

About the author

Economists Lack of Social Science Education Causes Economists to Fail Both Business and Society

How to Approach & Reduce Society's Problems, by Harlan M. Smith, Professor Emeritus of Economics, University of Minnesota takes an interdisciplinary approach to social problems & explores a better paradigm for teaching economics, political science & psychology at the University level.

My own training, after 2 years at Penn State, included a BA in sociology at the University of Chicago, then the leader in the field, an MA in the Social Sciences and a PhD in Economics plus a year of independent study in the Social Sciences and Humanities all at the University of Chicago and a year of graduate study in Economics at Harvard to get the benefit of its fine economics faculty.

I began my career working on a Harvard University staff under the direction of Nobel laureate Wassily Leontief. I then spent 63 years teaching economics at major universities, the first year at Harvard, followed by 3 at Brown University, then 59 years at the University of Minnesota where my Economic Department colleagues included Walter Heller and Leo Hurwicz. I taught both micro & macro and courses I invented at undergraduate & graduate levels.

I also invented & taught 6 different Social Science Liberal Arts Honors courses spread over 12 years which I had prepared to do by my broad training.

After retiring at 95 in 2010 I wrote a book completed in 2011 entitled: *How to Approach & Reduce Society's Problems* because I believe the educational system has an obligation to

more aggressively address the problems of our world from a broadly trained background.

Universities are vital research institutions but do less well in relating each discipline to society's problems because faculty training is too specialized. One example: economists are now trained as necessary in statistics (& math) but not in social sciences & humanities as they need to be to some extent because society's problems are not reducible to statistics & mathematics.

I would appreciate it if you would read my 2011 book and send your comments and criticisms to me at:

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Best regards,

Prof. Emeritus Harlan M. Smith

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

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PREFACE

WHAT WE MUST UNDERSTAND PROPERLY FIRST

At least one thing is obvious about all human behavior: it is that everybody tries to do the best they can in whatever situations they find themselves. That means, if they are at all rational, maintaining and if possible improving their own well-being first of all. Very few people are so well-off financially that they could afford to think first about how to improve the well-being of others.

To do the best one can in each situation is not only natural, it is considered proper and commendable. While some critic might say that this shows that humans are too selfish, a psychologist might say that anyone who did not try to improve their own well-being in the situation in which they find them self would be considered to be psychologically sick.

Then the question arises as to whether, when everybody is naturally doing the best they can for themselves in each situation, doesn't this improve things for everybody. Isn't this how the good society for all is advanced?

The first person usually cited as proving that this is true is Adam Smith, sometimes mistakenly thought of as the founder of economics. Indeed a few of his important ideas were the basis for the subsequent classical school of economics. He was a professor of Moral Philosophy at the University of Edinburgh in Scotland. And he did indeed show that when the butcher, the baker and the candlestick maker did what was best for themselves, producing things they could sell for a profit, they were benefitting the community in which they lived, producing things that others needed, though benefitting the community might have been no part of their motivation.

This was very significant because many people believed that there was an inevitable conflict between the interests of the community, or society broadly speaking, and the interests

of the individuals within it. Now it was shown by an ethical philosopher that if things could be sold & bought in a market, the conflict was resolved since what individuals did in their own interest was in the community interest. It is hard to exaggerate the importance of that identity of interest. And it is relied upon to defend every market economy because of the importance of that truth – the two interests can coincide as shown even by Adam Smith in his book, remembered as THE WEALTH OF NATIONS, published in 1776, a special year for citizens of the United States of America.

As important as is this demonstration that in a market economy private and public interest can coincide & often do, it is not true that they always do. Even Adam Smith was aware of some exceptions. Although the exceptions he wrote about are not often cited anymore, even they are important, as are some others that are now important.

Adam Smith wrote that even when business managers get together for a meal they may be hatching a plot to gain at the expense of consumers. So he was clear that it was only in a competitive market with no collusion among producers that private & public interest coincided. Adam Smith would have supported anti-trust regulation, not pure “laissez-faire” with no government regulation at all. Although he is often cited as supporting no regulation, that is not correct. He insisted that competition was required in market economies to make private interest and the public interest coincide.

There are many situations in which the private interest conflicts with the public interest. One was made famous by Garret Hardin in a famous essay on “The Tragedy of the Commons”. For those who do not know the case, a brief summary is in order.

In England, for a time each farmer owned & farmed his own land, and there was in addition a field that was called the commons – land on which farmers around could graze their sheep or other animals. This worked for a while, but over time, it was in the interest of each farmer to put another grazing animal upon the commons if he could. As more & more farmers increased the number of animals grazing on the commons, they destroyed the ability of the commons to provide enough grass to keep all the

grazing animals alive. This was the tragedy of the commons. Every farmer acting in their own interest unwittingly destroyed what was in their common interest. Rational self-interested activity does not necessarily serve the common interest but may even destroy it in some circumstances.

The more general case is that in which power is unequally divided among people in society, as it always is. It should be obvious that in such cases the more powerful, in trying to make the best of each situation for themselves, are in a position where they can and normally do exploit the less powerful to some degree.

Exploitation of the less powerful is clearly not the good society for everybody. And any ethicist will tell us that **might (power) does not make right.**

Every society could be viewed as the interplay of unequal powers. To produce a good society it is necessary to struggle with the problem of unequal power: the ability of the more powerful to exploit the less powerful.

Let us now go back to the proposition that we try to make the best of each situation in which we find ourselves. In retrospect, sometimes we know that we did the best possible in some situations, but other times we realize that instead we made some things worse for ourselves and sometimes hurt other people unnecessarily. We may resolve to try to do better in the future.

Probably everyone of us also tries, if we can, to modify or control to some degree the situations in which we find ourselves so that they are more favorable to us from the beginning.

Those who have more power of one kind or another may have some ability to choose among opportunities open to them and thus alter the situations in which they find themselves in the future, but most of us have very limited options to choose among, so have little or no control over the situations in which we find ourselves in the future.

In any case, the idea that doing the best we can in each situation for ourselves comes naturally, as does the belief that, if we all do that, everything will work out for the best

for everyone. At least we want to believe that, although, if we think about it at all, we know it is not always true.

We can't help but know that what may be best for us in some circumstances is not always going to be best for everybody else. There are certainly times when we can benefit at the expense of someone else or even at the expense of many others.

Political philosopher **Thomas Hobbes** argued that the idea that selfishness produced a good society for everyone was a completely irrational belief or hope. He **claimed that if everyone acted in their own self interest, disregarding whatever happened as a consequence to anyone else**, each would in effect be trying to gain at others expense. Society would be reduced to being an economic war of each against all. **That, he contended, would over time produce a society in which life would be "poor, nasty, brutish and short"**.

Pure selfishness should not really be expected to produce a civilized society instead of a jungle with everyone for themselves alone.

CIVILIZATION REQUIRES MORE

Civilization requires people being civil to each other, and not either willfully or inadvertently doing anything that would harm others for one's own gain. The institutional structure of civilized societies needs to prevent either intentional or unintentional harm by some members that gain by hurting others. An institutional structure that permits some people to gain by exploiting others is unjust.

There is something else about human nature that helps make civilization possible. **Humans naturally have empathy for anyone whom we see suffer** – even for animals that suffer, & a natural desire to relieve their suffering if we can.

Adam Smith made a point of saying that this is as much a part of our nature as is the pursuit of self-interest, though economists recognize only the latter part of Adam Smith in their economic theories.

It should be clear that **to understand society's problems we must start with a good understanding of our complex**

human natures first, and then an understanding of societies' complexities. So this book will necessarily be interdisciplinary. My training was interdisciplinary before I received my Ph.D. in economics & earned my living as an economist. So the book will provide lot of sound economics & cite other social sciences less explicitly though drawing upon them extensively.

The main problem with which this book will wrestle is how to enable peoples' proper efforts to improve their own well-being with their need to avoid doing so at society's expense and instead to contribute to society's well-being at the same time.

Sometimes there is no problem. But when there is, and especially when it can be a serious problem, the question will be which of several alternative choices might be best & why? The question is a very important one, and this book can only begin to wrestle with it as best I can, and challenge others to try to do better. I will try to give readers some real help in every chapter.

The dictionary says civilize means to be civil; to rise out of the state of being a savage or barbarian or pirate. Civilization refers to an advanced state of human society, one dominated by cities, one with modern conveniences, a society with advanced science & technology & government. The term is also used to characterize certain historical societies in the past as being better than their predecessors in at least some respects.

The word *barbarian* is a historical term used to denote groups of warriors from one society that sacked & raided cities of more advanced societies & then withdrew, perhaps to sack others later or to establish their rule over a new area. Pirates are those who attack ships at sea for loot or to demand ransom from their owners or governments. Piracy has new possibilities now that international trade & travel is at a new high. But at present only one country is unable to prevent some of its people from becoming pirates.

The present connotation of the word civilization denotes not merely urbanized society, but one in which people are

civil to each other rather than violent or threatening violence, and one in which all people live well above subsistence levels.

Some people would add that a society is not truly civilized unless it is structured so no group exploits another but has mutually beneficial relationships with all others. I would agree that would be a truly civilized nation. The human species has not yet achieved a world civilization, nor any large national civilization in this sense of the word.

Many small societies in the past & present have been civilized in a loose sense, with different degrees of well-being above subsistence levels, but no society very affluent. There has always been too much violence on small & large scales. There has too often been one form or another of exploitation of some groups by others. Another chapter will deal with various forms of violence. Here I will deal with some forms of exploitation.

It was a type of moral advance for victors in a war to enslave the conquered instead of killing them, and it permitted all to be better off than if many were dead, But some of the gain came by some victors unjustly exploiting the defeated. This could go on forever, as the defeated are individually powerless. If they can ever organize to survive while jointly withdrawing their services to exploiters without being slaughtered, the injustice might be ended. But it would likely be necessary for changes to take place among the exploiters such that many of them want to end the injustice and begin operating as equals in the economy. That alone could end the injustice, or help do so with rising opposition from the exploited.

A step above slavery was the caste system imposed upon those militarily defeated & others with little social power. People assigned by the powerful to those with less power to various lower castes into which their descendants were also assigned. This system survived for centuries & still exists in some countryside although some governments recognized the injustice and outlawed it, abolishing it in big cities.

Even without the rigidity of caste systems, many economies now are characterized by unjust exploitation of many by some

group or groups. In such countries the ruling powers are either inherited or the result of coups or of somewhat democratic processes. In any case, those in effective power simply do not make any significant attempt to prevent those with power of any kind from using it to benefit some by exploiting others. It has often not been possible for the exploited to manage to use communication media to make their case against such exploitation, if they are indeed even aware of the mechanism by which they are being exploited.

So virtually all societies develop hierarchies of power & privilege in which the relatively disadvantaged have as a group virtually very little possibility of improving the status & well-being of their class, though individuals with some special ability may do so for themselves.

The United States of America is an interesting case in point. After a Civil War in which slavery was abolished as late as shortly after the middle of the 19th century, the freed black groups were only part of the lowest economic classes.

A 20th century committee studied the problem and said that government had chosen to adopt policies that seemed “almost deliberately” to maintain the nation’s class structure with the well-to-do, the large middle class, and a permanent underclass from which very few would be able to escape.

We have had decades in which we have had analyses that showed what would be necessary to eliminate the permanent underclass. (See for example Lisbeth B. & Daniel Schorr’s 1988 book *WITHIN OUR REACH: Breaking the Cycle of Disadvantage*, or the more recent book by economist Rebecca Blank whose title is *IT TAKES A NATION: A New Agenda for Fighting Poverty*.) The underclass is still about as badly off as before such studies showed that choices were made by those in power to keep things as they were. There was and still are alternative ways of making efforts to change the situation and reduce or even eliminate the underclass.

It was not long ago that U.S. policy again chose to keep the class structure instead of trying to eliminate an underclass. Taxes on the wealthy were reduced instead of raising the minimum wage or paying a so-called “living wage” to raise the

working poor (of which the country still has a large number) above the poverty level.

The tax reduction on the wealthy was justified on the on the obviously false pretext that they would use the extra money to increase employment, even though markets were not strong enough to justify employers doing so. In most circumstances the wealthy use much of their wealth to invest in the stock market to increase their wealth still further. They are not the employers who might hire more labor when market sales are rising to justify it to the employers.

Keeping a class of working poor is preferred by many employers, and it enables those of us in the middle class to buy things more cheaply than otherwise. We are (perhaps inadvertently) exploiting the working poor by not paying what should be the full cost of making products for us.

Clearly the U.S. has a large enough national income to provide every person in the country with an income above our poverty level. Not only billionaires & millionaires (of whom we have more than ever before) but also middle class people have income enough to keep everyone in the country out of poverty. But we elect governments (federal, state & local) that choose not to do so. This author says we are not yet a truly civilized nation. We still choose to satisfy ourselves (& for some still to satisfy their greed) rather than enable all to live above the poverty level, even though some of them are working full time to try to escape poverty, but not being paid well enough to escape it although they could be paid well enough to do so. If they were paid well enough the upper classes would have to pay a little higher prices for some things they buy – pay what should be the full cost of their production.

Most countries in the world do not have income enough to keep everyone out of poverty, and it is true in some of them that their leaders or others are serving too well their own desire for status, power or greed (or several of those things), rather than trying harder to help their neediest. Their countries' biggest need is to raise the real national incomes of each entire country.

The chapter on sustainability of the world ecosystem also makes it clear that what I have called a civilized world would

be one consistent with harmonizing with the earth's life-support system.

The problem is not that all the world's people still have to be more civilized. There are substantial numbers of civilized people in most of the world's countries. The problem is that the politico-economic-social structures of their countries resist the changes necessary to make the world even as civilized as it could now be. This book's problem is how to help people re-think their own social, economic and political behavior to create better civilizations.

THEY NEED TO LEARN MANY THINGS & THEN DO WHAT IS NEEDED TO REDUCE SOCIETY'S PROBLEMS.

Readers will quickly realize that although the first two chapters of the book deal with matters that are not confined to the U.S., subsequent chapters sometimes are largely focussed especially on U.S. problems.

Now I need to introduce something I taught all my classes in my final years of teaching. I told them I did not want any of them telling me they were a conservative, or a liberal or a radical because that indicated to me that they had not done enough thinking about societies social problems.

If they had done enough thinking about such problems they would know that they were all primarily conservatives – they all wanted to maintain all the progress that their society had already accomplished: progress in a large number of respects, economic, political, in people's health, and in the arts, etc.

But all, hopefully, would know that not everything was as good as it could be and should be, so all were mild reformers in some respect or respects: others would call them liberals if they emphasized the small changes they advocated.

And at least some of them would realize that at least a few things might need to be changed drastically to produce a truly better society. They would be called radicals by others.

The probability is, I contend, that most of us, if we think enough about social problems, are at the same time conserva-

tive about some things, liberals about others, and radicals about a few.

But the political process is carried on as though we were all, as many politicians claim they are, just one of those three. So they ridicule those who differ from them as fools.

What I am suggesting is that our entire social processes and relations would be less vitriolic and more rationally conducted if we all were willing to discuss rationally our rational arguments for each position and our emotional involvement with each, and be wiling to consider each other's differences carefully from us instead of simply lambasting them. Our whole social process could be carried on in a better spirit if this were done and the result would likely be much better.

There is another political term which nobody claims, but some people are alleged to belong to: reactionary. It applies to people who want to reverse some developments which others call progress and make government shrink & be like it used to be in some respects, as though that would still be adequate. Some people who call themselves conservatives are really reactionaries not conservatives.

CHAPTER ONE

SOCIETY'S PROBLEMS & HUMAN NATURE

INTRODUCTION

Human Nature's Bad Reputation

How often do we hear it said, when somebody does something that many people think was wrong – oh, that was just human nature again. Such things are not usually said with respect to good things done by somebody. Apparently the public has an idea that human nature is bad. Should we humans have such a poor reputation? Notice: it is the bad that is news & the unfortunate. Good isn't news.

Two School's of Psychology

Psychologists make their reputation as students of human nature. If we go to psychologists what would they say about this?

First they would say that they study humans scientifically so they do not make moral judgments about human nature. We would also find that the history of the psychology shows that at different times, the discipline of psychology has been dominated by different schools of thought, emphasizing quite different approaches in studying human nature. One school – the behaviorists – confined their understanding of human nature to what could be learned by human's overt actions, as though we did not know anything about ourselves except what we did. Clearly we each know a great deal about what goes on inside us that leads to one action or another. We know how we feel about things. One school purported to interpret our dreams scientifically, which led to more unscientific speculation than any other school of psychology, though it once dominated the field.

Special Group Problems This Book Cannot discuss

However it is necessary for me to remind myself and my readers that I doubt that any generalization about human nature can be made that applies to all living human beings. We all know, or know of, some humans that for all or major parts of their lives are hampered by serious physical or mental illnesses. Some are apparently born autistic which I gather is a lifetime handicap. I will not attempt to list the handicaps that may dominate major portions of some people's lives, and these people will not be included in this book when I make generalizations about "people".

The following analyses of human nature applies to the majority of humans, but are in general not intended to include those dominated by major physical or mental handicaps. When, in this book, I say "we all...." that excludes those with major handicaps. Their human natures require analyses by different mental & physical specialists. I can generalize without including these less fortunate individuals because they do not constitute the majority of people.

However I admit I am not well impressed by any one school of psychology alone, so feel it is necessary to draw upon psychologists very selectively in developing my own conception of human nature.

This book's psychology

Although I have had a few courses in psychology, I cannot pose as a scientific psychologist, so I must tread lightly here as I talk about human nature. But here goes:

SEVEN ASPECTS OF HUMAN NATURE

There are at least seven things about human nature that a good social science of human nature ought to consider important: **impulses, needs, egoism, rationality, emotions, potentialities, & beliefs.**

This chapter will present a few ideas about each of those seven that need to be in the backs of our minds when we get to this book's major problems, so I will shed some light on human problems in this chapter.

Human Impulses

First let us realize that we probably all experience a whole range of human impulses at one time or another – impulses to do something specific, or to want something specific. The impulses may be weak or strong to different degrees in any one person, & will differ among people as well. They are sometimes loaded with emotion. In any case, there is emotional satisfaction in giving expression to any impulse unless an adverse reaction follows quickly thereafter.

Impulses are not closely related to human needs. Although some human needs may lead to impulsive action, for example hunger or thirst or desire for sexual expression, in general our various impulses are not inherently related to our human needs and may at times obstruct the meeting of human needs or even reduce the well-being of ourselves or others. Other impulses may at times promote our human well-being or that of others, or both.

When we are old enough to identify different impulses, we realize that some are considered good and others bad, judged in terms of whether they may improve or harm the well-being of ourselves or of other people, or both ourselves and other people.

Over time, we have frequently to choose as to which of various impulses to act upon and which to reject.

As we grow up & have increasing degrees of maturity, we ordinarily choose more wisely to give expression to impulses that are good for ourselves and for others, that meet human needs better, instead of impulses that are bad for ourselves or bad for others, or both, judged in terms of the effects of their expression on human needs and so on human well-being. The choice is less simple when effects on some are good & on others bad.

“Buying some things upon impulse” is perhaps the least significant of our impulses unless it goes to extremes. But an impulse to sexually molest or otherwise hurt anyone physically or mentally needs to be inhibited. Too often it is not.

Humans are by nature primarily social animals with social impulses & needs. But unfortunately we all still possess at least to some (usually small) degree an element of the nature

of wild animals. Some people sometimes have impulses to attack, hit and hurt or even kill someone. This can lead to much human violence. If that is inhibited or prevented, there remains the psychological enjoyment that leads us to cheer when someone else is acting like a wild animal in attacking someone else, individually, or in a game is doing things that hurt someone else.

When anyone loses their temper, they are controlled by emotions and impulses and do things they later regret, though, for a few days, their reason often rationalizes their action as justified, and only later do they realize that they were wrong and become ashamed of their action.

I have long known this first hand.

Maturity involves using reason to tell us, based upon teachings by others or coming from our own experience, what are the likely consequences for ourselves and for others of acting upon impulses, instance by instance, as well as considering the ethics involved.

If the consequences for ourselves and for others seem to be good, we may yield to an impulse. Doing so will likely result in making it easier to yield to that impulse again & it is likely to appear more frequently the more often we yield to it.

But if reason tells us that the consequences are likely to be bad for ourselves or for some others, or for both, we are more likely to refuse to give in to that impulse. And that will make it easier to refuse again, and it will appear less often the more we refuse to give in to it. Is this not so?

We should all learn to control our impulses if we can, and in any case to control our actions on impulse so as not to hurt ourselves or others. This of itself would substantially reduce inter-personal violence & its unfortunate consequences.

It has only recently been learned that the human brain's capacity to do the reasoning that would be required to evaluate the consequences of impulsive actions reaches maturity in some people only in their late twenties, though somewhat earlier for others.

This helps explain stupid behavior of some youth even when adults think they are old enough to know better. See Daniel Goleman's excellent 2006 book entitled *SOCIAL INTELLIGENCE*.

I presume no one will argue that it is not a very bad impulse to hurt badly or kill anyone who is no threat to oneself, & bad to get pleasure in doing so. Doing so in war requires special exceptions.

Yet, in peacetime thousands of people take great pleasure in shouting for one or another in a boxing ring when there are virtually no regulations on what may be done to hurt the other as much as they can. Is this what they wish they could do to someone, & as spectator they can cheer others to do without risk to themselves? I have never been able to understand this sport because I abhor even seeing it occur. How can some people even enjoy watching it? Is this impulse behind some of the inter-personal violence in the world today? Can anything reduce it. More later.

Many religions have always known that most people, & maybe everybody, has in the wide range of impulses which may arise in them at one time or another, some impulses that are very bad indeed & some which are very good, plus others that are good or bad to varying degrees. And religions try to help us evaluate them carefully & counsel us to avoid all those that are bad, & avoid especially the very bad, while favoring all the good & especially the best. **Religions help us know how to live well and encourage us to do so, sometimes by promising rewards. Secular ethics usually does the same, without some of the religious types of rewards.**

HUMAN NEEDS

Psychologists have studied human needs as well as impulses to see what needs must be met to some degree to promote individual well-being. Of course any human's needs change somewhat throughout their lives.

Whatever any of us happen to want at any particular time, we always want to improve our own well-being. We all feel a need for things that we think can improve our well-being.

Many things we really need in appropriate amounts and qualities, differing somewhat for each of us, differing throughout our lives, to promote our well-being beyond the subsistence level.

Some things we need just to keep alive. These are called physiological needs: air, water, food, sleep, activity & rest.

There is also a physiological need for sexual expression.

Then there are material needs for clothing and shelter from bad weather, and the need of personal protection from anything life-threatening, & we all need protection from economic calamity if that is possible.

Even those basics are not all well met for everyone even in industrialized societies as yet, though it seems likely that with the present population they probably could be met with the proper institutional framework.

We all need personal freedom to make choices in uses of our time, in choices among activities, choices among values and among objectives. (Herein begins everyone's real creativity.)

To exercise this freedom well requires: lots of information about alternatives and their benefits and costs to oneself and to all others affected. We can call these freedoms our need for autonomy.

Since we humans are social animals, we have social needs. **The quality of our lives, & hence our well-being in any realistic sense, depends upon the quality of our human relationships.** We need friends, companionship, we need acceptance in various groups so we can feel we belong there. We need a feeling of mutuality & cooperation with & from others. We need this two way "to & from" relationship with others characterized by empathy, consideration, caring, trust, appreciation, support, reassurance. We need to feel esteemed by others even to develop our own self-esteem. We need affection, closeness, warmth, intimacy. We enjoy much greater well-being if we love and are loved.

People all have psychological needs that only individuals can meet by themselves, though others may help them do so: a need to harmonize their internal desires within themselves so as to be integrated persons instead of internally conflicted persons; to

find ways to get along well with other people when possible; and to harmonize with the natural world's requirements.

What some call human fulfillment needs (things needed for our fullest well-being) include a sense of the meaningfulness of life and a love of truth, beauty, goodness and justice. Life is better if one sees it as a privilege and a lot of challenges, if one feels one matters, is performing a service, is effective, is making a valuable contribution. For the best in life it also needs to be peaceable. We even need to have hopes that the future will be better. And since the vast complexities of existence cannot not all be fully fathomed, we need to feel a basic wonder about it all. But seriousness needs its own relief, and we all need play, fun, pleasure, humor, and laughter.

We also need to realize that, provided one is not engaged in anti-social activity, any occupation in life should enable one to understand that he or she is making a valuable contribution to society of which they can be proud if they do their job well.

Circumstances beyond our control determine in part how well these needs are met for all of us, but our choices in life also make a difference, so choosing wisely matters for our well-being.

It is important to recognition that our needs are not simply a matter of personal preferences. The things I have been talking about as Individual needs have a real objective basis.

There are no statistical or numerical data to measure how well most of the above needs are being met for anyone or in any country, but they are nonetheless objective needs: real needs of humans to provide their maximum well-being, in appropriate amounts for each of them. We can learn more about some of them individually & as societies over time.

There is another way to express what all humans feel they need, and it is clear that we all want **fair & ample opportunities throughout our lives to develop & employ our own choice among our fine potentialities.**

I see no reasonable grounds on which anyone should be denied such, and I see no reason why efforts should not be made to

provide such insofar as possible for everybody. **It should be any good society's most fundamental objective.**

A major problem of societies is that none provide enough help for those convicted of crimes to make it possible for them to have opportunities later to develop & use their finer potentialities if they become willing, with encouragement & help, to do so.

Here is my summary outline of the human needs which can contribute to human well-being to the degree to which they are met for anyone and the degree to which any society meets them for its many members.

Human Needs

Physiological Needs:

Air, Food, Water, Exercise, Rest, Sleep,
Medical care if needed, Sexual expression

Safety Needs:

Clothing, Shelter
Protection from anything life-threatening,
Protection from Economic Insecurity

Autonomy Needs:

Freedom to make choices: in uses of time,
& among activities, values & objectives.
(The creativities involved require Information
about alternatives & their benefits & costs to all.)

Social Needs:

Acceptance, Inclusion, Belongingness,
Esteem by others & Self-esteem,
Consideration, Friendship, Companionship,
Trust, Appreciation, Support,
Reassurance, Mutuality, Cooperation,
To understand & be understood,
Kindness, Affection (receiving & giving it),
Empathy, Caring, Emotional security,
Closeness, Warmth, Intimacy, Love
Even privacy & solitude,
Mourning losses

Harmonization Needs:

Within self, with others, with nature
Reassurance, Mutuality, Cooperation,
To understand & be understood,
Kindness, Affection (receiving & giving it),
Empathy, Caring, Emotional security,
Closeness, Warmth, Intimacy, Love
Even privacy & solitude,

Human Fulfillment Needs:

Lighter side:

Play, Fun, Pleasure, Humor, Laughter

Meaningfulness:

Seeing life as a privilege & a lot of challenges
Mattering, Serving, Being effective
Making a valuable contribution
Hope for a better future

Finest Things in Life:

Truth, Beauty, Goodness
Basic Wonder at the Universe
Justice, Peaceableness
All that enhances the quality of human life

There is no limit to some of the above in adding to human well-being.

(I started developing the above list by borrowing from psychologist Abraham Maslow's writings, then modified the list by reading others in the field & developing my own thinking as well.)

Presumably we all know how important it is for children to feel they are loved & treated as special by those raising them. When they lack that, some drift into gangs for friendships, but acquire bad habits. A few escape when a good friend is killed, & having learned much, raise their children with the love they needed earlier.

EGOISM

The so-called “law of animal life” is self-preservation. The equally important “law” is self-expression. Each animal has its own natural ways of trying to preserve its life and its own ways of expressing its own ego.

Human egoism, if self-expression is included as it must be, can take on an infinite number of possible forms. **Among its most dominant forms are (1) status seeking, or (2) power seeking and domination, or (3) greed.**

Those are incompatible with caring and needing caring, affection giving and needing, and mutual friendship & mutual love, as well as many other important human needs.

Excessive status seeking prevents one from meeting well not only some social needs but also distracts one from some of the finer things of life, including some that make life most meaningful.

Power seeking and domination may also be for most people incompatible with the requirements of peaceful personal social life & peaceful societies as well as interfering with meeting some of the specific human needs I listed.

Economics overemphasizes the social role of one form of egoism, seeking economic gain. Indeed it overpraises it, since greed has been almost universally criticized severely by most religions and by many thoughtful people partly because it typically involves neglecting too largely all other personal and social needs.

For humans, there must be some compromise between the ego drive and human social needs. The human ego in any of its forms could prevent us from being able to have the mutually beneficial relationships each individual needs to improve the quality of their lives.

Can not these human needs and ego drives be compromised rationally? Presumably so, although the ego is often too strong to allow itself to be subject to reason. But the social needs are so important that the possibility should not be precluded for anyone.

Rationality

The scientific term for the human species is “Homo Sapiens”. That implies that we are the rational animal. Psychologists know that we are rational at times and irrational at times. The human animal is the most rational animal in that we have greater brain power to act rationally than do other animals, though we know we do not use that power well all the time.

Economists have long thought that humans are rational animals. So I examine next their concept of rationality.

Orthodox economists assume that we use our reason in determining how to pursue our preferences, our various wants whatever they may be & however they were acquired.

They say that it would make no sense to act otherwise – that would be irrational. And if we always knew exactly what we were doing and how it would come out, that is how we would behave.

We would get more of what we wanted. (Do our wants always make sense? It obvious that they do not always.)

(Do we always realize exactly what we are doing, i.e. do we know fully why we are doing it and what will be the result & the only result? Does the reader think so? Are you judging yourself & others equally?)

The justification for any rationality assumption in economics is that much market behavior cannot be explained without it. Buyers show at least enough rationality to prefer a lower price to a higher price for identical goods when they know they have the choice. Business firms involve innumerable decisions about production and marketing with the objective of maximizing profits, and it obviously pays to make rational decisions on the basis of the information available to them.

Not that all market behavior, let alone all other human behavior, is entirely rational. A little observation shows otherwise.

So rationality helps explain some market behavior, & economists content themselves by prescribing market rationality on the ground that it would make a market system work better according to their criteria. In effect they prescribe it (advocate it) for household & business decisions.

Moreover economics provides a principle that enables those who can follow it to act rationally in all market decisions – it is called the principle of marginalism.

Once the objective is known – maximizing satisfaction of wants for consumers & maximizing profits for producers – marginalism says: continue any action further so long as the result adds to your objective more than the actions' costs subtract from it.

(Economists demonstrate this with the use of calculus, but people cannot usually vary their actions by infinitesimal amounts but usually only by some substantial finite amounts, so arithmetic is all that is necessary for any demonstration.)

If one can put both objective and costs in dollar terms, the principle is an obvious truism.

For business this in practice is obvious good sense, if there is no consideration other than dollar profit from an action.

Of course business schools have whole curricula to instruct students in the complications involved in managing businesses well, but the maximization of net profit is always the main objective, & the economic principle of marginalism clearly states the rational principle for the purpose.

Over many years the emphasis on this has come increasingly to dominate thinking in business and even in the nonbusiness world.

Net economic gain seems to have squeezed out most other considerations that had sometimes modified behavior in the business world and outside it.

Our whole culture now seems dominated by efforts to maximize our net gains, whatever we are after.

The economic principle appears to have universal application.

If some human objective is known, and the action to be taken to further it has been chosen, one can decide rationally how far to continue the action by the marginal principle: continue as long as the action adds to the objective more than it adds to the cost of doing so.

Stop before further action adds more to the cost of doing so than it adds to the value of the objective.

Rational behavior in life then is to get as much of whatever we are after as we can so long as it does not cost us more than it is worth to do so.

This can be simplified: **Do more of anything as long as it adds to ones net gain.** That is being smart. Only the stupid or irrational would do otherwise, says the economist.

Aha!! Economists have reduced life to being simply one great big series of economic problems that economics tells us how to solve rationally.

Life is just learning the arithmetic of benefits and costs of all our decisions.

To be sure, we have to learn how much gain of some sort we get by each decision we make, and how much that is worth to us, as well as how much it costs us.

But that makes a rational life quite simple in principle. It is the only smart way to behave. We have arrived at what could well be called a **“smart guy ethic”** to guide life.

Go after whatever you want in life, & give up to get it only what one has to give up to get it, provided you don't give up more than what you get is worth to you.

This is supposedly how to get the most of whatever it is one wants out of life. This could be said to be **the way to exploit life and other people most fully for one's own benefit.**

But if we had a better understanding of human nature than economics provides us, we would know that **this is no smart guide to life.**

It is instead subversive of virtually every one of the potentially more valuable personal relationships in life.

We are social animals. We are unavoidably interdependent in complex ways not only economically but psychologically and socially.

In reality, attempting to exploit others for one's own benefit doesn't work – it is self-defeating.

One cannot even maintain a real friendship with the attitude in question. If one tries merely to use others' friendship for some sort of personal gain, and the only question is how much more one is getting than one is giving, one's effort will be self-defeating.

As soon as a person discovers that a supposed friend is merely trying to exploit the friendship for their own gain, the friendship is likely to end. One will kill friendships & be a loser not the smart gainer one thought one was.

One is unlikely to be able to maintain a marriage relationship this way, certainly not one that can be as mutually fulfilling as is possible in marriage.

If each partner, or even if either partner, looks upon a marriage only in terms of whether they are getting as much as possible out of it, and whether they are getting enough more than they give, the marriage, even if it lasts somehow, which is unlikely, will almost certainly be unable to be a truly loving relationship for either person.

Can you think of a valuable social relationship that would be an exception to the criticism I am making of the smart guy ethic?

The smart guy ethic doesn't even work well in the business world.

Business hires labor expecting a reasonable amount of productivity from it.

This country was presumably built upon the work ethic. Labor believed in doing an honest day's work for an honest day's pay, and wouldn't have had as much self respect if they didn't do an honest day's work even if they didn't get all the pay they thought they deserved.

But if or when labor loses the work ethic & is imbued with the smart guy ethic, they would work only hard enough & well enough to collect their pay or to get the promotion they are after and might even loaf when they could get away with it. Productivity would decline sharply.

There would not be enough supervisors to make sure that all laborers were producing conscientiously, and what if supervisors were also "smart guys" – how would they behave? Quite similarly. And the top brass?

We know the result now – we get big businesses failing like ENRONs & WORLDCOMs etc. and a very large number of people lose very heavily.

Even the economy does not work well, to put it mildly, with the smart guy ethic. It is disastrous when used by many in the business world.

What do we make of the economic concept of rationality after all that has just been said?

It seems to have led to behavior that is destructive of business productivity and subversive of good human relationships, so it is extremely naive and even irrational.

(What is the reader's reaction at this point?)

Yet marginalism is perfectly rational & beyond criticism if and when the objective leads to entirely good consequences.

There is a place for instrumental rationality:

That is when we know that all the effects of a decision will be desirable, so the only question is how to maximize the net desirable effects on us too.

An action may have many consequences besides giving us the main things we are after, consequences which affect other people and sometimes ourselves in ways that neither we nor economists contemplated.

It is often necessary & always desirable to take these into account in making decisions. Economic models don't usually do that.

I note that economics did not pay any attention to human impulses except to treat impulse buying as an exception to market rationality.

But I pointed out that much irrational behavior by youth was because their brains may not yet have matured to the point where they were normally functioning like those of mature adults who judged whether impulses were going to be harmful to themselves or others before acting.

This is a function of rationality that is different from purely instrumental rationality – one function of reason is to judge impulses and possible actions before deciding how to act.

THE MOST IMPORTANT RATIONALITY

But some of us think that rationality involves something more basic than even good instrumental rationality that took

everything resulting into account (including all the likely effects of any impulse).

What economists call a preference system might be called a relative value system.

Economics refuses to consider how relative values are chosen or determined.

But that is ever so much more important than how to serve our wants once they are chosen or formed.

Some choices among wants, preferences, values may be a matter of relative indifference, but other choices may make a very big difference in terms of consequences for anyone making a decision & for others who will be affected.

Economics is a discipline relating means and ends, actions and their results. It is true that we can individually choose to do anything that we are indeed capable of doing.

But we cannot decide what the consequences will be. That is not within our capability.

There are realities that determine the consequences of actions.

It is a purpose of **science** to find out what the realities are that determine consequences of many actions.

The many different sciences investigate different realities.

Gravity determines the consequences of many actions.

Chemists tell us some combinations are explosive & others are not.

Doctors tell us some things about how to keep in good condition the mobile homes (our bodies) in which each of us travel around.

Dietitians are learning more all the time about what combinations of foods are healthy for us & what are not.

Both doctors and dietitians base their views on more objective evidence than the rest of us possess.

There are some choices among possible wants that make a huge difference. Consider the choice between regularly buying & using substances known to be habit-forming and harmful to the individual and to others, or going with friends to cultural attractions.

It can hardly be said that the former is a rational choice if it leads to the injury or death of the individual or others as it does sooner or later in many cases.

It seems to this writer that rationality is not primarily a matter of efficiently serving whatever our wants or preferences happen to be at any time (sometimes getting what we want would be a disaster for us) but of acquiring & using some wisdom in the choices among wants & preferences. This is necessary if we desire to make choices that will maximize even our own well-being.

Indeed there are wants that are appropriate at some stages of life and quite inappropriate at other stages as every-one knows.

The point is that there is an objective basis for choosing wisely what to want & to do at each stage in life.

Many of us learn too little of what is known about that until we have left the stage of life where the knowledge would have been helpful.

Some people aren't very rational until it is too late, in the fundamental sense in which I am now using the word.

Some people claim that all our choices are only a matter of personal tastes, about which philosophers have long agreed there can be no argument. But we make many choices that are of great importance for our well-being, and they are not just a matter of our personal tastes – objective factors determine their consequences, and they matter.

Others argue plausibly that wants are culturally determined, & reason has nothing to do with them.

Of course our individual tastes do differ, & culture does pronounce on acceptable & unacceptable wants.

And though it is demonstrable that people inherit their culture and that it may determine people's wants much of their lifetimes, we all have intelligence enough as adults to want to use our own brains to judge whether what our culture approves we also approve or not.

There is objective evidence in many cases as to whether some decisions are rational or not.

All that has to be assumed in making such judgments is that life is normally better than death, and that good health is better than poor health. Experts are always learning more about how many things affect health.

We are always free to do anything that we in fact can do, but we cannot determine the consequences of our choices.

Objective realities determine that.

We need to know as much as possible about objective realities & act rationally in terms of what is likely to keep us alive & promote our well-being.

It is rational to choose wisely in regard to such important matters.

Choice of our values, wants and preferences involves far more important rationality than does economists' instrumental rationality which only tells us how best to serve whatever wants we happen to have at any time, however acquired and however stupid or harmful they may be.

But if economics ignores the most important type of rationality, how well does it do with other major aspects of human nature?

It ignores them too.

All it is concerned with is whatever wants we have & how to serve them efficiently.

But if economics is to be a social science worth paying any attention to, it needs a realistic conception of human nature that I have been developing in these pages, including the most important role of reason.

It will be necessary to discuss the role of education later, but I want here to say something about how it is necessary to embody non-economic concepts in childhood education from the very beginning.

Only two important things need be said here about childhood tutelage.

One is that each child needs to receive a lot of love as it grows up, for if that need is not met well, the person may become anti-social early in life.

The other is that morality is learned in childhood & it also needs to be accompanied by love at the same time that is taught.

Human Emotions

Now what about human emotions?

Aristotle argued that one of the functions of human reason was to learn to control the emotions that would drive us to do things we should not do because they hurt ourselves or others.

Modern psychology has been skeptical that this is possible. Its attitude typically is that our actions are guided by our emotions. Reason has an instrumental role, as in economics; it figures out how to get what our emotions tell us to get. Or do our emotions merely supplement our impulses? What if so?

I already said that we can learn that the more often we give expression to an impulse, the more often it will appear and the easier it is to give expression to it again, while the less often we choose to allow an impulse to express itself, the less often it will appear and the easier it will be to avoid giving it expression when it does appear.

If this is true, maybe Aristotle's contention was correct. Repeated rational rejections of undesirable impulses may make them less frequent & be easier to reject.

Whether so or not, it is worth noting here that mature adults typically do think about whether an impulse would hurt themselves or others & usually reject harmful impulses, though some youth seemingly do not think about that before acting. Their brains may simply not yet have reached that level of maturity.

Emotion attaches to all sorts of things.

We all have strong emotional support for our conception of our self-interests.

And all our ideas are apt have quite different degrees of emotional support.

Emotions are very important. They affect the quality of our lives.

They range from joy to sorrow, confidence to fear, love to hate, strong attachment to strong opposition etc., & many degrees of each in between.

Indeed, it is often recognized that people's reason is not only often clouded by inappropriate emotions, but sometimes

quite overcome by them, as **when people are unable to argue with one another rationally.**

When I lose my temper, I am, for its duration, under the control of a strong emotion which takes over my words or behavior & prevents my mind from interfering. Maybe for a couple of days afterwards my mind continues to defend myself & tries to tell myself that I was right and someone else was wrong. But usually an hour or a day after the incident I know I was wrong to lose my temper and I am ashamed of myself. An apology is called for but I can never ask another person to forgive me, because I know that losing my temper at anyone is not something for which I should be forgiven.

