human knowledge, nor the relationships between its varieties... [Page 15.]

“A science of nature had been created; a science of the mind had yet to be made... To every genuine question there were many false answers, and only one true one; once discovered it was final – it remained for ever true; all that was needed was a reliable method of discovery.... [Page 16.]
"The direct application of the results of this investigation of the varieties and scope of human knowledge to such traditional disciplines as politics, ethics...with a view to ending their perplexities once and for all, is the program which philosophers of the eighteenth century attempted to carry through.....there was to be no a priori deduction from 'natural' principles hallowed in the Middle Ages, without experimental evidence [emphasis added].....]" [Pages 16-17.]

To all of them [Locke, Hume, and Berkely] the model was that of contemporary physics and mechanics...The mind was treated as if it were a box containing mental equivalents of the Newtonian particles. These were called 'ideas.' These 'ideas' are distinct and separate entities, simple, i.e., possessing no parts into which they can be split....” [Page 18.] – The Age of Enlightenment: The 18th Century Philosophers. Ed. Isaiah Berlin. 2nd edition. New York, Meridian, 1984

John Locke led the application of this approach to social science. "He [Locke] is the father of the central philosophical and political tradition of the Western world, especially in America..." [Isaiah Berlin, 1984]

The Enlightenment: A Philosophical Shift

The Enlightenment of the 17th century was focused on making progress by the use of reason. That use of reason came through the advancements in the natural, physical, and social sciences.

The Scientific Revolution that started in the century preceding the Enlightenment brought dramatic progress to the quality of life in Western civilization. More important than the technology, at least in my view, is the freedom brought about by the Enlightenment. People today think about things differently than did people a few centuries ago. This thought is grounded in the Scientific Revolution. It has migrated from the physical sciences to the social sciences.

This migration of thought is noted in Wilson’s opening to the third chapter of Consilience: The Unity of Knowledge, to wit,

“The dream of intellectual unity first came to full flower in the original Enlightenment, an Icarian flight of the mind that spanned the seventeenth and eighteenth centuries. A vision of secular knowledge in the service of human rights and human progress, it was the West’s greatest contribution to civilization. It launched the modern era for the whole world: we are all its legatees. Then it failed.”

The start of the second paragraph asserts that the essential nature of the Enlightenment and that the weakness that brought it down can be said to be wrapped up in the life of the Marquis de Condorcet. “Science was the engine of the Enlightenment...” It provided an organization of the body of knowledge utilizing laws that dealt “...with entities that can be measured and arranged in hierarchies...”
Among the scientific achievements that were the precursors to the Enlightenment were the pioneer applications of mathematics to the social sciences. Condorcet’s work in this area was a distant forerunner to current decision theory. It was not only the scientific developments that made progress possible, it was the applications to social change.

Although Condorcet’s major scientific work was his “Essay on the Application of the Probability of Major Decisions (1785),” his most relevant work for our discussion is his philosophical work, “Sketch for a Historical Picture of the Progress of the Human Mind (1795).” He wrote that while in hiding, since he was extending the world of reason to social affairs and that ran up against some intolerant leadership.

To quote Wilson again, “The French Revolution drew its intellectual strength from men and women like Condorcet. It was readied by growth of educational opportunity and then fired by the idea of universal rights of man. Yet as the Enlightenment seemed about to achieve this by means of political fruition in Europe, something went terribly wrong.”

Wilson goes on to explain that Rousseau’s “Social Contract” of 30 years earlier, while inspiring the later slogan of “Liberty, Equality, Fraternity,” also “invented the abstraction of ‘general will’ to achieve these goals. …Those who do not conform to the general will, Rousseau continued, are deviants subject to necessary force by the assembly. There is no other way to achieve a truly egalitarian democracy and thus break humanity out of the chains that everywhere bind it.”

“Robespierre, leader of the Reign of Terror that overtook the Revolution in 1793, grasped this logic all too well. He and his fellow Jacobins across France implemented Rousseau’s necessary force to include summary condemnations and executions for all those who opposed the new order…

…”Thus took form the easy cohabitation of egalitarian ideology and savage coercion that was to plague the next two centuries…

”…The decline of the Enlightenment was hastened not by just tyrants who used it for justification but by rising and often valid intellectual opposition. Its dream of a world made orderly and fulfilling by free intellect had seemed at first indestructible, the instinctive goal of all men. Its creators, among the greatest scholars since Plato and Aristotle, showed what the human mind can accomplish. Isaiah Berlin, one of the most perceptive historians, praised them justly as follows, ‘The intellectual power, honesty, lucidity, courage, and disinterested love of the truth of the most gifted thinkers of the eighteenth century remain to this day without parallel. Their age is one of the best and most hopeful episodes in the life of mankind.’ But they reached too far, and their best efforts were not enough to create the sustained effort their vision foretold.”
Had Rousseau spoken of general reason rather than general will, events might have unfolded differently. Wilson puts the end of the Enlightenment as March 29, 1794, the date of the death of the Marquis de Condorcet. The imposition of “the general will” had left no room for reasonable differences.

These thoughts bring to mind *The Hedgehog and the Fox* as well as *The Crooked Timber of Humanity*, both by Isaiah Berlin. Knowing the one big thing as a utopian view is not a reasoned justification for an imposition on others who see things differently. The issue is how to co-exist with different views, and that is what Isaiah Berlin speaks of with his concept of plurality. The utopian views have caused immeasurable human suffering.

The relevance in all of this is in dealing with major issues of today. If we define the issues restricting ourselves to one discipline, then the outcome is in that context. However, if the problem is an interdisciplinary problem, then the analytical system needs cognizance of the different perspectives; different perspectives of cultures as well as disciplines.