Whenever emotion clouds our reasoning ability, we may do very stupid things and create problems for ourselves & others.

Lawrence Tibbett's great voice made emotional immaturity even sound good when he sang "I want what I want when I want it".

That indicates childish difficulty in postponing satisfactions, e.g. difficulty eating dinner before being allowed to eat dessert.

Daniel Goleman's book entitled *EMOTIONAL INTELLIGENCE* does not set forth an emotional EQ to go along with or replace the intelligence quotient IQ, but he does speak at length about **emotional immaturity in powerful people, which he shows may be a large element in many social problems.**

More encouragingly, Goleman contends that everybody is able to increase their emotional maturity at any point in their lives if they realize the respects in which they need to do so.

When I read this book I thought it was the most important book I had ever read. That is a strong recommendation from me.

The quality of everyone's life can be improved by learning how to increase their emotional maturity.

Religions have long made a point of the need to control our emotions as well as our bad impulses, so we can control our behavior toward others.

Often the precept was embodied in one form or another of what they called the **Golden Rule – Do unto others as you would have them do unto you.**

Religions have also, often notably so at their beginnings, tried to form communities of people who would want to do things to support the whole community. In many areas in the world even now, people still talk as though they were organized in small supportive communities.

How far all this is from the smart guy ethics! If one is so focussed upon one's own net gains, one does not give a damn for the effects on other people.

One may then behave immorally & **defeat oneself** in precluding & preventing mutually beneficial relationships with others which could have been developed instead.

Indeed most mature adults, I believe, are not immoral "smart guys" throughout their lives but "naturally" want to be and want to be considered good people, which is to say they behave morally.

To be sure, even sadism may give some pleasure to warped personalities, but it is usually considered not worthy of humans and it certainly is incompatible with many other pleasures and even with meeting some basic human social needs.

It stands to reason if one wants and needs to have good relations with other people, one cannot be successful if one tries to take advantage of them.

One's need of good relations with others can be achieved only if one seeks relations of mutual benefit, and indeed one where benefits to you and others are divided in ways that both or all consider to be equitable.

Of course, this would be ideal, & not always possible, but it would be the proper objective.

Most people don't want to try to improve their own well-being by deliberately hurting others' well-being.

And clearly anyone's well-being is improved to the extent that their basic human needs are met better.

(Reader: Do you think we can control some emotions, which ones, or only our actions? Or was Aristotle completely wrong and reason can never affect any emotions? As a mature adult, I was subject to road rage. My wife warned me that if I could not control that emotion as well as control my reaction, it could still get me in trouble. So I slowly did eliminate even the

emotion which is road rage. Are other emotions subject to different degrees of control?)

Many people have a vague yearning that they cannot even identify. For many it may be a yearning for a world that is meeting everybody's needs better. For some it may have a religious element, because religion is very important to many people.

Life is a big problem of learning how best to live.

Every individual will properly find a somewhat different answer for we are all somewhat different. Will it be a good one for them? Will there be common elements in different people's answers, since we are all human.

Some accept the answer given by their culture.

Our culture is said to measure success by the level of income or wealth one obtains.

Certainly that is a strong motivation for many people even though they know they will never be able to rank very high on that scale, but they want to "do better than, not just as well as, the Jones's".

Others are less concerned about measures of success, and more concerned with whether they are able to be involved in some of the things that enrich life, and avoid all the things that degrade life.

And what are those things?

The following is suggestive rather than being a complete list.

Are not all of the following life-enhancing: respect for others, empathy, sympathy, caring, friendship, love, cooperation, equity, the golden rule and promoting human well-being?

Could not all these also be called primary human or humanistic values? Is it not true that their opposites degrade the quality of human life?

Is it not true that most people know at least some of these things by their own life experiences?

And is it not true that most adults try, albeit not entirely successfully, to live accordingly in their own inter-personal relationships?

Human Potentialities

Good & Bad

It has already been noted in this book that humans sometimes act like wild animals (our worst potential), or at least enjoy seeing others act like wild animals (still not commendable).

Notice that wild animals also have some commendable characteristics – they are not wild and violent all the time. They raise their offspring with care and teach them how to get food to survive.

Humans are basically social animals who enjoy more activity with other people than aloneness. What we enjoy most is activity that involves either psychological, social, or economic mutuality (or any combination of those).

I personally do not believe that anyone has the potentiality of being what we call a saint, but that we all have the potentiality of being very good persons in many ways. Unfortunately we have also potentialities for widely varied & quite different amounts of indefensibly bad behavior. Fortunately humans encompass almost incredible amounts of creativity. Most of us are capable of inventiveness of many sorts. And there always seem to be some people capable of very high technical inventiveness or of very wonderful artistic inventiveness. Human potentialities, good & bad, are not limitless, but are very highly varied.

Now some very important generalizations:

Between any two humans and between any two groups there are potentially many life-enhancing relationships and many potentially life-degrading relationships that could be developed.

The only rational behavior would be to develop life-enhancing relationships and avoid life-degrading relationships whenever possible. To what extent do we simply drift into interpersonal relationships without trying to develop the kind that would be life-enhancing? It would be rational to develop those life-enhancing.

All human social problems come from our failures to develop life-enhancing relationships instead of life-degrading relationships.

In general inter-group relations have developed without serious forethought, and political leaders have seldom explored the possibility of developing good potential relationships among groups.

Neither politicians nor the general public seem to have any idea how to develop social processes and social institutions that embody life-enhancing values instead of being in some cases based upon fears of domination by other groups.

Life-enhancing values could lead both individuals and groups to try to harmonize their creativities within themselves, with all others whenever possible, and with nature.

Success in this would lead to development of sustainable economies and to societies in which there would be fair and ample opportunities for every individual to develop & use fine potentialities.

As it is, power to act without life-enhancing values causes all human individual and social problems, and they can be reduced and prevented only by life-enhancing values embodied in social processes and structures and in human lives.

As an economist I think it is long past time that economics should concern itself with telling individuals how to maximize their human well-being (instead of how to maximize satisfaction of whatever wants we happen to have without regard to its affects upon our own or others' well-being) and suggesting that societies learn how to promote mutually beneficial relationships instead of how to maximize their Gross Domestic Products.

I would especially like to see economics reformed so that it helped societies learn how to provide insofar as possible for all their members **fair & ample opportunities throughout their lives to develop & fully employ their choice of their fine potentialities.**

Most of us think we have finer potentialities than society gives us a chance to develop & use fully.

Nobody's finest potentialities are knowable in childhood or even in early adulthood. Only if society recognizes everyone's need just underlined above will people discover, develop & use their choice of their fine potentialities & use them as fully as possible.

There are no generally acceptable grounds on which any group of human beings could be excluded by society from the socio-economic objective all need to have recognized.

For economics to be a social science, the other thing necessary besides improving its conception of human nature is improving its conception of society.

Society is not (as economists suppose) a collection of atomistic individuals operating in markets an easily represented in a mathematical model.

Another problem with mathematical models of society is that they almost inevitably assume (perhaps unconsciously) the institutional structure and culture of the country of some one country, usually the economist's country.

Such models are inapplicable elsewhere.

In any case, life cannot be reduced to a series of economic problems solvable by marginalism.

The quality of our own lives as well as the quality of others lives will be improved the greater our emotional maturity.

It is of course human nature to put one's own needs ahead of those of others in general. But human love in some instances reverses this, and people sacrifice their own interest to some extent in order to advance the well-being of someone they love, or even to do so to help the more needy anywhere.

We often serve first what sociologists term our "social selves", those we care about. Some of us have narrow social selves & others have broader and more inclusive social selves. Some have a concern for the future of the human race. More discussion of this later.

Human Beliefs

Important elements in human nature are human's beliefs. Here we will deal with only part of their set of beliefs – those dealing with themselves and with other individuals who are different in some respects, small or large as they are conceived to be.

What they believe about their own nature is very important, especially if it is wrong in significant respects. Of course their beliefs about others whom they conceive to be different

from themselves in any major respects is significant, as are their beliefs about what relationships with them would be desirable and what relationships would be possible.

Probably most people believe that they are both well-intentioned and well-behaved – they believe that they are good people, even better than most others. Some adults at least know what sort of people they want to be and try to be, but many youth seem unable to reach that point until much too late in life, if at all. Meanwhile they may have idols that are unrelated to their own potentials.

Since humans are all unique, some differences being large and obvious, our beliefs about others make a difference in how we try to relate to them or how we try to avoid them. Skin color differences or other physical differences that should not matter often are believed to matter and so influence people's behavior that they do matter.

Among humans beliefs that matter most to them are their religious beliefs, and our differences in religious beliefs has in the past even led to religious wars.

Many people find much solace in the widespread belief that “God works in mysterious ways his wonders to perform” which enables them to bear hardships that they would otherwise have difficulty handling well.

In the next chapter there will be more attention to the social importance of different types of beliefs, and in the final chapter I will identify some dangerous & unhelpful beliefs & contrast them to beliefs that are helpful in many respects.

NATURE vs. NURTURE

One of the oldest controversies in psychology is between those who think that biology is almost all-important when talking about human nature and those who think that nurture is all-important – that social-environmental influences really determine what sort of people we become. I refuse to take sides, because it is the interaction between the two that determines the outcome.

The reader is encouraged to take each of the seven things discussed above in this chapter and consider how much I involved or failed to involve both nature and nurture, then think

through your own experience of both types of factors in your own present seven-fold nature.

WHAT ABOUT HAPPINESS?

Of course we all want to be happy. Happiness, as I learned at an early age from my Mother, is not so much a matter of what all happens in our lives as it is a matter of our attitudes toward those happenings, however good or bad for us they may be. Some people are unhappy despite almost everything going according to their wishes, while some others manage to be rather happy despite almost everything going against their wishes. My mother knew why.

There are other things that it is very important that we learn as early in life as possible – if we don't learn them the easy way from other people's experiences, we will have to learn them from the "school of hard knocks" ourselves. We need to learn what enhances the quality of human lives and what degrades the quality of human lives, and we must learn how to live according to the former instead of the latter.

Human life is enhanced by empathy, sympathy, caring, friendship, cooperation, helpfulness, and promoting the well-being of others which is what love means in practice. Their opposites inevitably degrade human lives.

Fortunately it is part of human nature to act in ways that enhance the quality of life. Unfortunately our human impulses also sometimes lead us to act in ways that are just their opposites.

How human nature happens to be such that the above describes human realities is an interesting question. Did human life evolve this way by mere chance or, as some would say, somehow evolve this way by design?

It should be obvious that what was just said about factors enhancing life enhances not only our lives but also the lives of others whose lives we affect one way or another. In short, how we should treat others and how they should treat us, matters. We usually call these matters of ethics. They are not just matters determined by our tastes or preferences, or by culture, but are matters determined by the nature of human nature & the realities of inter-personal relations. That is to say

that some ethical questions can be resolved by objective information about relations that enhance or degrade others' lives as well as our own.

Both individual and social psychologists have learned a lot about us human beings that was not obvious, but I do not recall any psychology course providing all of the above important information about human nature & human relationships.

Of course one attitude toward life is to disregard the effects of our actions upon other people, whether in direct interpersonal relations or, and especially, in business relations, i.e. indirect relations in market transactions. It is easily demonstrable, as many have shown, that one can often make monetary gains for oneself in market relationships far greater by ignoring bad effects upon some others than by acting so their well-being is not adversely affected. Since those adversely affected may be unable to retaliate, one wins monetarily. The market system, especially if little regulated by government, provides many opportunities to develop smart scams that can ruin the unwary financially for one's own gain. This is undeniable.

It is not that one cannot usually run a profitable business ethically – one can – but that more money can be made, at least for a while, by unethical behavior than by ethical behavior.

So people always have a choice of whether to be more ethical or to be richer. For some people riches are everything, or so they think.

For others they could not be happy with themselves if they made more money for themselves by hurting others. They want to be treated right by others, and they feel that they have no right to want that unless they grant others the same treatment they themselves want.

This so-called Golden Rule pays in terms of the quality of inter-personal relations in life, even though one will not be as rich monetarily as one could be if one escaped big legal penalties for one's exploitation or scams of others.

Another way of expressing the task of living well so that it would benefit the individual and all others is to say that each person needs to harmonize their creativities within themselves (so as not to be a victim of an unresolved internal conflict), with all others insofar as possible, and with the natural

environment (though business & government will affect the extent to which that will be possible for individuals).

Studies have now shown that the happiest people are those whose relationships with others are most pleasant in both their working lives and their home lives and both (work & home life) are most meaningful to them. So both pleasantness & meaningfulness are important to happiness, and happy people tend to be happy in both work & life, not in just one or other.

DIFFERENT STAGES IN LIFE

It should be obvious that most of what has been said in this chapter has been talking primarily about adults. But if our objective is to reduce anti-social behavior by adults, might it not pay to see how human nature operates in early childhood & see whether the childhood training by parents could make any difference?

Childhood

My mother told me in my adulthood that before I could do anything but crawl on the floor, she often had ways of knowing what I wanted, and I developed a technique to try to get my way if she didn't provide it: I would roll onto my back and bang my head on the floor. She feared I would hurt myself, so she provided whatever she thought I wanted in order to stop banging my head on the floor. She evidently asked her doctor what else she could do & he told her to tell me to keep on banging my head on the floor, because when I realized this did not work, I would stop it. That cured me. She always cuddled me then & told me she loved me.

Then when I was a little older & was playing with a brother or other child, either of us might hit the other, seemingly without provocation, or grab the other's toy & sometimes refuse to give it back when the other wanted it back, & again there might be hitting between us. **Mother told me I was not to hit another child. That would hurt them, she said. I did not like to be hurt, so I should never hurt others.** I was told to ask to borrow their toy & then return it when they wanted it back, & to lend mine freely to others for a time.

This would make other children friends of mine, while if I wouldn't lend mine or grabbed their toys & didn't return them when they wanted them back, I would make an enemy of the other child. It didn't take long for me to realize that friends were better than enemies.

Childhood training by parents can make a big difference in the relations between children if the training is accompanied by the parent's demonstrated love for the child.

The most important thing is for parents to show love for their children in all that they do with them, even when they are disciplined for anything. I know it can be done, because that is the way I was disciplined. Play with them, talk with them, teach them how to make friends with other children & share their toys instead of hitting others, stealing their toys & making enemies of them. This is teaching them ethical behavior that pays.

I was taught from an early age that since I did not like to be hurt by anyone, I should not hurt anyone else. I must have heard that told me lovingly from time to time, though I imagine it made sense to me almost from an early age.

When I was of the age that my Dad gave me toy guns, naturally I engaged in pointing my gun at others as they did at me. My Mother said that this was pretending to hurt another child, and that I should never take pleasure even in pretending to hurt another. That did not stop the practice between us, especially when we had water pistols to shoot each other (since that did not hurt them). But somehow I knew before long that my loving mother was right. Her loving teaching had made me a pacifist who took no pleasure in pretending to hurt another person, without either of us knowing the word. Later I would take that position when asked to train to shoot people.

I do not expect many Mothers will teach their children exactly as I was taught. I think we can hope that they will at least teach them that since they do not like to be hurt, they should not want to hurt others. I don't know at what age most children learn from parental love for them how important it is to develop mutuality in all human relationships with love the fullest mutuality. Most of us learn that early enough in life that it helps us all our lives.

It is only those who never learn it who are ever a social problem.

Adolescence

This is a difficult period in life for adolescent children & their parents because of their changing relationship: it involves children slowly making more decisions for themselves and parents slowly loosening their control over their children's lives. It is normally thought of as the children's teen years.

It might smooth this transition if more parents talked with their children beforehand, explaining the problem to them, & trying to indicate to them that parents remain obligated to maintain some rules for children, though they can release some as children show they learn well how to make decisions that do not hurt them or hurt others. Encourage their children to discuss with their parents their feelings during adolescence. I know all this helps.

The transition is often difficult since adolescent youth want or even need opportunities to establish their independence faster than parents are willing to grant it. Parents know they should not grant it too fast or too slow. That is always hard to judge.

Serious problems arise when children do stupid things, such as getting involved in vandalism (as even rich kids have), binge alcoholic drinking, habit-forming drug use, drag racing, & premature & especially unprotected sex. Adolescent girls find themselves with children long before they are mature enough to raise them properly. Both boys & girls need training in contraceptive use lest they have sex before they should have children.

Many adolescents feel they should have complete freedom before their brains may have matured enough for them to think much about possible consequences before they act. For some this ability may not mature before their late 20's, for others it may mature in their late teens. (See Daniel Goleman's book *SOCIAL INTELLIGENCE*).

Many adolescents, especially children of the poor, join gangs especially if they do not feel satisfied with their home lives. Gangs appear to give them what they want now: fellow-

ship, girls, even money from assisting in drug sales. But the violence of gang lives is such that, once involved, they realize that they have no future – the time will come when they too will be shot.

We need many updates now, of the old University of Chicago study by Thrasher on Chicago gangs. Such studies in many other countries could compare their gang problems and how they are treated or avoided in other countries. That should enable the U.S. to do better than simply add more cops which might merely kill more in gangs or jail them temporarily.

Adults

Most adults behave well toward others they contact. I discuss the breadth of their social selves later. A few may remain anti-social either because not treated with enough love as children or because “kicked in the teeth” by society ... that is, blocked by society from some opportunities to earn a better living honorably.

IN CONCLUSION

This is a book to try to shed some new light upon societies critical problems. Its first chapter contends that to understand these problems we need first to have a good understanding of human nature. It argued that economics is in trouble because its conception of human nature is very seriously flawed, & no school of psychology is adequate either (though I did not take time to discuss all the different schools of psychology).

I boldly discussed 7 things about human nature we need to understand: impulses, needs, egoism, rationality, emotions, potentialities, & beliefs.

I did not stress our wild animal impulses to hurt others or our loss of control of ourselves when we lose our temper because I am convinced by the evidence that most adults live good, decent lives, & there is so much good in the world that the normally good human behavior is not news. It is news when something bad happens. To be sure, we also do enjoy news of especially good things being done by humans.

Most of us are not good enough to live up to the golden rule as much as we know we should. Our reach exceeds our grasp, as the old saying goes.

So humans, if not intellectually & emotionally mature, often do some very bad things to others which cannot be justified though they often try to justify them.

What could be done to improve human nature or at least its "bad behavior"? The evidence is very clear that even human societies where it is not necessary have a class structure in which many (often even some of those working full time) are unable to escape poverty while some are very wealthy & the country is wealthy enough that none need live in poverty, and that more social problems arise among the poor.

Poverty is especially hard on parents, so hard that many for that reason don't succeed in raising their children as well as they otherwise could. In the U.S. we could tax the extremely wealthy more & use the funds to raise the poverty-stricken above the poverty level. Curing poverty would likely reduce anti-social behavior & the cost of prisons substantially. It would increase the number who might have more opportunities to develop & use their finer potentialities.

The implications of this chapter are that most people do learn from their own experience that we all have within us potentials for evil & for good, and we do make choices between them. Most of us should know by experience that good actions enrich life and bad ones degrade it & cause trouble. Religions teach this; parents should teach this lovingly from early childhood.

Most adults are social beings who try to get along well with everyone. Society may need protection from any who never learn. But some become anti-social because they are discriminated against or exploited. That can be stopped. Opportunities for socially productive lives should always be open. That takes us to the next chapter on societies.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER TWO

UNDERSTANDING HUMAN SOCIETIES

PREHISTORIC SOCIETIES

It is interesting that one of the oldest evidences of humans is found in the pictorial art they left in caves where families found shelter to sleep. Technologically, there is evidence of their use of primitive tools and fire.

The earliest human societies were presumably relatively small tribal societies about which we know very little. They lived in geographical areas in which there was food to be found including animals to be killed for edible meat.

Over time when any tribe grew so that the area they occupied ceased to provide enough food, it invaded a neighboring tribal area. The results presumably varied. Sometimes they were able to chase away those they invaded. Sometimes they just killed them. Evidently some tribes got the idea that it would be better to enslave them & make them work for their conquerors than to kill them. (Imagine slavery being a step up both the ethical ladder & the economic ladder.) In still other instances, the two tribes might both have shared their two tribal grounds if combined they were sufficient.

Some tribal societies developed in more widely separated geographical areas. This resulted in their developing somewhat different cultures, that is different habitual ways of doing things and thinking about what they were doing.

Did human nature have any difficulty fitting in to tribal societies? No, not a bit. Humans are social animals which my first chapter showed meant, among other things, that they preferred doing things with each other rather than doing them alone. Moreover humans need good & mutually beneficial relations with other people, they need the respect of other

people, they feel the need to be accepted in some group of people so they feel they belong there.

Either a small tribe or a large one helps fulfill the needs of our social natures.

According to J. M. Roberts in his 1993 book *A SHORT HISTORY OF THE WORLD*, sometime between 8000 B.C. and 5000 B.C. two developments took place: on the one hand humans managed to domesticate sheep, goats, and cattle, and on the other hand some of them began to cultivate domesticated wheats & barleys.

It required a larger area to graze animals than it did for farmers to raise grains. The herder was a little less tied to a relatively small area than the farmer became, although the farmer could slash or burn forest land if he wanted to cultivate a larger or different area.

However, farming made it possible to feed more than the farm family. So farm villages developed, fed by the farmer in return for products that aided the farmer.

Over time these villages grew into cities populated by skilled craftsmen of different kinds serving both city people and farmers.

Thus the economic specialization grew that **Adam Smith viewed as the most important single thing over the centuries in improving the human economic condition.**

I have ignored something very important. Any two people need to communicate with each other and are almost certain to find some way to do so at least to a limited extent. Presumably there is no way to know exactly when human languages first developed somewhere. The J. H. Roberts book cited says the Sumerian language is known to have been in use by 5000 B.C. He dates the first known writing at 3500 B.C. and the first societies historians classify as the earliest civilizations took place between 3500 B.C. and 500 B.C., some in widely separated places.

From 3500 B.C. on we have some written records to use to write human histories. Writing divides prehistoric humans from the humans history records.

EARLY CIVILIZATIONS

What distinguishes an early civilization from any other early society? The word itself come from the Latin word for city. A civilization is a society where a new social phenomenon becomes dominant: the city. What is its economic basis? Cities are non-farmers who produce things farmers need or can use in farming & living better (perhaps better tools & better clothing) in exchange for the farmers excess food.

Typically as cities come to dominate a society, the society becomes divided into economic classes – a rich elite, a middle class, and the poor – with different cultures. The poor often find it impossible to meet even their physical needs adequately, let alone some of the other needs, while some of the rich elite have difficulty spending all their income on themselves. It s sometimes possible for many people to meet all their human social needs, but many fail to do so not for economic reasons but because their culture becomes too individualistic.

But for an urban civilization to work well even in its own terms, it must remain nonviolent. Violence among humans is self-defeating for both individuals and societies. For an urban civilization to remain civilized, using those terms with their modern connotations, humans need to find the economic gains important enough to keep relations among people civil, and what is more, to treat each other really well. What we call civilization too lightly would then become possible.

The modern world has often considered ancient Greek civilization to have been something special in some respects, especially in producing some of the first great philosophers.

The only book that I read that tried to shed some light upon that civilization was by G. L. Dickinson, entitled *THE GREEK VIEW OF LIFE*. The Greek class structure was not unique, but, according to Dickinson some things about its culture may have been, and Plato & Aristotle & some other philosophers were unique. Plato's concept that philosophers should rule to avoid conflicts of interest was unique, as some of Aristotle's ideas were at that time.

CHANGES IN THE SCALE OF SOCIETIES

Since history has seen societies of many different sizes develop and stay together for various lengths of time, the questions arise: What does it take for societies of different sizes to arise, what does it take to keep them together sometimes for a long time, and what leads to their breakdown when they do break down. I am not aware that we have as yet developed very satisfactory answers to those questions.

We can only speculate on how tribal chieftains got their followers to follow them in conquering tribal areas not needed for adequate food, but to increase the chief's power.

Andrew Bard Schmookler's 1984 book entitled *THE PARABLE OF THE TRIBES* & subtitled *The Problem of Power in Social Evolution* speculates on how power came to dominate the evolution of societies.

My guess is that tribal chieftains promised those of their followers ready for military adventure a share of the spoils of military conquest. That would account for leaders of army units, not for the average soldier's support. In any case history records the rise & fall of various sized empires, some vanishing only after World War II.

It is significant that empires were not primarily trading units within themselves, nor did they trade extensively with other empires or societies. But in the modern world trade has become very important in its effect on the standard of living people can enjoy.

Again Adam Smith pointed to something very significant. He said that the division of labor (or what we call specialization in production) was limited by the extent of the market. Small countries have only a small domestic market, and trading with other markets is hindered by a whole host of factors (though not prevented): different currencies, different cultures, different government rules etc. So big countries have the advantage of bigger national markets.

The reader can try to imagine how well off he or she could be if each had to produce by themselves alone everything they needed or wanted. We would all be hopelessly poor. But living in the U.S. or any modern industrial country, we usually

produce only a part of some product for a business firm which sells it in a market to strangers we will never meet. What they pay for the product we made part of & others finished will pay our wages & that of the others involved.

The market is an institution of today's societies in which strangers pay strangers they never meet to work for them through business enterprises some other strangers established and some managed.

This institutionalized business market system has improved what we call our standard of living fabulously within the 20th century.

But that was a rather slow development of changes that took place in European society starting in 1632 when Galileo was excommunicated by the Christian Church as a heretic. Before that time everyone knew from common observation what our senses told us: that the sun rotated around the earth daily, rising in the East and setting in the West. The church also told us that the earth was the center of the universe. Galileo using his telescope challenged both ideas. (It was only within the last year, if my memory is right, that the church rehabilitated Galileo.) But Galileo was followed by others in the developing sciences, with the name of Newton still having a central place. It was the development of science as a way of learning about the natural world that led to new technologies in the English cotton mills and then the steam engine etc.

Humans had from their early history been more of a tool using animal than other animals were. Now there is hardly any productive process in which the productivity of human labor has not been greatly increased by all sorts of tools (or technologies if you prefer that word) specialized to do different parts of the jobs.

Of course human labor was early supplemented with the labor of other animals.

And human energy was later supplemented with wind and water energy. Then we discovered that coal & then oil were very valuable new sources of energy to use in various ways. Now that the end of the oil age is almost within sight, we are talking about more development of other sources of energy. Some economists talk as though the oil age will never end. As

it becomes more scarce, they say the price will rise to cover the cost of getting less accessible oil. But if one goes to the Institute of Technology, one will learn that the oil age will indeed end when it takes more energy to acquire less accessible oil than one will get from the oil when it is used.

So much for a brief review of things that further increased human productivity besides specialization and markets.

Back now to the follow up on those English technologies.

The result was that the old putting out system of production was replaced by the factory system and what is now called the **industrial revolution** was on its way. It spread throughout the 19th century and became a full-blown industrial pattern in many countries in the 20th century. The U.S. was still largely an agricultural country when the 20th century opened but was an industrial country by mid-century.

The major countries that benefitted by the industrial revolution were countries whose internal markets were large enough to permit much specialization, and they also carried on substantial amounts of trade with each other. In the colonial empires, such international trade as there was within empires was controlled by the mother countries largely for their advantage. At the end of the colonial system, the ex-colonies tried very hard to establish a New International Economic Order that would facilitate their development, but were unsuccessful.

The U.S. had been in a similar position before our revolution to free ourselves from British control, but we did not seem to recognize that the newly free colonies were in the same position we had been in. We had used infant industry tariffs until long after the infants were full grown, but we forbade the new ex-colonies from using them legitimately. Now a new economic colonialism is developing under the World Trade Organization, as will be discussed in the chapter on globalization.

HOW TO ANALYZE SOCIETIES

MY ANALYTICAL APPROACH: H G B I L P S T R

Any Human society is composed of populations of individuals whose well-being concerns them (& may concern individuals in other societies also). Much of their thinking and activity is individualized. And much of both is by subgroups of humans within any society

Over the years people who study human individuals, groups, and societies behaviors gave up trying to study anything as part of its complex setting and focussed instead upon some limited aspect of the subject. That way they thought that they learned a lot more about a lot less by abstracting from its complex setting. The scholarly world is now a world of narrow specialties. This has some advantages & some serious disadvantages about which little is done. The trouble is that any society is a functioning whole, and any aspect of it, such as any individual or group behavior, or any social or economic problem or accomplishment, needs to be understood as part of that functioning whole and not as an isolated phenomenon that can be fully understood in isolation.

HGBILPSTR is my acronym for a suggested analytical framework to use in any study which needs to consider its subject in the complex societal framework of which the subject is a part. The framework & this short discussion of the relations among its parts and their relative importance and interaction is of course mine. Those who do not find it satisfactory should develop their own alternative.

H G B I L P S T R

H= HUMANS: The individuals composing any society have common & varied interests, abilities, & powers that may affect differently their own well-being, that of others & that of their own groups & of other groups, their whole society & other societies.

G= GROUPS: Each group of people within each society similarly have common & varied interests, abilities, & powers that may affect differently the well-being of individuals in their

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own & in other groups, the well-being of their own groups & of other groups, their own society & other societies.

HUMANS & GROUPS (if able to act)

act or decide not to act on the basis of their

B= BELIEFS: Emotionally held ideas about what is & what ought to be (values), (both largely inherited or acquired from others)

through

I= INSTITUTIONS: the inherited social order

under temporary

L= LEADERSHIP: in all fields

attempting to carry out

P= POLICIES: of all kinds

to deal with the current

S= SITUATION

by employing available

T= TECHNOLOGY

with possibly intended and unintended

R= RESULTS:

consequences that alter the situation for individuals, groups, & the natural environment's resources & processes.

The well-being of humans, individually and in different types of groups, with their present individual & group abilities and powers is presumed to be the concern of short run social analyses, though in the long run the concern may include improving the abilities or powers of individuals & groups.

It is of course very **important** that **all** of the 9 factors above be very **appropriate** for the current **situation** at all times, given the concern for human well-being. But often some are not appropriate.

The situation includes everything that may be relevant to the well-being of humans, and an understanding of the situation requires some knowledge of how the present situation came about historically. Since this can be too much

to handle all at once, and some may not be important for some limited concerns, **some abstraction is normally necessary; but the danger is that the analyst may then inadvertently omit something that may be too important to be omitted for the inquiry at hand.**

In the long run the important results for the natural environment cannot be overemphasized, because we depend upon it not only for natural resources but also for our very life support system.

Each of the 9 factors in the above framework has a momentum that resists change over time, but each also has an independent internal tendency to change some over time that affects the other factors, and is in turn affected by their independent or dependent changes.

My contention is that the B (system of **beliefs** which can be called an ideology) is what **matters most** in determining what actions are taken or not taken by individuals, groups and societies internally & toward each other.

At any time each individual has a system of beliefs (probably only partly defensible or even consistent) partly unique & partly shared by most others in the groups & culture of which the individual is a part.

Beliefs pertain to the nature of reality, to what is and how it works, to what causes what, to what is good, what is bad, what would be better and what should be done to make things better. So beliefs pertain to what is and what ought to be, to reality and to relative values in various situations or at various times. They govern attitudes that determine actions with regard to the other 8 factors. A few remarks are in order to show how beliefs may affect the other terms in my acronym.

With respect to possibly needed changes in a society, we need to ask what parts of the society's belief systems (ideologies) blocks needed changes, or sees the need correctly, and fosters them. Which of these beliefs are held by their entire populations, or by what groups or institutions or leaders etc.

For example, beliefs determine a society's openness to new technologies and the vigor in trying to develop new ones. Similarly for institutional change. Does its ideology prevent it? Does

it correctly identify the institutions that have various degrees of responsibility for progress or for problems as the situation changes? Does it promote adaptability of institutions to change of a suitable sort when that is desirable or necessary?

There are ideas as to the nature of the situation, ideas that may be right or wrong to various degrees, and evaluations of the relative desirabilities or undesirabilities of its various features. Are people open to evidence as to what created the situations, and what would correct them in desirable ways?

What sorts of leadership do people welcome or reject, and what sorts of policies will they support to deal with different situations? Much depends on people's beliefs, their ideology.

It basically determines all the actions of individuals and groups including their reactions to everything.

What sorts of leadership do people welcome or reject, and what sorts of policies will they support to deal with different situations?

Much depends on people's beliefs, their ideology. It basically determines all the actions of individuals and groups including their reactions to everything.

Both individuals and groups struggle in making decisions with respect to their beliefs about their interests, their needs, and their values, especially if the 3 are not believed to be identical, which is usually the case. Does their view of their interests always win out over their beliefs as to their values or needs, or are the 3 identical?

Presumably their actions are guided partly by the values they believe in, and the ideas they have relevant to the pursuit of those values in any existent situation. Sometimes actions are guided by merely momentary values, but more basic values may guide them over the long run.

Another aspect of people's belief system is very important, and to see that we must look directly at individuals. Various kinds and degrees of **emotional attachments** to their many values and to many of their other ideas are evidenced in people's attitudes and behavior. Emotions always count. They are most obvious when they swamp reason & lead to irrational behavior.

People's ideas and resulting actions have the main responsibility, therefore, for both their accomplishments and the problems they have created and not resolved. This applies at both the individual and the society levels. Their problems will not be tackled effectively without some changes in ideas and actions, for both bear primary responsibility for the problems. **Whatever else may be required to tackle the problems, some ideas and some actions need to change.** Which ideas or values, and which actions need to change and the respects in which they need to change in any situation is what requires investigation. There is normally some degree of emotional resistance to changing ideas or values or actions.

Institutions are ways of acting socially, and some must change to solve social problems & some must be stable to conserve prior accomplishments.

I wonder what most people think of first whenever the term institution is mentioned. I sometimes suspect that they usually think of something that involves big buildings. So any government is an institution embodied in visible buildings. And churches and schools are institutions.

People are really familiar with many different types of institutions, for example the family, governmental institutions & political institutions, business organizations (corporations and other business firms & their associations), civilian institutions including all sorts of clubs & organizations, religious organizations, mass media institutions, entertainment institutions, sports institutions etc.

Political institutions are somewhat unique for they provide ways for societies to decide what governmental policies to institute or change, etc. They may be properly or improperly used, or may be adequate or inadequate in some situations, as may all institutions.

I am using the term here more as sociologists sometimes use the term to include the traditions, customs, practices etc. of a society as well as everything others might include as institutions. **They are the accepted ways of doing things.**

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

Institutions need to be studied in terms of the structure of each and the processes through which they do whatever they in fact do.

All these institutions are supported by emotionally charged beliefs and in turn they support those beliefs (about what is & about values).

Social institutions change slowly & almost “unconsciously”, and they tend to resist firmly any conscious attempts to change them. When people think of a society changing, however, they usually think of changes in some of its basic institutions, for they do change slowly on their own and sometimes in response to efforts to change them.

Leadership in different fields of societal action may be competent or incompetent to various degrees in different situations. Leadership may make a lot of difference for a society.

Without good leadership some things needed in a situation may simply not happen.

Policies appropriate to each aspect of a situation are critical, and when they are not appropriate, the situation may degenerate in some respects and people's well-being will suffer, as may that of groups and of the whole society.

With respect to the **situation** itself, it needs to be said that any societal situation is at any specific time infinitely & so hopelessly complex. Fortunately, any specific issue is not. Some aspects of the situation are completely irrelevant for any specific issue and potential action. The practical problem is always how to be sure to obtain information that is most crucial for the purpose at hand and omit from consideration only things that are of very little significance if any. A high degree of abstraction is always necessary, but always dangerous if any big mistake is made in deciding what is very relevant and what is not. That is why coming up with a very simple view of the situation should usually be very suspect and should probably be rejected.

Obviously action is always limited to using available technology, although when it is inadequate, that is reason

enough to try to develop more suitable technology that the situation seems to need.

Any policy in any situation needs to be judged by its results.

What is hoped is that the intended results are achieved insofar as possible. There are frequently unintended effects of any actions or policies. One can hope that they would all be innocuous. I have already pointed out how important it is that the life-support system of the planet not be damaged.

My contention is that, although some intermediate values may be subjective and inappropriate to people's well-being, all human **values** need to be objectively related to human well-being. Even culturally determined values need to be judged that way. **The human task is that of learning – learning the nature of situations and acquiring wisdom as to everything entailed in promoting human well-being, and learning the relative merits of different means toward that end in different situations.** Much attention needs to be given to people's emotionally charged ideas bearing on how socio-economic institutions do & should handle various situations

Science is accepted as one of the best ways to understand the realities that determine the consequences of each action before taking it. We need to know in advance the way society works and the **results of different actions.** Social science attempts to explain human & societal behavior by theoretical analysis rather than simply describing it empirically, and is not an attempt to state what it ought to be.

Too many factors actually influence human behavior, in individuals and in groups. Yet most social science disciplines confine explanations of anything they study to a few factors they select as most important and neglect everything else, though those omitted factors are sometimes important too.

Economics thinks of itself as the best of the social sciences and the one most needed to give good policy advice since all governmental policies have an economic dimension. It also narrows its view to a small number of factors in order to explain a lot in simple models, preferably mathematical, to make generalizations it considers to be universally applicable.

But these can also oversimplify and so seriously mislead in dealing with the real world, especially when different cultures are involved. It now typically excludes much that can be very important in each culture including our own.

It tried to omit any consideration of human psychology, but often implicitly assumed a naive view of human nature.

It makes bold pronouncements as to what is alone rational.

And it judges everything by how efficient it is without reference to what objectives are being efficiently or inefficiently pursued. Yet that is all-important. Hitler's holocaust might have been judged to be an efficient policy, given its objectives. But ethical considerations are seldom mentioned in economics now, though very significant in every economic policy decision.

Indeed, much individual behavior is influenced by ethical as well as self-interest considerations. There are some things most people would not do even if they could make a better income that way.

As a social scientist specializing in economics, I think the most important factors requiring study in any social discipline are emotionally held belief systems (ideologies including human values & ethics), institutions and power factors, none of which are prominent in many economic models.

Can economics as a social science handle all that HGBILPSTR requires? It should try to do so. Economics explains how people "should act" to get whatever they happen to want (use the marginal principle), and defines this as the only way to act rationally.

But the discipline pays little attention to the very extensive use of resources by business to try to influence those wants.

People all want whatever they happen (under various influences) to want, but they also inevitably want to promote their own well-being. Economics ought to include an analysis of how best to promote their well-being and society's.

That would involve an understanding of the realities that determine the consequences of human choices and decisions, since we cannot act at will & also choose consequences just to suit ourselves.

Human well-being depends upon how well human decisions harmonize with those realities that determine the consequences of our actions. **When well-being is the objective, such harmonization is the only rational means.** Economics is the science of the rational means to pursue given ends. If the end of human societies ought to be the promotion of human well-being (and what else would make sense?), it should seek to learn and expound the ways to harmonize our creativities with the reality that determines the consequences of various choices of actions.

Our ideologies include both ideas about reality and ideas about values & ethics, but are not always right about either or about their relation to each other. Errors in these respects may not conduce to human well-being.

Economics would be more helpful if it grappled with the problems of how in each culture to best promote human well-being, a more important human objective everywhere than dealing only with the objective of satisfying merely temporary wants, some even manipulated by advertisers.

SOCIETAL WELL-BEING

Thus far in discussing society, using my acronym to analyze it, we have assumed that any analyst's proper objective was the promotion of human well-being. A long run analysis might have to be concerned with increasing the abilities and powers of humans and human groups which the acronym did not consider for the purpose.

Now I ask the question of whether the concept of well-being applies to society itself, and indeed what it would mean if so applied.

There are some countries today that are not even able to function as normal countries. Their societies are in too much chaos to function normally. They have not achieved well-being. But is mere "normality", whatever is meant by that, sufficient to connote well-being. Or what more does the concept connote?

My acronym indicated that the components of a society were individuals and human groups. So both within a society and between societies there are a multiplicity of potential relationships. The interrelations between individuals and between

groups within a society can be either conflicting or mutually benefitting. The conflicts can be conflicts of interests or conflicts of ideology. They can be either peaceful or lead to violence. If mutually benefitting, the benefits to the parties involved may be equitable in the view of all affected, or some may get the lions share of the benefits (so they are inequitably shared). Equitable division does not always mean equal division. If one side was badly off before a transaction between them took place, and the other side was affluent, equal division of the benefits would not be equitable.

Clearly individuals well-being is likely to be promoted better by equitably divided mutually benefitting relationships with other individuals than with conflicting relationships which could become violent. The same can be said about group relationships within a society.

And it seems obvious that a society's well-being can be similarly defined as one in which the internal relationships between individuals and between human groups are mutually beneficial and equitably divided and so the society is not the victim of internal relationships between its members that involve potentially violent conflicts of interest or potentially violent ideological conflicts.

(See Ch. 5 & 9 for external relationships of societies.)