The Wilson plea for consilience is for a unification of disciplines, looking for the principles common to all the disciplines. The relevance here is that the scientific method breakthrough of Francis Bacon, in the preceding century, set the stage for the Enlightenment from the perspective of science. Bacon rejected the sharp separation of disciplines prevailing since Aristotle and visualized a pyramid of knowledge, “with natural history forming the base, physics above, and subsuming it, and metaphysics at the peak.” [Page 25.]

Condorcet picked up on the idea of the cosmos being a combination of “entities that can be measured and arranged in hierarchies.” Furthermore, he “…called for the illumination of the moral and political sciences by the ‘torch of analysis.’” [Page 24.]

As noted, Condorcet applied the math of the physical sciences to the social sciences. He thus led the way to the present day social science obsession with rigor. As I have noted elsewhere, academics worship at the altar of rigor. Relevance takes second place because the incentive system focuses on peer-reviewed research in prestigious learned journals. These journals are typically focused on discipline rather than issues. The issues may be interdisciplinary, but the academic structures are typically departmentalized by discipline. Or, using the words of Edward O. Wilson from his *Consilience: The Unity of Knowledge*, “Grants and honors are given in science for discoveries, not for scholarship and wisdom….The same professionalism atomization afflicts the social sciences and humanities.” [Page 42.] [See discussion of Academic Environment in Chapter 1.]

This organization of knowledge has afflicted us in the way we organize our programs and pursue our discussions. The roots of change may be found in the Enlightenment that started in the 17th century. As previously noted, it was then that Francis Bacon “rejected the sharp divisions among disciplines prevailing since Aristotle.” [Page 28.]
It is time for a New Enlightenment, one in which relevance and rigor are teemed in the analysis of issues using interdisciplinary techniques. Consilience would reveal the principles common to the various disciplines. In the meantime, the paradigms need to be blended.

**Social Science**

Quality of life as a concept has different meanings to different people. Much of the literature in quality of life refers to nature, especially the quality of air and water. The conservation of our real estate and its uses, urban and rural, are also matters of quality of life.

The study of real estate as a field is rooted in the study of political economy. At least that is the way it started a century ago. Its formal study today is mostly approached from economics and finance and, in substantial measure, urban planning. I would argue that the approach as an administrative science is grossly neglected. That is, my preference is to focus on real estate decision-making, public and private.

The disciplines typically involved in the study of real estate issues include economics, business (especially finance), law, urban planning, sociology, and political science. Other disciplines are also involved. Typically the issues are interdisciplinary.

The use of real estate impacts quality of life directly as in the case of housing, and indirectly, as in the case of transportation. The scientific approach to real estate for basic research is not the issue here. Rather, real estate research of the applied type is the focus because its results significantly impact the quality of life. It is also what most of us do at the Hoyt Group, including in the Advanced Studies Institute.

The scientific approach to real estate, virtually from any perspective, is rooted in the scientific approach occasioned by the Age of Reason, also known as the Enlightenment. Obviously, the starting point for discussion is where we just left off with the reference to the work of John Locke.

The application of the methodology of natural science research to the social sciences, as exemplified by the work of John Locke. He looked “…on man as an object in nature, not fundamentally different from other natural objects, and to be described and explained by the genetic methods of the natural science of psychology – although he did not call it that.” [Isaiah Berlin, 1984]

A contemporary view of scientific analysis taken from a sociological perspective draws on psychology and philosophy. Barnes, Bloor, and Henry, in their *Scientific Knowledge: A Sociological Analysis*, present the following:

“A number of psychologists and philosophers have argued that observation is theory dependent. They say that our minds actively create part of what we perceive, and do so in a manner that expresses the
theoretical presuppositions of the perceiver...we argue...that there is no need for sociologists of knowledge to take this view. It is perfectly possible and empirically plausible to accept the claim that perception is to a large extent ‘modular’ – that is, isolated from other components of cognition, and only influenced by them in a limited way." [Barnes, Peter, David Bloor, and John Henry. *Scientific Knowledge*, Chicago, The University of Chicago Press, 1996, page ix.]

The relevance for real estate issues is that we approach our research with a paradigm that reflects our perspective of how the system works and our personal values as to what would enhance quality of life. We look to enhance the quality of bits of knowledge based upon our paradigm.

There are at least two difficulties in the application of this process. The first is that the research is a product that is produced as an outgrowth of the rank and tenure system at most universities. The criteria are quality of the research methodology and its application. The test is in the survival of the refereed selection process for publication in the learned journals.

The difficulty here is in the relevance. Some of it is knowledge no one really cares about. It is either not relevant to decision-making or it is simply proving what we know. Proving things that we “know” are not so would be useful/relevant, as would knowing things about which we have a great deal of uncertainty.

Thus, the institutional arrangements, except where research centers or think tanks are focusing on special issues, are playing in a “glass bead game,” i.e., in a system in which the objectives of research are lost in the process of demonstrating elegance of research methodology. For a discussion of this concept, see Herman Hesse's *The Glass Bead Game*. [See the discussion of *The Glass Bead Game* in Chapter 1. Making Progress, Relevancy as well as Rigor, Mismanaged Systems, page 5.]

The second difficulty is that, as social scientists, we are dealing with changed institutions. In the natural sciences, in the words of Isaiah Berlin, “To every genuine question there were many false answers, and only one true one; once discovered it was final – it remained for ever true; all that was needed was a reliable method of discovery...” [Isaiah Berlin, 1984]

Our institutional arrangements are changing, as is the way we look at things. So, what we know about the previous system may no longer apply because the system changed – and our knowledge of the system was never good enough to be able to deal with the changed structure.