If societies made deliberate choices between the different types of relations they would develop internally, or would permit internally, the only rational choices would obviously be to choose to develop only equitably divided mutually beneficial relationships. Such rational behavior would also pass the ethical test.

I am unaware of any society ever having discussed the possibility of making such choices, let alone having gone through the process of doing so. If none ever have, I would regard that as unfortunate.

The relationships that have developed in societies were the results of individual and group motivations operating in various situations in which they found themselves. Each actor may have judged its actions to have been rational in the circumstances. But that did not make them rational from the point of view of the entire society of which they were a part.

Indeed it might not be too difficult for a society to decide in principle that it should promote only relationships which are mutually beneficial with benefits shared equitably & to discourage conflicting relationships that might become violent. At least if the latter occur despite discouragement, the society should provide ways of resolving the resulting dispute without violence. On what rational grounds would anyone oppose such a proposition in principle? Racial prejudices would not pass the test on rational grounds.

But there could be a lot of disagreement as to whether the division of benefits in individual instances was equitable or not.

The court system would be hopelessly overloaded if it sought to resolve all disputed cases.

Indeed, between any two individuals such problems could arise despite agreement in principle. Each of us has a somewhat different genetic background, except for identical twins, and even they somewhat unique experiences. So any society could be said to have an unsolvable problem if it tries to make the rational decision that I seem to be favoring.

But I am not proposing that disagreements with respect to such matters as these be settled by suing somebody in a court of law. That would clog the court system.

What I am suggesting is that people recognize that the types of interpersonal and inter-group relationships that involve equitable mutual benefits are socially preferable to those that don't & that pit people against each other & groups against each other & that sometimes become violent. I think it is important for societies to discuss such matters & seek agreement on what is to be rationally & ethically favored & promoted if possible. Societies now simply drift into all sorts of interrelationships without thinking about what makes good sense rationally & ethically.

UNEQUAL POWER RELATIONSHIPS

Every society we know anything about is somewhat hierarchical. To be sure some hierarchy is necessary: societal decisions need to be made & then carried out (more decisions the larger & the more complex the society). Only a very simple society can try to

operate as a pure democracy where everyone both makes all the decisions and carries them out.

Those who make societal decisions inherently have more power than those who don't make the decisions but just carry them out.

Indeed any large complex society usually has many different hierarchies, ranking people on different criteria. Some with respect to different functions they perform, some based on one or another ability or quality they possess, some on inexplicable popularity.

Indeed societies can be viewed as power structures, even if some have powers limited to doing some things that others can't do. Within each power structure, there are unequal powers attached to different people.

In addition in most societies there are people who may sometimes or often misuse their power, or use more power than they legitimately possess. Their power may be used for their own benefit, or for that of friends or relatives, or for some special interest rather than for the general public's interest in the society.

So any power structure involves people of unequal power, and groups of unequal power even in each area where their power is legitimated.

So in all social relationships where power is unequal there is always the possibility, even the likelihood, that the more powerful will take advantage of their greater power and will exploit to greater or less degree those with less power.

Societal policy should always develop legal and other institutions to protect against exploitation of the weaker by the stronger.

There has normally been a general consensus on that principle. No social policy can protect sufficiently, so individual conscience is still important as well as some private group help as well.

In practice, the world never does as well in that regard as it could, and usually the powerful rule the roost to too large an extent.

Economics seems to be blithely unaware of the issue and tries to leave all such considerations to others, thus making

many of its policy pronouncements either irrelevant or misleading if acted upon as though the issue was not critical.

Economic power is one very important form of power. It often buys political power as well. So economists in particular owe it to those they teach, write to, or advise to become conversant about the role of unequal economic power in society.

Readers should open their eyes and study the whole social problem as well as they can, whatever else they read to help them, or to whom else they listen.

SOCIETY AND HUMAN NATURE

Everybody is born into, grows up in, and lives largely in a society & hence, as sociologists would tell us, in a set of complex cultures. These inevitably shape each of us to begin with and subsequently throughout our lives.

Usually our first & often our most important training is from those who keep us alive at first, and then “bring us up” and care for us. That may continue to be of major importance all our lives, or in other instances at least until we leave home temporarily or permanently.

The school system indoctrinates us as part of its teaching us skills in the three “Rs” “reading, ’riting, & ’rithmetic” and fairly soon thereafter for years of instruction in national history.

Of course other children also have an influence on us, both in our ideas and in our behavior.

By the time we reach high school, we find ourselves subject to peer group pressure as to what we believe and what we do. But unless the high school includes children from quite different types of populations, their ideas are not likely to differ much. High schools may differ somewhat in how much their adolescents try to vary from their parental behavioral teachings.

If the high schoolers go on to college, some may be exposed to ideas that differ little or a lot from those in which their culture brought them up.

It has been supposed by educators that Liberal Arts Colleges should function in part to help students to develop the ability to think critically and thus independently of whatever culture brought them up. However, anyone who has spent as many years as I have teaching in Liberal Arts colleges of major Universities

knows that relatively few students in such colleges take courses that really try to develop that ability in their students. And even when they do, it doesn't "take" with all their students. For students who do begin to how learn to think independently, it may be many years before they will recognize how valuable that ability is for them.

After college, whatever type of job they find themselves in, they are likely to find that, in associating with others in the job, they are expected "to fit in well". That means among other things that they are expected to share the common outlook on a wide variety of things as those already employed in the job. Sometimes one is in a big corporation, and management may make more or less effort to get their employees to share some ideas & attitudes the management thinks will be helpful to it. Those in management are obviously going to share ideas & attitudes that are favorable to the firms profitability.

I have sometimes wondered how leaders in business management often take that sort of narrow view although they often need to see their business role in the community in broader terms than they get just from their own "bottom line" (current profits). One evening I heard a vice president of a firm describing how he never questioned the management attitudes while he was employed. It was only after he retired & had an experience he had never had before that he realized that his earlier view of the world had been too narrow. He saw people without medical insurance & too poor to buy any lined up to get a free treatment from a small group of doctors that offered it at certain times. He suddenly realized that his firm's standard argument against medical insurance reform ignored realities.

There was a time when the community & neighborhood in which one lived while working, perhaps marrying & raising a family, brought members into enough contact with each other that they also brought some pressure upon members to share a common outlook on many matters. That is less true in big cities now.

In short, peer group pressure, somewhat different from that experienced in high school, but nonetheless real, may be experienced one's entire life.

We all remain "children" of the cultures in which we live.

It is not that we cannot escape to a limited extent, but many people are happier fitting in all the time than developing the ability to think independently. One can be made to feel a bit out of place, queer, & uncomfortable if one asserts much independence.

However for those who do want to be able to think for oneself, & knows how to do so without alienating others, it can always be done one way or another to at least a limited extent. One never escapes the culture completely, and that is neither necessary nor possible, but one can gain some independence by reading (on one's own) books that do not simply reinforce the culture in which one lives, but are to some extent critical of it on rational grounds.

Above the arch at one end of the big reading room in the Harper Library at the University of Chicago, the following words were chiseled: **“Read not to believe nor to contradict, but to weigh and consider”**.

That advice should be expanded to include not only what one reads in books but also reads in newspapers or magazines or on the internet, and everything one hears – from friends or strangers or enemies or on the internet. For one should weigh and consider every input into one's brain from any source in the light not just of one's previous ideas (prejudices or reasoned beliefs) & not only in terms of your limited experiences but also in terms of those of many others, etc. the rest of your life. For **that is the only way you truly educate yourself and enable you to make informed & independent personal judgments**. As we go through life, we all can continue to become better educated in this fashion if we want to do so.

In addition travel and becoming familiar with the thinking & practices in other cultures, either within the same country or in countries that may be quite different from one's own can be helpful. Indeed that may be one of the easiest ways to see how well some other's countries work with quite different practices and beliefs.

It is interesting that U.S. Americans have from our earliest history tended to be more individualistic in their attitudes than people raised in most other countries. That is quite understandable in the light of the conditions the early settlers

faced. They were not obliged to fit into a long established group culture – they were individuals & small groups setting out to make their own way in new circumstances. They had to rely more on themselves individually. Individualism was a cultural trait from the beginning because it was for some time a real necessity of life.

But our society like all others limits individualism. It requires a large amount of conformity. It does not look favorably on those with very non-conformist views. The U.S. now has the highest % of its population in prisons of any country, & that is in part a matter of our present laws on marijuana possession.

I am even more concerned about our non-individualism in treating persons in prison, and even more about our excessive reliance on them to all be able to make their way in society as ex-convicts once they are released from prison. It is high time that we provide each released prisoner with all the help each individual may need to find their way to productive lives in society after prison.

ACCULTURATION

Some people are impressed by how difficult it is in this country to “acculturate” each succeeding generation. Scientist Raymond Fosdick claimed that our society is continually being invaded by a new wave of barbarians – children that need to be civilized by the generation that brought them into the world. There is a large element of truth in that.

As soon as young children are left together to play, they often tend to quarrel over their playthings – and some of the quarrels become violent – they impulsively hit one another.

It is so critical that I say again: my Mother taught me at a very young age that I did not like another child to hit and hurt me, and no child liked to be hit & hurt, so I should never hit and hurt another child.

Even when my Mother punished me, which was not very often, she explained to me that she always loved me but sometimes had to punish me so that I would remember not to do again what she punished me for doing. It worked.

Fosdick of course had only half the truth – the invasion was not only by little barbarians who had not yet learned to

live with each other – they were also loving & lovable little persons in the making. A baby will cling to anyone who holds it well, and when receiving loving care, it responds lovingly.

The real problem is that the U.S. has at least three somewhat distinct cultures in it, different because of wide differences in income between the rich, the middle class, and those in or near poverty. I was raised in a middle class culture.

Life in the lower income classes is usually very much harder. Many are among the working poor (having full time jobs that do not pay enough to get the family above the poverty level). This is not the place to explore the whole problem of poverty. But due to the difficulties faced, the culture of those in poverty is usually somewhat different from that of others. Life is a struggle, & parents often reflect that in their teaching of their children. They may love them, but it either shows less in their teaching, or somehow the teaching doesn't take as well.

As the children get older and seek jobs they face discrimination or rejection which they resent. It makes them bitter, & often leads to anti-social attitudes or behavior.

I will not mince words here. In normal times the U.S. economy produces more than enough income to provide every family a living wage that would keep every family above the poverty line. Those of us well above that poverty line are either wittingly or unwittingly exploiting the working poor by buying their products at prices that do not pay them a decent wage. That underclass culture is largely due to our failure to share income equitably.

That has long been known by society's scholars, The public has had ample opportunity to learn this. But society has not yet remedied it.

The upper class opposition is too powerful politically to permit a remedy. They say that talk about this would start a class war. Some of the wealthy admit there is a class war & admit that they have won it.

The relationships between individuals and between groups within each society is determined by the structure & processes within that society.

But history also makes it clear that all big societies have been more or less hierarchical in structure. Humans seem always to find some people to look up to almost as though hero worship was part of our nature, while we often tend to look down upon others even without real justification. Of course, any big society has to delegate some governmental powers to "officials" for performance of duties in the society. But they often exercise more power than necessary, often for their own interest or other special interests rather than for the public interest.

There are various forms of power, of which economic power is especially important. Any form of power can be acquired by various means, legitimate and illegitimate, and may be used legitimately or illegitimately to exploit or otherwise harm some people.

History can also be written as the story of what some call the class war, because relatively small powerful classes of one sort or another have dominated all history. The present is no exception, even in democracies where power is more widely distributed than typically in the past. Even in democracies, power usually remains highly unequal. Very few economists have been interested enough to deal with this problem.

There are many ethical questions on which different informed judgments are inevitable, but a broad consensus is often possible on many big distributional issues. These should be clarified and discussed, not dodged as though irrelevant. They are very important, whether they cost much more or less than alternatives.

It seems to me there should be a broad consensus on the objective of providing, insofar as possible, fair and ample opportunities for everyone to develop their fine human potentials.

It is difficult to find a defensible basis for denying this to anyone or to any group of humans.

"Fine" is a "weasel word" that can mean very different things to different people. But humans have a fairly common idea of who they regard as a fine and who they cannot. A fine person tries to harmonize their creativities with others insofar as possible rather than exploiting others simply for their own gain.

Some things I think are so important that I repeat them more than once in this book in the hope that repetition will make more certain that you cannot fail to remember them, if you remember nothing else in this book. So I say again that there are all sorts of potential relationships among people, some conflicting & potentially involving violence, and others mutually beneficial to both or all parties concerned, and the benefits can be divided inequitably or equitably in the views of the different parties. Societies work much better if they are dominated by mutually beneficial relations and equitable division of benefits. So, whenever possible we should all:

Seek equitable mutuality wherever possible, instead of conflicting relationships.

So in all social relationships including economic relationships, in inter-group relationships, in interpersonal relationships, what social policy needs to focus upon is the possibility of exploitation that is always possible where power in any form is unequal, if some people's belief system permits them to exploit others.

Societal policy should always develop legal and other institutions to protect against exploitation of the weaker by the stronger. There has normally been a general consensus on that.

No social policy can protect sufficiently, so individual conscience is still important, as well as help from some private groups as well.

In practice, the world never does as well in that regard as it could, and usually the powerful rule the roost to too large an extent. Economics seems to be blithely unaware of the issue and tries to leave all such considerations to others, thus making many of its policy pronouncements either irrelevant or misleading if acted upon as though the issue was not critical.

Readers should open their own eyes and study the whole social problem as well as they can, whatever they read to help them.

And do not listen to only one ideologue. Seek the breadth of the basis in reality of each one of them.

PLURALISTIC SOCIETIES

We all live in nations whose populations are usually far from being homogeneous – they are said to be pluralistic societies. Each nation is composed of groups of people who differ from each other in appearance, in ethnic background, in aspects of their culture such as their language, their customs & practices, their values, their religion and their ideology. Some of these groups live in the same neighborhood with us, & their children may even play with ours.

But when people differ from “us” (“us” being members of any one group), they are suspect by “our group”. We imagine them to be inferior. We are suspicious of them, even a little afraid of them. We may be worried about our children playing with theirs. We fear they may corrupt our culture, or get too much power in the community, or come to dominate our government etc. All this is natural – it is normal human nature. Yet all this presents a problem that every pluralistic society needs to deal with as well as it can.

The problem is that we all need to get along well with each other and avoid conflicts that could become serious and even violent at times. Better yet, we need to learn to enjoy our differences, different customs, different forms of entertainment etc. We need to find things we can enjoy doing together so we can enjoy each others company. This will increase our understanding of each other. As we thus get to know each other better in the neighborhood we may even find ways to help each other upon occasion.

Thus we realize first that there are exceptions to our low opinion of those different people – some of them are much like us, and are fine people. Some people will not get past that point, while others will realize that the “foreign people” they know well are not exceptions, and that however much peoples may differ even in some important respects, they are not so much different from us after all, though brought up in a different way.

When diverse groups reach this point, they may be able to work together to develop their country in ways that they work out together. This is far better than a political situation in which all groups jockey for positions in government from

which they try to get special advantages for members of their own group. When they are working together instead, they can easily support anything that appears to offer mutual benefits to all groups in a pluralistic country instead of favoring any one group. There is always the further requirement that the benefits be equitably divided among the pluralistic groups, for if they are not, that can become a source of friction and potential conflict unless the benefits can subsequently be more equitably divided.

The ideal would be for any society to strive to do whatever possible to provide every individual fair and ample opportunities throughout their lives to develop & use their choice of their fine potentialities. I will keep coming back to that.

THE RANGE OF SOCIETAL DEVELOPMENTS

The usual classification of societies now is developed and less developed. But the characteristics of less developed societies vary much more than those of developed societies.

A few areas on current maps show areas named as countries that may have no common government, or may have formal governments of widely varying degrees of effectiveness. Somalia, Congo, Yemen, Afghanistan are examples of relatively little or no effective common government.

Even Pakistan contains semi-autonomous tribal areas where tribes kill both parties if a man & a woman from two different tribal areas fall in love & marry. Each dishonored their tribe.

China is so huge that some parts of it near the coast are highly industrialized already, while much of the inland areas are almost totally undeveloped. China has shown that an authoritarian government can force industrialization on part of the country faster than governments elsewhere have.

A foreign culture or government or business that tries to “modernize” or “democratize” a less developed country will be regarded as foreign & a danger to their own culture & will almost certainly fail in its efforts. It is most unfortunate when business seeks to make a profit by interesting their adolescents in such things as “cop-killer songs”. No wonder that the

U.S. is considered in some underdeveloped cultures to be “the big Satan”.

One of the greatest needs in some LDCs (less developed countries) as I mentioned before is to improve the status of women. No one knows how to start doing that in different LDC cultures.

In some instances the developments needed may come, though slowly, as leaders in LDCs see the advantages for them & their countries of some aspects of the MDCs (more developed countries). When they introduce them themselves, their people are more apt to follow than if outsiders push them to do so.

The 20th century witnessed endless arguments using the words capitalist and socialist as praiseworthy or terrible. Often one term or the other was slung around as an epithet without showing much understanding of what they were attacking.

The public was not helped by this to learn that there are a wide variety of possible & actual capitalist economies & of socialist economies. Few arguments understood this, so many of those arguing assumed the other was always wholly bad.

If they could forget the terms, they should have been arguing about a wide range of possible relations between government roles and private business roles. Some people would still have taken a virtually anarchistic position, and some would have favored a highly governmentalized economy, with most somewhere in the middle. Then it would be possible to have some rational arguments. Charging either capitalism or socialism as either good or bad seldom led to rational arguments, but to praise or use of epithets that mean bad.

CHAPTER THREE

INDIVIDUALS AND SOCIETY

SOCIETY'S PRESSURES ON INDIVIDUALS

In the latter parts of the previous chapter I showed how society tries to impose its approved ideologies & behavior patterns on its individual members.

Society's own well-being and functioning well requires these pressures to create the necessary societal solidarity.

But while all the elements in HGBILPSTR are resistant to change, they each also have within themselves their own tendency to change very slowly in some ways as well as being subjected to effects of changes in each of the other elements. The resultant changes in the situation may require societal changes in certain directions. To help bring about such changes it may be necessary for some individuals to have partially freed themselves from society's pressures upon them.

SELFISHNESS RECONSIDERED

Of course everyone is selfish. They can't help but be. It would not make any sense for them not to protect themselves and try to increase their own well-being by their own efforts insofar as possible. So we all believe that selfishness is not only o.k. but is necessary, and proper, and even commendable.

Why then do we hear so much criticism of others for their selfishness? Obviously it is because a virtue is no longer a virtue if carried to excess. And many people, perhaps even most people, are properly criticized as being too selfish and not considering the feelings and the well-being of other people sufficiently.

Maybe we need to reconsider not only the degree of our selfishness, but its very nature. We are naturally concerned first & foremost with our own personal well-being. But if we are happily married, we are concerned about our spouse's

well-being as well as our own. And if we have children, we normally are so concerned about their well-being that we often sacrifice some things we want for their sake. The same may be true to a degree for our parents & siblings. We tend to be very concerned for the well-being of our best friends. I am asserting that most humans are concerned not just with their own well-being but at least with that of their close relatives and their best friends.

Ordinarily mere strangers are outside the circle. But most people have a more inclusive social self whose well-being concerns them and for which they could be said to be selfish. It may even include groups to which people belong that are important to them. If such a group to which they belong is harmed somehow – their ethnic group or racial group, or people of their community, or of their religion, others of the same groups are usually alarmed. Many people are even active promoters of groups to which they belong.

For most people it includes their country. Most people are “naturally” patriotic. Patriotism shows that most people include their nation as part of their social self and get quite excited about anything that hurts their nation. They are proud of their nation and active promoters of it.

Many people are also anxious to serve the principles and values and ideas (even entire ideologies) that are dear to them. We humans are not normally selfish just for ourselves alone. It is our social selves for which we are selfish. That includes our ideologies.

The real question is not as much whether we are too selfish for this broad social self as whether even the broad type of social self for which we are selfish is as wide as it needs to be & hence should be for some people, and perhaps for everybody.

Is it for many people as broad as humanity itself? The big question is whether we are ever concerned about actions or policies that may harm the future prospects of humanity itself. It is probably correct to say that such considerations seldom if ever enter most people's minds. But for some it does.

There are things going on in the world today that threaten humanity itself, or at least may hurt everybody. See Chapters Six & Nine. How many people are actively worried about this, and are concerned for the future well-being of the human race as a whole? I dare say many more would be concerned if they knew some relevant facts.

Different individual problems and different societal problems may appropriately require differences in how wide our social selves need to be to deal well with each problem.

INDIVIDUAL'S OBLIGATIONS TO SOCIETY

Almost all that we **are** we owe to others – first life itself, then rearing, then all that is poured into our minds by others or made available by them from our childhood on.

The individual is not an independent entity, maturing autonomously, living independently of others, or exploiting them. Life is life with others because we are all social animals.

To be sure there is individualization in the process, and that entails potential conflict between the individual and society.

But the fulfillment of life requires a substantial amount of harmonization with others.

Feral man is not a normal human being. The normal human being is a social product and a social person.

We have some freedom in a social context, but what we do to and with others is what makes us human, along with how we react to what others do to & with us.

The individual and the social (i.e. others, or the group) are both primary. That creativity comes from the individual is correct, but it is easily forgotten that the individual contribution is usually relatively small in the social and historical context.

Almost everything that we **have** we owe to others – first life, then vastly more than we could have produced without being part of a complex socio-politico-economic system. Almost everything comes from our standing on the shoulders of earlier generations and benefitting from what they transmitted to this generation. We can at best contribute only a little, except to a few people, while we take much. Our impact can

indeed be either positive or negative to those in direct or indirect, close or distant, contact with us.

Since much of what we are & what we have has come from or depended on others, our predecessors & our contemporaries, & since our successors depend upon what we give them, we have a big obligation to do at least as well for them as was done for us.

Since we have grounds also to criticize some of what was done for us & to us, we have an obligation to do better for & to others if we can. These considerations ground our positive obligation to be concerned for & to contribute to others' welfare.

The social problem is not primarily that people are generally amoral and don't care about others, having no social concern and feeling no moral obligation. Nor are most people immoral in enjoying harming others.

The problem is that the scope of people's moral concern and sense of obligation tends to be too narrow. They do things & support policies that help a few people they care about, or help large ethnic, national, religious or other ideological group with which they identify; but they ignore, fail to recognize, or don't care that others are thereby hurt. **Their social concern is not broad enough.**

Obligation is felt only to an in-group. It is easy to protest that one does not know how to help those of other groups, and that may be true, but the test is whether one feels any obligation to try to find out how to do so. It is also easy and correct to say that one's obligation is greater to some, including closer personal relations and one's in-groups than to out-groups. But though charity begins at home, the obligation should not end there.

Those of us who were smart enough to have gotten ourselves born in countries where the standard of living is relatively high have inherited more freedoms for our individualism than have those born elsewhere. Accordingly we have greater obligations to contribute to less fortunate contemporaries and to the next generation.

Humorist Art Buchwald, speaking at a college graduation ceremony, told the graduates that his generation had made a

perfect world for them and he didn't want them to go out there and start messing it up. I always wondered how many graduates not only got the humor but got what he was probably challenging them to do in the speech.

When we are serious we know that what the modern Western world is offering to its contemporaries and what it may pass on to its successors is a very mixed bag. It is to be hoped that both contemporaries and successors will be discriminating enough to take our best and not our worst, though we are currently making more money trying to pass on some things that are far from our best. We regulate tobacco advertising in the U.S., but our cigarette producers are free to do whatever they wish to addict foreigners. Foreign children are exposed to U.S. cop-killer songs. No wonder that some in other countries consider the U.S. to be the big Satan and want to shield themselves from our culture.

Some of our best that we can hope spreads and survives is not our imperfect practice of watered down or distorted ideals, but our highest ideals themselves. They include our best conceptions of freedom and individualism. They include the ideal of a society in which all try to develop and harmonize their individual creativities, and none are treated unjustly.

The author of this book wants to make it clear here that he is rejecting two ideas that became popular in some circles in different countries in the 20th century: on the one hand the idea that society was the supreme reality and so the individual was necessarily & properly subservient to it, and on the other hand that the individual's freedom was all-important and society must not interfere with it. The former idea supported state worship. The latter idea supported extreme individualism.

I think there are very few now who think individuals should be subservient to the society or the state, but the above section of this chapter made the case that individuals do owe a great deal to society, something our individualism neglects.

Extreme individualism was a view popular with those most successful in accumulating wealth for themselves by opposing all government regulation of business, but very adept

at using government in ways that added to their wealth directly or indirectly.

University of Chicago philosophy professor T. V. Smith (no relative of mine) said they should be asked whose freedom concerned them & whose freedom exhausted their meaning of the term. The only equal freedom of the rich & the homeless poor was their equal freedom to sleep under the bridge at night. Otherwise the poor and the rich did not have equal meaningful freedoms, that is, equal opportunities. The rich seem too unconcerned about the well-being of the poor to do anything about it – they blame the poor for their own poverty, sometimes blame it on their laziness. The U.S. has millions in poverty who are not idle but are working full time. So this extreme individualism of the rich must also be rejected.

But a less self-interested individualism is now to be defended. Society's proper function is to develop its individual members as well as it can. Individuals should not be subservient to society, society should be subservient to its individual members well-being. The next section of this chapter puts this in a strong form that the book has set forth earlier.

WHAT SOCIETY OUGHT TO DO FOR INDIVIDUALS

Having emphasized individual's obligation to society, I now consider society's obligation to individuals. It should provide, insofar as possible, for every individual to have fair and ample opportunities throughout their lives to develop and use their choices among their fine potentialities.

I believe every individual always has some fine potentialities.

There is no need to quibble over the word "fine" in this context. It clearly excludes sadism: pleasure in hurting people. Everyone has a similar concept of who is a fine person to know & enjoy having relationships with, whom they can respect as a fine person and whom they cannot, whom they wish they were as good and whom they wouldn't want to be like.

I believe that everyone has fine potentialities at birth, though their social experiences may lead them to develop the wrong potentialities if they feel that society has denied them the fair & ample opportunities that I say everyone should have. Most people could not even afford to buy themselves

such opportunities, if that were even possible. Some people would deny some others such opportunities. Men denied women the right to vote in the U.S. until 1920. Some groups still discriminate against others. For shame!!!

Only society, through majority support, could aim to do what they should for individuals. It would be a difficult undertaking, but nothing it could attempt would be such a great & ideal objective.

I can't think of a better social goal. Everything it could succeed in doing at any time would be very valuable to those it helped. Even if it was never able to do it as well as it wanted to, if it was always trying to do better, that would be praiseworthy.

Thus far no society has chosen to make this a social goal. Aside from its own preservation, no society has such a defensible goal. This objective is like most other ideals, they may never be fully accomplished, but even what could be accomplished will not be accomplished unless there is active striving to accomplish as much as society is capable of accomplishing. People may differ a lot in where they think any given society should start. That is not crucial if they start somewhere relevant to the ideal.

There are no grounds on which anyone should be denied the opportunities I have been discussing. There is no rationally defensible basis for denying such opportunities to any group of individuals, nor indeed to any single individual.

Some people might say criminals should not have such opportunities. But criminals are people who at some point in their lives have broken government laws. Though society should properly safeguard itself & its other members from criminals, & some may need to be removed from society for shorter or longer periods, perhaps some even for their entire remaining lives.

Those who return to society at the end of their sentences almost always need the help of other people to fit into society better. The U.S. does not have in place a system to do this, but there is no excuse for their not developing such a system. Of course it may not always work and rehabilitate people en-

tirely, but it almost certainly would reduce the number who return to a full-time criminal career. Even if some people do not believe that, they have no excuse for not trying to help those released from prison to do better. What fine potential there are should be realized if possible.

SOME SOCIETIES INSURE INDIVIDUALS AGAINST ECONOMIC INSECURITY PARTLY THROUGH THE POLITICAL PROCESS

Do you hope that you can deal satisfactorily with life's financial insecurities? You might have to be very lucky or very wealthy to be able to do so on your own. Yet there are ways that everyone's financial insecurities can be met well. How well we are doing in that regard in this country, and how much better we could make the future in that regard is the subject of this section.

The vicissitudes of life itself create insecurity for everyone. Anyone may die too soon without being able to provide financial security for their family, or they may live too long and not be able to provide for themselves. Anyone may suddenly face medical bills that they simply cannot handle, or they may become disabled and not be able to earn at all, or as much as before. Or anyone may face legal liabilities they cannot meet. They may have an accident or their house may burn down. Many people are able to adapt to these changes, at least over some time, but others are not able to do so on their own.

In modern industrial economies we are not dependent only on our own efforts for our economic livelihoods – we are dependent parts of a vast interdependent economic system which creates insecurities beyond those inevitable in any life. We may lose our job temporarily because of a recession or depression, and that may go on for months or even for years. Or new technology may destroy our job, as may increased competition from imports.

Changes in market demand may ruin the market for the product we make and the firm that hires us may go out of

business. If we can't find another job quickly, we can find ourselves in a very bad situation.

By its very nature, no one's position in a market economy is ever secure in the face of changes in market demand, resources and technology that go on all the time. Insecurities are unavoidable. But one basic human need is for whatever protection is possible from these insecurities.

Fortunately, it is also true that this interdependent economic system is capable of dealing more effectively with all of life's insecurities than we could ever do as independent individuals, or even as members of small rural communities.

One answer to economic insecurity is to save for the "rainy day". Very good idea. But the simple fact of the matter is that no one except the very wealthy can possibly save enough to take care of even one of the above mentioned disasters, let alone more than one, if it is a serious disaster, or if it occurs early in one's earning career.

The very idea of politicians now telling us, as some are, just to save is ridiculous – even dishonest, for any thought about the problem should suffice for anyone to know that saving as protection against financial disasters is not enough of an answer unless one is wealthy. Even national policies to promote saving are essentially fraudulent as an answer to the problem. Everyone should save to supplement, not to substitute for, whatever other provision can be made to deal with personal or family economic disaster.

Of course people should save, for a whole variety of reasons. If they want to take a vacation, people should save for it in advance. If parents want their children to have a college education, they should start saving as soon as possible after the child is born. The fact that many people do not save enough even for planned expenditures is not too surprising when one considers the way we are deluged with credit cards. Business does everything it can to get us to borrow and spend, and sometimes profits more on the credit provided than on the goods sold to us on credit.

But if we are already in debt whenever we need more money for whatever reason, we are in real trouble. Whatever provisions we can make for whenever disaster strikes, it is

always true that having some savings as a supplement can help out, though only the wealthy can rely on it entirely.

In olden days, when a farmer's barn was hit by lightning and burned down, all the neighboring farmers pitched in and helped rebuild the barn. Each knew that if they in turn had the same bad luck, others would pitch in and help them.

In modern urban society, economic disasters hit many people, but they are relatively few out of the total population. There is good actuarial data on how many get hit by each type of disaster. But nobody knows which individuals or families will be hit and will need the help of others.

The solution is to organize somewhat like a farm community, except that each person pitches in and helps by contributing a little money each year. Each pays a small premium to an insurance company which holds the bag of money, earns something by lending part of it, and pays out an agreed sum to the few who get hit by the disaster that the company insured.

Individuals cannot know their own probability of a disaster requiring help. But they can join others they do not even know personally, contribute to a pool of funds out of which anyone of them can be reimbursed a predetermined amount if disaster befalls them. By having a large number of participants, an insurance company can know the probability of losses and set their premiums accordingly. Insurance is an absolutely wonderful social invention to protect individuals and deal with insecurity in an interdependent society.

Economic disaster can hit anyone too hard for any except the very wealthy to handle it by themselves. For many years, people hit hard by financial disasters were left at the mercy of private charities or to their fate which sometimes landed them in public poor houses. These were very poor answers to their problems.

So insurance came to the rescue. It can be offered to cover all insurable economic risks for people whose incomes are adequate to buy the insurance. For private insurance firms, any risk is insurable if there is data available on the number of persons who on the average have any one type of

disaster in the population, & data on the average magnitudes of the different types of disasters.

So people with enough income to do so can purchase life insurance, disability insurance, house and property insurance, liability insurance, car and accident insurance. Some medical insurance is available, but not to everybody. It is something of a special case, so it will require further discussion.

The insurance industry gives us ample ground for hope that we can meet disastrous expenses (beyond what we could afford or even save enough for) if we can afford to buy insurance against the possible disasters. The cost of the insurance will depend on how many of the large number at risk buy the insurance.

You can indeed hope that you never have a disaster that you bought insurance against, for insurance protects you against only the financial aspects of a disaster, not against its other aspects, as nothing can do that. You can hope that you lose the money you spend on insurance protection because you are always better off not to have suffered the calamities against which you insured yourself.

Protection of Insurance Companies

Of course there is a problem if an insurance company does not keep enough reserve to meet the disasters for which it may have to compensate its policyholders. Indeed if it goes belly-up after people have paid in insurance for many years and then they have to rely on it to reimburse them after some disaster, there is tragedy. So the question is whether insurance companies are sufficiently regulated to avoid such tragedies and keep the insurance funds safe. Some have not been, so better regulation is needed.

We have not even begun to think about how to extend enough protection to our private insurance system so that people will not be in danger of losing insurance protection for which they had paid over the years. Some insurance companies that had long had good reputations were able to continue putting out nice financial reports to maintain their public reputations, while in fact they took huge risks by loading up with junk bonds and later were insolvent.

Private company reinsurance pools are some protection. No one wants a highly intrusive type of government inspectors and regulators, so perhaps requirements could be put only on the reinsurance system if all insurance companies had to reinsure.

Another problem is that an insurance company licensed in one state is not licensed in all states, so when an aged person moves to another state and later tries to collect on an insurance claim, the insurance company may not honor the claim. That could be solved by requiring that good federal registration standards be met by all insurance companies & be honored in all states.

Indeed private insurance companies have often sold policies that in fine print, that policyholders often do not read or do not understand, take away much of the protection that buyers think they have bought. Has regulation gone far enough to protect buyers of insurance so that they know exactly what protection they have bought, and so are not exploited by the insurance companies? No.

Some recent politicians' worship of deregulation is very ill advised. Public support of it can only be regarded as irrationality. There are many instances where regulation in the public interest needs to be improved instead of reduced or eliminated. What is the probability that the public will be protected by better regulation of insurance companies in the future? Or will we be less protected as business preaches deregulation? The slogan "Get government off our backs" really means get government regulations off the backs of businesses.

If you want to be sure that your hope that the provision you make for your economic insecurity is well grounded, get political enough to align yourself with others and work for government regulation of and protection of insurance companies. I was not the only one who almost got burned by insufficient regulation of insurance companies.

Social Insurance

There are some disasters for which there is not good actuarial data on which to base premiums. Unemployment insurance is a case in point. No one can safely calculate how much

unemployment will hit the economy, when it will hit, how serious it will be and how long various amounts of unemployment will last. An insurance company has no reliable way to set premiums for unemployment insurance. In addition, no one really knows whether he or she will be among the unemployed when it increases, so one does not know how much one should pay to carry unemployment insurance protection. Under those circumstances very few people would buy it unless it was very inexpensive, and few insurance companies could afford to sell it at a price many people would pay.

Social insurance instead of private insurance companies is the simple answer. Government can require everyone to pay something to be insured, and levy a tax on each business to provide unemployment insurance. If the costs are higher than expected, other tax funds can be used to meet the added costs. Social insurance where private insurance does not work at all, or does not meet the need well, can be very good social policy and very good individual protection.

But our unemployment insurance system needs some improving. It should be designed to handle the unemployment due to the down swings of the business cycle. We even vary unemployment insurance premiums for firms on the basis of their unemployment experience, as though the amount of unemployment a business suffers is something over which they had substantial control. But anyone must know that some types of business are hit much harder by each cyclical downswing than are other types of business. That is entirely out of their control. One could of course argue that their unemployment is just a higher cost of that type of business that they (or only their customers) should bear, rather than that most unemployment is a cost of recessions and depressions that the whole community should bear. One way for the whole community to bear the cost of unemployment caused by the business cycle is by a tax on all business that of course they usually will pass on to all consumers, as they should. Consumers & income earners should share in the costs of protecting unemployed income earners in economic downswings (in slightly higher prices & in slightly higher taxes).

Even a rather poor social insurance system for unemployment gives you ground for hope that you are less likely to suffer as much income loss from unemployment as you otherwise might. If a recession throws you out of work, or if you lose your job for some other reason or for no reason at all, while you look for other work in the latter cases, you have something to fall back to a limited extent and for a while. Our unemployment insurance should not stop after a short period but should extend as long as good jobs are unavailable for the unemployed.

Social Security As Social Insurance

Our entire Social Security System is a form of social insurance. Along with other welfare state legislation it is referred to as the social safety net. The general philosophy of a social safety net is to protect anyone in case they fall, through no fault of their own, below a subsistence income level.¹ Indeed social insurance can be set up to protect everyone against any extremely large accidental and unexpected drop in their standard of living, whether or not that would reduce them below a subsistence level. Our Social Security System is most people's (not everyone is covered by it) first line of defense against a number of very significant sources of economic insecurity.

It is very important for everyone covered, but not alone enough protection against financial disasters. Indeed, this country has a sort of patchwork quilt social safety net with some big holes in it, most notably with respect to medical insurance.

It is financed by an employee and employer tax on employee income up to about \$80,400, and it provides benefits roughly proportional to taxed employee income. Without going into detail, benefits are payable when one retires or if one is disabled before retirement, and payments are made to one's survivors after one's death (to minor children and then to an aged spouse). Some hospitalization payments are also

¹ The classic statement of the case for social insurance, and indeed for the welfare state concept more generally, including the provision of various social services, was provided by Sir William Beveridge in *SOCIAL INSURANCE AND ALLIED SERVICES*, 1942, London, H.M. Stationery Office.

available under Medicare. The system is not intended to meet all financial needs in these various instances, but does provide substantial help in meeting the needs.

The important thing to note is that the Social Security payments for disability continue as long as one is disabled, for life if necessary. The retirement payment continues until one dies, and the payments to a surviving spouse continue as long as they live. That needs to be emphasized: **These social insurance payments can continue for as long as the beneficiary lives.**

That is the beauty of insurance as against saving as a way of dealing with these financial problems. One cannot exhaust the payments, as one can exhaust one's savings. Of course, saving is desirable to supplement the insurance payments, and one can only hope that the saving that supplements the insurance payments are not exhausted too soon, as they certainly would be for all but the rich if there were no Social Security insurance.

It is absurd to think that that private savings could replace social insurance & substitute for it instead of merely supplementing it. Any suggestion that a savings system can replace an insurance system is simply dishonest. No personal saving system, however much aided by tax credits for those too poor to save much, would be able to guarantee to help as long as each person in need lives.

Many people indeed do not now rely upon Social Security alone to take care of their possible disability but buy disability insurance, which is a very wise thing to do. If they are sensible, they also save to supplement both in case they become disabled. Few people will be disabled, but no one knows whether they will be among them, so supplementing Social Security with private disability insurance plus personal saving instead of relying any one of them alone is very smart. Indeed, not to do so would in my judgment deserve the term stupid.

And most people, if they are not so poor they cannot afford it, buy private life insurance policies for exactly the same reason: to supplement Social Security when one dies. No one knows when they will die naturally or meet an accidental death. There is no way they can know that they have time enough to save all that their survivors would need in

addition to Social Security, even if they are currently earning relatively high incomes.

We still do have to adjust our Social Security properly so that it remains financially strong, though there are a number of ways that this could be done which will be examined in this chapter. But the idea of simply returning the problem to individuals to protect themselves as best they can by saving, ignores most people's inability to save enough and others' improvidence. It ignores also the fact that we are all one nation, a nation of people whose normal compassion requires us to help people in need, and the fact that the best way to do that is not by emergency appeals for each single persons in distress but by social insurance provisions for all such persons. It has thus far in its history done a great deal to keep many of the aged from falling into poverty in their helpless years. Yet many people today, especially many politicians, are ignoring the real success of the system. That is well described in John E. Schwarz's book, *AMERICA'S HIDDEN SUCCESS*.²

The public has probably forgotten, if it ever knew, that for many years when the government's tax revenues that went into the Social Security Trust Fund exceeded the outlays from that Trust Fund for the Social Security payments it was obliged to make to some people, the surplus in the Fund was used by the federal government to pay any of its other expenditures. That was done to avoid having to issue new Treasury obligations, that is borrowing the money to pay for them (which would be deficit spending, increasing the public debt) to pay for them.

As more of the so-called "baby-boomers" born shortly after World War II retire and collect the Social Security payments due them, the time will come when those payments will exceed the current tax receipts that go into the Social Security Trust Fund. Obviously something should be done to make the income and outgo of the Fund equal or over time it would fall to zero. Then something would have to be done for Social Security to continue.

² John E. Schwarz, *AMERICA'S HIDDEN SUCCESS*, Rev. ed. 1988, Norton.

Various proposals were made before this and will continue to be suggested. One that keeps reappearing was to divert some of the tax money now collected from each taxpayer for the Social Security Trust Fund and put it into their own personal investment account in the stock market which they can at retirement draw upon when they need it. The argument was that this investment would earn them more in the stock market than the interest that is paid on the money in the Social Security Trust Fund, & that one might even make capital gains in the stock market.

The evidence is clear that over the long run an investment in the stock market pays well. But it is always a gamble as to whether any chosen investment in any particular set of stocks or mutual funds will result in a gain or a loss in a shorter run. To take any capital gain on any stock, it must rise in price after one buys it, & only if it keeps rising in price can one take another capital gain. No stock price keeps going up forever. A better bet is to buy any stock when its price is lower than usual & sell it when it goes up, reinvest the capital gain similarly in a low priced stock likely to rise in price. This is what everyone playing the market tries to do, but few are successful, even when they pay “experts” to advise them. Many could suffer capital losses instead.

It is not wise to gamble any of the money one might need in such a market when the same money put into Social Security would always be available upon need for as long as one lived.

The proposal just discussed was called a reform of Social Security. That was a total misnomer – it was a proposal that would not reform Social Security but one that would weaken it for everybody thereafter. If the Congress ever passes such a proposal. It would necessarily require a reduction in the amounts then promised for each required Social security payment because less was being paid into the Trust Fund per person.

Let us consider Stock Market behavior a little further. An economist might tell you that, like any market, its prices reflect at all times everything that people buying and selling know about the future prospects of each business whose stock they buy or sell. Since it is likely that not all buyers and sellers have all the identical information as all others, they differ

enough to maintain some active transactions among them in the stock market.

But there seem to be times when in any market the people involved share overoptimistic or over-pessimistic views. That may raise or lower what would otherwise be the average price level in the market involved. That may explain some stock market behavior.

Perhaps most trading in the stock market is by people speculating on where various stock market prices are most likely to go. That is they are guessing on what most other speculators are guessing about what will happen to various stock prices.

Journalists try to explain each day why some prices moved as they did. They manage always to come up with some explanation. That is their job. But the explanations are not always convincing, & often leave one quite baffled about stock market price movements.

You may think you can chose the right time & the right stock or mutual fund in which to invest each time. In any case you should know that you may be left with no choice as to when you need to withdraw some of your money invested in the stock market and when you may need to make each other withdrawal. You lose money each time the price of what you have to sell is lower than its price when you made the investment.

Very few will be lucky most of the time. You may instead lose more than win. As previously said, It is not wise to gamble with funds that you will need in the future & that could be put into Social Security and be safe & usable for the rest of you life if need be.

Letting government itself invest in the stock market is the worst idea yet, for that is wide open to corruption.

All this discussion of the stock market should be unnecessary, but it will not be if the public lets the politicians get away with putting any substantial amount of what are now Social Security taxes into the stock market one way or another.

Now consider better ways to shore up Social Security.

First, return to the earlier use of some Social Security Trust Fund money to pay for other federal government ex-

penditures (& make the earlier deficit spending by the federal government appear to be lower than it really was). That money should still be repaid to the Social Security trust Fund. And it should be repaid with interest from the dates when it was borrowed over a period of years. That would restore the size of the Social Security Trust Fund to what it should now be. The problem of balancing income & outgo will still appear later, so I will still discuss alternative solutions. Presently the government would have to sell more government securities to pay off its borrowing earlier from the Trust Fund. That should have been done before the present. Do it now. That will postpone for some time the Social Security Trust Fund problem.

Since people are now living longer than when Social Security was established in the 1930s, Social Security retirement payments need to extend to later ages now, thus increasing the problem for the Trust Fund. But many of us can & do work longer before retiring, So the age at which people stop paying in & can start withdrawing this part of their retirement income could be increased some.

What more could be done to keep Social Security paying in full what it is obligated to pay to those who contributed?

Some people whose wages barely put them in the lower middle class pay the full Social Security contribution (tax) rate on their wages, but the rich pay no Social Security taxes on the income they receive over \$80,400 a year. Some of them as CEOs & other top managers now take salaries, bonuses and stock options that give them annual incomes of fifty or a hundred million dollars a year or more. Even managers of financial funds in some years took nearly 40% of all business profits. If they paid the Social Security tax on even half of their incomes, there would be no Social Security financial problem.

Obviously if comparisons are to be made between no fix and any proposed fix, the same rates of economic growth needs to be used in both cases. Some politicians Use a higher growth rate in claiming gains for their proposal than assumed if it is not used.

Even if no changes are made, however, the system will not completely collapse as one might gather from some politicians. Estimates are that it would likely be able to pay about 70% of the amounts it is now obligated to pay.

The public is right to insist upon maintaining the Social Security system and strengthening it not weakening it.

So wise up, get political, join whatever groups or party promises not to put into the stock market any taxes now financing Social Security. You will then have better grounds for hope that the insurance features of Social Security will better protect you than if some Social Security funds are diverted elsewhere.

If in addition to paying the full Social Security tax to Social Security, you invest some of your personal savings in Treasury securities, you need to pay attention to only one thing. Make sure you know how soon, at the earliest, you might need to sell them to get your money back, and make certain that the Treasury securities mature and will be paid off before that date. Because if market interest rates rise after you buy the securities and remain higher than they were when you bought them, you will take a capital loss on those securities if they have to be sold before they mature. When they mature, they are paid in full at face value whether market interest rates have gone up or down. In any case Treasury securities pay a fixed interest rate regularly and in full. And no state income tax is payable in Minnesota on interest earned on Treasury securities.

The Entitlements Scare

A few years ago politicians tried to scare people into thinking that the federal deficit problem was caused entirely by what they call "entitlements", so they argued that entitlements must be cut back drastically or the deficit problem will cause disaster.

Not politicians, but even some military experts say that well over \$100 billion could be cut out of the military budget following the Soviet and Warsaw Pact collapse without endangering U.S. national security.

And even in the future, most opposition to terrorism cannot involve big military operations invading other nations.

So the whole problem of U.S. deficits cannot be assigned to entitlements. But let us examine the growth of entitlements. The discussion must begin by distinguishing between what are called “means-tested” entitlement programs (sometimes identified as “welfare” spending programs, that used to be about 1/4 of all entitlement spending) and programs which spend what people are entitled to receive because of their prior contributions (for Social Security and Medicare which constitute 3/4 of these non-means tested programs). Politicians usually do not make the distinction clear.

Attacking means-tested welfare spending is jumping on people when they are down. Included were primarily AFDC (support for poor families, usually single mothers, with dependent children), food stamps, SSI (the Supplemental Security Income part of Social Security), and Medicaid (medical treatments for the indigent – the latter is about half of total means-tested spending).

Of all entitlement spending, only Medicare and Medicaid were growing substantially throughout the 1990s as a percentage of GDP. Ending AFDC “as we have known it”, with some additional spending, helped many AFDC recipients get jobs when the job market was strong. However many could get only low paying jobs, & they lost medical benefits, so they remained in poverty, & when they needed medical attention they had to go back onto AFDC rolls.

AFDC was replaced by Temporary Assistance to Needy Families (TANF as part of Social Security). I have not seen any analysis of how much that changed anything. In any recession, even poor jobs cannot take people off the “welfare” rolls and will indeed put many back on the rolls.

Medicare needs some attention, although it is not clear what the best fix should be. The elderly have benefited greatly by the medical care that many of them would otherwise have been unable to afford at all. Medicare is not socialized medicine but an insurance system that pays private doctors and HMOs and hospitals for care and that pays private business firms for medical supplies. The medical profession has been greatly aided by Medicare. But some doctors are

even abusing the system to collect over a million dollars a year from it. Some business firms have also cheated the government atrociously on medical equipment & supplies. It seems to multiply red tape to try to eliminate the abuses some people invent.

However, it should be noted that the administrative expenses of the government Medicare system have been far below those of the private health insurance industry. It will be interesting to see whether the most efficient health system in the country is savaged by the politicians in the process of "fixing" it, or is protected and strengthened instead.

The whole rationale of social insurance is not well understood in this country, although in Europe it has been applied much better.

Retirement Pensions: Inequitable and Unreliable

Some businesses that appear now to be strong enough to provide pensions often do so, especially if they have strong enough labor unions to bargain for pensions for employees after a certain number of years of service as an employee. Even some private organizations have tried to offer pension plans covering their employees.

Most business and private pension systems are now defined contribution plans instead of defined benefit plans. That is, the firm pays as pensions only what was contributed to the pension fund for each employee, instead of insuring that the employee would receive a certain percentage of their regular pay after retirement.

Now that people are living much longer than before, the burden of paying people after they retire will become increasingly heavy unless people retire much later than ever before.

The fact is that people who have a pension plan with their employer come to depend upon it, but it is not a very reliable reed to lean upon. The business and private pension schemes are usually not very good, and relatively few firms have them. Those that do have them may go bankrupt or not be in business when their employees want to draw pensions. Sometimes the retirement plan is not fully funded even when it is supposed to be. Some firms may be merged with no commitment of the surviving firm to pay retirement benefits of the bought

firm's employees. Sometimes funds paid into a pension fund plan were not "portable". That is they could not be carried to another firm if an employee leaves and goes to another job. That tended to restrict freedom of movement of labor. Vesting of retirement rights after a certain number of years with a company is an improvement, but is not the whole answer.

Our private pension system is a poor system indeed. Yet it is almost certain that fewer and fewer business and private pension plans will be offered in the future, or will be reliable if offered. The whole system is breaking down.

Medical Insurance

Technically our medical care system has made tremendous progress during the 20th century, primarily by advances in medical sciences.

In the last half of the century we developed a medical insurance industry that slowly increased the number of people covered by at least some medical insurance, often as a fringe benefit paid by the employer. But increasing millions are either not covered at all by any medical insurance or are very inadequately covered, and businesses are reducing employee coverage substantially.

A relatively recent institutional change has been the development and growth of managed care in Health Maintenance Organizations (HMOs).

No one knows who will be hit when by crippling medical expenditures, although we know in general how many will be hit with medical expenditures of various sizes. We know our system to deal with this is increasingly inadequate.

Health insurance (really medical care insurance) has some special problems. The young and the healthy are optimistic and think they do not need medical insurance so don't buy it. But however healthy they are at any given age, they simply cannot know what medical expenses may hit them later and unexpectedly. People who already have health problems almost all buy health insurance if they can get it, but for the insurance companies this adverse selection means relatively high insurance premiums have to be charged. So, many people

now healthy do not buy medical insurance, even if they could, because of its high cost.

Relatively few people in the U.S. seem to have become aware of the problem of the incentives facing private medical insurance companies, though Europeans frequently recognized this and took action accordingly. Private medical insurance companies are in business to make as much profit as they can, given some, though possibly limited, competition from other such companies. Their incentive is to do everything they can to eliminate insurers who have or are most likely to have high medical bills to cover, because that is the easiest way to increase their profits. They are very profitable because they refuse to insure anyone "with pre-existing conditions" that might require medical treatment. Those people are among the uninsured ones who might need insurance coverage the most.

Many European countries eliminate this perverse private medical insurance incentive by having government as the insurer. Some Americans say this involves socializing medical care. It does nothing of the sort. Doctors & hospitals could be private as now in this country, but if medical insurance was governmentalized, government would be the insurance agency & taxpayers would pay it to insure everyone against having to pay private bills for needed medical care. When everyone is covered in this fashion, individual and family medical insurance costs to government would undoubtedly be lower than private medical insurance costs are presently, because every family, & every single individual, would be taxed by government, to share the burden, though they do not all need medical attention all the time.

Much of the medical insurance now in force in this country is a fringe benefit for business firm employees. It developed largely during World War II when wage increases were restricted, but business could in effect give such increases by providing medical insurance as a fringe benefit and treat it as cost of doing business. That relieved their employees of buying the insurance out of taxed income, so it doubtless increased the amount of such insurance in force.

Many businesses are still saddled with the cost of insuring their employees and often their families against medical expenses. That is not a normal cost of doing business.

Business should be required to carry only the costs which are due to on the job accidents and occupational diseases. They are required by law to carry workmen's compensation insurance to cover those hazards.

It is true that wages are probably lower than they otherwise would be when employees get medical insurance bought for them by the employer. It is also true that the employer gets lower cost insurance by insuring a group of employees than each of the employees could get if they insured individually.

Many businesses are now requiring their employees to pay some of the cost of their medical insurance, and increasing numbers of firms are ceasing to cover all their employees with medical insurance.

Some firms now hire some of their labor as "independent contractors" to avoid paying fringe benefits. Between business failures and mergers that change employment relations and firms that feel they cannot afford to carry medical insurance for their employees, increasing numbers of Americans and their families are uninsured or underinsured for medical expenses.

But if everyone had to buy medical insurance, the costs would be spread over so many more people that the insurance premiums could be much lower. A compulsory medical insurance system could protect everyone against this type of economic insecurity at relatively low cost per person, because only a few people in the entire population will actually have the crippling medical expenses that everyone needs protection against. This has been proposed several times in the past, but there was insufficient political sentiment for anything to happen.

During the Clinton administration there was evidence that enough popular opinion had developed to support a universal medical insurance system. Subsequently, Hillary Clinton's committee tried to propose reforms that it was thought represented a compromise among the various interests involved. Some people, including Minnesota's Senator Wellstone, proposed universal medical insurance to cover all Americans.

The public debate over whether or how to reform medical insurance was one of the most serious low points of public debate in this country's history. The public was initially ready to support universal coverage, but by the time the politicians had a field day misrepresenting the issues and the mass media publicized their nonsense, & did not publicize relevant factual information, the public was so confused that the politicians and some special private interests happily defeated the attempt to improve the situation.

As I write this, another attempt is being made to improve the U.S. medical insurance system somewhat, while still depending upon a somewhat more regulated private insurance companies, and again the opposition nonsense gets more publicity by public communication media than do facts about alternatives.

If the nation cannot do better with other public interest issues than it has yet done on this problem, the future is not very bright. It remains to be seen whether the threats to repeal the new reform attempt will work or not.

This experience raises the question of how, in an excessively adversarial and partisan political climate, the country can ever handle sensibly any real issue in the future. It should provide a real object lesson, but it is doubtful that either politicians or the media learned what they should have learned from the experience.

Is there now much ground for hope for an adequate medical insurance system in the future? This optimist refuses to give up hope that the public will finally learn what it needs to learn about the perverse incentives of a private medical insurance industry. It is too obvious. Obama's passed bill helps some & remains under attack.

Medical insurance costs almost stopped rising once while the debate went on regarding Clinton's proposed reform, but then rose again. Some of the increase was justified. As people's incomes rise they spend more on medical care. As people age, they need more care. Hi-tech medicine is higher priced. We may have to spend more to provide proper medical care for those of the uninsured & underinsured who may need it, though we will save by treating them earlier, rather than later in emergency rooms.

We are being overcharged for some things. Pharmaceuticals cost much more here than in Europe. The prices charged patients for CAT-SCANS paid the entire original capital cost of the CAT-SCAN machines in a single year. The machines do not wear out in a year. Doctors fees and salaries don't go down with oversupply of specialists but go up because they control the demand as well as the supply of their services. To deal with malpractice, lawyers gain by suing excessively, driving defensive medicine. Doctors & hospitals do everything possible to keep aged people alive another month even as "human vegetables" & try to keep premature babies alive who even with constant medical care will never live normal lives. We ration medical care now only to those who can afford it, so the protest during the debate that we must never ration medical care is absurd on the face of it. We will always have to ration limited organ transplants, even if nothing else, but shudder at more rational rationing than that of our present poor medical insurance system that rations so much by income. Can't we learn from Europe?

Long Term Care

In old age, some people who do not need medical care may get to the point where they cannot take care of themselves. Some need medical attention also, even to get them to take their medicine regularly. Some of these people can get care, at least on a part-time basis, in their homes, but some have to go to nursing homes that cost \$40,000 or \$50,000 or more a year. Most die within three years in such settings. The private health insurance industry has only recently begun to offer any good long-term care policies to deal with such old age care. Even when middle-class income earners get to the point where they might afford to buy such policies they usually are not even thinking of the possibility that in old age they might have huge expenses for nursing home care, and even if it occurs to them, it does not have a very high priority at the time. So insurance companies have difficulty selling many such policies until people reach old age, and then the policies are very expensive because they have few

earning years left (if any) to contribute before they might need to call upon the insurance.

Yet if everyone was required to buy such an insurance policy, private or governmental, beginning perhaps at age 40, and let their contributions grow at compound interest, the policies could be relatively inexpensive. Will we think through insurance possibilities like this, or will old age care be left to government to provide cheap nursing home care for the poor, while others will be unable to afford the care at all, or be reduced to poverty to be provided for poorly by Medicaid?

Inflation

So far we have ignored the problem of inflation. If the price level rises very much that can reduce our standard of living fairly quickly, and worse, it can render quite inadequate all of our provisions against economic insecurity.

Unfortunately there is no way that the insurance industry can protect us against unknown future inflation.

It is often impossible for many people to get current income increases to keep up with the inflation. Indeed if they try very hard to do so by demanding & getting increases in wage rates to catch up to the rising cost of living, that will almost certainly increase the rate of inflation & so they will fall behind again. That was what happened when OPEC increased oil prices and gave us inflation in the 1970s.

If the money supply is allowed to increase too fast and produces inflation, the Federal Reserve must clamp down and prevent that in the future. If the government deficits spends too much when the economy is already producing at capacity, that must be stopped. If labor is demanding and getting wage and salary increases in excess of average productivity gains in the economy, the problem will be to stop that also. If business just waited until it had a chance to jack up its prices and that produced the inflation, the problem is how to stop that behavior too.

Some countries have tried to deal with the last two problems by getting business, labor and government leaders together and working out what they call a "social bargain" among them that restrains both labor and business so they do

not cause inflation. We can hope that in this country we can also make some such fair bargain work in order to prevent any serious inflation by any of them.

Conclusion

We have examined in some detail the problems of economic insecurity. It is not true that people must be threatened by great insecurity to induce them to work hard. And even with the best social insurance, no one will be so secure that they would not have good reason to save what they can in addition. The question is how long will it take in the 21st century to see the development of a more rational and adequate social insurance system in this country to deal with the economic security problems here elaborated.

Or will present trends continue and insecurity be less and less well provided for in this country, despite the ease with which the problems could be dealt with better if we had the good sense to do so? People can by individual and joint effort determine the outcome, but they must use the political process & employ government to get the job done and lay the basis for hope that things will in the future be better in the respects discussed in this chapter of the book.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER FOUR

THE VITAL ROLE OF BUSINESS

SOME HISTORY

Whenever farmers produced more than enough food for themselves, it was possible for some people to live in villages, buy their food from farmers and make & sell things to farmers that they could use. That may be how businesses evolved.

In due course businesses were recognized by governments & the relations between businesses and governments became important to everyone affected. This book is concerned only with relatively recent developments. Its focus is on the U.S..

The area that is now the United States, from the time Europeans took it over, was initially an agricultural country. That began to change about 1965 after the Civil War ended.

In the 1920s, President Calvin Coolidge famously said “The business of America is business”. The industrial revolution had changed Great Britain a century before it transformed the U.S. economy. But America overtook Britain before the 20th century was over. The 21st century opens with all modernized nations’ economies essentially business economies.

The point of citing those facts is to impress upon people now living the fact that what seems normal to us has been in existence for only a very short time compared to the length of time we humans have been on this earth. It is much too short a time for us to be able to assume that things will go on forever as they have been going on in our lifetime. What changes, desirable or undesirable, may occur deliberately, or may happen despite people’s efforts, is now unknowable.

THE INVENTION OF CORPORATIONS

So far as I am aware, the first modern corporations were created by an English king as grants of specific limited powers to a few of his friends to advance his & England's objectives.

Americans were at first reluctant to charter corporations because their view of the British corporations left them uncertain as to whether they would be on balance desirable or undesirable. Then some states took a chance & chartered a few corporations to serve a public purpose such as education (Harvard University), or for a limited time (such as building a canal).

As states became more accustomed to using corporations, they even became competitive in the terms for chartering them. And as some corporations became very successful in making lots of money, they began to have more influence with legislators and got still easier terms.

So now business is almost entirely dominated by corporations, with many fewer partnerships or entirely individual businesses. Some of the latter incorporate themselves because there are some advantages in doing so.

The fact of the matter is that, in its present form, the corporation was an excellent invention. One of its advantages is that it gives a business a much easier way of raising money to use in the business. In issuing common stock, the stock owner is protected because of the limited liability provision – the stock owner is not liable for the debts of the corporation itself, but has a claim on its profits. To be sure, if the business fails and goes through bankruptcy, the stockholders may lose all they invested in common stock, but that is the extent of their potential loss.

Of course a corporation can now obtain capital in many other ways: it can borrow short term from banks, it can issue commercial paper and sell it, it can issue bonds and get funds for longer periods, and it can plow back some of its profits which is a major way of financing expanded operations now instead of using any of its other possible methods to as great an extent.

Corporations have grown both in number and in size. Some now employ thousands of employees in different countries, so they are essentially transnational or multinational.

That does not mean small business is disappearing. Many people prefer to be entrepreneurs themselves & be their own boss, so thousands of new businesses are started every year, and though many may fail every year, many others succeed.

THE CHANGING ECONOMY

There have been two very significant changes in the nature of the U.S. economy from its dominance of agriculture when Europeans invaded the area. The first was of course from the dominance of agriculture to the dominance of manufacturing. That shift occurred during the 20th century.

But in the latter part of the 20th century a growing portion of the economy became devoted to the service industries. It would have seemed unlikely that service industries would ever replace the manufacturing industries.

But the way globalization has been developed with somewhat freer trade and much freer capital movements, the great disparity between countries in wages, price levels, taxes, and all sorts of government regulation differences, it is obvious that some degree of harmonization would take place. It would involve either downward harmonization by the more developed countries or the upward harmonization by the less developed countries. How this has been working out now and the possible alternatives that could make globalization benefit all countries is discussed in detail in Chapter Five.

THE INCREASING ROLE OF BUSINESS FINANCE

When manufacturing and service industries became dominant, financial businesses unavoidably became more important. There is a very old saying that “it takes money to make money”. In practice that means that it takes money to start a business and to run a business. It usually took more to start a manufacturing business or some service businesses than to start or operate a little family farm.

Since there are always some people who prefer to try their hand as an entrepreneur, managing their own business

instead of being an employee, and such people do not always have enough money to launch the business they would like to start, they need to borrow it if they can. There are now many people who have made enough money in the past and are willing to provide what we call "venture capital" to beginning or struggling young businesses & provide them advice for a while, sometimes until they can incorporate & raise funds by floating an issue of stock on their own. There are also usually some local banks that can help either new local industries get a start or help finance small local businesses.

I have already pointed out that corporations can borrow money in several ways in addition to borrowing from banks or using some of their profits. Issuing stock receives the most attention because it has led to the growth of the stock markets, most of whose business involves the buying & selling of prior issues of corporation stock. Stock brokerages developed so no investor has to go to a stock exchange to buy or sell stock. Then mutual funds developed so individual investors can get some diversification just by investing in a mutual fund. Other new types of securities have multiplied and different types of financial institutions have developed.

In recent years, the U.S. financial industry has itself grown by leaps and bounds, employing many more people than ever before, and providing new ways of enriching some of them substantially and relatively quickly.

The bulk of the lending by the financial industry is to established businesses. It may surprise some of my readers to know that much U.S. business normally operates with a certain amount of borrowed money, that is debt for them, much of the time. They can thus try out new markets for their products, or try out new products, or some new production processes or new technologies.

Of course lending money to even an established business is not without some risk. The lender must judge that risk and decide what interest needs to be charged to make that particular loan, & of course will require an interest rate that may depend on the length of the loan.

CONSUMER FINANCE

I wonder if anyone knows who first got the idea that money could be made by lending money to consumers to enable them to buy something they wanted before they had time to save enough money to buy it.

Consumer finance has now become a big type of financial business. Of course having money now instead of having to wait to save it in the future is worth something to the consumer, so interest will have to be paid to the lender. Since a consumer loan may involve more risk than a producer loan, the interest rate is normally higher. (Producers may borrow to increase output & sales, consumers borrow to spend more, & that does not increase their ability to repay the loan.)

For some time now even department stores have lent money to customers, & some have found that they made more money on their consumer charge accounts than they did on the merchandise they sold them on credit.

Consumers have displayed a certain amount of financial stupidity, for they shop for bargains & then charge the purchases on their credit cards on which they pay the minimum required, thus losing via interest on the unpaid portion some of what, or more than what, they may have saved by getting a bargain.

The public evidently enjoys using credit cards & debit cards instead of paying cash.

And business has learned how to use fees in addition to high interest rates to make the business very profitable.

Recently Congress tried to place some limits on consumer finance that it considered penalized some consumer borrowers too much. Business quickly did things to keep their profits from being reduced at all. It remains to be seen whether Congress can protect consumer borrowers at all from things they consider unfair.

THE U.S. BUSINESS CIVILIZATION

Our economy is an economy that consists of businesses of all sorts and sizes. Our civilization is consequently a business

civilization, that is, a civilization dominated by business operations and business ideologies.

The biggest advantage business has in this country, with something more or less comparable in other modernized countries, **is the framework of law which facilitates their profitable operation. That is the body of business law including contract law and property law.** This is of inestimable value to the entire business system which could never have grown to its present prominence without it.

The business economy produced a vigorous, highly productive, progressive, innovative economy in the U.S. in the 20th century. I won't bother to quote any figures because everyone has been kept informed by the press & the mass media of the impressive growth of the national output.

The U.S. business economy produced the biggest middle class that had ever developed in any country.

It also developed a substantial class of rich business people replacing the historically rich inherited idle rich class.

Of course being in the business world, especially on the managerial side, is a risky business. And even a small business requires several different types of skills. Many successful small businesses are able to grow in size. Sometimes they are gobbled up (bought out) by bigger businesses.

There are advantages to big business for several reasons. Any adverse development may affect only a small part of the business. And it is apt to be in a financial position to carry on more research and development expenditure that can open up new avenues in which it may work & prosper.

The U.S. business economy has undergone many changes & will likely change further, but there is no significant alternative challenging it in the country now or in any foreseeable future. Even in the past, no political party was able to attract enough followers to pose any real threat to our business system.

BUSINESS IDEOLOGIES

It is obviously important to know and understand the thinking of leaders in the business economy. Fortunately there have been several good attempts to provide that. In 1956 a 400 page book was published by the Harvard University Press and written by a

group of economic scholars, primarily but not exclusively from Harvard University, entitled *THE AMERICAN BUSINESS CREED*. They had studied many public statements by business leaders, advertisements by large corporations, and statements of business organizations such as the U.S. Chamber of Commerce, The Committee for Economic Development, and the National Association of Manufacturers, as well as Congressional testimony from some of these.

Of course the business system is properly given credit for the rise in the U.S. standard of living. The Advertising Council in a publication pointed out that the average worker in 1944 produced 5 times as much per hour as he did in 1850.

Some of the statements quoted were quite specific about the material achievements of the free enterprise system, as was this statement by the National Association of Manufacturers (reported in a footnote on p. 50: "...the increase in output and productivity, the accumulation of capital, the rise in real income and real wages, the growth in the use of automobiles, vacuum cleaners, refrigerators, and other luxuries-become necessities...")

The book claims that the ideology is explicitly nationalistic – it is American capitalism that is given credit for produced these material gains, not capitalism in general. Indeed comparisons are quite explicit with the economic systems of other countries, often with accusations that some of them have slipped too far toward socialism.

The business ideology also claimed that the American economic system also made possible non-material achievements such as an increase in political, religious and personal freedom. Freedom, abundance and opportunity are stressed over & over again in different statements of the ideology.

The most important element in the ideology is the emphasis on free enterprise. It almost seems as though all other virtues of the system are derived from free enterprise.

None of this should be surprising. Of course U.S. business ideology would emphasize the material American gains from our free enterprise system, & claim credit for other American freedoms too.

A quite dissimilar book had been written by Thurman Arnold and published by Yale University Press in 1937. It was entitled *THE FOLKLORE OF CAPITALISM*. It is almost as long as the Harvard book, but it presents one way that a person with a sharply analytical mind might view U.S. business ideology, namely as "folklore".

That is viewing business leaders and organizations as needing to believe certain things in order to believe in what their jobs require them to do. The public may also need to believe the same things to be satisfied with the results. The beliefs thus serve a useful function for both groups, business leaders and the public, without either examining them in a broader framework to evaluate the extent of truth or falsity in each of those beliefs.

I will mention only two chapters as illustrations of how the folklore might help society or at other times even prevent a good understanding of reality.

One chapter entitled "The Psychology of Social Institutions" really tries to show how the prestige attached to business leaders in the ideology explains their influence in business, charitable institutions and educational organizations.

Another chapter marvels at the extent to which the business ideology enables business leaders to talk as though they are buying & selling in a free market even though they may be parts of highly organized & centralized industrial organizations dealing with each other.

These are two unique efforts to study business ideology at specific dates. But what is quite common in business ideology throughout more recent years is readily available in business leader speeches etc. all the time. More recent emphases will be discussed in the remainder of this chapter.

STAKEHOLDERS IN BUSINESS

Sometime in the late 1950s, if my memory is correct, I was invited to attend a conference at the Harvard Business School to discuss business problems with business representatives and business faculty.

The principal thing I learned was the increasing interest in both groups with what was at that time a somewhat under-developed concept: business stakeholders.

Sometime after returning from that conference I became personally acquainted with Professor Kenneth E. Goodpaster whom the University of St. Thomas in Minnesota acquired from the Harvard Business School, and who lectured to the adult forum of my church (Plymouth Congregational Church) on the ethics of the stakeholder concept.

Types of Stakeholders & Their Interests

Stakeholders in most businesses are not simply those who own the businesses or those who have a legal claim on the profits but all those who are benefitted (or hurt) by business operations.

Those who have the biggest stake in the success of the business that employs them are obviously its employees. They depend for their own livelihood on the success of the business.

The customers of the business also have a stake in being able to continue to buy the things it sells them. It wants the business to be successful enough to make good & durable products and even improve them if it can.

Many other businesses have a stake in being able to continue to sell the businesses in question the things it has been selling them to use in their production operations. It wants them to be successful enough that the suppliers will not be under continuous pressure to reduce the prices of the things they sell businesses.

The communities in which a business operates in one way or another obviously have a stake in the business being profitable enough to affect the community favorably and not pull up stakes suddenly & leave the community to locate somewhere else.

The business obviously affects the environment wherever it does any business, so anyone affected by their local environmental conditions has a stake in how the business operates.

All governmental units also have a stake in business operations and profitability, especially if its operations are legal and are taxable.

All lenders to the business want the business to be successful to repay its debts fully & with interest.

I mention the stockholders last because legally their monetary interest in the corporation is confined to its profitability.

Those holding any corporation stock for only a short period may be interested only in short run increases in its profits which may raise the price of its stock and give the stockholder a quick capital gain if the owner sells the stock quickly.

But stockholders holding any corporation stock for a long period would be more interested in the corporation's long run profits. These are more likely to grow if the corporation treats its other stakeholders well over the long run so its long run profits hold up well.

To be sure, all stakeholders benefit by the profitability of all businesses, but not all businesses are incorporated and have stockholders to benefit monetarily if the corporation makes more than enough to pay its debts.

Many of the stakeholders are very desirous of individual businesses being profitable so long as they do not do it by directly harming them or otherwise operating at their expense.

Corporation charters & other corporation laws define the legal relations between corporations and these stakeholders, including the stockholders. After corporations, especially big ones, became dominant in U.S. business, stockholders were thought to have all legal claims on corporate profits, though in practice stockholders did not usually object when some profits were reinvested by management instead of being paid out entirely in dividends to stockholders. The following discusses some stakeholder concerns a little further. Most of it & more is known to businesses.

The employees in any business are obviously its most important stakeholders. They depend on the success of the business for their jobs. But they also want to be paid well instead of being exploited. And they want to have good relationships with others they work with and they want to be respected by the management. Those doing any job often know more than their managers about how the work could be organized better, and they want any suggestions they might make in that regard to be treated with respect instead of being summarily rejected as none of their business. Good human relations are often costless, but they do

matter to employees. And business should know that productivity is affected by such things.

Any business knows that the degree of their customer satisfaction affects their consumer demand, and that may depend much more upon detailed characteristics of its products, including their quality & their durability relative to their prices, than upon their advertising. Consumers want the firms whose products or services they regularly buy to be successful.

Next to their employees, the customers of a business are its next most important stakeholders. They have an important stake in the success of the businesses from which they regularly buy.

Almost every business buys things from other businesses which they use to make their own products or need to provide their own services to the public. So these suppliers want their business customers to be successful. These suppliers hope for a steady business market at fair prices. They may fear being pressured to lower prices unduly if any one producer becomes too large a part of their market. So they need many business customers.

Competitors of any business have a stake in other businesses competing fairly. That is more likely if all of their competitors are successful doing so, & thus not tempted to resort to unfair tactics to stay in business.

Every community in which a business operates in any respect wants the business to be a good citizen of the community. It wants it to avoid doing damage to any of its surroundings. It wants to be able to count on the business riding it out and continuing to play its economic role in the community even if it fails to meet the arbitrary profit target it may have set for itself for some period.

The natural environments in which a business operates has a stake in the success of the business so it is able to operate without hurting the natural environment. Recently we have become aware of the fact that some normal business operations are causing global warming or otherwise damaging the world's natural environment, and now businesses are expected to find ways to avoid such damage and put environment-maintaining practices into effect.

Various governments also have a stake in every business being successful in its proper operation, for they want to be able to collect whatever taxes each business may owe, and it obviously wants each business in its jurisdiction to comply with any government regulations to which it is subject.

All this is to spell out the fact that virtually every person and many important institutions & aspects of a modern society have a stake in the success of legitimate businesses whether we know it or not. **We need to know it.** The business of society is business, as President Calvin Coolidge said back in the 1920s. It is even more true today.

For business this means that attention to stakeholder interests in many cases is simply doing good business in ways that often even increases profits at least over the long run.

Where it entails costs that are not offset, business is in no unique situation. To make societies function well, all participants are obligated to conduct themselves in ways that are supposed to prevent them from hurting others in order to benefit themselves.

Obviously every business has many opportunities to choose among ways to increase profits at the expense of important stakeholders or in ways that serve only stockholders. The latter is apt to be self-defeating in the long run. Long run profit maximization usually requires serving all major stakeholders well. The latter can benefit everyone, including long run stockholders and all aspects of society better.

Constituency Statutes Recognition

In the 1980s the majority of American states passed so-called "constituency statutes" that permitted corporation boards to consider not only stockholders but a larger set of stakeholders in their decisions.

This was partly a result of the discussions that had taken place over the importance to business and to society of business stakeholders. Practically it meant that stockholder suits against a business or its management by some stockholders might be lost on the grounds that the business was improved by some expenditures to better relations with some important stakeholders.

Minnesota Business Leaders

A small group of Minnesota business leaders whose businesses had been very successful got together and drew up a statement of the major principles which they thought other businesses should adopt if they did not already follow them. I do not know how many types of businesses were involved in issuing that statement of recommended business principles, except that I remember one was a prominent retail business.

In any case, their statement received a lot of attention in the business world not only in this country, but quite beyond it. The result was that in 1994 a world business conference was held by leading business people from many countries to discuss the issues raised by the Minnesota business statement. The conference was held in Caux, Switzerland. It issued its own statement of how businesses should deal with their various stakeholders, drawing heavily upon the Minnesota principles and a related principle put forth as prominent in Japanese business circles. The Caux principles are reprinted here for the readers consideration.

CAUX ROUND TABLE

Principles for Business

These principles are rooted in two basic ethical ideals: *kyosei* and human dignity.

The Japanese concept of *kyosei* means living and working together for the common good – enabling cooperation and mutual prosperity to coexist with healthy and fair competition. “Human dignity” refers to the sacredness or value of each person as an end, not simply as a means to the fulfillment of other’s purposes or even majority prescription.

The General Principles in Section 2 seek to clarify the spirit of *kyosei* and “human dignity,” while the specific Stakeholder Principles in Section 3 are concerned with their practical application.

Section 1. Preamble

The mobility of employment, capital, products, and technology is making business increasingly global in its transactions and its effects.

Laws and market forces are necessary but insufficient guides for conduct.

Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental.

Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

For these reasons, and because business can be a powerful agent of positive social change, we offer the following principles as a foundation for dialogue and action by business leaders in search of business responsibility. In so doing, we affirm the necessity for moral values in business decision making. Without them, stable business relationships and a sustainable world community are impossible.

Section 2. General Principles

Principle 1. The Responsibilities of Businesses: Beyond Shareholders Toward Stakeholders

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal.

Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional, and global communities in which they operate, businesses share a part in shaping the future of those communities.

Principle 2. The Economic and Social Impact of Business: Toward Innovation, Justice, and World Community

Businesses established in foreign countries to develop, produce, or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate.

Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing, and communications.

Principle 3. Business Behavior: Beyond the Letter of Law Toward a Spirit of Trust

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

Principle 4. Respect for Rules

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences.

Principle 5. Support for Multilateral Trade

Businesses should support the multilateral trade systems of the GATT, World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade, and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives.

Principle 6. Respect for the Environment

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

Principle 7. Avoidance of Illicit Operations

A business should not participate in or condone bribery, money laundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic, or other organized crime.

Section 3. Stakeholder Principles

Customers

We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and
- respect the integrity of the culture of our customers.

Employees

We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect each employee's health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive restraints;
- listen to and, where possible, act on employee suggestions, ideas, requests, and complaints;
- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race and religion;
- promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.

Owners/Investors

We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- apply professional and diligent management in order to secure a fair and competitive return on our owners' investment;
- disclose relevant information to owners/investors subject only to legal requirements and competitive constraints;
- conserve, protect, and increase the owners/investors' assets; and
- respect owners/investors' requests, suggestions, complaints, and formal resolutions.

Suppliers

Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to:

- seek fairness and truthfulness in all of our activities, including pricing, licensing, and rights to sell;
- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness, and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade;
- seek, encourage, and prefer suppliers and subcontractors whose employment practices respect human dignity.

Competitors

We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and, ultimately,

for making possible the just distribution of goods and services. We therefore have a responsibility to:

- foster open markets for trade and investment;
- promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favors to secure competitive advantages;
- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

Communities

We believe that as global corporate citizens, we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- respect human rights and democratic institutions, and promote them wherever practicable;
- recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety, and economic well-being;
- promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- support peace, security, diversity, and social integration;
- respect the integrity of local cultures; and

- be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

The Conference Followup

That same year (1994) Simon & Schuster published a book by Joel Makower's entitled *BEYOND THE BOTTOM LINE: Putting Social Responsibility to Work for Your Business and the World*.

It was apparent that many businesses did consider it desirable to pay attention to how their stakeholders were affected by their business operations.

There was then an 850 member organization under the name of Business for Social Responsibility, and a similar organization for students in business schools in the country.

There is now a magazine entitled *CRO: CORPORATE RESPONSIBILITY OFFICER*. It is a successor to Marjorie Kelly's *BUSINESS ETHICS: The Magazine of Corporate Responsibility*.

They reflect the growth of interest on the part of business that many now have an office devoted to corporation concern to be more socially responsible than in the past, and more so than some others are today.

Before the turn of the century I was aware of only one textbook aiming to teach business management from a stakeholder protection viewpoint. More of these may come along over time.

Another significant followup of the Caux Round Table Conference was the establishment of a continuing organization in St. Paul, Minnesota. Its chairman is Stephen Young.

In 2003 Berrett-Koehler published Stephen Young's book entitled: *MORAL CAPITALISM: Reconciling Private Interest with the Public Good*. An excellent discussion of the problem.

THE TRIPLE SIGNIFICANCE OF STAKEHOLDERS

In effect, the acceptance of the stakeholder concept by a new U.S. business organization (Business for Social responsibility) and business publications, plus an unknown number of Japanese and other foreign businesses represents a newer

business ideology that could have great significance in the future. Whether its influence grows or not will in any case be very significant.

It should now be obvious to everybody, including especially the business community, that **the stakeholder concept must replace the old idea of business that the purpose of business is to create value for whoever temporarily owns the stock of corporations.**

Whether it becomes a big part of business ideology in the future or not, it does provide evidence that in our modern economies, **virtually everybody has a stake in the success of specific businesses which affect them in important ways, and therefor in the success of the business system.**

MARKET FUNDAMENTALISM

This has been the dominant business ideology since 1980.