As an example, consider the fiasco of the Long-Term Capital hedge fund. The sophisticated econometric models used had identified a disparity in yields between low-yield U.S. Treasuries and a variety of high-yield lower quality investments. An arbitrage situation was identified by the researchers. But, the system did not self-correct in time because of a variety of forces that were not dealt with adequately in the models. These
new forces led to a flight to quality and the spread between the low-yield Treasuries and the high-yield securities continued to widen. The institutional arrangements had changed and the knowledge was incomplete.

Another example is in the application of the modern portfolio theory to real estate in a diversified portfolio. The theory is based upon using volatility as a measure of risk. It fails to decompose the risk by type such as business, price level, or liquidity. (See the ASI News insert, Spring 1997, titled, “Paradigm Shift: Diversification.”) The combination of factors that prevailed in the '60s, '70s, or '80s does not repeat itself. Thus, our perspective is tainted by using institutional structures of the past to forecast events of the future.

**Our Role in the Quality of Life**

Each of us makes his or her decision about his or her role in enhancing the quality of life. Therefore, it would be presumptuous of me to say what someone else's role ought to be. Nevertheless, we operate in a paradigm, shared or not. That's how we see the world. Sometimes, we venture to try to understand how others see it.

In a conversation preparatory to finalizing this material for an essay, I mentioned some ideas to Ron Racster about the role of business goals relating to the provision of service with profits to follow, rather than just direct pursuit of profits – a philosophy of management issue familiar to all business school academics. He told me he has seen doctoral students just laugh when the professor develops that approach.

Obviously there is a difference in being prescriptive and being descriptive. But, quality of life is enhanced by prescription. So while the description is a foundation for building what could be an improvement to the world, simply accepting “what is” as what will be is not the way of life for many.

The way I see it, our function as academics, professors, researchers, or other professionals, is to develop and disseminate the body of knowledge to help individuals improve their quality of life. It is to help society function as a series of communities in which, in various ways, we are engaged in the pursuit of life, liberty, and happiness under a constitution that sets the framework for the rules to live by and an American heritage that gives us the freedom to pursue habits of the heart as well as habits of the mind. This concept is further discussed in the next chapter titled, “Evolution to the Age in Which We Live.”

That we are concerned with the relevance of the knowledge, i.e., the applied research, in no way diminishes the importance of the basic research. The fact is, however, that real estate, investments, and land use are applied fields; we are engineers, not physicists, and most of our research is of the type that should be useful.

There is a big problem in that academia and industry do not have the relationships they ought to have in order to get the best results from a cooperative effort. Some academics
see the academic hierarchy as placing mathematicians and physicists at the top and social scientists at lesser levels. We may then search for ways in which to be more scientific in order to add to our status on campus.

Our constituency, business, doesn't necessarily think in the same paradigm. Some entrepreneurs will take chances against the odds. They are not knowledge-challenged nor are they ill informed. They are driven in a mindset of making something work and the scientific approach may be of interest, it's just not applicable given their approach.

Colin Powell, in his book, *My American Journey*, expressed a relevant concept well when he said that if he waited for all the information he wanted and could get, it would be too late to act. There are different measures of balance; different views toward risk and different strategies. One size does not fit all.

Different people think about things differently. We can't dismiss acupuncture nor can we dismiss gut feel. If we do not have a gut feel comfort with a decision based upon the analytical results of underlying research, we ought to be very suspicious of the results of analyses. They may be right, but the burden of accepting the results is greater.

We have made progress on how the human mind works. We have made progress with artificial intelligence. But, the big problem with artificial intelligence is that it does not have the random search capability our minds have in picking out relevant information.

We may not know what the relevant information is for the decision makers who are not steeped in our scientific methodology. And, while we may consider all other forms of knowledge other than scientific knowledge to be of lesser quality, sometimes they are all we have that is relevant to the decision.

We need to pay more attention to how the recipients of our knowledge think about the world and operate to improve their quality of life. We need similar information about those who are working in the dissemination of the knowledge. We could look to the system from the perspective of the prospective decision-maker, rather than simply finding eternal truths.
Chapter 3: Evolution to the Age in Which We Live

The purpose of this chapter is to provide an historical perspective of American society focused on the development of the paradigms in which we choose the rules to live by.

“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.] [William R. Everdell, 1997]

If what Max Karl Ernst Ludwig Planck wrote about a little over a century ago is still so, then the mission may do better by focusing on educating the new generation rather than re-educating the doubting establishment. This is an especially challenging task for the Homer Hoyt Advanced Studies Institute because it works, in large measure, by leveraging through the nation's leading real estate educators.

Since our Weimer School Fellows of the Advanced Studies Institute are the most distinguished leading real estate educators, it is somewhat paradoxical to attempt to leverage change through them. Although they are the establishment, not all are doubting establishment. Thus, we trust that they are receptive to paradigm shifts somewhat more than the inhabitants of the underground den in Plato's allegory of the cave as told in The Republic. [Book VII, page 253.]

The story is about people chained in a cave, who only see shadows which they take for reality. One of them breaks loose, goes out to see reality and returns to enlighten the others. Rather than welcoming the enlightenment, the enlightened one is ridiculed. Furthermore, ...“and if anyone tried to loose another and lead him up to the light, let them only catch the offender, and they would put him to death.” [Jowett, B., translator. Plato's The Republic, New York, Random House, Book VII, pages 253-257.]

The allegory continues to discuss the disincentives to those with the knowledge of the truth, i.e., enlightenment, to return to the group. It also discusses their responsibilities to do so. The relevance is that in the Platonian view, there is an obligation to bring the enlightenment back to the group.