Market fundamentalism is the title given by critics to the idea that business needs to be allowed to regulate itself. Government should keep its hands off. It should allow business to do anything it wants to do to increase its profits. The market itself results in efficient production. Market forces induce business to operate efficiently, so government interference is not only unnecessary but makes the for less total efficiency. **Nobel economics prize winner Joseph Stiglitz has proven that markets are not as efficient as claimed partly because of differential & insufficient knowledge.**

ITS CRITICS

The critics say that **we have had repeated instances of business excesses that required intervention by government in the public interest.** Although every business has some competition, many large businesses do not have enough competition to induce them to be as efficient as they might have to be facing vigorous competition. It is not wrong to point out that **business often does what it can to reduce competition, including buying out whatever competition it can, anti-trust laws often being poorly enforced.**

Better Business Bureaus

Even apart from these instances, normal business has found it needed to set up Better Business Bureaus in cities to protect itself from fraudulent businesses. And **these are never sufficient to protect either legitimate business from ever present scams, or to protect the public from them.**

John Bogle

Business man John Bogle, who managed the Vanguard mutual fund, wrote a recent book entitled *THE BATTLE FOR THE SOUL OF CAPITALISM*. In it he said that only capitalism could kill capitalism. I gather that he feared it might. Fortunately it has been saved more than once when it was in serious trouble. Bogle complained that managers of mutual funds were in recent years taking exorbitant incomes for their services, incomes that took far too much of the profits of corporations that he thought should have gone to stockholders. It has been claimed that the finance industry took nearly 40% of business profits for a time, but clearly the services of finance to business should not cost that much, but should be obtainable relatively cheaply.

Another Issue: Temporaries

There is another issue here. Should the services of labor which are purchased in labor markets be treated just like purchasing the services of a piece or property or the services of inanimate objects? Or **is hiring labor a matter of establishing a relationship with the most important single stakeholder in the business**, which is as human as anyone in the a management role in the business?

As a matter of fact even Business Week has reported that many businesses are now treating many employees as just **temporary workers** to whom they have only temporary obligations. They are claimed to be independent contractors selling temporary services to the business, though it may keep some as long as it seems to be in the firm's interest which makes them long run employees in fact, or it may fire them at any time if it suits them better. People in the labor force are made into dis-

posable workers, like disposable garbage or anything no longer usable. They **are not treated as human beings**.

ARE ESOPS A GOOD IDEA?

Some people have thought that one type or another of employee stock ownership plans (ESOPS) would give employees the feeling that they had a bigger stake in the corporation that employed them and that would improve their morale, their loyalty to the firm and their productivity.

It was pointed out that business executives could borrow money from a bank to purchase stock, but employees usually could not. So the proposal was that banks be encouraged to lend to employees and require employees to use their dividends to repay what they needed to borrow from the bank to acquire the stock before using the dividends for their own purposes.

If we suppose that all that would be true, there is still the question as to whether that would be in both the employees interest and the corporation's interest.

Let us start with the employee of some corporation. They already have a very strong interest in the corporation's success because they have a job & an income from the corporation, and they don't want to see it go bankrupt and force the employee to look for another job which may not be easy to get & might not be as good.

If an employee has enough income to save some of it and it is a good idea to use some of their saving to buy corporate stock, or if they need to borrow some from a bank & repay the loan from stock dividends, should they buy the stock of the corporation for which they work?

That would make their dividends depend also on the profitability of the same corporation as the one that employs them. Or should any dividend income depend upon the profitability of different corporations. Should anyone put all their eggs in one basket? Or should they diversify their risks? These are questions on which there is general agreement on the answer: **diversify**. So ESOPs would not be in the interest of the employee stakeholders in the business that employs them.

IS LABOR A THREAT TO BUSINESS MANAGEMENT?

Does Labor Desire to Take Over Business Management?

That scares business, so it may try to dispose of the idea quickly by calling it socialism, since that is a dirty word in the U.S. & damns anything to which is applied. Business need not be scared, for reasons I will discuss.

And business would do better to discuss ideas they oppose instead of avoiding discussion by using the socialist label frequently. After all, one good argument for the U.S. business system is that it gives anyone who would like to own & run a business an opportunity to use their own initiative & become an entrepreneur, & to manage their own business or manage some other one. Not everyone will have an opportunity to do that. But most employees don't want to do that.

What needs to be understood by business managers is that not everyone wants to be in that position, and not everyone has the qualities that would be desirable in such roles.

Most present employees of businesses want jobs in which they do not have to make all sorts of managerial decisions, or even take risks involved in many business decisions. They know they don't have the information that would be needed, and they wouldn't want such a job if they had the information.

Most present business employees want a job they know how to do, they want to do it well and go home when the day is over without having to worry about whether some decision that day was the best one for the business.

Entrepreneurs & business managers can quit worrying about most employees – they don't want your jobs.

Worry instead about whether you have the qualities that are needed in the jobs that you have. You may be a success, your business may be profitable now, but that alone is not enough to qualify you as a good manager of business.

Do you treat your employees well, do you treat all your stakeholders well, or **are your profits made by exploiting every stakeholder to the degree you can?** If the latter is the case, you may make short run profits, but you will not likely make the long run profits made by the Minnesota companies

whose statement of how to do likewise led to the Caux Conference and the Caux Principles.

Productivity & satisfaction of employees is affected by management's relations with them. Showing a personal interest in an employee, where possible, makes a real difference to them and also increases their productivity for the business.

HOW PRESENT BOARDS OF MANAGEMENT WORK

As everyone knows by now, present corporation Boards of Management are usually appointed by the CEO, paid by the CEO for attending Board meetings, and are expected to, & usually do, vote for the CEO proposals. The Board usually approves the CEO proposed salary and bonus and stock options in order to keep the CEO by rewarding that person.

Once in a while a big stockholder is dissatisfied that the CEO is doing all that stockholder thinks should be done to cut costs or otherwise improve stock prices, and tries to replace the CEO or at least force a change in some corporation policy. But it is not clear that that stockholder's judgment is good and should prevail, and it does not always prevail, though it often does because of his large stock holdings and hence large vote at stockholder meetings.

HOW BETTER STRUCTURED BOARDS OF MANAGEMENT COULD WORK BETTER

I suggest the development of a new formula for boards of management to promote the best possible management of big businesses. Most members of each board of management should be appointed for a different but needed competence. About 1/4 of each board or management should have special knowledge and/or experience in one or more of the fields in which the corporation operates. About 1/4 should consist of people with competence in the field of accounting, 1/4 in the field of corporate law, and 1/4 shall among them represent each of the major stakeholders of the business and be appointed by them. All members of each board of management must be publicly committed to serving the public interest in addition to the interest of the specific business being managed.

Any director could be appointed to serve a 10 year renewable term unless removed for malfeasance after trial by the appointing body & possible appeal to the courts. Boards of management are required to meet at least once a year to review the past year and approve plans for subsequent years. At least 2 members from each of the three specified groups above must be independently prepared to act upon matters that should come before the next meeting of their industry's board. No one person should serve upon more than two boards of management at the same time.

Each industry should have a single publicly elected supervisory and appointive commission (for rotating terms for 1/3 of that body each 6 year election). It should monitor its Board appointments & remove any convicted of malfeasance.

The accounting industry must better standardize acceptable accounting methods & auditing procedures & enforce them.

Newly constituted boards of management of business firms would likely need in their first few meetings to try to correct any shortcomings of their business in recent previous years in addition to starting to protect stakeholders and the public interest better in the near future as well as to prepare the business to be more successful in the coming years.

After the initial years, the boards would become involved in the allocation of profits or losses. Something could be said about each of these. To divide profits, an initial consideration would normally focus first on the desirability of using some of the profits to finance any type of new investment by the firm. Then the division of profits might depend on the reason business profits increased. How much was traceable to CEO decisions or to some other sector initiatives ought to affect pay decisions or bonus decisions. When losses occur, consideration might be given to who could bear cuts most easily.

Small corporations may be subjected to the same type of boards of management by court action brought by any stakeholders if they do not behave in somewhat the manner suggested above toward stakeholders.

Other businesses are expected to try to do similarly without boards of management, but if they do not, may by success-

ful suits against them in a court of law be forced to accept a management board to continue their business.

New businesses must be given a chance to operate in the public interest but anytime they do not, they may be brought before a court by any injured party and allowed to continue only by showing how they will change their practices to be in the public interest. There are too many scams now operating as legitimate businesses, and every effort needs to be made to end such operations.

Legitimate new businesses should be able to obtain needed capital in venture capital markets which often perform a legitimate function that may or not require any future regulation.

After some initial period in which to achieve viability, presumably operating in the public interest, they will be subject to the same treatment as any small business, incorporated or not, and be free of government by appointed boards if no stakeholder makes a successful complaint against them.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER FIVE

GLOBALIZATION

MEANING? DESIRABILITY?

In this chapter we will focus primarily on how changes in the International situation, including those induced by the structure of the World Trade Organization, its policies and those of the U.S. have not worked out to benefit all nations, not even that of the United States.

Globalization is a term popularized by the mass media, referring to the increasing freedom for international trade and capital movements. This is being increasingly promoted by transnational corporations that benefit directly, by many but not all economists, and in the U.S. by many politicians in both major political parties.

There is much to be said for some capital movements and for some freer trade, but buying the whole package being advocated in many quarters now could be a disastrous mistake for this country and for the world generally. That will require much explaining.

FREE TRADE (a-e)

Since the media emphasize trade, let us start with a discussion of free trade. Are there real gains for countries from international trade? Yes. The case can be presented briefly. Every country has a comparative advantage in producing some things & a comparative disadvantage in others **at any particular time**. Every country gains by exporting that in which it has a comparative advantage, in order to enable it to buy cheaper from other countries the things in which it has a comparative disadvantage. That is the generally valid case for free trade.

a) When the classical economists worked out their original proof of that, they assumed that capital did not move between countries. It turned out to remain true when international

capital movements were relatively small and relatively stable. But now capital movements are much larger, are often quite unstable, and potentially may dominate the international economy completely.

We shall examine later what difference that makes.

b) Even the case for free trade at any particular time does not say what a country's economy should be like in the future, or how to get there. No country should have to remain almost a "banana republic", like some former colonies exporting only raw materials and buying manufactures from the former mother country. There is a good case for ex-colonies to use tariffs to protect infant industries from competition from established industries elsewhere, as this country did after the American Revolution. Some Less Developed Countries (LDCs) are doing so now. And, as we did, many LDCs want to develop more highly diversified economies, whatever protection against too much import competition it requires to do that. It is absurd for economists to say that diversified development is always uneconomical. It may even change comparative advantage.

c) Will present trends produce free trade? Freer trade, yes, but not free trade. Every country manages its foreign trade now and will and should continue to do so in any foreseeable future, although it perhaps should change how it manages all of its international economic relationships.

d) Management of foreign trade is largely in response to political pressure in all countries, not a matter of any great wisdom by lawmakers. Political pressures used to be greatest from many import-competing industries, and they still get protection by tariffs or by non-tariff barriers to reduce import competition. These industries presumably have a comparative disadvantage. The question is whether, perhaps with a little help, they could become more productive and efficient.

But now better organized and better financed pressure on government is coming from the transnational corporations (TNCs, that are sometimes called multinational corporations) that are big exporters. They want to get trade barriers down elsewhere in the world so they can sell without limit in foreign

markets. They are the ones preaching the benefits of free trade because they don't have import competition at home – they are exporters.

e) Managing trade and international economic relationships should require careful consideration of the size and costs as well as benefits of each (who is involved in each, and the problems of any readjustments involved) for one's own country and for others also, plus whether they will create in the end the sort of country it makes good sense to try to develop.

TNCs and TRADE (a-g) (Including offshoring jobs)

A special trade problem arises from the transnational corporations (in the U.S. & other countries) if they succeed in a very important objective: to be able to move any part of their companies (including any of their manufacturing operations) to whatever foreign nation gives them some advantages, such as less regulation or lower taxes. So they are promoting free long-term international capital movement. After producing abroad, they want to export some of their foreign-produced products back to the home country, for example, the U.S., without any tariffs being levied on them, since they say that they are merely making transfers within the company structure.

a) So globalization seeks to permit any U.S. transnational corporation to manufacture in any country that it chooses because it may have lower taxes, or fewer safety regulations or poorer labor laws, or no environmental protections, and thus enable our TNC to escape all the regulatory laws in this country, and yet sell its products in this country as freely as if they had been produced here under our laws.

They would be able to undercut the prices of firms that stayed here and complied with all U.S. laws. **That is not the level playing field that is needed to permit fair competition.** It would be nice for transnational firms, but it would not constitute fair trade for the U.S. or for any country that would face similar unfair competition from their own TNCs.

It should be obvious that it is a level playing field and fair trade that we should seek instead of free trade.

But what globalization is promoting is **free long term capital movement and completely free trade**, not just the efficiency that comparative advantage implied, and that justifies some international trade. It is the transnational firms that get the gains from globalization and they are the main ones promoting it. The politicians that have joined in do not seem to realize the full implications of singing the globalization and free trade song in this situation.

One economist has predicted that as a result of this sort of globalization, the U.S. could lose all our basic manufacturing industries, essentially exporting them to other countries, and again become an underdeveloped and non-manufacturing country – all in the name of free trade & free capital movement. It seems somewhat unlikely that it would go that far because we would likely change our policies before we reached that point. But the U.S. might lose much more manufacturing industry than would be desirable. IT ALREADY HAS, IN MY JUDGMENT.

The U.S. may lose so many of its basic industries over time that it will have difficulty maintaining full employment. Wage rates would stop rising despite increases in productivity and would fall toward lower foreign wage levels. With fewer industries here and lower wages, our tax base will be eroded, and more taxes will fall on those remaining employed just to meet unemployment relief costs. The whole safety net will also suffer major cuts as our government gets poorer and can't maintain it. This further defines the problem. How could we prevent that? Read this chapter to the end.

b) It used to be argued that imports had to be offset by exports. But the U.S. has been operating for many years with a very large import surplus, and the movement of industrial production facilities to other countries could worsen not correct that import surplus.

What happens to the excess dollars thus earned by other countries? Let us use the example of Japan. When Japan exported more to the U.S. than we were able to sell Japan, its

surplus of dollars was used to buy income yielding assets in this country (including Rockefeller Center) from all of which it earns a profit that it can take out of the country.

The U.S. has been consuming more than we are producing and paying for the excess imports by selling capital assets. That is not very smart.

One economist has suggested that the U.S. could eventually become a capitalist country that, to support its excess consumption, had sold all its capital to foreigners who then reaped all the profits from it. How far in this direction does it make any sense to go?

c) The U.S. could of course give up its laws that were originally passed in attempts to protect labor and the environment in some respects, and could lower tax rates to match the low tax rates that firms moving offshore would pay somewhere else. That could suit our transnational firms well. But unless all those requirements were a total mistake for the country as a whole from the beginning, such deregulation would be a bad mistake now.

To be sure, it has become politically popular in this country to proclaim that government is the villain, that we should go back to the small government suitable for Jefferson's day when we were an agricultural nation not an industrialized nation too. Deregulation has become almost a new irrational religion in some partisan quarters. That is not a suitable way to counter the threat we face from TNCs moving their industrial production facilities to other countries.

d) It has been recognized in some quarters that if free trade is also to be fair trade it would require a movement to harmonize regulatory legislation among more freely trading countries. There has been little discussion as to how to do that harmonizing and how fast to proceed in further freeing trade & capital export accordingly.

e) Instead of deregulating our economy to the lower levels of economies to which our transnational business firms were moving their production facilities, the U.S. could protect its own economy best by imposing trade barriers on imports into this country that are produced abroad by TNCs evading our

regulatory laws and taxes. We could and should impose tariffs (or non-tariff barriers) now on such imports to remove from them all the advantage of escaping our laws & taxes.

"Tax havens" should also be closed down by making it illegal to escape taxes that way. That would halt most of the exodus of TNCs from our country. Thus a number of the problems of globalization could be controlled or avoided.

f) What we could hope for is that other countries' laws would sooner or later more nearly match our own regulatory framework. That will not happen by preaching to them that they ought to use the same regulations we do. Indeed as long as they can attract TNCs to set up in their countries to gain a cost advantage over us, they have an incentive not to regulate business very much.

But if our trade restrictive legislation took away that advantage from our TNCs, and if we provided in addition that as other countries also began to regulate their producers somewhat more nearly as we do, we would reduce our trade barriers in proportion, then other countries would have nothing to lose by regulations comparable to our own.

This is the only way that "harmonization" of regulatory laws could be harmonization upward by some other countries instead of harmonization downward by the U.S. But under its present charter, such protectionism would be disallowed by the World Trade Organization (WTO), however justifiable the U.S. would be in using it for the purpose intended. It is so important, however, for us to protect the U.S. from flight to foreign countries of U.S. manufacturing and to level the playing field for fair trade, that the U.S. needs to proceed with the suggested policy and if need be withdraw from the WTO as a way to force revision of its charter.

g) One more aspect of TNC moves to other countries needs to be noted now. To be brief I will cite just one notable example. A U.S. firm moved its production of a few light types of clothing to a less developed country, employed a large number of local women in sewing operations in a large rented building. This continued for several years as a successful business.

Then one morning the women went to work as usual only to find the building shuttered and locked. They did not understand why they were shut out, but it turned out that the firm had, without any warning, moved its production to another less developed country (LDC) where it could pay a lower wage rate. The women were owed two weeks wages when the firm disappeared without paying them for the work they had already done. Women in LDCs are not accustomed to such treatment, and even less accustomed to doing anything about any poor treatment. But this time they were quite angry and a few leaders decided not to take this without protest. So they went to a government office that had something to do with labor problems and protested. Their protests fell on deaf ears, it seemed. They persisted and eventually were told by the government agency that it was not able to do anything at all for them because foreign business firms have the power to do what they did, and the LDC needs foreign business but has no leverage to force them to behave better. There are now a large number of women and their friends and their children who hate America for what its business did to them. We can't afford to create such hatred.

Needless to say, this sort of behavior by a U.S. TNC is not helping this country convince other countries that we are good guys and that others should adopt our democratic capitalistic system. We cannot win the hearts and minds of any others this way. But globalization does not presently prevent such behavior by TNCs anywhere, nor does the World Trade Organization (The WTO).

It should be apparent that economic rule of the world by an unregulated and laissez-faire globalized world market for the transnational corporations would likely be a disaster waiting to happen for many countries and for most people of the world. We need instead a world in which investors and traders are regulated in the public interest and can be held accountable for their behavior.

It would be possible for the world to establish a system where TNC misbehavior would be far less likely. The United Nations system for a time included an agency reporting to its

Economic and Social Council that did research on behavior of foreign businesses in LDCs if they requested it.

That agency could and I think should be given power by unanimous consent of UN member countries to take the initiative and operate as an advisor and mediator in the negotiations between any TNC and any foreign country it wants to enter for at least two purposes: (1) to ensure that any agreement reached ensures that the TNC will not exploit the country or its inhabitants in any way whatsoever, but will contribute by its operations in the country to the country's desired development, and (2) to do whatever may be necessary to secure a fair settlement if the contract is violated in any respect by either party. The international order should not be completely lawless much longer.

There will still be problems because now transnational firms operations in less developed countries often destroy old hand-crafts and many small businesses in those countries. And U.S. farm subsidies sometimes result in our agricultural exports undercutting farm prices in other countries, e.g. Mexico and even India, and put many farmers out of business. What can they do? Mexican farmers try to get to the U.S. legally or illegally.

DIFFERENTIAL WAGE RATES (a-e)

Let us now discuss one very important thing that I did not mention when talking about reasons why our TNCs move production facilities abroad – TNCs leave the U.S. to avoid paying high U.S. wages by going to countries where wage rates are very much lower. To compete, some say, our U.S. wage levels would have to fall as low as that of these other countries.

a) Globalists say that our trade with less developed low wage countries is too small a proportion of our GNP to affect our wages in any case. But that proportion is continuously going up. And when any business can threaten to move to a low wage country, that most certainly helps business to hold down wages here and sometimes to reduce them. Many of our real wage rates have been falling recently.

b) Another answer that economists usually give to the contention that our wage rates will be competed down to that

of low wage countries is that it need not happen. Where our wage rates are high, they argue, it is because labor here is highly productive (our labor is better trained, and more capital equipment and better technologies are used with it), so our costs of production are sometimes lower than those in less developed countries (LDCs). Sometimes low wage countries cannot even compete with us in some lines of production. We undersell them.

That is true sometimes. But we must remember that, even though in some lines of production we have labor that can produce a great deal more than any LDC can, it is usually not 10 times as great, so if their wage rate is 1/10th of ours, we can't compete with that. Those who say we just have to become more efficient so we can compete are not realistic – we can't compete with wage rates a tenth of ours and we aren't going to cut our wage rates that much so we can compete. With the present globalization system, the labor supply for U.S. businesses is the world labor supply with different wage rates all over the world, different tax levels & structures, and different regulations.

c) The world economy continues to change in numerous ways. In recent years some changes alter the international competitive situation. Some foreign LDC labor is now being trained as highly as our labor, while in some other cases, methods of production can be adapted to use unskilled labor.

For example, India, though mostly underdeveloped, is now producing an increasing number of students as highly trained in computer technology as those we produce in our leading universities and technical institutes. Their wage rates are much above other Indian wage rates, but perhaps only a tenth of what comparably trained persons in the U.S. receive. The result is that many jobs that require such trained personnel are now being "outsourced" to India. "Offshored" would be a better word for it. Other jobs, like data entry that require only a facility in using computers, are also being offshored to India as more people there also have that ability now. They even speak the English language.

Finally, It is said that anything can be produced anywhere now and produced cheaply, if wage rates are low, since technology and capital equipment can often be adapted to unskilled la-

bor. A variety of production methods have now been developed that enable people with only a little training to perform them.

When their productivity approaches or equals ours and their wages are a fraction of ours, our TNCs will offshore the jobs directly. The U.S. has already offshored millions of jobs, including both highly skilled jobs & many low-skilled jobs and the process continues unhindered. Most of those millions of offshored jobs will not come back here, certainly will not unless we do what is necessary to prevent harmonizing downward and provide incentives to some other countries to harmonize upward instead.

d) It used to be said that demand and supply of currencies determined exchange rates between the currencies of different countries (that is, the prices paid for foreign currencies), and that was a reflection of demand and supply of exports and imports. Since they had to be equal except in a very short run, exchange rates automatically adjusted for the difference between countries in their wage and price levels. So other cost differences such as those due to different government regulations might not matter much either if exports and imports always had to be approximately equal.

But imports and exports often do not balance in the short run. They need not, because short-term capital movements between countries can take place permitting (one might say financing) temporary imbalances. These demands and supplies of foreign currencies also affect the exchange rates. Indeed short-term capital flows between countries now involve as much speculation as the stock market. There are over a trillion dollars worth of transactions a day in foreign exchange markets, far more than is generated by international trade and long term capital movements. So there is no assurance now that exchange rates will always offset wage rate differences or price and cost differentials.

e) The already mentioned U.S. import surplus was partly the result of a strong dollar in foreign exchange markets. That in turn was due in part to a conviction in international markets that the U.S. economy and hence dollar were more reliably stable than the markets & currencies of many other countries. The import surplus did help keep inflation down in the U.S. But another use of the dollars other countries acquired from their

export surpluses to the U.S. was, as already mentioned, to buy up various income yielding assets in the U.S. and take the profits home.

FREE CAPITAL MOVEMENTS ARE THE BIG PROBLEM

Globalization is indeed adversely affecting wage rates in this country. The threat to move abroad if wages are raised here is enough of a brake upon wage improvement in many cases. Thirty million Americans earn less than \$8.70 per hour. Before our latest recession, a poverty count in this country was 34.8 million (many working full-time) where everybody presumably thinks they have a real opportunity to become rich like many others are. But real wages have risen very little for many years and have actually fallen for some groups. When people lose jobs from this offshoring and are able to find other jobs, they almost always are at much lower pay than the jobs they previously had. This is the context in which some U.S. firms has been able to grow tremendously paying low wages and providing poor working conditions.

But the even more serious consequence of offshoring many manufacturing jobs, plus many service jobs now, and government giving work visas to bring in skilled foreign workers (contrary to the law) is that many jobs are lost here. An early estimate was that in just three years or so, nearly 3 million jobs were offshored.

The administration economists at that time even contend that this is good economically – because it will lead to an increase in our exports and thus create better jobs. Thus far that has not happened, as our trade balance has even worsened. Administration economists are often good at wishful thinking to support administration policies – that is what they are hired to do. Now even state governments are offshoring clerical jobs. Half of the U.S. work force growth in recent years has been foreign born (now according to one estimate 14% of U.S. work force).

What is happening instead, and will continue to happen unless there is a reversal of some Washington policies that favor offshoring, is the slow undermining and loss of much of America's big and hitherto thriving middle class. Many of

them are now having to declare personal bankruptcy. In just 2003, our manufacturing job base declined 6%. White collar service jobs are declining at an accelerating rate & 14 million more are said to be vulnerable. More than two-thirds of IBM's recently announced 10,000 new jobs will be located abroad. When business invests now, much is invested abroad – \$70 billion in China in recent years. Our transnational firms accounted in 2001 for 25% of U.S. GDP and 20% of its employment, but 26% of their global employment was abroad. Those figures were for the 2008 recession.

Retraining won't solve all the problems noted – what should the outsourced retrain for now?

The fundamental question raised by all of this is what can be done to enable the nations in the world economy to develop competitively and cooperatively along lines that will lift all peoples out of the poverty trap, both in LDCs and MDCs (more developed countries) & that will build a solid middle class of responsible citizenry. How can international trade (and investment) be promoted so as to be helpful to all countries instead of hurtful to some countries? What should be the U.S. role in all this?

It should be obvious by now that the major effects of globalization, good and bad, stem primarily from free international capital movements and offshoring of production of goods or services and associated free trade. This chapter advocated fair trade instead of free trade, and will shortly discuss other appropriate trade policies that are useful whether there is globalization or not.

But the key problem is not trade but free capital movements and offshoring. Here I suggest that national policy should not make it easier to do this, but very much harder. The consequences at present are serious enough that we need to slow the process down & stop it. We simply cannot afford to continue losing middle class jobs and pay.

Tax havens abroad should be completely eliminated for one obvious change, and any tax advantages of offshoring etc. should be eliminated.

U.S. businesses that offshored jobs and then sold here the goods they produced abroad should be required to pay an import tax to remove the advantage of offshoring, whether it be lower taxes abroad, lower wages abroad or fewer costly regulations abroad. As foreign countries approached our standards, one by one, these U.S. import taxes should be reduced accordingly, country by country. That would stop offshoring & save our economic base, and our middle class. It is necessary that we compete on a level "playing field", not have jobs destroyed by a now unlevel competitive field.

But it would not be desirable to eliminate entirely the operations that cost us some dislocation because some of them can be helpful to other countries that need some of it to benefit them. I will discuss that when I discuss globalization and less developed countries. I will also discuss short term capital movements separately. Now back to international trade.

In international trade there are always losers as well as winners. Countries as a whole can win when trade is fair instead of free, but it always requires the reallocation of resources among the different sectors of the economy, and that usually requires worker education and retraining and other efforts to assist labor mobility. Import competition does destroy jobs, and even if jobs open up in export sectors, the labor does not flow effortlessly to them. So import competition, however good it may be when comparative advantage applies, always creates a short run problem.

President Kennedy's tariff cuts initiated readjustment assistance provisions. This is the best possible response, because, among other things, it covered unemployed labor longer than before with unemployment insurance to give them more time to retrain or get to a new job. Much of the labor merely waited for their industry to recover instead of retraining. The law must be better administered.

In principle, it would be good policy both to try to speed up the required readjustment to the import competition, and to slow down the rate of import competition allowed to the rate at which readjustment is possible.

WTO SHORTCOMINGS (a-d)

We now have a new international organization to which nations can take complaints about other nations' restrictions on trade – it is called the World Trade Organization (or WTO). Transnational corporations appear to have designed it to give them much of what they want in the international economy. It replaces GATT, the General Agreement on Tariffs and Trade.

a) It does not require the elimination of all trade restrictions, but if a country claims that another country is doing something that restricts their normal trade relationships, it takes the matter to the WTO which then considers the matter and decides whether the complaint is valid. If the complaint is upheld, the country complained against is required to stop what it was doing that caused the complaint, and if it does not, the complainer is justified in doing something to retaliate against the other country's trade.

WTO decisions are made in secret without holding any public hearings, and without a chance for all interested parties to testify in their own behalf, and without requiring the WTO to take into account anything that might justify the action complained about. The WTO is not authorized to consider any question but one – was the normal trade interfered with?

Such WTO procedures are unwarranted, totally objectionable, and undemocratic. It can not be remedied sufficiently simply by expanding its safeguards clause that permits some trade restrictions.

b) So the U.S. could not successfully protest that it had a sovereign right to restrict imports of fish caught by another nation with nets that also killed dolphins or other sea animals that the U.S. wanted to protect. It did not suffice to show that dolphins could be protected by the country using other fishing methods, or show that the U.S. had no other way to accomplish the same legitimate purpose. The WTO can in effect veto any new law that we may pass if another nation claims that it restricts its trade, and the WTO agrees that it does, whatever our reason for the law.

c) The WTO thus, in effect, takes away any nation's sovereign right of self-rule and self-determination of its own laws if

those laws happen to hamper trade, or deliberately do so for whatever the Congress may consider good and sufficient reasons to do so. What is worse, it appears that the powers behind the WTO throne are major transnational corporations which thus become the effective ruling powers instead of national governments. This is atrocious.

d) I am very much of an internationalist, but any international institutions should be devised so that they can, and have to, take into account all the interests and all the values that are relevant to their decisions, and so that they have to do that in as democratic a manner as possible. Every country has a right to decide for itself, through its own procedures, what regulations they desire on economic activity in their country. And they have every right to limit imports, or capital movements in or out if they so desire. Their management of their own economies should not be threatened by any organization with the desirable but limited purposes of expanding international trade as though it was always mutually beneficial to the countries concerned. It is not always so.

It is obvious to me that the Senate approved the WTO without any serious understanding of the implications of what it was doing. The Senate, in effect, though unintentionally, turned over control of the U.S. national economy to our transnational corporations.

I expect that when they realize the full import of what they have done, the U.S. will withdraw, as some other nations will for similar reasons, and force a proper redrafting of the whole WTO Charter.

LDCs & WTO (a-c)

Three quarters of the human race lives in less developed countries (LDCs). Does globalization and do the TNC operations help or hurt LDCs? We do not want to try to balance the two effects and say which it is on balance. We need to know all the effects and decide how to lessen or eliminate the adverse effects and increase the good effects.

Students need first to realize that the average income figures (which we see put in U.S. dollar terms) in LDCs are meaningless, partly because the exchange rates used to con-

vert different currencies into dollars seldom are close to rendering comparable amounts of purchasing power in dollars,

Also LDCs have small wealthy elites while most people are caught in a poverty trap. To get them out of poverty will require more capital, better technologies, improved political and economic institutions, better political leaders, some new and well run businesses and good national policies.

a) Transnational corporations can either do their part of LDC salvation, bringing in capital, technology, skilled management and contributing mightily to their development, or they can come in and exploit the people mercilessly and take out more capital than they took in. So it is not that TNCs should never go to LDCs where they can do a lot of good, but that they should go to make their profit from helping LDC peoples escape the poverty trap there, not to exploit them or only make their elites wealthier or just to export back to the U.S. at unfair prices.

b) The TNCs now often seem able to push LDC governments around to do whatever the TNC pleases, or to get the same result by corrupting their leaders, some of whom are corrupt already or are quite willing to be corrupted. LDCs now need honest leaders who serve their people's interests better.

One thing outside countries can do is to stop supporting bad LDC leaders, many of whom have been supported in the past for insufficient reasons.

In addition, outside countries could and should support a UN agency on transnational business to help negotiate mutually advantageous terms for TNCs and LDCs. The TNCs do need stable contracts with LDC governments such that they can make normal profits if they behave themselves. And LDCs do need binding agreements that ensure that TNC behavior will contribute to their economic development rather than exploiting the people and the country or just enrich their elites.

Some degree of globalization can mean either outcome for LDCs individually. We can help determine which it shall be, as each of them can also. Refer back to an earlier passage in this chapter to review the proposal for a UN agency to participate in working out such agreements in all TNC operations in foreign countries. We can add here that the UN agency

can, in the process suggested, help prevent the common corruption of LDC leaders as well as their possible domination by TNCs. And in order to promote development of LDCs, the U.S. needs to provide them access to our big market, capital goods plus foreign aid that will promote their development.

c) A bit of history may be in order here. Shortly after the end of World War 2, most of the LDC colonies slowly freed themselves, mostly without much violence, and gained their independence from the colonial regimes of the industrialized countries. Political freedom did not automatically change the established trade patterns of the ex-colonies. They had primarily been kept as suppliers of raw materials and purchasers of manufactures from the mother countries.

As independent nations they wanted to change this economic dependence and diversify their economies. But their ability to do so depended heavily upon the trade policies of the industrialized countries, including of course the U.S. as well as the former mother countries. The U.S. was indeed their biggest potential market for other than raw materials, but the U.S. also had higher tariffs on manufactures than on raw material imports.

Within the UN to which they became admitted as sovereign states, they spoke about the need for industrial countries to reconsider their trade policies, but were largely ignored.

So, representing as they did together about 3/4 of the world population, they proposed a separate conference on LDC-MDC trade called UNCTAD (UN Conference on Trade and Development). The U.S. tried to prevent the conference, but was outvoted and it was held in 1964. At the conference we tried to prevent any resolutions being passed, but failed, so tried to prevent another such conference. They were held every 4 years & UNCTAD developed a permanent secretariat.

Resolutions were passed demanding a New International Economic Order which would increase LDC strength in international economic institutions as well as give foreign economic interests less power over their home economies, plus making numerous specific demands for policy changes.

After opposing everything for 12 years, the U.S. finally agreed to negotiate some changes case by case, the last of the

MDCs to do so, and then only in international institutions where we still had effective control.

This is cited so readers know that in the eyes of LDCs, the U.S. has a history of obstructionism. We are not the good guys in the minds of ex-colony leaders.

The United States should have understood the LDC situation & their demand for control over their own economies, but didn't. We had once gained freedom from being a British colony, and sought freedom to control our domestic economy & industrialize, so we used infant industry protections & continued them long after the infants had matured. But now we press less developed countries to adopt free trade policies whatever the effect on their development.

SHORT TERM CAPITAL & CAPITAL FLIGHT (a-b)

Another problem arose independently of recently increased globalization but has been exacerbated by it. Proponents of globalization have been urging, among other things, that all countries develop stock markets more fully to help facilitate international portfolio capital mobility. Will all capital mobility be beneficial to all affected, or sometimes hurtful to some?

Short term capital movements are due to different short term interest rates or to speculation on exchange rates. If large amounts of capital are withdrawn suddenly from a country, such **capital flight may even cause a depression there, &** in the past even destroyed the international gold standard.

Such instability in the international financial mechanism has still not been dealt with successfully. Countries could restrict the amount of foreign short term capital that their financial institutions would be allowed to accept in portfolio or demand deposit form, or they might be allowed to accept it only with restrictions on the rate of withdrawal allowable, and that might help reduce the international financial system's instability. I have long been teaching my students how less developed countries should protect themselves from short-term capital flight, but only in December 09 did Business Week raise the question of whether they should do this, quoting two other economists who

advocated it, one suggesting they band together & do it as part of the Group of 20.

a) I need to point out that when short term capital is quite free to move from one financial center to another, this may remove from the U.S. and other countries their ability to use monetary policy for domestic stabilization purposes. At a time when it may be desirable to raise interest rates substantially to check a demand-pull inflation, this may attract so much foreign short term capital inflow as to defeat the tight monetary policy and add to the inflation. Or at a time when it is necessary to lower interest rates to stimulate the domestic economy it may lead to such an outflow of short term capital seeking higher interest rates elsewhere as to prevent the lowering of interest rates. It is very undesirable for a sovereign country to lose its ability to use monetary policy for domestic stabilization purposes just in order to permit those with wealth to earn a little more on their money or to speculate on exchange rates.

b) Usually one would expect that long term capital movements between countries would take place only if both parties expected to benefit, and if they did both benefit, both nations involved in any such capital movement would also likely benefit. The economic interests that led to the establishment of the (WTO), structured the way it is, were primarily transnational corporations of the more industrialized countries. Freeing trade for their exports was likely less important for the transnational corporations than was eliminating any restrictions on their capital movements, short term or long term. Are all long term capital movements in the WTO framework as beneficial as ordinarily supposed? Unfortunately they are not always. Again the trouble is usually between less developed countries & transnational corporations of industrialized countries.

There is pressure in the WTO on member nations to eliminate restrictions on long term foreign capital movements & to prevent them from favoring local business firms over foreign firms. This can hurt LDCs badly. Many of our transnational firms have financial power enough to enable them to establish branches or buy control of one firm after another in less developed countries. **These countries are in**

danger of losing control of their own economies as more & more local businesses could be destroyed by import competition or foreign businesses or be bought by foreign capital. They are in danger of being subjected to a new private foreign corporation economic imperialism to replace the old political imperialism. Some of this has already been carried on in less than honorable fashion, as witness the John Perkins book *CONFESSIONS OF AN ECONOMIC HIT MAN*.

Indeed some less developed countries, seemingly not knowing how it would work, and under the influence of the Chicago School of Economics philosophy that the government sector of the economy was inevitably bad and private enterprise inevitably good, did privatize much of their public sector. Argentina and Chile's dictatorship are notable examples of such countries. But results were not as favorable as expected, some were disastrous, so some public utilities are being set up again to replace the privatized public utilities.

As already indicated, the UN could be empowered to help less developed countries get the advantages that transnational corporations could bring them without being taken advantage of & without losing control of their own economies and development efforts. But to eliminate the disadvantages noted in the preceding two paragraphs would require basic changes in the WTO.

LDC DEBT

Now many of the LDCs are saddled with almost crushing debt problems, and the question is what can be done about this. Ironically, the problem started when OPEC, resentful of the pressure by the "7 sisters" (oil buying firms) on their oil pricing, quadrupled oil prices in 1972-3 & raised them again in 1979 demanding payment in dollars. Many of OPEC's increased revenues were deposited in U.S. (& other MDC banks) which then had excess \$ to lend. LDCs used little of the expensive oil but could not pay such high \$ prices for oil, so borrowed \$ which the banks then "recycled" to them as loans. Later needs put them further into debt to MDCs. **In the end, LDC debt service made capital flow from LDCs to MDCs, whereas capital should obviously have been flowing the opposite direction in order to help LDCs develop &**

reduce their often abysmal poverty. Indeed for some LDCs their export surplus could not fully service their debts, i.e. pay the annual interest to carry the debts.

Debt forgiveness would dry up the availability of new capital or loans when needed. There has been some debt for equity swapping, but paying dividends forever may not be preferable to a fixed amount of indebtedness to pay off. A good solution is still to be figured out and be employed.

U.S. INTELLECTUAL PROPERTY RIGHTS

The U.S. needs to be concerned about the reactions to its policies abroad and the behavior of U.S. businesses abroad. Does it or could it do anything to reduce the efforts of U.S. tobacco companies to addict more foreigners to tobacco after years of misleading advertising in the U.S. after knowing that their product was addictive?

Clearly the U.S. is trying through the WTO to get foreign countries to respect intellectual property rights that U.S. laws created for U.S. businesses. No other U.S. laws are enforceable outside the U.S. Is there any reason why our patent and copyright monopolies should be enforceable throughout the world? If other countries don't even have anything to say about the matter, that raises an old issue we should understand – it is taxation without representation.

It certainly matters to other countries suffering from diseases that could be alleviated or reduced by our pharmaceuticals whether they are available to them only at our monopoly prices or much more cheaply. Should the U.S. not be doing everything possible to help them get plenty of cheap drugs to combat infectious diseases that are wreaking havoc in some countries and to combat other diseases that may even spread later to the U.S.? That at least should be an exception to our trying to get other nations to accept our legally created intellectual property rights.

Indeed shouldn't any technical advance, after rewarding properly its inventor and the business investment required to market it initially, be freely available everywhere to promote faster progress for everybody?

THE LEXUS & THE OLIVE TREE

I want to comment briefly now on a book dealing with an economic & a non-economic dimension of globalization: the cultural dimension.

Thomas L. Friedman, N. Y. Times foreign correspondent, wrote a popular book *THE LEXUS AND THE OLIVE TREE* that some of you may have read or might read. Friedman calls the worldwide free mobility of capital a wild herd (symbolized by the Lexus), and he claims it couldn't be reined in & that it would be undesirable to try to do so. Clearly I think he is wrong. There is no reason to allow any such wild herd to run over all regulation of every economy, and, speaking for the U.S., over our economy & government.

For Friedman, the Olive Tree symbolizes everyone's need to be rooted in their own culture. Only his last chapter tries to reconcile the two, not fully successfully in my judgment. Fortunately from my point of view, he does think it is too brutal not to have a good social safety net for those who are ground down and out, for whatever reason, in the market.

Friedman says the factor driving globalization is technology, and he develops that thesis in the book. I agree to free movement of technology.

The new globalization may be said to have started with the spread of television and it may move much farther with computerization and the worldwide Web. Friedman cited instances of TV or computers on the Internet in some very remote corners of the globe and claimed that as evidence enough that globalization of that kind cannot possibly be stopped.