Paradigm Shifts

The intent of this discussion is to shed some light on the changes taking place in the age in which we live. The contention is that the societal problems we face are situated in a new environment; one of which we have little knowledge. Not only is the environment (social, political and economic) changing, but the ways in which we deal with the problems are changing. These changes may be more than modifications at the fringe of what we know. We may be in the midst of multiple paradigm shifts.

Obviously, shifts are occurring in the arts as well as the sciences, much in the same way as shifts occurred in both the arts and sciences in the move into the modern era. (See for
example, The *First Moderns*, by William R. Everdell.) Our particular concern here is with the social sciences, especially those disciplines that come to bear on real estate related issues. Furthermore, we will necessarily be concerned with a wide variety of disciplines in order to gain a better understanding of the decision-making relevant to our real estate related issues.

The classic work in paradigm shifts comes from a physicist turned historian, Thomas S. Kuhn. The seminal work in the area is his *Structure of Scientific Revolutions*, first published in 1962. He would classify most of the work the Advanced Studies Institute’s Fellows do, along with most of what the physical scientists and other social scientists do, as “mopping up work.” He is not deprecating it. Indeed, he writes complimentarily about it, as in the following passage:

“Few people who are not actually practitioners of a mature science realize how much mop-up work of this sort a paradigm leaves to be done or quite how fascinating such work can prove in the execution. And these points need to be understood. Mopping-up operations are what engage most scientists throughout their careers. They constitute what I am here calling normal science. Closely examined, whether historically or in the contemporary laboratory, that enterprise seems an attempt to force nature into the preformed and relatively inflexible box [emphasis added] that the paradigm supplies. No part of the aim of normal science is to call forth new sorts of phenomena; indeed those that will not fit the box are often not seen at all [emphasis added]. Nor do scientists normally aim to invent new theories, and they are often intolerant of those invented by others. Instead, normal-scientific research is directed to the articulation of those phenomena and theories that the paradigm already supplies.” [Kuhn, Thomas S. *The Structure of Scientific Revolutions*, 2nd edition, Chicago, The University of Chicago Press, 1970, p. 24]

The intent here is to broaden the perspective of the readership and to facilitate thinking out of the box. In particular, the idea is to encourage work that breaks out of the paradigm that most of us are currently using. This goes beyond the Porter/McKibbin reported criticism of business school research, which noted:

“…it is useful to review briefly the chief criticisms leveled at business school research in the past few years by various observers – in and out of academia. These criticisms can be grouped into three overall categories: (1) quantity of research has become more important to business schools than quality, (2) the intended audience of most business school research is the academic community rather than the combined professional community of scholars and practitioners, and (3) owing to the effects of the first two tendencies, there has been a proliferation of arcane, trivial, and irrelevant research.” [Porter, Lyman W. and Lawrence F. McKibbin. *Management Education and Development, Drift or Thrust Into the 21st Century*, New York, McGraw-Hill Book Company, 1988, p. 166.]
The intent is to inspire paradigm modification in the research we do. In part, it is to improve relevance as well as rigor that have been the sine qua non tradition of the Weimer School of the Advanced Studies Institute. And, in part, it is simply to enhance our understanding of the societal systems in which we live.

Along these lines, consider that, “…there is unlikely to be any essential difference between a physical habit and a habit of the mind.” [Howard Margolis, 1993] Margolis, in his Paradigms and Barriers, refers to a Kuhnian paradigm shift as a “special sort of shift of habits of mind.” He continues, “I try to show how this leads to the far more counterintuitive claim that, ordinarily, a Kuhnian paradigm shift comes down to the breaking of one particular habit of the mind: the barrier of my title.” [Howard Margolis, 1993]

Margolis deals with the gap in existing paradigms, in contradistinction to the view of Kuhn. In Margolis' words,

“In the overwhelming majority of cases, habits of mind serve as facilitators of effective thinking, not as barriers, just as physical habits ordinarily facilitate effective performance, not impede it. But then cases should arise in which some discovery is not blocked by some well-entrenched but incompatible habit of mind, but rather by the absence of some essential facilitating habit of mind.” [Howard Margolis, 1993]

We are looking for those changes in environment and circumstances that enable us to fill the gaps that are creating barriers to a better understanding of our system. A few points in an essay by Peter Drucker illustrate the point.

The editor's introduction says as follows:

“In a fast-changing world, what worked yesterday probably doesn't work today. One of the fathers of modern management theory herein argues that much of what is now taught and believed about the practice of management is either wrong or seriously out of date.”

Drucker writes as follows:

“As we advance deeper into the knowledge economy, the basic assumptions underlying much of what is taught and practiced in the name of management are hopelessly out of date.” [Page 152.]

- That there is only one right way to organize a business.

“So executives will have this toolbox full of organizations, some highly specialized. They will need to be able to use each one properly and to think in terms of mixed structures rather than only pure structures.” [p. 162]
• That national boundaries define the ecology of enterprise and management.

“But we do know the new reality: Management and national boundaries are no longer congruent. The scope of management can no longer be politically defined. National boundaries will continue to be important but as restraints on the practice of management, not in defining the practice.” [Page 173.]

“That the center of a modern society, economy and community is not technology. It is not information. It is not productivity. The center of modern society is the managed institution. The managed institution is society's way of getting things done these days [emphasis added]. And management is the specific tool, the specific function, the specific instrument, to make institutions capable of producing results.


In short, as I am fond of saying, “It's not what we don't know that gets us in trouble, it's what we know that is not so.”

The Scientific Revolution

The paradigm we use in academia today is rooted in the Scientific Revolution.

“There was no such thing as the Scientific Revolution, and this is a book about it. Some time ago, when the academic world offered more certainty and more comforts, historians announced the real existence of a coherent, cataclysmic, and climatic event that fundamentally and irrevocably changed what people knew about the natural world and how they secured proper knowledge of that world. It was the moment at which the world was made modern, it was a Good Thing, and it happened sometime during the period from the late sixteenth to the early eighteenth century.” [Shapin, Steven. The Scientific Revolution, Chicago, The University of Chicago Press, 1996, page 1.]

Essentially, the methodology for gaining new knowledge shifted from that used in ancient and medieval times to that used in modern times. In the early modern period it was in the sciences that we, in Western civilization, made a breakthrough. It may be “…construed as a conceptual revolution, a fundamental reordering of our ways of thinking about the natural.” [Steven Shapin, 1996]

As modernity progressed, changes went well beyond the physical sciences. One author, Wertheimer, in dealing with tradition and modernity, characterized modernity by
focusing on two elements, “independent critical thought” and “the internal authority of the individual in matters of religion, morality, and art.” [Jack Wertheimer, 1992]


“We shall see, first, how the atomism of chemistry came to find echoes in other sciences, in the arts, and in philosophy. We shall see how the atomic assumption in mechanics drove first scientists and then all sorts of thinkers to the conclusion that statistical and probabilistic descriptions of reality were truer than the old deterministic dynamics. We shall see how, beginning not in science but in literature and painting, Modern thought gave up the stubborn old belief that things could be seen ‘steadily and whole’ from some privileged viewpoint at a particular moment – or, in other words, why it is that Cézanne painted Mont Sainte-Victoire from nearly every available perspective except its summit. We shall see also how, at the same time, the belief in objectivity crumbled so that phenomenology and solipsism began to take over not only philosophy, but literature, politics, psychology, and at last even physics. Finally, we shall see, I hope, how looking at oneself not only produces the sensation of consciousness, but sets an axe to the roots of formal logic and ends by making it impossible to know even the simplest things that the nineteenth century took for granted.” [Everdell, William R. The First Moderns, Chicago, The University of Chicago Press, 1997, pages. 10-11]

The cogent sentence of the book’s opening chapter is, “But there can be no question that there are changes in the way people think and in the way their cultures work that can be considered one by one, that many of the changes depend on each other, and that many of them together can be called ‘Modernism.’” [William R. Everdell, 1997]

The changes in the way people think is what this discussion of the age in which we live is about. It is set in the context of a changing environment.

The Way Our Culture Works

The discussion is also about the way our culture works. The way our culture works has been changing. Some might say that it is summed up as postmodernism. But that is an ambiguous label, and not much of a description.

Most of us academics concerned with real estate come from the disciplines of economics or finance. The economists tend to be urban or land economists. The finance faculties come from business administration, which has long since become more than applied economics. Yet, we are steeped in the idea of economic man and have developed a paradigm to solve economic problems, micro or macro.
Some of us come from disciplines of planning, geography, and political science, among others. The interests are more than multidisciplinary. They are interdisciplinary. Thus when viewing societal problems, we may invoke a variety of disciplines, but we are steeped in the rigor of scientific method, and we operate in a paradigm that seeks to predict the outcomes of policy actions predicated on the economic man. It is our way of thinking.

Now, let us consider a different way of thinking – one based on the views of our founding fathers, but which has changed over time. It changed into modernism, and it is still changing.

**Founding Fathers.** Moving to the 18th century, “there was a common set of religious and moral understandings rooted in a conception of divine order under a Christian, or at least a deist, God. The basic moral norms that were seen as deriving from that divine order were liberty, justice, and charity, understood in a context of theological and moral discourse which led to a concept of personal virtue as the essential basis of a good society.” [Robert N. Bellah, 1975]

Robert Bellah, the sociologist from whom the quote is taken, goes on to say, “I hope to show that the liberal utilitarian model was not the fundamental religious and moral conception of America, open as the latter was in certain directions to the development of that model. That original conception, which has never ceased to be operative, was based on an imaginative religious and moral conception of life that took account of a much broader range of social, ethical, aesthetic, and religious needs than the utilitarian model can deal with.” [Robert N. Bellah, 1975]

These quotes are from the preface. The opening paragraph of the book follows:

“Once in each of the last three centuries America has faced a time of trial, a time of testing so severe that not only the form but even the existence of our nation have been called in question. Born out of the revolutionary crisis of the Atlantic world in the late 18th century, America's first time of trial was our struggle for independence and the institution of liberty. The second time of trial came not long before the end of the nation's first hundred years. At stake was the preservation of the union and the extension of equal protection of the laws to all members of society. We live at present in a third time of trial at least as severe as those of the Revolution and Civil War. It is a test of whether our inherited institutions can be creatively adapted [emphasis added] to meet the 20th century crisis of justice and order at home and in the world. It is a test of whether republican liberty established in a remote agrarian backwater of the world in the 18th century shall prove able or willing to confront successfully the age of mass society and international revolution. It is a test of whether we can control the very economic and technical forces, which are our greatest achievement, before they destroy us.” [Bellah, Robert N. *The Broken Covenant*, Chicago, The University of Chicago Press, 1975, p. 1]
A supportive view of institutional adaptation is provided by Reich, in his *The Greening of America*. He wrote,

“What is the machinery that we rely upon to turn our wishes into realities? In the private sphere, the market system. In the public sphere, the public version of the market system: voter democracy, or democratic pluralism. In both spheres, a system of administration and law, resting ultimately on the Constitution. Could it be that the American crisis results from a structure that is obsolete? All of the other machinery we use becomes obsolete in a short time. A social institution, which is, after all, only another type of machinery, is not necessarily immune from the same laws of obsolescence. The ideals or principles of a society might remain valid, but the means for applying the principles could lose their effectiveness.”


As we shall see, the current condition has a great deal to do with the machinery for operating an international economy.