That kind will be hard to stop completely no matter how hard some theocracies in particular may try to shield their people from it. But what about the Olive tree? Will globalization wipe out all cultural differences?

One can also understand the thinking in some areas that Uncle Sam, through efforts to make money by publicizing & selling rotten and violent American movies and cop-killer songs abroad, is the great Satan. The theocracies have some reason, and every right, to try to shield their people from this, & from other products of our entertainment media, as does every sovereign nation.

But it is also the case that increased contact with Western culture can hardly help but result in the status of women being improved over time in many places in the world **where it is by all odds the most needed cultural change that must somehow be brought about, & the sooner the better.**

Other cultural changes are already under way such as the wide spread of the English language, and the spread of hotel chains, etc., but there is little need to worry about all cultural differences disappearing. Fortunately for all nations, many cultural differences will be continue to exist, whatever the extent of globalization.

My whole argument in this chapter is that globalization as it is now practiced benefits transnational corporations but often harms some LDCs and harms some MDCs including the U.S., and that it can be modified so that all nations benefit, though this requires drastic changes in the WTO charter.

Economists have long known that freer movements of goods and capital among countries will necessarily result in some “harmonization” of their economies. Either higher price levels & wage rate levels & tax rates in some countries falling toward the lower levels of other countries, or the latter rising toward those with higher levels. I have shown that the U.S. with the higher levels is being hurt by “harmonization downward” but this can be prevented by slowing down the process (in a way I indicated) so what takes place is mutually beneficial to participating countries.

THE WASHINGTON CONSENSUS

U.S. National policy toward globalization & criticism of it. Both President Clinton and President Bush had supported globalization in principle, including free trade and free capital mobility internationally, as have both major political parties. This does not mean that they have supported rapid elimination of our existent tariffs and non-tariff barriers to international trade, nor that they pushed new legislation to stimulate capital mobility. But they both supported more international trade agreements to lower present national barriers to international trade, and looked with favor upon further international capital flows.

In this they had the intellectual support of economists in general.

And what has been called The Washington Consensus for too long dominated the International Monetary Fund (IMF), World Bank (IBRD), & our Treasury Dept.

Although there is not complete agreement on the meaning of The Washington Consensus, it usually is said to support any or all of the following: (1) Extensive lowering of international trade barriers by nations, including elimination of import licensing; (2) Promotion of foreign direct investment; (3) Deregulation of economies & privatization of all state enterprises (said to be necessary for efficient management and improved performance); (4) protection of all property rights (including intellectual property rights); (5) Fiscal discipline, a reduction of government expenditures, and a reduction of government deficits; (6) Tax reform & tax reduction; (7) Financial liberalization with market determined interest rates; (8) competitive exchange rates to stimulate exports and promote growth.

U.S. international policies have been in general those of the Washington Consensus. The idea is that the U.S. will thus lead in globalizing the world, and gain from doing so, although of course the claim is that the benefits of globalization will accrue to all nations to the degree that they take part in it. So the Washington Consensus is thought to provide a single set of policies that will fit the conditions of any and every nation and promote their greater economic well-being. And there is evidence that much of it has been applied almost as though national differences did not matter.

That constitutes an ideology that anyone should be suspicious of if they have any inkling of the wide variety of conditions to be found in the world characterized by quite different less developed countries and somewhat different more developed countries.

Fortunately there have been a number of well-informed critiques of the Consensus. One of the most trenchant and well informed is that of Joseph E. Stiglitz in a 2002 book entitled *GLOBALIZATION AND ITS DISCONTENTS*. He details how U.S. policy was misapplied by the U.S. in several coun-

tries. Stiglitz was not only the winner of the 2001 Nobel Prize in Economics, he had served as President Clinton's Chairman of the Council of Economic Advisors before he had a short stint as chief economist for the World Bank from which he was fired for his insubordinate views. The Stiglitz book or that of some other critics should be read to help judge how U.S. policy in international economic matters needs to be adjusted to each individual foreign country's somewhat unique situation.

This chapter has shown that the way globalization is working now, it helps transnational corporations but hurts both the U.S. and in some respects hurts LDCs too.

Joseph Stiglitz followed the book just cited with a later book whose purpose is to show that different globalization policies could be used that would benefit all countries involved. That book is entitled *MAKING GLOBALIZATION WORK* & was published in 2006. If you question much of this chapter in my book, read the 2 books by Stiglitz, who knows more about these things than anyone else does.

This globalization chapter has focussed primarily on its impact on the U.S. economy & on LDCs., on how some adverse effects could be dealt with properly, and on the way our TNCs need to be dealt with by some UN agency when they go into any LDC.

CHAPTER 11 of NAFTA

Finally, there is a concern that may have broad consequences on the environmental front. When the NAFTA (North American Free Trade Agreement) was signed and approved, it appears that very few people were aware of the fact that Chapter 11 contained a provision that might have far-reaching effects. It is not particularly unusual to have something added late in the final drafting of legislation or treaties that is not openly debated & seems to slip through unnoticed. After approval a few people tried to call attention to its implications, but as it was in a sense too late, the reaction was: maybe it won't matter, and if it does it could be dealt with later.

Chapter 11 of NAFTA permits any business (in a country covered by the treaty) to sue a treaty country's government if it passes an environmental law that reduces sales & profits of the suing business firm.

The suit will not be handled by the regular court system but by a tribunal of 3 persons, one selected by the suing firm, one by the governmental unit sued, and the third by the two of them.

One of the first suits was against California for outlawing a gasoline additive that was found to be poisoning ground water & wells. Rather than go through the procedures outlined in Chapter 11, and possibly lose, California rescinded the law.

Actually a bill had been before Congress making such a suit possible by any business within the U.S. against the guilty U.S. government unit, local, state or federal. Congress refused to pass such a bill, but a similar provision was then inserted into NAFTA with no publicity.

The issue is not just Chapter 11 of NAFTA. The possibility is that such provisions might be inserted into any or all treaties the U.S. Administration negotiates with other countries. The more countries that sign such agreements with the U.S. the more countries that might have new environmental legislation prevented by such legal suits. U.S. businesses could prevent environmental legislation by such suits against governments in signatory countries, and all those countries could prevent environmental legislation in the U.S. Perhaps the U.S. was fortunate that some Latin American countries did not agree to sign the hemispheric free trade treaty the U.S. offered. It might have prevented any new environmental legislation anywhere in this hemisphere.

The extension of Chapter 11 is especially troublesome as long as the President has "fast track" authority – the authority to present treaties for an up or down vote, with no opportunity for any modification or amendment by congress.

It is strange that the numerous environmental organizations in the U.S. seemed to take so little notice of the implications of NAFTA Chapter 11. I expected each of them to alert their membership to the danger that environmental legislation could be rescinded in many countries by such provi-

sions in trade treaties – & do so-with large print notices on their magazine covers, & efforts to get letters to Congress to prevent this. None did so far as I am aware.

CONCLUSIONS (a-j)

My economic conclusions in briefer form are the following:

a) No nation should be at the mercy of all transnational corporation capital & trade objectives. Each should be able to determine & follow its own economic path, protecting itself from serious adverse outside influences while cooperating on a voluntary basis with other countries where that is mutually advantageous.

This implies that the WTO should be changed to respect defensible national economic decisions and operate openly in as democratic a manner as possible, and to consider all relevant values, not only the value of international trade.

The U.S. & many other nations should withdraw until the WTO charter is changed accordingly.

b) The U.S. should also recognize that our high productivity can sometimes be matched now by lower wage countries, & that international currency exchange rates can no longer be counted upon to offset wage & price differentials.

U.S. firms offshoring to get cheap productive labor or escape U.S. regulations creates harmonization downward and needs to be prevented. Harmonization upward needs to be facilitated. That requires that we should for as long as necessary use variable amounts of tariff & non-tariff-barrier protection to promote fair trade rather than free trade and to prevent undesirable (but not all) losses of U.S. industries or their foreign acquisition.

Our wages have already been adversely affected, and offshoring has permanently reduced some US. jobs. Our middle class is being seriously harmed. These effects should be sharply limited in the future by our policy changes. Import of competitive labor should stop. Policies that facilitate offshoring should be eliminated. The advantage of off-shore tax havens should be eliminated. All firms

producing or selling in the U.S. should have the same total tax requirements.

Our managed trade policy should try to speed readjustment when imports increase but slow the need for readjustment to what is possible, and help protected industries to become more efficiently productive.

c) We need to get U.S. & other TNCs under control in LDCs, partly with the help of a UN agency in negotiating LDC arrangements with TNCs. TNCs need fair treatment so they can make a profit by things consistent with helping most people in LDCs escape the poverty trap, but the TNCs in turn must behave themselves and not discredit the U.S. or others by the bad behavior they have sometimes exhibited.

d) We should help nations protect themselves from capital flights.

e) Replace the Washington Consensus with a good flexible policy, recognizing the differences among countries,

f) We should do whatever we can to improve the status of women.

g) Help combat infectious diseases & resist addictions everywhere.

h) Respect the right of other nations to resist American influences they deem undesirable.

i) Protect environmental legislation by preventing all NAFTA CH. 11s.

j) That is a very limited & controlled, not unlimited globalization.

VOTING IN INTERNATIONAL ORGANIZATIONS

Without reviewing the difference among present international institutions, a little should be said here about the problems.

The democratic presumption is that International institutions should all represent people according to their numbers, that is by population. The problem with this is that population increase would give countries more votes, but the most important thing now over the long run is to stabilize and probably reduce world population by substantial amounts. So increasing population should not increase voting power, but population stabilization could & population reduction should gain even more votes.

GNP is not a proper basis either, for that lets the big rich countries rule the poor quite explicitly. Perhaps some recognition should be given by rewarding those improving their per capita income, but only if the increase was at the bottom of the income distribution rather than at the top of it.

If countries develop good measures of economic well-being, it would be a better to reward that, again only if the gains took place at the bottom of the income distribution rather than at the top.

Financial contribution to the budget of the financial institution is not a proper basis for representation. That would allow those who wanted more power to buy it if they could. That should be rejected.

Each country one vote is absurd when some countries are virtually city-states & others major sections of a continent.

Perhaps there should be some combination of population reduction and gains at the bottom of the distribution of a common new improved measure of economic well-being.

This is predicated upon using a common representation scheme for all international institutions. It is more likely that what would work better would be a different scheme for each institution depending upon the range of things with which they would deal.

A national security institute might initially deal only with nations with big enough military establishments that could threaten each other now, & later bring in small nations wanting to use the same provisions others worked out.

The International Monetary Fund might be revised to have one body of nations dominating foreign exchanges, and another body of nations that could be hurt by the first body of nations; the two bodies should be required to work out compromises between their objectives.

The World Bank could more easily be divided into two sets of representative units, one the donors and the other the recipients, with the recipients that should dominate in the sense of determining what will suit their development ideals & not be forced into deals not suitable for them.

The World Trade Organization organization problem has been discussed already. In short, it needs to consider all values affected by its decisions, & needs to give protection to countries otherwise harmed by its decisions.

A BROADER CONCEPTION OF GLOBALIZATION

If we conceive the term globalization to refer to the whole set of economic relationships among the world's countries, one of the main things to be discussed is the relationships between what are classified as the world's more developed countries and the world's less developed countries.

That brings us to one of the world's most important and ongoing and unsolved problems: namely how to improve the well-being of the less developed countries. The conditions of people in these countries varies greatly. Although most of them have a well-to-do elite, it is the condition of the majority of the less well off that varies considerably. Although most in each country are relatively poor farmers, some countries involve largely uncivilized tribes with very weak if any central government. Others have large masses in big cities' slums. Most have high death rates from a variety of diseases that are less prevalent in more developed countries, but with much higher birth rates the less developed countries' populations grow faster.

Policies need to be varied to deal somewhat differently with different development problems, but some needs are similar. Capital and improved technologies appropriate to their needs should flow from more developed countries (MDCs) to less developed countries (LDCs). Recent history has saddled LDCs with heavy debt burdens which need to be partly reduced by MDC creditors. The discussion in the earlier sections of this chapter that deal with trade & capital movements that affect LDCs is relevant. Chapter Six will deal further with the population problem.

The U.S. substantial farm subsidies, many going to well-to-do people who own large farm tracts but are not themselves farming the land, are politically hard to eliminate, but have some generally unknown effects. They result in exports of some of our farm products at subsidized lower prices that destroy farmers in some less developed countries unjustly, & in the case of Mexican

farmers result in their illegal entry into this country as cheap farm laborers.

Time Magazine for 3/22/10 said that TV will “save the world” in that it will soon to be everywhere changing lives for the better, especially the lives of women who will do things without getting permission from husbands. Fine. But will LDC TV programs be made there or in the U.S. where adolescents are thought to want everything on the TV screen jumping around without time to dwell on anything meaningfully.

OTHER UNSOLVED FAIR TRADE PROBLEMS

This chapter has advocated fair trade instead of supposedly free trade. Trade has always been managed by countries, but not managed well. There has not been enough attention to the concept of fair trade. I argued above that it is not fair if not based on a “level playing field”.

I would say it is not fair trade when businesses in one country pretend that they do not know that they subcontract with firms in other countries that pay unjustly low wages to their labor forces & treat employees badly. I have the impression that this is a standard practice for many U.S. firms.

Something else is evidently standard practice of some U.S. firms, though it is illegal, so they deny that they do it. They ship worn out computers etc. to a city in China which puts them in a dump in which Chinese young children search for salable metal which is radio-active & may later produce cancer in them.

On the other side of the fence, China has been shipping many things to us, including children’s toys that contain harmful materials because that Communist government evidently cannot control what goes into many products. Only our import controls could correct this, & that would be an interference with businesses here, so import controls are not strengthened. It would indeed be a very big job, given our huge imports from China. Some imports from some other counties can present the same sort of problem.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER SIX

ECONOMIC SUSTAINABILITY

INTRODUCTION

This is a very recent problem for humanity with decreasing numbers of people still able to deny that it is already a serious problem.

For umpteen thousands of years after humans first appeared on earth, the main problem for each of us was to find enough food, including killing enough animals, to stay alive. Then when we learned to cultivate the soil and herd some animals (goats, sheep, pigs, cattle & chickens) for food, we considered ourselves masters of a boundless earth which was there for us to use as we wished.

As the human population increased & spread over the earth's land, slash & burn trees to farm such agriculture was replaced by stable farms and herds.

Environmental problems occurred first in parts of Africa where humans originated and in parts of the huge Asian continent where population was densest. Such problems were little recognized until the 20th century in most of the western hemisphere.

Homo sapiens, somewhat misnamed, has not yet learned, even from the historical record, that local civilizations do not survive if humans overload their biological life support system & deplete their natural resource economic base. (See Jared Diamond's 2005 book entitled *COLLAPSE*.) Now the problem of the relation of the population to nature must be viewed on a global scale.

Scientists have been studying a number of the problems for some time. Only since the publication in 1962 of Rachel Carson's controversial book, *SILENT SPRING*, has the American public at large become very conscious of the scale of any ecological problem in this country. She made us aware of the possibility

that we may be using too many pesticides which may kill off our songbirds. Earlier there had been individuals, like Gifford Pinchot & even president Theodore Roosevelt, aware that we had destroyed too many of the land's forests, took steps to conserve those remaining. Floods & the depression dust bowl alarmed others including Franklin D. Roosevelt.

For some time the environmental problem was considered to be primarily a matter of pollution of air and water. Now it is recognized as involving all aspects of the relation between population, natural resources & the technology by which the former use the latter for their livelihood.

The problem is that people are degrading and depleting the globe's natural resource capital. Indeed they are at some places seriously overloading the life support system that nature supplies.

We need to develop a technology that makes possible a decent standard of living for the prospective population if it is indeed possible to do so.

The future is at risk if people do not learn to cooperate in achieving a sustainable relation between population, natural resources and technology. An increasing amount of cooperation will need to be organized even at the international level. We have had only a few decades of recognition of some problems and limited efforts at cooperation of the kinds needed.

The result at which we need to aim is a sustainable world economy. **It should be obvious that in a finite world, nothing can continue growing in size or numbers forever.**

But a major controversy erupted in academic circles upon the publication in 1972 of the MIT-Club of Rome study entitled, *THE LIMITS TO GROWTH*. A computerized model showed that if present rates of growth of population, industrialization, resource depletion and pollution continued, the world economy, overshooting sustainable limits, would collapse around the middle of the 21st century, and its collapse would thereafter make a decent long-run livelihood possible only for a smaller population. It was easy to show that some of the data used in the model were faulty, but not that our desire to grow would not lead to serious consequences sooner

or later. The study suggested some changes that needed to be made, but not how they could be made.

Many environmental organizations developed in the U.S. mostly in the 20th century, including the Sierra Club, Friends of Earth, Environmental Action, Environmental Defense Fund, & Conservation International. These NGOs all publish regular newsletters or magazines and actively seek public support for national and international action on various environmental problems that are now widely recognized such as soil conservation, fishing, energy, deforestation, atmospheric problems, rivers & seas & oceans, and toxic & hazardous wastes.

Let us look at these problems individually next.

SOIL CONSERVATION

The most important human problem is having enough to eat to stay healthy. We are almost entirely dependent now upon food grown on farms. That means we are almost entirely dependent upon the productivity of farm land. Most of the earth's tillable farm land is now in use.

To be sure we relatively recently found ways to make some farm land more highly productive by the development of new varieties of grains. These typically require more fertilizer and water than previous seeds did. We can hope that more such "green revolutions" may become possible in the future, but this is not something we can count upon.

We do know that continuous use of farm land for the same crops year after year depletes the soil of nutrients. So productivity of the soil declines. We learned some time ago that it can often be maintained by the proper types of crop rotation.

Scientific studies are necessary to discover the needs & how best to meet them. Natural or manufactured fertilizers may also be necessary in proper amounts to maintain the productivity of the normally thin layer of topsoil on farmland.

The U.S. government established a soil conservation unit in the Department of Agriculture in the first quarter of the 20th century.

The depression dust bowl made people aware of the fact that even high winds can blow away much topsoil at times, so trees are needed as windbreaks in farmland areas to prevent this.

City people are disturbed when storms or dam breaks flood cities and do a lot of damage in them. But the damage these do to farmland is much more serious than that done to cities by floods. Cities can rebuild, but that soil washed away may take thousands of years to rebuild. Meanwhile the productivity of farmland is drastically reduced.

Every country has reason to do more to protect its own soil for the future, but many national policies or conditions either fail to protect the soil or in effect induce farmers to mine it. International support may be needed where poor countries are faced with desertification from overpopulation & overgrazing or over cropping.

The deserts in the world are evidence of failure in the past to recognize the problem in time or to doing enough to stop it.

No more need be said to make it clear how important it is to the human future to use agricultural sciences to tell us how to maintain the productivity of our farm soil as best we can, and then to do it.

FISHING

To be sure we supplement farm food with fish as part of our food. While those of us near enough fisheries could make it a larger part of our diet if necessary, the present world population could not likely survive on fish alone. But we are now overfishing some areas of their fish, where fishing had once been good, so we need to reduce our catch long enough for those fisheries to recover. In addition, we need to prevent overfishing elsewhere. The world should be able indefinitely to provide fish as a good source of some human food if we prevent overfishing.

International agreements on fishing and whaling have worked reasonably well, though in some cases more protection of some species is needed. Present efforts to reduce drift net fishing are weak. It should be prohibited since it can relatively quickly result in overfishing wherever used.

ENERGY

Human energy has long been supplemented by using in addition some other forms of energy: perhaps first, other animal energy, used to pull plows or loaded wagons. Then some wind energy & waterfalls. Of these only wind energy is much underused now.

Modern civilization was built on the use of fossil fuels: coal, oil and gas. They are now among the major causes of global warming, a new environmental problem. And they will run out eventually.

The problem is complex because some forms of energy are not useful for some purposes, so another form is required. Uses of energy and forms of energy must match.

Coal appears to be our most plentiful fossil fuel. It is easily used to heat buildings or stationary things, & was used for a time for trains but is not suitable for other transportation. It is used mostly now for power plants to generate electricity, a widely used form of power. The present talk about storing underground the carbon dioxide that results from burning coal is not promising & is proposed by coal companies primarily to protect their profits and employment in the coal mining industry. Coal mining itself is a very undesirable, dangerous & dirty job. Now to get coal, some firms rip off mountain tops & dump them in rivers. Despite its plentiful amount, coal is a very undesirable source of energy & should likely be used as little as possible.

Even though I came from a soft-coal mining region, I had never even heard the word “coal-ash” until the October 4, 2009 TV program “60 Minutes” which told how we already have hundreds of thousands of tons of coal ash left from the use of coal for power plants piled up, containing a lot of toxic metals. A dam holding a huge amount of it broke and flooded a big area. To dispose of coal ash it is now being recycled into general use products exposing many people with no concern for its toxic qualities, which some try to deny – a problem whose solution is a big, costly problem remaining from the use of coal.

Since coal to produce electric power is the biggest single global warming gas problem, I will discuss briefly here the

cap & trade proposal for reducing carbon dioxide emissions. Economists say that cap & trade gets a given reduction in carbon dioxide at the lowest cost possible. But European experience with it has shown that emissions with it rose 1.1% from 2005 to 2007 instead of declining at all. **Without careful supervision the intent of the law can be defeated. In order to work, the caps on emissions must keep falling so that carbon dioxide emissions are actually reduced.**

Oil is most usable for many things but the end of the oil age is in sight. That has been said before, since we have long had only about 30 or 35 years of known reserves. We still have that many. But this is because it does not pay any business to spend money now to find more reserves which it would not need to sell until known reserves were used up about 30 or 35 years hence. Any business would discount the price they would expect to get then by some current interest rate to see what it was worth spending now to find it now. Business firms usually decided It would be worth less to find it now than it would cost to find it now. So we never have more than 30 or 35 years of known reserves.

However that is not why we think reserves are falling. There are ways of discovering where underground oil or gas is likely to be found or is most likely absent. Scientists think that many new findings are not likely since so much of the earth underneath has already been examined from the surface.

Economists have contended that there will always be more oil to be had, just at an increasing cost to get it. But if you talk to scientists in the institute of technology – they know a little economics also. They tell us that oil will be increasingly costly to get, because it will take more and more energy to get it. And they say the oil age will end when it requires more energy to get additional oil than the energy we get out of it when we have it. They are obviously right.

The U.S. political convention that shouted “Drill, drill, drill!!” did not realize that they were not very patriotic. They would have the U.S. exhaust its oil reserves faster than other nations & so bring about a future in which we would be more dependent than now on foreign oil, instead of

present big oil producing countries becoming more dependent on us in the future.

The public is excited about every increase in gasoline prices. Those prices will inevitably rise as world supplies dwindle. And every rise in oil prices will likely reduce the demand for oil to some extent, and induce us to economize more on the oil used.

In any case the world is using up rapidly an exhaustible resource, & it would be economically sensible to begin soon to restrict its use to whatever might be its most valuable present uses. That probably means stopping now all non-transportation uses (petrochemical manufactured fabrics etc.). And as soon thereafter as possible, finding other sources of transportation energy.

Ethanol is a manufactured product claimed to be a partial substitute for gasoline. It was touted as more environmentally sound, but that claim has been refuted.

Bio-fuels made from things usable as foods were criticized if needed as food, so weeds, wild grasses & wastes were suggested instead as a partial substitute for gasoline in the future.

Hydrogen. There is also the question as to how much use might be made of hydrogen instead of gasoline as a fuel for cars, since its waste is only water.

Gas. Natural gas is used mainly in heating houses & their water heaters & clothes driers where it is very desirable. I have seen only one claim that its supply is not much greater than that of oil. And I know nothing about the potential of manufactured gas.

Solar. The entire earth & all its plant and animal life are entirely dependent upon the proper amount of heat being provided by the sun's heat falling upon the earth and absorbed there rather than being reflected by the earth's surface.

Green plants use the energy from the sun, by a process called photosynthesis, to convert water, carbon dioxide, and minerals into food we human animals need.

The only way to avoid heat buildup on earth and its impact on climate is to learn to make further use of the solar

energy absorbed by the earth system. This will be necessary in any case as fossil fuels are exhausted.

This is a big technological problem. The more research effort devoted to it the better.

The issue is whether to leave it all to the market to stimulate needed solar development, or whether & how governments should assist.

There have for some time been solar panels suitable for the roofs of houses to provide some of their heat. More recently more efficient solar panels have been developed to convert the sun's energy directly into electricity.

It is almost certain that the future will need to find more ways to use solar energy for more purposes.

Physicist Amory Lovins has shown the possibility of using nothing but solar energy year around for a house in Colorado which was built to conserve energy. He & his wife are living in a house built to prove this.

Atomic energy. There was a time when some people thought that atomic energy would be a virtually costless source of energy. The primary cost of energy anywhere would be cost of electrical energy transportation lines from atomic energy plants. That rosy view has been blown away by recognition not only of the danger of atomic energy plants being easily changed into producing atomic weapons, but by learning of the huge problem, not yet satisfactorily solved, of storing atomic wastes safely for many generations (some say 20, 000 years is only the half-life of such toxic wastes). We have yet to store properly many tons of atomic waste products. Some people still refuse to give up the dream of an atomic solution of the energy problem.

Wind. This is still an underused source of energy and there are beginning to be efforts to install large fields of new windmills to generate electricity with again the transmission line problem.

The electrical grid. Experience has shown us how easily small mistakes, or simple terrorist actions, can cripple economic activity half way across the country. A small

mistake near the middle of the country left New York City without power until the cause was discovered & corrected.

Amory Lovins has argued that we need to make the nation's energy grid system less vulnerable to even a single terrorist attack. We need to develop as soon as possible many small local power plants. Instead the country depends upon a smaller number of large electrical generating plants & extensive transmission lines.

A single destructive attack by a terrorist could now deprive many vital sections of the country of all their electrical power.

We still have claims that fuel cells can generate power, I am not aware of any proof or disproof of such claims as yet.

So much for a brief survey of energy problems. Now I turn to other environmental problems.

DEFORESTATION

Most countries had for much too long ignored the danger of burning or cutting down far too much of the world's forests. Too late we are learning that even a renewable resource needs to be conserved to some extent.

Sustained yield forestry can be mandated by any country's government, but the climatic effects of failure by some governments warrants international pressure on them.

Population pressure on forests in the less developed countries has no quick fix, since economic development of those countries is an obvious objective. People in some less developed countries used to walk a short distance to get wood to use to cook their food or heat their living quarters but now have to walk miles to find the wood. And in other countries the growing population leads to slash & burn forests to cultivate the land. In the case of tropical rain forests that land will after a few years become lateritic & useless as farm land.

Even governments now allow foreign businesses to buy tropical forests and cut them down to use as long as they can, which isn't indefinitely, to graze animals that they then kill to make hamburgers to sell in big foreign cities.

Reduction of tropical rain forests in particular is of world concern both because of climatic effects (carbon release and

reduced oxygen creation) and because of destruction of plant and animal species habitats (and hence of the potential human benefits from their preservation).

The home countries are as yet unwilling to accept regulation, despite the fact that their gains are very short run, since the land will shortly become worthless if stripped. International pressures need to be put upon them, or more developed countries or a world agency needs to buy the tropical forests and prevent their destruction for anyone's gain.

Some things that could be done by one or more major countries that might have some effect would include putting prohibitive tariffs on any products (such as meat, timber, or animals) from tropical rain forests, thus destroying the market for them.

It would also help if they made commercial purchase of tropical forest by their citizens illegal while exempting from taxation any funds used to buy and create reserves of tropical forest areas. Such measures by enough outside countries might stop all forest destruction except by natives or their government.

To change the internal situation would require a joint local and international operation to employ effectively the labor that would otherwise, with or without government encouragement, seek a livelihood by slash and burn agriculture. That process should have stopped centuries ago.

ATMOSPHERE

Air pollution is to some extent a local problem, but it has now become apparent that both the ozone layer and the global climate may be affected by pollutants.

It is incredible that business should think it has any right to continue to produce chlorofluorocarbons even on a reduced basis, rather than being forced to develop substitutes as quickly as possible, since they reduce the protections the ozone layer provides us.

The really huge problem is of course carbon dioxide and the other greenhouse gases, for they are largely the product of our tremendous dependence on fossil fuels: oil, coal, and wood. Conservation through greater energy efficiency, & development of solar energy provide the only adequate way out.

International attention to the problem is desirable, but international compacts are alone not likely to be effective enough. International acid rain though can be dealt with to a limited extent by compacts between generating and affected countries.

SEAS, OCEANS, JOINT RIVER BASINS, PURE WATER

The United Nations Environmental Program approach to getting adjacent countries to undertake cleaning and protecting the Mediterranean has promise, but requires a firmer commitment by the nations involved.

The Law of the Sea treaty needs to be ratified universally and be obeyed by everyone, but the weakening of the common heritage concept should be reversed and the resources of the sea beds be used to finance international environmental protection in much larger proportion. The desire of the technologically advanced nations to take over by their power and wealth is unworthy of them, given the great disparities between the well-being of the wealthy nations and the poor nations now.

Vital international straits and canals such as the Suez and Panama canals should be placed under a world governing body to avoid political interference in access to them.

Shared river basins ought to be the subject of negotiations and treaties between the countries involved.

Pure water within countries is their responsibility except insofar as acid rain from other countries ruins lakes. It may be that a universal international convention on acid rain can be obtained, otherwise bilateral negotiations are needed.

Water purification, especially in the less developed countries is a major concern in economic development efforts. The UN needs to continue to encourage programs to make pure water available to all.

TOXIC & HAZARDOUS WASTES

A general compact needs to rule out disposal of any nation's waste in other nations. The basic problem is to develop a technology that can prevent or convert such wastes insofar as possible, as well as to find safe disposal methods. Some U.S.

firms are regularly violating our own laws that forbid their exporting wastes to other countries.

International controls need to be developed, perhaps by a general international treaty that will provide international control of pesticides and even trade in food or other material where the international standards are not met. Similarly, it should be a violation of international rules for firms to sell outside their country products they are forbidden to sell domestically.

These comments on specific problems are no substitute for a careful examination of the environmental needs and the possible ways of dealing with them such as may be found in the UNA-Sierra Club briefing booklet, *ONE EARTH, MANY NATIONS* as well as in the Bruntland report, *OUR COMMON FUTURE*.

POLLUTION

All human activities affect some of earth's resources adversely from the human point of view. They are said to be polluting. The scale & rate of pollution by each polluting agent or activity differs for each different resource polluted. Some rates of pollution are absorbable. Only those that are not are a problem for us. The questions are: what do different amounts of different pollutions cost humans, what would be the benefits & costs of different amounts of possible reduction of each instance of pollution be?

It will require a lot of additional research to answer such questions for different pollutants of different resources.

Humans may be polluting our environment beyond its annual absorptive capacity, & so reducing its annual life support potential. If continued indefinitely, it would over time destroy the earth's life support system for humans. We would have committed suicide for the whole human species.

The climate changes that are now taking place and will continue to worsen for still unestimated years are the results primarily of higher rates of global warming gasses released into the earth's atmosphere by increased human populations using fossil fuels for modern industrial technologies.

We need better scientific estimates of the likely extent and duration of global warming for different degrees of potential reductions in global warming gasses, and similar estimates of

likely time schedules for return to pre-global warming conditions. It would remain to be seen whether that information would affect our actions.

EXHAUSTIBLES and RENEWABLES

The world's resources can be classified as exhaustible or renewable. Only a few have been mentioned explicitly in this book. All the world's mineral resources are of course exhaustible, as are our heavily used fossil fuel sources of energy. Those that are exhaustible in a foreseeable future, we need to plan to restrict use for their most valuable purposes.

The renewables create a different problem. Some might be overused to the point where they would disappear. It would be wise to consider the implications for humans of different rates of use of renewables. The only way to continue over time using some constant rate of any renewable resource would be to use only the annual output of the resource. This is a familiar concept in finance. A given capital sum can be maintained if only its annual yield is used each year while leaving the principal untouched. But if any of the principal is used in any year, the next year the yield will be reduced.

It is very important that humans follow that financial principle in its rate of use of renewables. We have not been doing so. We have been "overloading" some of our renewables & thus reducing their future productivities for us. We need to stop doing that.

THE NEEDED ECONOMIC CHANGES

The human species may already have reached the point, or may before long reach it, where there is an inverse relation between the total number of human animals and their material standard of living consistent with maintaining the earth's life-support system for humans.

The sooner all this sinks into the human consciousness and especially to those making decisions in the political and business worlds, the sooner the necessary changes to make the

world economy sustainable can take place, and the less population reduction will occur at some point.

Now I turn to what of this has been recognized, by whom, & what international & national efforts have taken place.

UNITED NATIONS ENVIRONMENTAL CONFERENCES

The first major international conference on the range of environmental problems was held in Stockholm in 1972 under United Nations auspices with 112 nations represented. The resulting Stockholm Declaration set forth 26 principles on which to base action to protect the human environment, and proposed a plan of action that included 106 recommendations. Many of the principles have since been included in other international declarations and resolutions & been accepted by a number of UN member nations.

Upon receiving the Stockholm report in 1972, the UN Assembly established UNEP, the **United Nations Environmental Programme**. It is based in Nairobi. Its projects are financed modestly by voluntary national contributions, and its secretariat by the UN budget. Its purpose is to further environmental knowledge, review conditions, bring them to the attention of governments, & facilitate cooperation in dealing with environmental problems. It has a 58 member Governing Council elected by the General Assembly. (16 seats go to African countries, 13 to Asian, 6 to E. European, 10 to Latin America, 13 to W. Europe & others including the U.S..) The Council chooses its own officers. Its biennial meeting is widely attended by representatives of other UN bodies, of member and non-member governments, & of NGOs (non-governmental organizations).

The work of the organization is carried on by a secretariat headed by an Undersecretary-General Executive Director. It initiates some projects and undertakes some that are submitted by other UN agencies, by NGOs & by governments. It has contacts with these and with transnational corporations and research scientists. It has aggressively pursued its mandate. Its own professional staff of about 180 is insufficient to fully execute more than a fraction of its projects, so many are carried on through other UN bodies and through non-UN

organizations. It has nurtured negotiations on a number of international conventions such as the dumping of wastes & the protection of the ozone layer. Its Regional Seas program led to agreements by Mediterranean countries on standards to reduce pollution of the Mediterranean Sea. It has also set up a system (GEMS) to monitor global air pollution levels.

The Stockholm conference was followed by a World Climate Conference in 1979 & some other more limited international conferences as well as the important report of the Brandt Commission dealing extensively with North-South relations.

Then **in 1983** a UN General Assembly resolution called upon the Secretary-General to appoint a chairman and vice-chairman of a **World Commission on Environment and Development**, the two to appoint other members, of whom at least half were to be from the developing world.

The 400 page report, *OUR COMMON FUTURE*, submitted in 1987, is known as the Brundtland Report, after the Commission Chairman, Gro Brundtland, Prime Minister of Norway and its former environment minister. The report has separate chapters on population and human resources, food security, species and ecosystems, energy, industry, and urban problems.

The Brundtland report called for making sustainable development one of the concerns of all real action decision bodies.

That first UN conference on environment held in 1972 in Stockholm, Sweden was followed by a **second UN Conference on Environment & Development (known as UNCED) in 1992 in Rio de Janeiro, Brazil**. It brought together the representatives of 160 nations. For the first time less developed nations generally agreed that they already had some environmental problems, so they were not only the concern of the developed nations which they used to say caused all the problems. A score or so of nations came to UNCED having already set targets on carbon emissions, chiefly to keep them from increasing over 1990 levels by 2005. Not all those targets were later met. UNCED made more progress in establishing a process for transferring finance & technology for economic development. U.S. President George Bush senior refused to sign

a convention that would have us share with other nations the cost of a limited proposal to help protect tropical forests.

The 1972 Stockholm meeting & the 1992 Rio meeting were necessary to get the world nations' leaders all educated about the problems and to set up an initial world organization to deal with some of the environmental problems.

U.S. ENVIRONMENTALISM

The **United Nations Association of the U.S.A.** publishes fact sheets from time to time on matters of national and international concern. A UNA-USA fact sheet, *THE UNITED NATIONS AND THE GLOBAL ENVIRONMENT*, gives a brief summary of international discussions and action with respect to various environmental issues including wildlife, plant and animal genetic resources, forests, deserts, water purification, the atmosphere and climate, pesticides and hazardous wastes, and nuclear and war dangers.

An excellent and more extended (64 page) discussion of the progress and the problems in organizing to deal with ecological issues was provided in a 1989 publication of the UNA-USA and the Sierra Club, *ONE EARTH, MANY NATIONS: The International System and Problems of the Global Environment*, by Jeffrey Laurent and Francesca Lyman. This is a briefing book for the year's multilateral project in which the two organizations engage their membership in study of what needs to be done about the environmental problems and who can best do what about them. The book distinguishes between trans-boundary problems and global ecological problems. The former includes such things as acid rain, toxic waste disposal, and drift net fishing, shared rivers and regional seas. The latter involve the global commons such as oceans, and include the ozone and global warming problems. The tropical rain forests, species preservation and land degradation all have global implications. The problems of organizing international attacks upon these different problems are somewhat different.

WHO NEEDS TO DO WHAT?

The global environmental crisis has global, regional and local dimensions. Accordingly it needs to be handled by informed

and responsible action at several levels: individual household, researchers and research outfits, voluntary environmental action organizations, local, regional and national governments, and internationally.

International cooperation is needed where there is “taxation without representation” and a declaration of independence does not solve the problem. That applies where damage to a country comes from actions taken outside it, without it having any voice in the matter, as in pollution crossing national boundaries.

At the international level there could be a role for each of several types of actors: (1) transnational business firms (2) private environmental organizations (3) governments or government agencies (4) existing international agencies (5) newly created international agencies within or outside the UN system (6) a world authority with certain delegated powers.

The first responsibility of each actor at each level is to refrain from actions that damage the natural or human environment. Beyond that there is the positive responsibility to do what can be done to resolve environmental problems, in cooperation with others where that can help.

It may be that some international action can be best organized to deal with a specific problem, while other organizations may work on a broader range of problems.

Nations can explore the current international environmental cooperation possibilities in UNEP, the United Nations Environmental Program structure. Where non-governmental actors fit in may be considered next.

It is on the basis of scientific studies and information that all action needs to proceed. The information needs to be disseminated to the general public as well as to the appropriate national and international governmental agencies. One might gather from the Brundtland report that it is the pressure on these agencies, brought by the public through NGOs (non-governmental organizations) that is of major importance in stimulating action.

For the U.S. that means environmental organizations putting pressure on the U.S. Environmental Protection Agency (EPA) and on UNEP in the UN system. Also putting pressure directly

and through these on policy makers and legislative bodies in government to legislate and to enter into international treaties and other conventions to protect the environment. These in turn supplement the business conscience by inducing, with carrot and stick, better environmental behavior. The Bruntland report properly emphasizes that what counts most is building environmental concern directly into basic decision processes in government and business.

What can individuals do if we are not scientists or basic decision makers in government or business? The answer is to be found in the role we can play in NGOs, which it appears are very important in this whole process. Most of us are members of one or more environmental protection organizations, and can have influence primarily through them. We need to support them both financially and in writing the letters and taking the other proper actions for which they call.

I must admit that some environmental organizations did not alert their membership to the dangers to environmental protection from the danger that NAFTA Chapter 11 might be extended to other international trade treaties. It has even been suggested that some environmental organizations are getting contributions from big polluting businesses, perhaps to get credit for doing something less polluting than before when they should still be charged with continued bad environmental policies.

There are several ways in which such organizations might work internationally. First, they could develop an international structure if they do not have one now. Then they could set up a working committee, composed of members from different countries, to draft a treaty to deal worldwide with the particular environmental problem on which they focus. If their scope is broad and covers several environmental issues, it might be best to work out a separate draft treaty for each, so that there is a chance of some being accepted, rather than having a broad treaty rejected because some one part was unacceptable. The draft treaty or treaties should then be taken by the national organization in each country to its government, and the organization's membership should bring pressure on the government to sign each treaty.

Alternatively, or perhaps while working in the above manner, the international environmental organization could

try to form a coalition with other such international environmental organizations; and that coalition could explore what treaty or treaties it could get agreement among its members to draft and support in the same fashion in different countries.

Finally, the environmental organizations in this country, and those in other countries could, even at the same time, try to form coalitions in their separate countries. The coalitions could then either draft treaties and press their governments to work for their adoption, or could negotiate with other national coalitions to see if they could work out mutually acceptable treaties to be presented to their governments.

The point of all this is that there are several ways, which could be worked on all at once, to promote international environmental agreements and subsequent action. No one knows what might be accomplished each way, so there is no point to arguing what is the best way. So try everything. It may be that, however they originate, international committees drafting treaties, each of which deals with a single environmental problem, will turn out to get action on some lines the quickest, & before consensus has developed on other areas or on a general formula. Many different problems can be worked on simultaneously by having different committees at work at the same time. It is likely that different problems will call for different agreements & different institutional structures to carry them out. In general, tackling an environmental problem requires, both at the negotiating level & in the execution of agreements, inclusion of those generating the problem and those affected by it. They should try to arrive at a consensus on what is needed, but often some compromise may be all that is possible. Where the compromise cannot deal adequately with an environmental problem that is of more than local significance, outside pressure representing the international interest may be called for.