Returning to Bellah’s later writing, in the introduction to the updated version of *Habits of the Heart*, Bellah, he and his co-authors wrote:

“In *Habits of the Heart* we attempted to understand this cultural orientation. Following Alexis de Tocqueville, we called it individualism. Individualism, the first language in which Americans tend to think about their lives, values independence and self-reliance above all else. These qualities are expected to win the rewards of success in a competitive society, but they are also valued as virtues good in themselves. For this reason, individualism places high demands upon every person even as the open nature of American society entices with chances of big rewards.

American individualism, then, demands personal effort and stimulates great energy to achieve, yet it provides little encouragement for nurturance, taking a sink-or-swim approach to moral development as well as to economic success. It admires toughness and strength and fears softness and weakness. It adulates winners while showing contempt for losers, a contempt that can descend with crushing weight on those considered, either by others or by themselves, to be moral or social failures.” [Bellah, Robert N., et al. *Habits of the Heart*, Berkeley, University of California Press, 1996, p. viii.]

The key points may be in the opening paragraph of Chapter 11, titled, “Transforming American Culture.”

“As we saw in the preceding chapter, much of the thinking about our society and where it should be going is rather narrowly focused on our political economy. This focus makes sense in that government and the
corporations are the most powerful structures in our society and affect everything else, including our culture and our character. But as an exclusive concern, such a focus is severely limited. **Structures are not unchanging** [emphasis added]. They are frequently altered by social movements, which grow out of, and also influence, changes in consciousness, climates of opinion, and culture. We have followed Tocqueville and other classical social theorists in focusing on the mores – the ‘habits of the heart’ – that include consciousness, culture, and the daily practices of life. It makes sense to study the mores not because they are powerful – in the short run, at least, power belongs to the political and economic structures – but for two other reasons. A study of the mores gives us insight into the state of society, its coherence, and its long-term viability. Secondly, it is in the sphere of the mores, and the climates of opinion they express, that we are apt to discern incipient changes of vision – those new flights of the social imagination that may indicate where society is heading.” [Bellah, Robert N., et al. *Habits of the Heart*, Berkeley, University of California Press, 1996, p. 275.]

It seems that our American society has moved from that individuality, which had substantial control, into an intensely complex political-economic structure, international in character, and with a scale so large that the decision-making is going to be based upon a plurality of philosophical views and/or analyses which need to transcend the scientific paradigm in order to enhance the collective quality of life.

In order to shed light on this, let's examine Tocqueville, and then power and energy.

**Tocqueville’s View of Us.** In Tocqueville's view, “...[the legislators] thought that it would be well to infuse political life into each portion of the territory in order to multiply to an infinite extent opportunities of acting in concert for all the members of the community and to make them constantly feel their mutual dependence. The plan was a wise one.” [Alexis de Tocqueville, 1835]

“The Americans have combated by free institutions the tendency of equality to keep men asunder, and they have subdued it. The legislators of America did not suppose that a general representation of the whole nation would suffice to ward off a disorder at once so natural to the frame of democratic society and so fatal; they also thought that it would be well to infuse political life into each portion of the territory in order to multiply to an infinite extent opportunities of acting in concert for all the members of the community and to make them constantly feel their mutual dependence. The plan was a wise one. The general affairs of a country engage the attention only of leading politicians, who assemble from time to time in the same places; and as they often lose sight of each other afterwards, no lasting ties are established between them. But if the object be to have the local affairs of a district conducted by the men who reside there, the same persons are always in contact, and they are, in a manner, forced to be acquainted and to adapt themselves to one another.
“It is difficult to draw a man out of his own circle to interest him in the
destiny of the state, because he does not clearly understand what influence
the destiny of the state can have upon his own lot. But if it is proposed to
make a road cross the end of his estate, he will see at a glance that there is
a connection between this small public affair and his greatest private
affairs; and he will discover, without its being shown to him, the close tie
that unites private to general interest. Thus far more may be done by
entrusting to the citizens the administration of minor affairs than by
surrendering to them in the control of important ones, towards interesting
them in the public welfare and convincing them that they constantly stand
in need of one another in order to provide for it. A brilliant achievement
may win for you the favor of a people at one stroke; but to earn the love
and respect of the population that surrounds you, a long succession of little
services rendered and of obscure good deeds, a constant habit of kindness,
and an established reputation for disinterestedness will be required. Local
freedom, then, which leads a great number of citizens to value the
affection of their neighbors and of their kindred, perpetually brings men
together and forces them to help one another in spite of the propensities
that sever them.” [Bradley, Phillips, ed., Alexis de Tocqueville's Democracy in
America, New York, Vintage Classics, 1945, pages 103-104.]

In short, Tocqueville's point was that “individualism is a mature and calm feeling, which
disposes each member of the community to sever himself from the mass of his fellows
and to draw apart with his family and his friends, so that after he has thus formed a little
circle of his own, he willingly leaves society at large to itself.” [Alexis de Tocqueville, 1835]
But, the Americans used local institutions to get participation based on recognition of
mutual dependence. As will be noted shortly, the internationalization of business has now
made this more difficult.

An analogy from the physical sciences makes the point. The cost of applying energy to a
purpose is not only the energy consumed by that usage, i.e., the efficient energy. It is also
the energy consumed (actually converted) in the transmission process, i.e., the energy
lost.

“The first law of energetics states that energy in processes not involving
appreciable conversion of energy and matter is neither created nor destroyed.
Thus, …all the calories flowing in from the potential energy source on the left
must be accounted for in the storage and two outflows on the right. However,
potential energy, which is the energy available to carry out additional processes
and to account for more phenomena is lost. It is degraded from a form of energy
capable of driving phenomena into a form that is not capable of doing so.