MORE RECENT CONFERENCES

Rio was followed up by a conference in Kyoto, Japan at the end of 1997 to set up more specific national targets for reducing global warming gasses by 2012. The U.S. withdrew from the Protocol issued in Kyoto by 2001 on the grounds that it would hurt our economy, even though it had bargained

for rich countries or their industries being allowed to buy rights to emit carbon dioxide provided they supply the technology & the expertise to reduce emissions in developing countries. Russia did not sign until 2004. By then some signers were not doing well on targets they agreed to meet by 2012. Those targets would have reduced greenhouse gases by only 5% of 1990 levels.

In 2002 a World Summit on Sustainable Development was held in Johannesburg, Africa known as UNCED + 10. The conference recognized that little progress had been made since 1992. It set a goal of reducing hunger in Africa by half by 2015. It reaffirmed some of the Millennium Development Goals & the Kyoto goals, but was not a success in terms of global warming progress.

It was widely hoped that at the December 2009 environmental conference in Copenhagen, Denmark some more specific steps would be agreed upon to stop contributing to global warming.

That failed. It was left to each country to decide what it would do, and outside checks on their claimed accomplishments were rejected. It can still be hoped that countries most responsible for greenhouse gasses would now make more substantial cuts in them than before & give more help to LDCs in that regard, and that pressure will be put on all countries to furnish some proof that their claimed progress in such respects has really been made.

A few years ago, two scientists listed 16 things, now technologically possible, that could be done during the next 50 years to reduce global warming gasses, any 8 of which, if 50 years later had reached the indicated levels, would reduce the global warming gasses to sustainable levels.

The trouble is, I doubt that the actions people will be willing to take will reach any of the levels indicated in 50 years. They include 60 mile per gallon cars traveling 1/2 as much, & zero tropical deforestation, & similar unlikely things.

So it is technologically possible to stop causing one big current environmental problem, global warming, in 50 years, **but it is uncertain whether enough things will be done by then to produce the same result.**

BASIC PRINCIPLES

Now I need to say something about the basic principles that underlie society's regulation of activities of its members in general and in the field of environmental protection in particular.

All social groups need to and have the right to protect themselves against dangerously anti-social activity by any member. Even proponents of individual rights recognize that the creativities of individuals need to be restricted when they do not harmonize with but undermine the well-being of others. The same is true when it is a matter of the rights of subgroups in conflict with the larger numbers in the wider community. Both wide and narrow groups make rules for their individual members and hold them responsible. The global community should not be at the mercy of sovereign claims by nations or business firms when it comes to their doing things that threaten the human race.

The earth and all its resources are not this generation's exclusive possession to do with as we may wish however much destruction that may entail. **The stewardship principle undeniably applies to us and our use of our inheritance.** Subsequent generations may not be able to hold us accountable to them, but we should recognize our responsibility to pass on to them an inheritance as good or better than that we received. In technology we can pass on better, but no individual and no subgroup has an inherent right to under-maintain the soils from which later generations must derive their sustenance. We have no right to leave them a planet where many of the plant and animal species have been destroyed by our neglect or rapacious expansionism.

We must learn that the question is not whether environmental protection is compatible with business profit as usual, but whether business profit as usual is compatible with environmental protection. In the present context the issue probably needs to be expressed that way, but even where some short run profit needs to be foregone, maintaining the ecological balance is more profitable for all in the long run, & ignoring it too much can even bring disaster.

No individual and no group can in principle object to restrictions on its activity that are justifiable ecologically.

Two aspects of the social-ecological problem are how regional communities can manage the trans-boundary ecological problems and how the world community can manage the global ecological problems.

The most adequate formula, which the world needs to get itself ready to apply where it may be needed, is the one that the World Federalists have long been advocating for the war problem and for some aspects of the environmental problem. That involves **delegating limited power to an international authority; namely, only the power needed to handle the world dimension of the problem which cannot be handled adequately otherwise.**

Such a world environmental authority would have governmental powers in its limited field, as UNEP does not. The definition of the exact scope of that delegated power would be put in a constitution. The World Court would need to be interpreter of the Constitution and of legislation, and it would need to heed a judicial system for cases involving enforcement of environmental laws. Checks and balances would be appropriate as in the U.S. system.

The world legislative body would probably need to have its voting structure modeled after the U.S. Congress, since no other voting system seems to be an acceptable compromise between representation on the basis of population and representation on the basis of states or in this case nations. And it would function by environmental laws applicable directly to individuals and firms where possible.

There would need to be a specified and limited taxing power which would enable it to overcome the inadequate and unstable financial situation of UNEP.

Such a limited world government structure would internalize the push and pull of different subgroup interests and ideas, as does any government. The result of government is always compromise as a result of power and persuasion.

World environmental legislation could have more impact than treaties have had insofar as enforcement might be better

organized. But neither are enforceable unless there is widespread acceptance of and support for the legitimacy of the authority behind them.

Where trans-boundary problems can be handled by agreement among the directly affected and the problem generating parties or countries, that is likely to be easier than saddling wider bodies with full responsibility and decision-making power, although an organization like UNEP may be able to initiate negotiations and may greatly facilitate a solution. This also avoids the representation problem at this level. That is a major reason for negotiating international treaties, broad as well as narrow, wherever possible. Even for regional problems, however, it may be necessary to move to a structure with delegated power if cooperation in a treaty framework does not work well enough.

Elliot L. Richardson, an American experienced in international negotiations during the Law of the Sea conferences, wrote in the *New York Times* (Feb. 7, 1990) that one reason why individual national environmental regulations are not alone enough is that "The least responsible transnational corporations will seek out and encourage the most permissive regulatory environments. For maximum impact as well as equitable burden sharing, there will have to be universal standards universally accepted."

OBSTACLES

Any discussion of the world's environmental crisis should be quite explicit about facts that are undeniable but troublesome. While we need to get action on the areas discussed thus far, there are some things that are still greater environmental threats.

War could block action on environmental problems over big areas for a long time, & if war became nuclear or biological, it could be a total & irretrievable disaster, so war is environmental concern number one. Nations can destabilize the situation; even an accident or temporary madness in some spots here or abroad could trigger a holocaust at any time, given present nuclear stockpiles. This danger continues even though the Warsaw Pact is not even a paper tiger any more.

Even without war, a fighter plane may use more fuel in two hours of flying around than an American family uses in its car in a whole year. See Chapter Nine for further discussion of war & other violence problems.

Population growth. This was listed as the second biggest environmental problem. It may be a tougher problem to solve than war. Population growth, especially at anything close to present rates, will put another three to five billion people on this planet in a few decades, and the pressure on the environment as all strive for a better life could be an almost intolerable ecological burden. World population more than doubled in your author's lifetime from 3 billion to over 6 billion. Every doubling makes a bigger absolute increase in the world population. How many, if any, more doublings would even be possible? Obviously on a finite planet, population cannot grow forever.

How large a population could the earth's life-support system maintain at a decent standard of living on a long term sustainable basis? Estimates vary, but no one really knows. But scientists should be able to make a fairly good estimate of that right now.

What could slow down and finally stop population growth, since on a finite planet it cannot continue forever? What various ways could it be stopped at levels that would still make it possible for everybody to have enough food to have healthy lives? Wouldn't that be a proper human objective? Ways to try to achieve that objective will be discussed in some detail later.

Population growth is environmental problem number two. If this problem is not solved, no other environmental problem can be solved. If not solved, the most that can be done is to improve temporarily some local environmental condition.

Environmentalists can easily lose sight of these as global environmental problems while they focus on the familiar and also essential problems more frequently talked about.

There are other obstacles to doing what is needed to prevent a worse future for humanity and build a better future – which is also possible if we do the right things.

It is usually said that self-interest is the biggest obstacle, and it can be a major one. People cannot ordinarily be expected to act against their self-interest. The answer is that

carrot and stick need to be used to make environmental protection pay better than ignoring and damaging the environment. That means concretely the use of taxes and sometimes subsidies, regulations and penalties.

What may indeed be even more fundamental an obstacle is ideology. That begins with frequent denial of the problem or denial that one's contribution to it is significant. When environmental measures restrict the freedom to damage the environment, the restriction of any freedom is condemned on ideological grounds. There is no right to harm the world's environment.

At the international level the major obstacle is the ideology of national sovereignty. That is difficult to deal with even when, as is sometimes the case, the nation is hurting itself and is being hurt by others, but still resists actions it interprets as infringing national sovereignty. The only answer here is more education to enable people to understand that their long run interest is in environmental protection, and understand what that may require.

The mass media have a tremendous responsibility to help create the climate of opinion in which the ecological problems can be handled. Irresponsibility on their part could make the problems unmanageable because it could prevent leaders from leading in the right direction. The right ideas and values need to be reinforced constantly in order to make possible the transformation of actions and institutions, both voluntarily and by regulation and inducements. The public needs to choose its leaders more wisely and press them to lead responsibly in these matters.

Although the major part of the ecological problems is working out politically what will be done about them, part of the solution might be provided through the development of appropriate technologies. There is no simple technofix just by doing that, and indeed it is not clear how far we can go in developing non-polluting and non-depleting technologies. That could supplement present technologies that we are not using sufficiently well.

Solar energy will in the end have to be our main reliance for energy, and we will have to learn to convert it into the different forms in which energy is needed.

We will need to make everything we make either recyclable or biodegradable, and for the latter we will need to provide the conditions in which it will biodegrade.

The problems look overwhelming now, but **one can find a basis for much hope** when one looks at how much change in the public outlook on environmental matters has occurred in a few decades and how much support there now is for environmental protection.

The public responded better than could have been expected by recycling when business found the way to make profit by providing the public the opportunity to recycle.

The further changes needed will reduce that support. **But the failure on any major front will bring a worse rather than possibly a better future, and knowledge of all this may bring the changes needed.**

IS A NO-MATERIAL GROWTH ECONOMY POSSIBLE?

U.S. business almost worships growth material growth because it is expected to automatically increase most business profits.

Cities and countries compared their growth rates to see which were doing best & which were doing the worst. Economists measured progress by the rates of growth.

But this chapter has indicated that material growth cannot continue indefinitely on a finite planet, and that continued material growth could at some point destroy our human life-support system. Clearly at some point it must stop, and should stop before the effort to get more material growth becomes self-defeating by harming that human life-support system too much.

Herman Daly's 1977 book entitled *STEADY-STATE ECONOMICS: The Economics of Biophysical Equilibrium and Moral Growth* presents a difficult economic analysis showing a **non-material-growth economy is not only possible but desirable, & discusses the moral issue involved.**

THE NEEDED MORAL GROWTH

Daly made a point of indicating that to move to a sustainable economy would require moral growth as well as the indicated economic changes. What moral growth did he mean?

It should be clear that **he meant that we will have to outgrow the idea that the objective of life should be ever higher material standards of living.**

For some time economic growth has been considered to be a desirable social objective. Individuals gained status & power the higher their real income, & people individually seemed to want to be a little better off than someone in their class. We have all been bitten somewhat by this bug as though this was a proper moral objective in life, though we all knew better if we thought about it seriously.

So it is obvious that circumstances are going to force all of us to give up material growth as a proper objective in life. Any real understanding of nature tells us that the more aggregate material growth, the smaller the population the natural world could support.

And if population did not shrink enough, the earth's human life support system would be damaged, and at some point might not support humans anymore.

It we want to remain on this planet, we must not harm too much the earth's human life support system.

Daly gives us some indication of the moral progress we need: we need to think more seriously about what makes life most worthwhile. **What improves the quality of human life the most for us?**

It is the quality of our human interrelationships. Talking first just about adults, for many of whom a third of their waking life is in some income creating job. It makes quite a difference if in those hours our relationships with fellow employees, are enjoyable or not, and whether our relationship with our supervisors are satisfactory or not. At home, if married, the amount of genuine love between the two is perhaps the most important thing in life for both.

And if there are children, despite all the problems in child rearing, the joys possible are usually treasured. For the children, love of parents develops naturally & they depend heavily upon love from parents.

Then there are friendships that we all value, and contacts with others which may be more than just satisfactory or unsatisfactory to various degrees.

Most adult interrelationships improve the quality of life to the extent to which they involve mutuality, and mutuality which is equitably shared rather than benefitting mainly one in the relationship. Relationships in which one side is exploiting the relationship, & hostile relationships, reduce the quality of life for those involved.

Most lives involve many other enjoyable activities: recreational activities and activities broadly classified as cultural: in most societies there is much dancing, engaging in or watching sports, playing games, making or listening to enjoyable music, painting, sewing, woodworking etc.

In short, material growth is not necessary to find life full of enjoyable activities and enjoyment of other people. If we realize it, life can be better without the struggle to grow materially – we can learn to pay more attention to other things that make life better.

The quality of human life is more important to everyone than is whether it provides growth in material goods, provided that level is well above so-called subsistence levels.

MORE ON THE POPULATION PROBLEM

There are two reasons why population policy is something few people are comfortable in discussing & some object to strongly.

One reason is that how many children any couple produces is considered to be their own personal decision that affects no one else and so is nobody else's business. So birth rates & population issues are not a proper subject for public discussion. No one wants to be told how many children they should have.

The other reason is that many people think that their religion tells them what they should believe and how they should act with respect to sexual matters in general & child birth in particular, so public discussion is precluded for them.

The first objection I deal with first. The economics is simple. If population doubles, but the real capital stock of the country does not double, the average output per person will fall, assuming other things do not change.

Stated a bit differently, to prevent standards of living from falling in any country, as population alone grows, economics proves that

it is necessary to maintain the capital to population ratio in the country.

So any couple that has more than two children, just replacing themselves as they die off, is placing a burden upon others to make up for them if the parents of a third child or possibly more children did not themselves provide enough additional capital to keep the capital to population ratio constant.

So it is a matter that may affect others in a country if a couple has more than two children. It is not a matter of solely personal concern. There is reason for public concern that people who create big families increase society's capital proportionately, or that others do so for them.

As for the second objection, it must be recognized that many people believe their religion alone is true, but must recognize that people with other religions believe the same thing about their own religion.

However, as members of human societies they have responsibilities that others also have, including that of maintaining the capital to population ratio if they have more than two children.

Sometimes a country is said to be underpopulated or overpopulated. These terms refer to the country's natural resource base, its technologies & the skills of its population at some point in time. But our concern is with the world population with all those things considered.

The world's resource base is declining even with a stable population. Technological improvements might make up for that to a limited extent. Even if the capital to population ratio could be kept constant, continuous population growth could produce a tragedy of the world commons. If population growth never stopped, it would exhaust the exhaustible resources at some point, and would overload the replenishable ones thus destroying the human life-support system. Before that would happen, humans would obviously have overpopulated the world. Can't everybody understand that, whatever their religion said about birth control, formulated before we knew this much?

With exceptions like the Black Death in Europe, human population has grown almost continuously. Each doubling

takes fewer years (recently only 36) & each doubles a bigger population.

(To figure the number of years required to double any world population, just divide 72 by the rate at which population is growing. So population doubles in 36 years when it grows at 2%.) World population is now over 6 billion, & growing less rapidly. It is almost certain to reach at least 9 billion in a foreseeable near future.

Population growth must stop sometime. Any positive rate of growth produces indefinitely large absolute growth over time, as shown by an exponential curve. A finite planet simply cannot support population growth indefinitely.

When I once pointed out to a class that the time would come when there would be no standing room on the earth, some student replied that we could stack people as high as we wanted to in skyscrapers. Can they go infinitely high?

Some critics say all this talk about population growth is just a scare tactic to promote their own undesirable population limitation policies. Such policies, they contend are unnecessary because population will not grow continuously.

They point to what they call the demographic transition that has already occurred in some of the wealthiest countries. The growth of income reduced birth rates in those countries so that they are approaching stable populations and in some cases slowly declining populations apart from immigration.

That has indeed taken place in some countries. Can we generalize from that and expect the whole world's population to stop growing?

Indeed can the entire world achieve the per capita income level that the wealthiest countries have achieved, and if they did would their populations also stabilize? Their cultures are very different from those of the wealthiest countries. They favor large families, perhaps only partly so they have at least one son to support the parents in their old age. The world's less developed countries already constitute about 2/3 of the world's population, & it is they whose populations are growing the fastest. That is even making it hard for them to develop high income levels.

It may be impossible to get development to outrun population growth for them, even if they get the help they need from the richer countries (aid that may stop if it only finances population growth).

It is their population growth that is the largest part of the world population problem. Their population growth threatens to overwhelm the earth's life support system before any demographic transition from their wealth could ever occur, if indeed it would occur in their cultures. That answers the charge that population limitation is just racism in disguise.

Actually every slowing down or reduction of population in less developed countries benefits those countries partly by reducing the dependency ratios (young children to working parents). It also lowers the amount of real investment required to increase GDP per capita & thus makes development easier.

There has been substantial research as to what determines birth rates. The general conclusion of research is that it depends primarily on the family size that couples want, despite the fact that there are overall a substantial number of unplanned & unwanted births.

In LDCs generally, parents generally want to have enough male births that they will have at least one male son who could support the parents in their old age. This is a rational decision by parents, but what is rational for individuals is not always rational for society but could lead to a tragedy of the world commons.

One hopeful note is that in countries where health has improved somewhat, lower death rates among their male children means that parents do not need to have as big families as before to have a surviving male child to care for them later. This should help, but is unlikely by itself to solve the overpopulation problem in LDCs.

The population the earth can support well is being reduced constantly in several ways as population grows and uses up, at an ever faster rate, important exhaustible raw materials, and pollutes the environment on which it depends, & overloads its replenishable resources which constitute its very life-support system.

This earth's ability to provide food is finite.

The problem arises that, for an ever increasing population, the food productivity of land would have to rise continuously also, even if every bit of farm land was used to produce food. Much of the land surface is not usable to produce human food, and as the population grows it occupies & uses for other purposes ever more of the limited amount of tillable soil.

About 3/4ths of the earth's surface is ocean. Even now we are overfishing some parts of our oceans. Though we can likely increase our fish diets, we know oceans are finite, so population can not be fed even from oceans if it grows forever living in skyscrapers.

Those unwilling to think about policies to stabilize population at any point hope we will find planets habitable by humans, and also have energy enough to transport people to them by spaceship (even if over a generation is required for each trip).

Some of us think we can't count on that to solve the problem of an ever increasing earthly human population. If we refuse to solve the problem on this planet, we will likely create the problem again on another planet if we can get to one supporting human life.

Glacier Melt and Population

We are getting news recently that seasonal glacier melt in summer & renewal in winter normally provides river water for agriculture and personal use yearly, but that global warming is now destroying glaciers completely on more than the Asian continent. This will reduce drastically the agricultural & personal water supply & the population those continents can feed.

A side result will be that the water-flush toilet system will have to be replaced by composting toilets whose fecal material will become manure for farms somewhere. (See Time 12/14/09.)

The big question is when will when will earth's population stop growing, for on a finite planet, population cannot grow forever.

This chapter has already made it abundantly clear that humanity could slowly produce its own suicide if it slowly destroys the earth's human life support system. Population

needs to be limited to that which the earth can feed adequately indefinitely.

Malthusian population theory, & present numbers

Thomas Malthus has been long dead, but was buried intellectually for his 1798 population theories deeper than his body was buried. He was charged, correctly, with not recognizing that technological progress in agriculture might increase the population that could be well fed as population increased some.

But he was right that a positive geometric rate of increase could increase population to the point where the earth could be so overpopulated that famine, disease and possibly war would be what would prevent further increases in population. When population grows too far, most people will be reduced to subsistence levels or below them, then diseases will kill many prematurely. The birth rate may not fall, but the death rate will rise until population is stabilized.

But who in a rational frame of mind would think that it would be more moral to create babies in such numbers that starvation & disease would raise death rates to equal birth rates rather than preventing that many births? Malthus was a Christian minister as well as an economist, and he thought that the only thing that could prevent rising death rates from stopping population growth would be moral restraint to prevent so many births. So this was what he recommended at that time (1798).

It is clear that he did not want population to grow until starvation & disease stopped its growth, but at what point he thought it should be stabilized and grow no further is not clear.

How should we decide that? Would it not be wise to try to stop world population growth when it was still possible for everyone to have a healthful diet? Or would the optimum population be that which would yield the highest per capita standard of living, or perhaps that which would provide the highest standard of living for those at the bottom of the income scale? When, if ever, might we make fairly good guesses as to those population sizes?

At any rate, like Malthus, we know that it would be both irrational & immoral to allow population to grow until starvation and disease & maybe war limited the population.

Did Malthus counsel of moral restraint mean that population could be stabilized only if married people refrained from sexual intercourse after they had two children? If that was the only way to prevent the overpopulation tragedy, it would be hopeless.

The strength of the human sex drive & the pleasure derived from sex would make a population tragedy inescapable.

Today some people think that the solution is the rhythm method: have sex only at the times when conception would not occur. That would be better than nothing, but everyone should know that the rhythm method fails more often than contraceptives.

At least contraceptives, if properly used, makes population stabilization possible if they are made available everywhere very cheaply or free (by government subsidization) and people are instructed in their proper use.

Something else needs to be said. Almost every living thing tends to produce more "seeds" than can possibly survive, as they would outstrip their food supply, so the early "death" of most seeds is necessary even to balance with a species' food supply.

Humans are no exception. **We alone can make some choices: we can limit pregnancies, or limit births, or accept subsistence living** and then a level less than that for all who can endure it.

It should be obvious that it would be both irrational & immoral to choose the option of allowing sex to create a world so overpopulated that all the food we could produce would leave us below the subsistence level.

Despite the public controversy over any abortions, it should be clear that very few if any regard abortion as a suitable method of birth control to achieve a necessarily limited earthly population.

The overpopulation tragedy then can be prevented only by limiting pregnancies sufficiently and soon enough.

There is no certainty that everyone will recognize that soon enough and enough people will limit pregnancies sufficiently.

That of course makes the case for public policies to educate everybody about the population problem, the necessity of rational family planning and the necessity of proper use of contraceptives.

There may always be substantial numbers of individuals as well as some groups of people who initially refuse to accept the limits placed upon them as part of general public policy. The proper penalty in such cases is sterilization of the men and women involved when they have exceeded the limits. The population tragedy could not be prevented if any sizable human groups were allowed to increase their numbers continuously and without limit and did so.

Now let us talk about some absolute numbers. It is even questionable whether the present world population could all have a decent standard of living, since **nearly a billion are not now at a decent subsistence level**, & another 3 billion are well below the level of the U.S. middle class, a level which seems to be a level that could be desired by and for everyone.

So it may be desirable or even necessary for world population to decrease, perhaps even by 3 billion or more, so everyone could enjoy a good standard of living. Three billion was the total world population of the world earlier in my own life, and it has more than doubled since.

One population NGO has made very crude estimates of how many people and how many animals could have an adequate standard of living now, and some of their estimates are 3 billion humans. If the world trends carry world population to 9 billion & it had to shrink to 3 billion, that would require a long difficult process.

If on the average each person produced only one child, world population would stabilize after while. It should be noted that even when zero population birth rates are achieved, population will continue to grow for some years, since there will be some women who will still be alive and in their pre-childbirth years of age from previous population growth. So it will take another generation or so to actually stabilize population.

A reduction in world population would require for a long time an even lower world average birth rate.

But if Malthus is right, & if population growth is not restricted, the Malthusian checks of war, famine & disease will kill off excess population till it reaches what earth can support.

An idea to stop population growth where it grows fastest

The question I propose to explore now is whether a uniquely-structured Social Insurance system, applied just to youth when they reach the child-bearing age for girls, could change the practice of having enough male children to protect the parents in their old age. (The limitation is because this is likely as much social insurance as LDCs would adopt for quite some time.)

Before instituting such a system, it would be necessary to eliminate youthful illiteracy before girls reach child-bearing age, so they can understand the social insurance system offered them. When literate, children can be given written and oral instructions on the social insurance system to be offered to them.

Some countries might need to start with a two child limitation as the target, while some other countries might start with a single child limitation.

The first, if effective would stabilize its population in time, while the single child limitation could reduce it.

The inducement would be that the government would put into a social insurance fund a certain amount of money annually, as a gift to grow at compound interest and be available to support the parents in their old age, provided they do not exceed the child limitation. But the year they exceed the limitation, they will be assessed a financial penalty increasing for each child above the limitation (thus increasing the cost of raising each excess child) and anything accumulated in their names will be transferred to all those who have adhered to the limitation. If necessary a sterilization of egregious violators, male and female could be added. The age at which the fund can be drawn upon must fit the life expectancy and depend-

ency in each country, and the amount of the gift each year determined accordingly. The mathematics should be simple.

The money to provide those gifts for compliance with the child limitation can be obtained perhaps most easily in LDCs by a sales tax that excludes expenditures on food and medical care.

It seems to me such a system might work in all LDC cultures well enough to start reducing birth rates whenever launched. It might be that women still in child-bearing ages would demand some benefits if they stopped bearing more children, so a much weaker system could be extended to them.

In any case, **LDC cultures need to change so that all recognize the desirability of regularly utilizing contraceptives, in whose use they need to be trained, and they must be made available cheaply or free by their governments.** In addition medical help must be available to reduce infant and childhood mortality so that fewer births are needed to protect the aged.

The alternative to contraception is sterilization for all couples once their child limitation is reached, which few would regard as preferable. But it may be resorted to if nothing else works well enough. There is a question as to whether birth rates will fall fast enough to prevent serious environmental and economic collapse. This is hard for some people to accept. To be truly pro-life, for life above bare subsistence, will require everyone to severely limit sex or to use contraceptives. Will recent doctrines change fast enough to avoid an avoidable disaster?

A FEW FINAL WORDS ON THE SUBJECT

No national economy, is as yet on a long run sustainable basis, so neither is the world economy. Our most pressing need is to adjust to the effects of global warming, & to stop soon discharging too many global warming gases into the atmosphere.

The latter will not be accomplished quickly, if ever, by any current proposals such as “cap – and-trade” which is supposed to minimize the cost of reducing carbon emissions. Big business can make money without reducing the emissions it should reduce. Europe has had much experience with cap & trade systems for carbon emissions, & U.S. prefers it to taxing them. We should learn from Europe’s experience.

There are ways to make money gaming the system with little or no cut in carbon emissions. Harpers magazine for February 2010 has a very detailed explanation of how the European cap & trade system works. Congress asked our Government Accountability Office to study Europe's experience. Its report was critical of its effectiveness in reducing carbon emissions.

My argument is that the longer it takes the world to accommodate to the effects of global warming, and the longer it takes us to reduce global warming gasses to levels that stop the global warming process, the lower the population that the earth will then support adequately.

How long will it take all that to sink into enough influential human heads and change enough human actions to put all our economies on a long-run sustainable basis? For if we don't do it and instead slowly destroy the earth's human life support system, (so-mis-called) homo-sapiens slowly commits suicide.

It is not too late for UNEP (The United Nations Environmental Program) to make it its main business to continuously keep on educating national legislators and leaders in any & all fields on the necessity of taking effective actions to prevent such an outcome.

I am an incurable long-run optimist. I think we are also smart enough to avoid that fate if we are reminded often enough that we have to keep acting to prevent it. But whether my optimism is warranted or not remains to be seen.

CHAPTER SEVEN

HOW BEST TO PROMOTE THE PUBLIC INTEREST

GOVERNMENT IS OBLIGATED TO PROMOTE THE BUSINESS ECONOMY

A Bit of History

Since this book's interest is in modern institutions, I will not in this chapter discuss how, historically, we got the system of modern countries.

So I start with the conception that the governments of countries are intended to operate so as to serve the public interests of their members.

Since their members in most countries are either fully or increasingly stakeholders in the modern business enterprise system, it is in the public interest for government to maintain and promote that system. And that they have done for some time, partly as already indicated in Chapter Four, by the provision of a helpful legal framework and in particular by contract law and property law. In addition many sectors of the economies receive subsidies directly or indirectly that help them.

Contractarians & Libertarians

But, often partly because some business interests do not understand those things, a few of them argue that government is an obstacle to business and is not really needed.

There is a small group in this country, called "contractarians" that claim that government has no right to interfere with business of any sort, even with corporations that state governments charter. To this day, some business leaders claim that corporations are simply groups of private individuals who have come together and contracted among themselves for

their own purposes. The rights of the corporation are then simply the rights of private individuals.

Those rights are not derived from the government; rather it is the purpose of governments to protect the rights of all individuals, including those who get together to form corporations. These “contractarians” think that they have undercut the right of government to “interfere” with business in any way.

This is utter self-serving nonsense perpetrated to advance narrow self-interests. It implies that whatever is done in the market by corporations must be accepted without recourse.³

If individuals agree to work together in a business they can form a partnership, though they need very precise legal agreements among themselves, & since their business is with the public, they need to obey laws in those dealings.

Perhaps before I go further, I should talk about the one other small group that makes even more noise today in this country about the wickedness of government ordering us around when, they say, it was so unnecessary since people could do everything themselves that was really needed.

I am speaking of those who call themselves libertarians – defending our liberty to do things needed ourselves without the interference of government. These people used to be called anarchists – they don't believe government is needed at all. But some anarchists were not peaceful philosophers as are modern libertarians – some of them became violent upon occasion & in the public mind became associated with bomb throwers.

Libertarians think of themselves as realists, but at their best, they might be better thought of as being people with very high ideals, assuming that everybody would behave so as to promote the welfare of society instead of promoting their personal interests primarily. They are wholly impractical in supposing that people could do everything useful that gov-

³ For a thorough discussion of how this sort of corporation ideology, along with the growth of corporate power, has replaced an earlier ideology that justified government regulation of private power in the public interest, see Charles Derber's excellent book *CORPORATION NATION: How Corporations Are Taking Over Our Lives and What We Can Do About It*, 1998, St. Martin's Press.

ernment does without being organized as a government. Again the real purpose of the philosophy is to eliminate government so business could do whatever it pleased to increase its managers profits.

Government is a simpler way to meet some public needs

Most people can't imagine people putting first the common interests in producing public goods such as paved roads & streets to get around on simply by private agreement & action rather than our doing so through the political-governmental process.

I and most others think it would not be economical of people's time and effort to try to conduct society as the libertarians would have it conducted.

All neighbors don't have to get together to determine that they shall have a street, or somehow make public utilities available for themselves. To get paved highways available to the public, libertarians would presumably have to make them all toll roads. Otherwise when they decided to have a street or a paved highway they would have to all agree to pay in advance for it, that is tax themselves to get the money to hire the contractors to build it. They just would not call it a tax or call the group decision a governmental decision.

Now we do not have all roads as toll roads. Government paves roads, & it requires utility companies to serve newly developing neighborhoods as well as the profitable old ones. The political process, for all its faults (or ours) works better. It saves time & works better, most people apparently think, to have representative government make group decisions & tax us than to get everybody together every time there was some decision to be made by & for them.

We have also decided that not all parks should be private enterprises to make or fail to make a profit & disappear if profits were insufficient. If I understood Milton Friedman, he did not believe there should be any public parks. When we came to Minneapolis, one of the things that impressed me most favorably was the large number of public parks in which children could play, often not far from public schools. All free to be used by anyone.

And it does not seem to be a good idea that we should see if the market would provide a satisfactory system of meat inspection. Muckraker writer Upton Sinclair showed years ago in a book entitled *THE JUNGLE* that the market didn't do that, & the public concluded since then that it couldn't.

This book assumes that for all its faults, government is needed. This book has already made some suggestions about what needs to be done in some respects.

Remember that before there were laws to regulate business, businesses found it necessary to set up their own "courts" to settle disputes. In due course government did a better job of codifying business rights & obligations and settling disputes in government courts.

THE IMPORTANT & PROPER ROLE OF GOVERNMENT

Indeed **the most important role of government relating to business** (as mentioned in Chapter Four) is providing a body of contract & property law that is conducive to facilitating the very extensive private business operations that are legitimate and beneficial to society. All that is so helpful to business that it could not conceivably be called an interference with business.

In this country, **our general philosophy has long been that government should itself do only things that are needed but could not be done at all by business or otherwise, or could not be done as well by other than government.** This justifies a limited government sector of the economy in addition to its support of the business economy.

When Market Failures Require Government Intervention

That leads me to talk a bit about what economists call "market failure". The market (i.e. private business) fails to provide what economists call "public goods". That includes things where the benefits are received by many people rather than being confined to those who paid for them. So most people would be free riders once the facility is available.

The most obvious example is the military establishment, supposedly the guarantor of national security for everyone in the country. An old example was the lighthouse on the ocean coast.

Readers can probably think of others. These public goods provide services that cannot be sold at a price covering cost to those who want to buy certain amounts of their services. And once the lighthouse or some military establishment is there, one cannot restrict their use just to those who paid for them. Others will benefit by their availability even without paying for doing so – they would be “free riders”. So they are taxed to pay for public goods from which they benefit directly or indirectly.

This suffices to provide a rational basis for a government sector of the economy to supplement the private business sector. It does not provide for a government sector of broad scope, but at least currently the military sector is in absolute numbers very sizable in most economies though usually not over 10% of the measured total.

What its “proper” size should be & is quite debatable. In the U.S., government employs military personnel & its bureaucracy, but most of its software and hardware (weapons) are bought from private businesses which produce them at a profit for the owners.

Government Inefficiency

In this country, the efficiency of this sector is said to be quite low. For example, military storage depots contain large amounts of supplies of all sorts of things unneeded currently, but when more of such things are needed, new orders are usually placed without seeing whether unused supplies would do.

And large amounts of money are spent developing some new equipment which is never used because of design flaws. It seems to be very difficult to increase efficiency in the military sector.

Externalities

There is a second kind of “market failure” – failure to produce the right amount of things where there are costs to the public that are not borne by the producing firms, or where there are benefits to the public for which the producing firms are not recompensed.

These are referred to inelegantly as “externalities”. Externalities are treated by economists as a special case. But indeed **they are the general case**. Much business production has either favorable or unfavorable effects on many in the public.

Market failure exists wherever it does not pay to leave production to the market alone, and to each person's private purchase, to determine the amount of something that would best serve the public interest.

Economists suggest that getting the proper amount produced in these cases requires government to tax production a little where it is too high, & subsidize it enough to correct cases where there is not enough produced. Practically the determination of amounts of under & overproduction & the amounts of tax or subsidy are very difficult, so the economic principle is usually ignored and no attempt is made to correct such market failure.

But not all externalities should be ignored. When someone is hurt, even unintentionally, by production, and those hurt bear the cost, not the producer, the ethical question should be raised.

Is the hurt significant? Could it have been avoided, & at what cost to the producer? If serious but unavoidable, or avoidable only at prohibitive cost, what would it cost business to provide adequate reimbursement or relief to those hurt? And could a case be made that this relief should be provided by government, i.e. the taxpayer, instead of by the producer who caused it?

The further question is: should government prohibit the guilty industry from causing the type of harm to others that the case illustrated? We are likely to be less concerned about those who get unintended benefits but ethical inquiry might sometimes lead to conclusions that if they were significant, unintended & undeserved, & not easily avoided, perhaps they should be taxed away & the proceeds used for public purposes.

The conclusion of these inquiries is that while the economists' concerns usually do not call for practical action, ethical concerns may sometimes require practical governmental remedies.

But when we give government a job, business does all it can (which is often a lot) to see that business is not regulated very well by government. Do the private interests who try to corrupt government thus share none of the blame?

U.S. 1900-1950

Before I go further with my analysis, I invite my readers to get from their library a 1952 book written by Frederick Lewis Allen entitled *THE BIG CHANGE: America Transforms Itself 1900-1950*. This is a most delightfully written book that discusses the changes in the economy during the first half of the 20th century, the worries that accompanied them, and the public discussions of the reactions to the changes. Lewis shows our progress in making a better economy & society. I have always wished in vain that somebody would by now have written a comparably good account of the last half of the 20th century.

SPECIAL INTERESTS vs. THE PUBLIC INTEREST

Government's Role

There need be no dispute about the basic reason for having government. The very purpose of government is to promote the general interest of its inhabitants, not the special interests of any one or group or organization. As has already been said, the public interest involves support of the business economy. That means legitimate operations of businesses, not business misbehavior and scams at the expense of the public & types of business behavior of which legitimate business disapproves.

But worldwide, the problem is that governments often promote special interests of one sort or another, often at the expense of the general public interest.

When special interests are in control of the government, the reason is obvious. But when governments are democratic in form, the question arises as to how it happens.

Corporation laws in this country are now so permissive that the notion that the corporation is a creature of the state, created for a public purpose seems easy to ignore or belittle.

Those who speak of market failure sometimes also speak of government failure. But the principal government failures are instances of where government failed to correct the market and served private business interests instead – a very common failure of governments.

There is always room to question whether government regulation of the market is desirable or undesirable in principle or as sometimes practiced.

There are horror stories of stupid regulations, and of regulations that serve corporate rather than the public interest, and these present a challenge to the political process to regulate intelligently and only in the public interest.

But a philosophy that all government is bad and everything should be in an unregulated market is obvious nonsense. Moreover, such a philosophy is usually only a rationalization for wanting unlimited opportunity to use the market in ways that are not always going to serve the public well and will sometimes serve it very badly indeed.

The idea that "that government is best that governs least" is equally nonsense.

Very little federal government was needed when this was a nation of largely self-sufficient farmers. But with an economy like ours is now, no one in his right mind would want to reduce government to what it was in Jefferson's day.

That is not to say that every government regulation or government expenditure now is justifiable.

Everyone knows, or should know, of government's so-called "pork barrel" expenditures. The government budget gets loaded with special favors of one sort or another & some businesses in almost every Congressman's district or Senator's state benefit.

And it is politically harder to cut these than to cut the safety net which should put an income floor below which none should have to fall through no fault of their own.

But the pork barrel is clearly what should be cut whenever there is complaint that the federal government spends too much money. **How long will it take people to realize that when they get government money for local projects they can't afford, the cost to them is to help finance such projects in 49 other states?**

Congress must show that it can serve the well-being of the general public by avoiding special interest legislation that often harms or is at the expense of the public interest.

Government's responsibility is to protect the public & try to protect private & business investors against scams

But it also serves to protect one business from dishonest tactics by another business. So, it enacts laws to ensure that contracts are observed, and provides legal procedures if they are not observed.

Government to prevent scams should be welcomed by all except those engaged in the scams. It does not do very well yet at any level of government to eliminate all sorts of scams.

When businesses are unregulated at all by government, unprincipled businesses or individuals invent scams of one sort or another & make lots of money that way.

Of course **most business firms make money in legitimate ways** and without engaging in scams of any sort. There was an old saying that what was good for General Motors was good for the country. Even then the greater truth was that what was good for the country was good for General Motors. There was still the distinction between the special interests of General Motor and what was in the general interest of the public, and those two were not always identical.

The public needs to become much better informed about all such matters. The future will be heavily influenced by whether the public can distinguish its own interest from special business interests, and whether the public can get government to protect its own interest, the public interest, better.

If business interests are successful in their political efforts, **government may become increasingly the servant of special business interests**, allowing them to do whatever makes them more profit without regard to how many other people it hurts.

Even now, it is clear that, although government regulation of business is extensive, it is clear that we cannot fully legislate a satisfactory level of business morality, & should not try to do so. **Business morality will always be very important for good or for ill.** The morality of businesses that try to adhere to the Caux Principles is very fine, but the morality of those who try to perpetrate scams including Ponzi schemes is seriously deficient.

Frank Knight's Rebuttal to the Communists

University of Chicago's Frank Knight was considered to be a conservative economist. One of his accomplishments as such was to provide the classical rebuttal to the communists who had long contended that every economic transaction under capitalism benefitted the business (the property owner) but exploited either the consumer or the employee involved, or both. Knight defended capitalism as a system of free enterprise in which both parties to any economic transaction benefitted or they would not have made the transaction.

Knight said there are only two conditions that need to be met in order for market transactions to be free so that both benefit: One, there must be no force involved, & second there must be no fraud.

The absence of force means that neither side can be forced to enter the transaction, they must be free to accept the deal or to reject it. The absence of fraud means that both sides must know exactly what they are doing, what they are getting and what they are giving up to get it. If they know that and still make a deal, they must be benefitting by it. Free market transactions benefit both parties or they would not make the transaction.

So in a capitalistic system based on free contract, the only economic transactions that will take place will benefit both parties. Business & labor will both gain if business hires labor or the transaction would not freely take place. If a business sale to a consumer takes place, both will gain or the transaction would not take place.

What Frank Knight Failed To Say:

Knight did not in rebutting the communists discuss the possibility that market transactions may often not be as fully free and knowledgeable on both sides as he assumed in asserting that market transactions are free.