“Thus we may restate the important principle of energy degradation as follows: in
any real process useful potential energy becomes lost.” [Odum, Howard T.
It takes energy of a different type for Americans to participate in their governance. Tocqueville's point was that the institutions countered the tendency to pursue the tighter interests described as “to draw apart with his family and his friends, so that after he has thus formed a little circle of his own, he willingly leaves society at large to itself.” [Alexis de Tocqueville, 1835]

Odum, in his analogy, makes the point that as the number of people or groups increase, the inefficiency, or extra power (degradation), increases exponentially (my words, not his). Consider the following:

“A principal aim of both ecology and economics is to develop enough understanding of systems to predict and manage them, especially the fluctuations, many of which have had disastrous consequences. We may discuss macroeconomics in relation to energy.” [Odum, Howard T. Environment, Power, and Society, New York, Wiley-Interscience, 1971, page 193.]

“In the human system the programming possibilities in people provide even fancier controls. Evolving with primitive man are many institutions stemming from his social psychology – his religion, his group nationalisms, his loyalties, and his loves. As partly inherited and partly learned pre-programs, these motivations are power-switching and power-concentrating mechanisms. They are means by which the resources and actions of vast numbers of people can become directed into one combined focus, the great wars, emigrations, social upheavals, and change. Thus Toynbee cites the role of religion as a major historical determinism.” [Odum, Howard T. Environment, Power, and Society, New York, Wiley-Interscience, 1971, page 204.]

Returning to Bellah in Habits of the Heart, we see that these cultural factors are influencing decisions, as previously noted, and that there is a loss of control.

“There is a widespread feeling that the promise of the modern era is slipping away from us. A movement of enlightenment and liberation that was to have freed us from superstition and tyranny has led in the twentieth century to a world in which ideological fanaticism and political oppression have reached extremes unknown in previous history. Science, which was to have unlocked the bounties of nature, has given us the power to destroy all life on the earth. Progress, modernity’s master idea, seems less compelling when it appears that it may be progress into the abyss. And the globe today is divided between a liberal world so incoherent that it seems to be losing the significance of its own ideals, and oppressive and archaic communist statism, and a poor, and often tyrannical, Third World reaching for the very first rungs of modernity. In the liberal world, the state, which was supposed to be a neutral night-watchman that would maintain order while individuals pursued their various interests, has become so overgrown and militarized that it threatens to become a universal

53
The issue is control of our institutions. Do we understand the emerging system well enough to manage it? And, in attempting to manage it, how do we think about the issues?

Illustration of Some Concepts

The internationalization of the American industry in general, and real estate in particular, is not news. The relevance to real estate is impacted because of the change in the system by which capital flows to real estate.

“How did real estate – the most local of businesses – become exposed to the hazards of globalization? By coming to rely on Wall Street, the nerve center of the global economy, for financial backing.” [Holson, Laura M. and Charles V. Bagli. "Lending Without a Net," The New York Times, November 1, 1998, pages 3-1.]

Consider, however, the Long-Term Capital Management disaster as an illustration of some points.


“The Federal Reserve Bank of New York has helped organize the rescue of a large and prominent speculative fund, indicating that regulators recognize that such speculators are an increasingly significant factor in world markets.

“Under an agreement reached late yesterday, the fund, Long-Term Capital Management L.P., which is said to have a portfolio worth $90 billion, received a cash infusion of more than $3.5 billion from a consortium of commercial banks and investment firms. The deal came after representatives of 16 banks and brokerage houses met at the office of the Federal Reserve Bank of New York in downtown Manhattan.” [Morgenson, Gretchen. "Seeing a Fund as Too Big to Fail, New York Fed Assists in Bailout," The New York Times, September 24, 1998, page A-1.]


“In the downtown offices of the Federal Reserve Bank of New York on Sunday, September 20, some of Wall Street's most powerful players listened to the nightmare scenario that could occur if they forced the liquidation of Long-Term Capital Management, a multi-billion dollar hedge fund. A fire sale could imperil the scheduled January launch of the euro, Europe's new single currency, and threaten a complex structure of derivatives in Japan known as the ‘swap’ market, they were told.
“‘It so scared everybody that they agreed to the rescue plan,’ relates a New York banker familiar with the negotiations. The meeting ended with an agreement by 15 financial institutions to contribute a total of $3.5 billion to bail out the Connecticut-based fund.” [Scholl, Jaye. "The Big Fizzle. Beware of leveraged rocket scientists with an attitude." Barron’s, September 28, 1998, p. 23.]

First, while the dollar of the United States of America has taken the status of an international currency, Europe, having established a common market, was moving towards a common currency at that time. The scheduled January launch of this new single currency could have been threatened by a fire sale of securities triggered by a collapse of the Long-Term Capital Management hedge fund. A U.S. government institution, the New York Federal Reserve Board, intervened to get a consortium, including international institutions based in other countries to provide the funding for the “bail out.”

The fund was led by prominent business and academic experts, including two Nobel Prize winners.

Rules by Which to Live

We, in America, live by rule of law, not of man. In an earlier era and in another continent, the rule of kings prevailed. Among the differences are the conditions that we, as individuals and as part of the community, are responsible for our society. I like to think of the responsibility in the dimensions of quality of life.

The rules of the system are the subject of political debate and indeed a political process. War, as an extension of politics, may overrule the will of the people, or as in the American Revolution may provide the framework in which that will is expressed. As Tocqueville noted, it was important to have the participation at the local level as part of a system inspiring participation at the national level, where the impact of policy may seem somewhat more distanced.

By extension, policy, and the rules, may seem even more distanced at the international level. The fiasco of the Long-Term Capital operations, just discussed, is a case in which the absence of sufficient international, as well as domestic, rules permitted a hedge fund with enormous leverage to so endanger international capital markets as to induce the New York Federal Reserve Bank to persuade the institutional financiers of Long-Term Capital to provide a bail out. We are, in this age in which we live, undergoing structural changes in the ways in which the domestic and international economies operate. But, that is not the issue. The first issue appears to be, what are the rules by which we will live in this international community?

The second, and a closely related issue, is what is the process by which those rules will be determined? It is beyond the scope of this discussion to deal with the politics that will define the roles of the various players. Rather, the intent is to indicate that cooperation of sovereign states or other authorities is necessary in formulating and enforcing the rules.
The “other authorities” phrase might sound an alarm. However, consider how voluntary associations may police their members. The price of playing is obeying the rules. It is done in professional sports. And, in some cases, the teams are domiciled in different sovereign states. Considering the international character of business, there may emerge an international self-regulatory mechanism.

Consider Drucker’s statement, “What has changed in the real world, if not the assumptions under which management operates, is that these political boundaries are no longer relevant.” [Drucker, Peter F. "Management's New Paradigms," Forbes, October 5, 1998, page 172.]

In formulating the rules, the parties may be guided by different habits of the mind and different habits of the heart. The different habits of the mind refers to the paradigms of logic based on the accepted economic models resulting from scientific inquiry. The different habits of the heart refers to cultural orientation which may contain different mores and belief systems.

**Habits of the Mind.** My first inclination, given the economic and political paradigm in which I have been steeped, is to envision a market-operated system guided by public policy to harness the market forces. Thus, while regulation might be used sparingly, leverage would be an acceptable control. Capital flows would necessarily be market-determined, except temporary restraints might be used for short-term stability, or rather to prevent significant short-term instability, a la the “accord” between the treasury and the Fed of more than a half-century ago. In short, we would extend the system used in these United States to become an international system.

**Habits of the Heart.** Upon further reflection, particularly noting the difficulties in the transition in Russia from communism, a greater consideration needs to be given to how different cultures would deal with an emerging transnational regulatory system. There are substantial differences among Russia, Japan, and Brazil. One size may not fit all. They are in different stages of development, although they all have huge economies. There is also a multitude of lesser-developed countries with different problems. The challenge is to build institutions that accommodate a plurality of systems.

Where the line gets drawn in accommodation is the big issue. Our record of accommodating any government, as long as it was the alternative to communism, is one with dismal results. Obviously, we need to have standards – rules to live by. The ethics of our founding fathers seems like a good place to start.

It is not our mission to Americanize the world, although much of the world has picked up on aspects of our culture that many of us would not hold out as our greatest contributions to quality of life. Rather, our mission may be described as participating in the creation and development of institutions that enable our society to effectively pursue our constitutional vision.
This mission applies especially to our domestic institutions. Furthermore, the closer we are to home in scale of community, the more doable such community building is through institutional development. This applies to discipline scale as well as geographic scale.

The Advanced Studies Institute educates the educators in real estate and related areas. While the technical aspects still prevail in the research presentations, there has been a consistent effort to broaden perspective. We stand by the relevance as well as rigor theme. We also are looking to encourage the paradigm shift experience and this book is part of the effort.

Whether you take the strict Kuhnian view or the more moderate Margolis view, there is an opportunity of not only viewing the changing structure of the system within which real estate decision-making operates, but also to look at the way the decisions are being made.

In recognition of this encouragement to the academics, the Weimer School has instituted a new award. It is for the manuscript that makes a significant contribution towards a paradigm shift involving real estate decision-making.
About the Author

Dr. Maury Seldin is the Chairman of the Board of Directors of the Homer Hoyt Institute and was its founding president in 1967, when it started as the research arm of the Program in Real Estate and Land Planning and Use at The American University, Washington, D.C. He is also founding President and Chairman of the Board of Directors of the Homer Hoyt Advanced Studies Institute, the corporate home of the Weimer School of Advanced Studies in Real Estate and Land Economics; and of Hoyt Advisory Services, the consulting subsidiary of the Homer Hoyt Institute.

Dr. Seldin, Realtor Chair Professor Emeritus at The American University, received his bachelor’s and master’s of business administration degrees from UCLA, majoring in real estate and urban land economics, and his doctorate in business administration from Indiana University majoring in real estate administration. His consulting and research activities served federal, state, and local government authorities; business organizations; professional and trade associations; and other consultants.

His academic and professional honors include recognition from the American Real Estate Society (ARES), the Real Estate Pioneer Award, for educating and encouraging students, conducting and publishing real estate research, and working with professional and academic real estate organizations; the American Institute of Real Estate Appraisers (AIREA), for contributions through his publications; the American Real Estate Urban Economics Association (AREUEA), for outstanding contribution to the activities of the association; and an additional award from ARES for significant contributions to changing real estate education and research and encouraging innovative and multi-disciplinary approaches to research and teaching.

He is a member of the Academy of Senior Professionals at Eckerd College (ASPEC), in St. Petersburg, Florida, and the Cosmos Club, Washington, D.C.

His books include Land Investment; Housing Markets: The Complete Guide to Analysis and Strategy for Builders, Lenders & Other Investors (with Michael Sumichrast); The Real Estate Handbook; Real Estate Investment Strategy (with Richard Swesnik); Real Estate Market Analysis (with Neil Carn, Joseph Rabianski, and Ronald Racster); and Real Estate Investment for Profit Through Appreciation.

This monograph emerged from a series of essays written as supplements to the News from HHASI (the newsletter of the Homer Hoyt Advanced Studies Institute) and some presentations and study at the Academy of Senior Professionals at Eckerd College. It is the first three chapters of a book in progress, titled Improving Decisions: Toward a New Age of Enlightenment.
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