And while neither party in a market transaction may have a gun pointed at their head telling them they must agree to the deal, one side or the other may be under a great deal more duress to enter the transaction than the other is. It is probably

true in most labor markets that the laborer is under more pressure to accept a job offer than the business is to hire that particular laborer. The business is likely to have many equally good possibilities if one applicant declines. The laborer, however may not have any other job offer, & may not be sure he will get another chance, at least in the same town, and moving the family to another town would be costly & disruptive of ties in the town where they live. The two sides do not have equal bargaining power – the laborer may have none at all, & the employer does not need to bargain at all.

As for fraud – that term is itself loaded. It means that both sides know exactly what they are getting and giving up. But in transactions between business and the consumer, the business knows, but the consumer usually knows only how the product being bought is advertised. Most advertising is not very informative about the advertised products. The advertising plays upon the consumer's emotions, desires, fears, etc., and tells very little truthfully about the product. So the consumer is not in as informed a position as is the business.

In short most market transactions involve either unequal force or unequal knowledge on one side or the other, with business normally better off. So though neither side may lose in any absolute sense, some may not get as good a deal as the business.

Now I will generalize: One of the things Knight ignored is that while both parties may benefit from a transaction, the benefits may be divided very unequally between them, one may get the lions share of the benefit from a transaction and the other party may get only a little benefit. That may not pass an equity test.

There is a second generalization about what Knight did not say that is even more important: There are transactions in which both parties to the transaction benefit at the expense of third parties, including the general public. It is well known that there are ways for anyone to gain (or 2 or more to col-lude) in transactions from which they benefit at the expense of third parties. Those are instances of injustice also.

When the public is the third party, and individuals or groups gain at the expense of the public, that is also reprehensible. There needs to be ways to prevent it.

Government is instituted to protect the public and to advance the public interest, as well as to prevent injustices to individuals within the public.

There is a very strong case in such circumstances for government to have in force regulations to prevent such consequences, and to stop such if they occur anyhow & deal properly with perpetrators and victims.

Since force & fraud in Knight's broad sense are normally present, the case for government regulation of business special interests could not be stronger.

And indeed to the extent that institutional change is possible, the case is strong also. **That suffices to justify labor unions, since duress is almost always less on management than on labor, & to justify some restrictions on fraudulent advertising claims.**

Market Fundamentalism Must Be Rejected

Economists can no longer continue to support the claim that the market is always efficient, because, as Nobel Price Winner Joseph Stiglitz has shown, too many markets cannot meet the necessary tests: equal bargaining power and equally full knowledge of the value of what they are getting and giving up.

I have been advocating at some length the idea that government is needed and that business needs to be regulated by government in the public interest.

However in the last 30 years of the 20th century, it became politically popular to claim that government is itself the problem, and that in our economy the market will regulate itself & should be allowed to operate without government regulation. This philosophy has been called "market fundamentalism". It resulted in the gradual removal of many of the regulations introduced during & after the Great Depression of the 1930s by Franklin D. Roosevelt & since then. The market fundamentalist philosophy has spread beyond the United States.

What I have been saying is a criticism of market fundamentalism. **If markets not governments rule completely, then any business with power or cunning could exploit the weak & ignorant mercilessly at great harm to them.**

When I reject market fundamentalism in order to protect some people who cannot protect themselves, **I am not anti-business, I am pro-good business**, which is most business. I am simply recognizing the necessity for some government regulation of business so all business makes its profits by serving the public well not badly.

HOW DOES WALL STREET AFFECT CORPORATION BUSINESS?

In the U.S., the financial world has now come to dominate the world of production. Of course the availability of finance & its cost is very important for any old or new business in need of more funds for any reason. Raising it by floating new issues of stock in the stock market is not available to all businesses & is not used as much as other methods now. However, one might see why any business might watch the rise or fall in the Dow Jones price index to judge the suitability of raising more money at any particular time.

The stock market brokers who actually do the stock market trading for their employers and others gain at least by the rise in the volume of orders they have from others. Most of the transactions on the stock markets comes from businesses and wealthy individuals who own substantial amounts of various corporations' stock for relatively short periods of time. They are free to continuously trade one corporation stock for another, based on their best guesses as to what will happen to their stock prices.

They base their guesses not only on what they think they know about the various businesses prospects, but even more importantly on what they think others in the stock market will think will happen to the different corporations stock prices.

The corporation's headquarters whose stock is traded on Wall Street put great pressure on their entire corporate business structure to do everything possible to cut their costs, increase their profits, and so boost the market prices of the corporation's securities.

The major purpose of big corporations, one can now read in the financial press and other places, is to create value – that is to increase the value (the price) of their stock.

The stockholders of a corporation are legally held to be its owners, so the purpose of corporations is to benefit the owners that way. But it is obvious that stockholders are not like normal business owners – liable for the debts of the corporation.

Moreover most stockholders in a corporation are uninterested in even attending stockholder meetings & would be incompetent to make decisions as owners of a corporation. We have yet to define a sensible role for some groups of stockholders.

They are in general of two kinds Some hold stock for substantial periods to earn dividends while keeping the stock to sell for some possible future need. These have a stake in the long-run success of the business.

Others own any particular stock only temporarily while it seems to be a better bet than to switch it for a while to some other stock. They are obviously not long-run stakeholders, but speculators.

Much of traded corporation's stock is now held by speculators, people who expect to hold it only for a short time and hope to realize some capital gains when the price of their stock rises, because capital gains are taxed less than income earned from work.

Wall Street pressures corporations to reduce costs for short-run profit maximization, whatever the longer run consequences may be for the business itself, and often they are adverse.

Even if a business has no concern for public service and is interested only in profit maximization, it should be trying to maximize long run profit instead of short-run profit. That might even require better service to all stakeholders in their businesses. The short run emphasis leads corporations to do any number of a variety of things to reduce their costs, thus increase the prices of their stock. They may fire some employees, depress wages, cut fringe benefits, replace regular employees with "temps" (so-called "independent contractors") and/or reduce the quality of their products, or the amount they put in standard packages of their product to sell it.

Of course it is impossible for any corporation to boost profits continuously by such methods.

Insofar as any corporation stock is being held only for a short run speculative purpose, it is absurd to suppose this is

-serving the purpose of the corporation. There will always be individuals speculating on stock prices if they have money enough to risk in hopes of capital gains, just as there will always be individual gamblers gambling on anything they choose to gamble on. But to suppose the purpose of corporations is to reward one type of gambling is absurd. (When speculators think the price of a stock will go down, they bet on that happening too, & if they are right make a profit that way also.) That corporations are a useful form of business organization for society has been amply demonstrated, but it is not by rewarding speculators.

VENTURE CAPITAL

The U.S. has properly prided itself on how it encourages innovations by starting-up businesses & others. That has been quite important throughout our history.

New businesses often require outside financing long before they can get it by issuing stock. That has often been provided by what we call venture capital, often coming from wealthy individuals who also use their business experience to counsel and guide new firms until they are ready to “go it alone”. The venture capitalist usually “cashes out quite profitably” at some point. Having taken a risk in providing money to the firm that it could get no other way. When it looks as though the firm will do quite well, the venture capitalist takes an ample reward.

I was distressed to read in the 11/30/09 Business Week article *“How Venture Capital Lost Its Way”* that it now seeks early gains without the longer advice often needed & without any “skin in the game”, but often even loses. The old ways were better for all.

BUSINESS MISBEHAVIOR

First it needs to be said that not all business misbehaves, and that virtually all business serves the public good, sometimes very well. It is through business that people jointly cooperate with one another to produce the goods & services that no one could produce as well alone for themselves.

So why does business ever do the things I am going to discuss as forms of misbehavior, when they can normally

profit by behaving well, providing good quality products and services at reasonable prices?

The answer is that the human ego of some business managers, often desiring more income and wealth than that better behavior might provide, yield to the temptation to “misbehave” in ways it hopes will yield greater income & increase their own wealth. Let us look at a few such types of business behavior.

Some Types of Advertising

Everybody wants to buy quality consumer goods & services without paying more than they would need to in a competitive market, or spending too much time trying to do so. Advertising does its best to attract them to each thing advertised with appeals that typically do not help them in that respect except by telling them a business that sells what is advertised.

I know that I can't believe anything just because and ad tells me it is so. In raising children, I felt that I had to tell them that they could seldom believe advertisers claims for advertised products.

Advertisers often make claims for the advertised product that have no solid evidence to back them up. Advertising is often just puffery.

Many in the advertising profession have prostituted themselves to make money by using their knowledge of psychology to sell other people products that are not all they are told they are. They appeal to ordinary people's desires, hopes and fears rather than providing much truthful information about what it is that they are trying to sell.

Advertisers would have difficulty putting in their ads only what they would tell their spouses, friends, or children about the advertised products.

But if advertisers could not do that, since people have to buy things they need, and will buy a lot of other things they want, people would prefer that advertisers gave them only helpful information that can be validated. It is probably not too strong a statement to say that most advertising is business misbehavior because it cannot pass that test.

Worst of all, some advertising, by repetition, tries to produce a conditioned response to induce people to want to buy a specific thing from a specific business, just as Pavlov produced a conditioned response in a dog by repetition of an association with something a dog wanted. If people realized that advertisers are sometimes treating them like a dog to produce a conditioned response in them to buy some particular thing, people would be very angry indeed.

Imprudent Risks

Managers of business pension funds or of life insurance reserves know that it is not prudent to take great risks with the funds they manage, but are sometimes too tempted to seek high returns on them instead and thus do subject retirees to risks that they should not take.

Speculative Excess

I have already indicated that speculation can't be prevented, but I now suggest that it may harm innocent people at times. Money can be made by speculating on security price declines when that in fact happens. A speculator may "sell short" securities not yet in their possession for delivery at a later date. The gamble is on the probability that the price of those securities will fall by that date. When they do, the speculator purchases them at a lower price than he sold them for, & thus profits. There are questions as to whether speculation on a stock's price decline can in some circumstances cause such a decline, benefitting only the speculator.

And though it was denied for some time, it was later revealed to be true that gasoline prices rose for a time because of the actions of speculators. That gasoline price rise was deemed quite undesirable, but could not be explained otherwise.

Credit Card Behavior

The credit card business was supposed to be a business very helpful to consumers, and it is in some respects. The credit card issuer agrees to make unsecured loans to consumers, in amounts determined by consumers up to a limit determined by

the credit card contract. It has turned out to be a very lucrative business.

In 2009, credit card debt was approaching 1 trillion dollars. The average household credit card balance was over \$8,300.

Department stores encourage buyers to use the store's credit card instead of cash & sometimes make more money on their cards than on the merchandise sold.

Typically credit cards are offered by mail to virtually anybody, even the mentally ill without inquiry as to their credit worthiness. Typically the credit card contract is quite long, and the user seldom understands it fully even if they read all of it, which they probably don't. What they need to know could probably be stated more briefly & understandably.

To get consumers to sign up & start using their credit cards, a low introductory interest rate is offered. Consumers find out that the rate was later increased.

Over time the issuers of credit cards were very ingenious in inventing ways to make a lot more money by penalty pricing: charging ever higher interest rates and fees (without prior notification) for such things as late payments. Many were surprised to be charged more interest than they had figured they would be on their average daily balance. Their contracts had specified that fees & interest rates could be changed at will by the issuer. After much anger over such treatment, a few reforms were required by legislation passed in 2009, perhaps most notably that consumers must be given 45 days notice of changes in some charges.

Credit card companies took advantage of the fact that the law did not go into effect for some months after the law was passed to do quickly things the law prohibits their doing again after the law goes into effect. They also made it clear that they would do anything necessary to maintain their high profitability despite the reform law.

Medical Service Frauds

Another type of misbehavior by some businesses is posing as a medical service provider, but sometimes is only an address, which billed Medicare for all sorts of medical services or medical

devices such as wheelchairs when no such were provided to anybody. It is costly to eliminate this type of racket.

And cigarette companies denied that cigarettes were addictive & caused cancer & other diseases, & denied that there was any scientific evidence supporting that view even though they should have known they were lying.

Private Equity Firms

Sometimes just a few wealthy private individuals undertake to buy corporations they think are underperforming for their stockholders, often borrowing part of the money to buy them & making that a debt of the private firm. They then do whatever is necessary to reduce costs of the firm, usually by firing some employees before selling it as now more profitable. (They have been known to buy a nursing home, then fire some of an inadequate staff of nurses before trying to sell it as now more profitable.) They usually make more money for themselves for this “service”.

Another Poor Business Practice

There always seem to be some people posing as legitimate businesses who, for example, contract to do some remodeling of old houses, start to do so upon receiving a down payment, but disappear after merely starting the job. Or they finish the job but not to the satisfaction of the customer. Better Business Bureaus try to eliminate such businesses, but often fail in their limited abilities to do so. There is also much business misbehavior that is less obvious than that.

Deliberate Ignorance About Sub-contractor Behavior

An article in Harpers Magazine for January 2010 talked about the “human cost” of a two-dollar shirt. Americans should know that many bargains we get are produced in foreign countries by labor that is exploited badly & even in many cases treated badly by their managers (in many sorts of ways including too short lunch breaks). There is all sorts of evidence of this in the garment trades and elsewhere. If charged with this, the U.S. firm denies any knowledge of its sub-contractor behavior, or in some cases insists that they require higher standards be met (but do

nothing to enforce them because they also profit thereby). Some U.S. retailers are known to put pressure on subcontractors for ever lower prices, which may lead to labor being mistreated even more. The practice is very widespread, as is the protestation of innocence by the U.S. firms. There are no innocents except the actual laborers making the cheap goods under poor conditions.

Betraying Old Folks Trust

Everyone needs to be aware that there are some businesses that make large amounts of money not by serving the public well but by scams that may even steal some of the savings that old relatively helpless retired people depend upon to support themselves. This is unconscionable. It may even be done legally when old folks appoint a friend or relative to handle their finances, and that person betrays their trust and helps themselves to the old person's money.

Ponzi Schemes

Then there are always Ponzi schemes that work for a while until somebody catches on to what is happening. If anyone still doesn't understand Ponzi schemes, an illustration would be: attracting money from people who are told it is invested in high yielding investments. But the money is instead used by the Ponzi scheme operator for their own purposes. As long as the perpetrator can continue to sell more people to put more money into these "high yield investments" the operator of the scheme can take some of the new money to pay earlier "investors" enough to think they are actually getting what was promised: a high yielding investment. But once the Ponzi scheme operator fails to get enough new investors, the previous investors get "no high returns" & realize they were lied to & lost their investment.

Financial Manipulations

There is now more easy money to be made in fancy financial manipulations than in producing useful goods and services.

People arranging many corporation mergers charge large up-front fees for doing so, sometimes leaving the merged firms in situations from which they can emerge as profitable only by

big reductions in costs and employment, if even then. Some mergers or unfriendly takeovers of other firms are loaded with so much debt, sometimes including the debt the organizes incurred to buy the firm being taken over & merged with another, that the combined firm is unable to survive. (See the book *AMERICA: WHAT WENT WRONG?* by Donald Barlett and James Steele.)

WHERE DOES THIS LEAVE US?

The fact of the matter is that most U.S. business is not guilty of such bad practices, although too much of it is at least part of the time in one of these ways or another. Most U.S. business, whether large, small or in between, contributes substantially to the U.S. standard of living. Chapter Four in this book extolled our business economy. At the other extreme from the bad practices just mentioned are the business firms that take pride in being socially responsible, & trying to follow the Caux Principles insofar as possible.

So it should be clear that I firmly believe in the virtues of the market economies just as I firmly repudiate market fundamentalism and argue as does Joseph Stiglitz for some needed regulation of all business. Much of the book is about what may be needed under different circumstances. All businesses should be concerned with how their practices affect people, and try to treat well their major stakeholders (excluding short term stock speculators) whether that decreases or increases their profits some. Normally treating all employees as if they were as important & deserving as management usually increases their productivity. In any case, the total social effect of business is the only basis on which any profits can be fully justifiable. I cheer on all business to improve ethically well deserved profits.

IS THERE A PUBLIC INTEREST IN THE INCOME DISTRIBUTION ?

Any discussion of the income distribution is usually resented & opposed by those in high income brackets. They claim such discussion is an attempt to fan class warfare. More recently a

few wealthy admit there is a class war & brag that they have won it.

The U.S. has, at least since the country became heavily industrialized, had a large amount of inequality in its income distribution. For some time it has had a substantial number or those in poverty although the labor involved is fully employed at market determined wage rates.

And at the same time it has had some who receive high incomes & have acquired substantial wealth. The latter obviously can enjoy many "luxuries". Over time some of them have acquired fame for their financing of valuable social benefits: Andrew Carnegie became famous for his financing of many public libraries of great benefit to the public. Others have been the "financial angels" of cultural attractions like the Metropolitan Opera, just to mention two instances.

The distribution of income and wealth varies over time but has always involved a substantial amount of inequality. Is there such a thing as too much or too little? On what grounds could either be judged? That is easy at very unlikely extremes: If all income went to 1 person & all others got none & quickly starved. But realistically, could the economy still work well if after tax income was extremely unequal?

More realistically, suppose a large lower class had just enough after tax income to buy necessities, a moderate sized middle class could spend something beyond necessities & save a bit for retirement & emergencies, and a large class of rich persons could buy luxuries & then save a lot to make financial investments. That would create a problem because it would not pay to offset all the middle & rich class savings with new real investment, so unemployment would develop in the country even if some of the savings was invested in foreign countries. How high should inequality never be allowed to go for economic reasons? The previous sentence implies there is an answer to that. How high could it go & still be ethical? What about exact equality? No one would favor that if everyone had the same after – tax income even if they could work but refused to do so. Actually after tax income largely determines what opportunities people have in life in any period. So income distribution will come up more than once in this book.

For a decade the top 1% of US citizens, pre-tax income exceeded that of the bottom 50%, real income of the majority declined, & net job creation was zero. Comment?

THE 2008 FINANCIAL FIASCO

This has been written about at such great length that I will provide my own over-simplified summary in a relatively short space.

The stock market boom made many people think they were rich. The rise in their stock's prices led them to think so. The rates of return on what they invest when the stock they buy is high priced are unusually low. Indeed all earnings are not paid out as dividends, so investment returns, apart from capital gains, if one sells, are low. But during a boom, everybody thinks it will be easy to gain during the boom. If stock prices stopped rising, interest on U.S. treasury securities could be both safer & more profitable than many stocks.

Trouble started with a housing price boom that was expected to continue. That led many people to undertake mortgages assuming they could sell the house later for more than their mortgage. Many banks were ready to grant mortgages for the same reason.

Ordinarily mortgages were a good investment because they carried a little higher interest rate than some investments, & were normally amortized regularly.

Some people & institutions went into the business of making out sub-prime mortgage applications knowing that the applicants were a bad bet but knowing that those granting the mortgages would not inquire into the matter because they could resell the mortgages to other institutions.

Banks bought any mortgages they were offered and used them to back securities they sold to investment banks. These institutions complicated matters so nobody could unscramble who owned what portion of what mortgages before selling their own mortgaged backed securities after getting triple A ratings for them.

When people began to worry about the situation being like another junk-bond fiasco, with inability of even mortgage backed bonds to pay off, it became possible to buy insurance

against failure to pay. Except that insurance would require minimum reserves, so those selling the insurance called it a deficit default swap. These swaps were sold even to third parties who owned no securities in danger of default. Then some mortgage payments fell behind, the bonds they backed fell, the banks that bought them were in deep trouble, & the insurer couldn't pay though it had collected a lot of insurance payments earlier.

The big financial credit system came to a halt. The economy had as usual overbuilt everything during the boom, so it went into a recession. The fear was that if credit institutions could not be liquidated enough to lend again there would be a depression. So the biggest credit institutions were given huge government loans to be repaid when conditions improved. It was supposed that the people who had a role in creating the collapse would know best how to correct it. What they did soon was restore their big incomes.

Home mortgage contracts were held to be unalterable, so mass mortgage foreclosures took place, forcing people from homes whether because they lost their jobs, or because they should never have been given mortgages they could never have paid off. Whole areas of some cities suffered badly.

Large amounts of government money were spent to stimulate the economy again and the President called for bi-partisan legislation to prevent a recurrence. But the Republicans quickly launched a campaign to destroy Obama, whipped up opposition in Town Hall meetings to misrepresent what was proposed by way of "health care reform", and the highly profitable medical insurance industry mobilized funds to maintain their status in whatever would happen.

Financiers Learned Nothing. Government Should Regulate.

Too big finance learned nothing, & needs to be regulated. They quickly returned to their old tricks of inventing new ways to sell risky securities that look attractive, though it is impossible to know what their real worth is now or is likely to become in the future. And they are determined to oppose

anything that would restrict “their inventiveness”, their ability to invent new types of investments that may get high ratings though no one knows their real value, or to do anything they might decide to do to try to increase their profits.

Some very knowledgeable people think that too many of the regulations Franklin Delano Roosevelt imposed were done away with, and some should be restored, perhaps starting with the Glass-Steagle Act prohibiting the merger of commercial banks and investment banks. The future remains open to see what happens. Well-heeled lobbyists for big finance spread money around to buy off possible proponents of bank or other financial regulation.

Much business misbehavior could be corrected by business itself if there was a will to do so on the part of those misbehaving, but that is usually what is lacking. The only social institution that might prevent or correct some business misbehavior is government. Government has problems of its own which will be looked at shortly.

For reviews of the best books on the financial fiasco & the power of Wall Street & its big banks, see the 3 book reviews listed at the very end of the appended annotated & classified book list.

It is completely obvious that top finance has prevented Congress from regulating it or taxing it in ways that would prevent a repeat of the recent fiasco or prevent their inventing new ways to produce a similar result, though regulation could be possible without harming their proper social functions.

Congress must regain that power and do a good job of providing the regulations needed without harming their needed social functions.

Start by restoring usury laws and limiting bank leverage by requiring ample reserve. Investment rating agencies (e.g. Moodys & Standard & Poor) must be independent & not paid by Wall Street firms to give them AAA ratings for all their investment products.

Most big pools of invested funds are owned by giant U.S. & foreign conglomerates with their own shareholders. The managers of these pools of funds are their agents, but they have often acted illegally & immorally primarily to enrich

themselves. Financing business should not be recompensed by absorbing 40% of business profits in the U.S. The cost of such service should be almost trivial.

Big business needs similar regulation for similar reasons, & this is possible without harming its proper and needed social functions. In particular it must be prevented from blocking efforts to cure poverty which it seems to do, perhaps in order to provide it always with an ample supply of cheap labor. Business also pays lobbyists well to lobby for it to protect its ability to do anything it decides to do to try to increase its profits. Business has a right to present its views, but not to finance lobbyists to do more than that.

Consumers need an independent consumer protection agency (not a part of the Federal Reserve) & the Wagner Act needs to be enforced again so labor can unionize & protect its interests.

Finally, the impact of big money on elections and votes on issues favored or opposed by business can only be regulated by financing all elections only by public money and small donations from everybody and every interested group otherwise. There must also be strict limitations on lobbyists, & switching between government employment and business employment.

For a more detailed treatment of causes of the financial fiasco & of its inadequate remedies and of what should have been done instead, I highly recommend the 2010 book *FREE FALL: America, Free Markets, and the Sinking of the World Economy* by Joseph E. Stiglitz. The author expertly shows the errors in "market fundamentalism" & displays wisdom in balancing institutions and human values uncommon among economists.

BUSINESS SHOULD BE RELIEVED OF TWO BURDENS

It is appropriate, after a section showing many of the ways in which some businesses misbehave, to indicate that all legitimate businesses should be relieved of two burdens which they have borne for along time, which should not be a normal cost of business, and of which they should have been relieved

sooner. Since that was not done, a recession provides an a very good time to relieve them of those burdens.

Despite the advantages enjoyed by corporations and other businesses in this country, it long ago became the custom, partly under labor union pressure, for businesses to provide employees pensions after they have left employment in a business. That was not much of a problem, at least for big businesses, when the usual retirement age was 65 & not everyone lived that long. But now many live to 75 or 85 & a few to 95. But many are still retired at 65. If they live to 85 the business may pay them for almost as many or even for more retirement years than for working years. That makes no sense. Business should never have to pay anyone for years when they did not work for the business.

Business has started to adjust their retirement plans to accommodate to the changed situation. They no longer retire employees at a fraction of their normal salary which would give everyone a known and fixed amount of retirement income. They now have most retirees on a fixed contribution plan – a plan that pays what has been contributed during the years of employment in some fixed fraction for as long as that lasts. That is more feasible for big business, but less adequate for retirees needs. Government requires business to maintain retirement reserve funds called for by its own retirement plan.

Of course people need help in their retirement years, but no one knows for how many such years they need to save, & many could not have saved enough unless they were among top income earners during all their years of employment.

This is a typical insurance problem – no one knows how long they will live, but experience shows the numbers in the population that will die at certain ages. No one knows where they will fit in that, but if everyone pays in as though all would live the average length of life, everyone can be paid out of that pool for the number of years they each live. How much they can each get for their retirement years depends on the amount paid on the average into the insurance pool. Private life insurance companies can make a start at providing income for retirees, but as long as many do not earn enough to buy enough insurance for retirement, a floor can be provided by

everyone's Social Security, and business can be freed of paying for those no longer employed.

There is another practice that was a result of price & wage controls during World War II. When business could not raise wages directly during the war they found an indirect way of doing so: enroll their employees in a group health insurance program. This helped keep their employees & by providing group coverage it cost less than would individual policies. But over the years this system saddled many businesses with a more costly fringe benefit than they expected. The American automobile industry in particular was put at a great disadvantage compared to foreign competitors by the cost per car of employee medical insurance. Now U.S. business seems to be stuck with this disadvantage. It developed in a unique situation that no longer prevails.

In terms of common sense, the only medical insurance that our business firms should bear the cost of is that which would cover accidents on the job and occupational diseases common to some businesses. Workmen's compensation insurance should cover that.

To free themselves from employee medical insurance (& sometimes policies covering their families), most business should back some reform in our medical insurance system.

At the time of this writing the Administration got Congress to adopt a reform that would remedy some other defects in the present system, though it does not aim to enable U.S. business to escape its present medical insurance burden. Obviously if this is done sometime, labor would expect some increase in pay, but that need not be equal to the cost business would no longer be saddled with. So business should be better off by being relieved of the unnecessary burden of having to carry medical insurance of employees that many of their competitors in other countries do not have to carry. That would give a much needed boost to our automobile industry especially, but most industries would also gain.

CAN THE PUBLIC INTEREST PROBLEM BE SOLVED?

John B. Judis' 2000 book is entitled *A PARADOX OF AMERICAN DEMOCRACY: Elites, Special Interests, and the Betrayal of Public Interest*. It provides one answer.

His basic argument is that the only time our government served the public interest better than special interests was when there was a common understanding of the public interest held & put forth publicly by three important groups – one in important government positions, another in big business, and a third in academia.

He says that the periods when democracy worked best in the public interest were the Progressive Era, the New Deal & the 1950s & 1960s. This oversimplifies the detailed analyses in the book, but in my mind the question is whether there is merit in the contention that some consensus within those three groups is necessary to lead the public to support government policies in the public interest.

In my judgment, when those three groups had a consensus on market fundamentalism as they had for over three decades starting with President Ronald Reagan, the result was disastrous.

My assumption is that it would probably be necessary to get an important and vocal portion of the same three groups Judis identified – important government figures, big business leaders, and vocal segments of academia to agree on an attack on market fundamentalism, and to agree on some positive role for government to make it serve the public interest well.

It may also be necessary to have widespread support from the mass media and from an influential segment of the entertainment industry (to influence people whose attention is primarily upon the entertainment industry personnel).

Perhaps the most important thing is within the power of business management itself. It has a monetary interest in labor productivity. There is some empirical evidence that that increases when labor sees that management has a genuine interest in promoting the health & well-being of its workers. That also lowers their sick days & turnover.

This author hopes that, one way or another, the U.S. returns permanently to having all important segments of the

country supporting policies that support the public interest instead of supporting special private interests.

NON-DEMOCRATIC GOVERNMENTS

Such governments will not support the public interest simply by having democratic governments support dictatorships when it suits a democracy's "interests", nor simply by hostility to them.

It is usually assumed that there is no such possibility – that non-democratic governments will serve only the perceived interests of those who hold the controlling power. I will not question whether the assumption has usually been right historically. But the future is not entirely limited by the past. And it is necessary to hope that small or sometimes larger changes for the better can be brought about in the future.

Although a non-democratic leader typically has much more power than does the leader of any democratic power, that power is not unlimited.

We do know that there have always been and probably will always be some people whose egos are excessively power hungry, as some are status hungry or wealth hungry. The power hungry often succeed in becoming the rulers of small or larger groups of humans. Some of the power hungry know no limit on the size of realm & number of people they want to rule, or how extensive & complete they want their rule to be. Some are ruthless while others are content with formal rule. Those with unlimited & ruthless ambition are the biggest problem for humanity.

Leaders depend upon the ability to convince a lot of others to support anything leaders want to do because they will be paid well to do it. It is these who carry out the orders of the ruthless who may have to be persuaded that they are sometimes doing the wrong thing to helpless & good people & even hurting their country instead of helping it.

The ruthless leader would have no power except for those who willingly carry out his orders. Those carrying out orders of a ruthless head of state may not be persuadable unless they are offered even better terms for their "service". They may

have to be bought off as well as made to feel bad about carrying out bad orders against guiltless and essentially good people. Whether either part of this vulnerability of the ruthless leader can ever be exploited is questionable. But either or both are worth trying.

Beliefs of the public also make a difference in the power of the leader. Belief in the Divine Right of Kings certainly made a substantial difference in the ability of kings to exert more power than they otherwise could. But some behavior of kings would almost certainly over time undermine the belief in the leader's divinely ordained power.

The world has already established an international criminal court which may be able to deal with the ruthless after their reign breaks down for any reason. Over time this may reduce to some degree the extent of the ambition & the ruthlessness of the powerful rulers somewhat, it can be hoped.

To the extent to which the power hungry egos use their own reason or are subject to reasoned arguments by others, especially those close to them, they may realize that ruthlessness always breeds resentments, while better treatment normally produces more willing compliance.

There have already been instances of genocide instigated by too strong ethnic or tribal hatreds by rulers, even when the different groups had been getting along all right & even intermarrying, so reason cannot always be counted upon to dissolve such hatreds, unfortunately.

But sometimes granting some minority rights, or even partial representation in government administration may avoid genocide if the rulers are not filled with hatred themselves.

There are instances where inter-ethnic or inter-tribal problems persist that can be resolved by political separation allowing the leader of each group to rule their own group. This may have to be negotiated by outside persons.

In a world, as now, where there are many problems that affect both democratic and non-democratic nations, many of which problems involve relations between one or more of these different groups of nations – problems that no nation can

solve entirely by its own efforts, it is highly desirable for ways to be developed for at least some in both groups of nations to work together in dealing with some common problems.

But that is only one of the world problems that no nation can solve by itself, so all national leaders have reason to find ways to deal with common problems together as best they can. It is no longer true that every country can successfully advance its own interests at the expense of some other countries, although sometimes they can.

It may help to encourage citizens of every country to make original suggestions as to how to help solve a common world problem, in order to give the country a leg up on such proposals instead of always following some other country's lead. That would improve the status of the leader, & that should improve the nature of his rule.

In any case, the leaders of all nations in the world now face the problems of how to deal with each other peacefully if possible & so each can contribute to the well-being of its people.

Every leader would draw the most support for its leader if he provided insofar as possible fair and ample opportunities for each inhabitant to choose to develop and use their choice among their fine potentialities.

Even an authoritarian leader who wanted to eliminate any discontent within the country & get a lot of popular support could not do better than the suggestion in the preceding paragraph.

CHAPTER EIGHT

THE PROBLEMS & LIMITATIONS OF DEMOCRATIC GOVERNMENTS

The Reality & the Newness of the Ideal

Although historians tell us that the ancient Greeks developed some of the first democratic ideas, the Greek city-states were not democracies in our modern sense of the word. We now think of a really democratic country as one where every competent adult votes to elect legislators who pass laws to promote everyone's common interest.

Even the United States had slavery in part of the country until after the Civil War, & has not fully overcome some of its remaining problems, & only gave women the right to vote in 1920.

When the feudal system broke down in Europe and countries began to develop after the Treaty of Westphalia in 1628, some had relatively homogeneous populations, but others had diverse ethnic & cultural groups. The former have less difficulty developing democratic governments than do the latter.

Wars have complicated the problem in some respects, some by pasting together diverse groups in the same country. Some have broken up recently (Yugoslavia & Czechoslovakia), but others have done well without splitting apart (France & Great Britain).

It is questionable how many modern democracies fulfill the ideal that we think of as a true democracy in practice. The concept of a true democracy is a very recent historical concept, and one to strive to realize better in practice.

Most people are aware of the fact that the industrial revolution produced a real social-economic-political revolution in some countries. It has introduced more democratic govern-

ments in some. Those governments have a whole new set of economic problems than do still predominantly agricultural economies.

And in addition both travel and international trade and investment have resulted in increasing the heterogeneity of many countries' populations. That of itself has also increased the problems of realizing the ideal of real democracies.

Chapter Two concluded with a section that discussed the problem of pluralistic populations in countries, and indicating how if they are handled well it can be beneficial to everyone in a country.

That our modern attempts at democracy all have problems is not surprising. The surprising thing might be said to be that they are not worse than they are – that they manage to work as well as they do. I now outline some of the ways that I think they should operate. My comments are based on U.S. experience, but imply an ideal that should be the objective of all nominal democracies.

HOW DEMOCRATIC GOVERNMENTS SHOULD OPERATE

1. IN REDUCING THE POLITICAL INFLUENCE OF MONEY

Democracy is a form of government which is supposed to respond well to the desires of its inhabitants rather than being controlled by special interests which are sometimes able to promote their own interests instead because they have more money they can use to do so. That makes it necessary, if democracy is to work well, for the potential political influence of money to be reduced and if possible eliminated.

This is such a difficult problem that more space will be devoted to it later in this chapter.

2. IN THE CONDUCT OF ELECTIONS

The election process often fails to clarify real issues & instead degenerates into vicious personal attacks on opponents who may have inadequate opportunity to refute them.

The public is not now being well informed about the issues by the mass media, sometimes actually being misinformed by simply reporting what the candidates are saying, and most of the time merely reporting guesses about who is ahead or gaining.

Candidates use every appeal, rational or irrational, that they think will win votes. Popularity and name recognition count far too much, differences in qualifications almost seem not to matter at all. When there are debates they seldom help, because managers often do not permit their side to be forced to resolve any important issue.

Besides, debating is an intellectually dishonest game – each side selects only the facts and the arguments that are thought to strengthen their side and ignores everything to the contrary.

That only confuses listeners who should realize that neither is taking into account everything relevant to an issue and hence neither is reaching a well balanced conclusion.

Barbara Tannen's book, *THE ARGUMENT CULTURE* gives a well balanced discussion of how our whole culture is focusing on who is winning what contest and hence is failing to dialog and discuss issues and to seek consensus and to seek to clarify what sound reasons might account for some remaining differences of opinion.

Usually candidates exaggerate differences, as when one claims to be for freedom, as though the other candidate was really against it just because he claims something requires some regulation – which does not deny people proper freedoms at all. Usually both agree on most fundamentals and differ only on how much farther the law should go in some limited respect.

But some dirty tricks need to be prevented. The commission for each set of elections should have the power to prevent any candidate from making charges too late in a campaign for opponents to answer adequately.

Whenever a candidate criticizes the stand taken by an opponent, the one criticizing should be required to state what he or she would do instead.

The problem is to give the public more clarity as to the real issues involved, and provide whatever information is relevant to help people decide what they think would be best in the circumstances. There will usually be room to differ.

3. IN THE PROCESS OF LEGISLATING

Congressional rules permit several practices that are completely undemocratic and that cause endless trouble. There should be a mass citizen movement to force proper changes in Congressional rules to end those practices. State and local legislative bodies also need to be scrutinized and inappropriate practices prevented.

1. The filibuster should be prohibited.

This enables a single senator to defeat the will of a majority. Once a senator has had ample chance to present his view on a bill and to engage in proper debate with others over it, the senator should remain silent on the matter. Filibuster and obvious prolonging of action after issues have been aired should be absolutely prohibited and a vote taken. Upon appeal after the vote, a senator can be given an additional hour to argue his case if he has something different to say, and then a second binding vote taken when at least as many members of the chamber are present as before.

2. The power exercised by the chair of a committee to prevent holding hearings should be prohibited. Evidently the committee chair can even refuse to hold hearings on a bill. There should be ample opportunity for open hearings on any bill subject to the committee's jurisdiction.

3. The power of a chair to block opposition to the chair's view on an issue should be prohibited. It appears as though the committee chair's view on any matter before the committee is almost never overruled even though a majority of the committee could overrule the chair and present a majority report of the committee that the chair would prefer to block.

4. Irrelevant riders on bills should be prohibited.

A bill on any subject can have attached to it irrelevant riders on different subjects in the hope that they can sneak by

since the majority will support the bill. If it is not an amendment, no separate vote is required now on adding the rider.

5. Absence of hearings on riders should be prohibited.

Riders are attached to bills need separate hearings on the riders.

6. Riders attached late should be prohibited

Riders are attached to bills so late in the process that many members are unaware that riders have been attached to which they might object.

7. A single legislator can hold up the execution of a law passed by a majority. That should be prohibited because it is completely undemocratic.

4. IN REGULATING ECONOMIC ACTIVITY IN THE PUBLIC INTEREST

Often Congress does not adequately finance the administration of laws it has passed. Remedy: public pressure.

Sometimes Presidents deliberately appoint people opposed to a law to head the agency supposed to enforce it. Remedy: Congress refuse approval and require & make a satisfactory appointee. Often the agency, which does have to develop competence in the area they are dealing with, becomes captive of the special interests who dominate the field being regulated. The regulated then regulate the presumed regulators. Remedy: A good watchdog. And too often people are appointed to regulate from the industries to be regulated, or, after being a regulator they are given a nice position within the industry regulated. The prospect of such position has a bad effect on how much regulating a person does. Remedy: Prevent the former, and a 20 year wait for the latter.

5. IN TAXING EQUITABLY

Except for libertarians, virtually everybody recognizes the need for governments at different levels to perform a variety of functions. These all cost something. Many government functions are not in the government sector of the economy – the government buys many products & services from private businesses. The huge military expenditures of governments

are partly to pay military personnel and a large part goes to pay private industry to produce military hardware & earn a profit thereby. Governments now farm out some functions to private businesses to perform & profit thereby, so they may cost more than if government performed them since it would not have to make a profit in addition.

Now industrialized countries have very large government budgets. Everybody wants some government services and functions to be performed, but it is said that nobody wants to pay taxes. Obviously some are necessary. So I must take some time to discuss the principles that should guide government tax systems.

In some cases it is possible to tax the people who get the services – the benefit principle justifies taxes for those who get police services, public fire departments and even public parks. I am not going to develop a complete discussion of tax principles – some fat books on the subject are still not exhaustive.

I will satisfy myself by arguing briefly that a tax system (but not every single tax in the system) should be highly progressive. Everyone needs to recognize that when some people are millionaires or billionaires, while many people remain in poverty even though they are working full time, every dollar of tax paid not only by the working poor, but even by the middle class income receivers reduces consumption that means more to them than an equal amount taken from a millionaire. **The only tax system that is ethically justifiable is one based on the ability to pay principle.** Theoretically there should be equal sacrifice imposed on every income earner. Anything else involves some inequity. The income tax is the main tax that can easily be progressive to at least some degree. That progressivity often has to offset to some extent the regressivity of some other taxes in many tax systems. Indeed state & local taxes together take nearly twice the % of the incomes of the poor & the middle classes than they do of the higher income classes.

There is room for argument as to how much progressivity is justifiable. But Most of the arguments against high degrees of progressivity are simply fallacious. The usual story is that if

the rich are taxed much they won't be able to spend the money in ways that would increase employment, so it would hurt those lower in the income scale. That is a self-serving argument the rich like, but it is usually fallacious. The richest people or those close to being in that category, always have enough money left, even after "living high" to be able to invest in labor creating jobs. But they normally are much more interested in making financial investments to increase their wealth still further than they are in creating jobs so unemployment is reduced in the country. The argument is offered even when consumer markets are so weak that it appears to be a poor time for anyone to invest there unless they are prepared to lose whatever they invest that way.

The U.S. however bought the argument as justifiable at one time for a temporary reduction of taxes on our richest, but when the circumstances that were considered suitable for a temporary tax cut ended, those who expected the tax cut to expire were criticized for increasing taxes. It was a mistake to begin with, & the simplest equity in the tax system required terminating that tax cut when more taxes were needed to cover seriously needed public expenditures.

So, I repeat, the total tax system needs to be highly progressive, and since many taxes are inevitably regressive, the income tax normally needs to be highly progressive.

As MN Representative Sabo proposed, corporate management incomes above 25 times the average employee income of the firm should not be treated as a business cost.

Capital gains should be taxed much more highly than personal income, except where it can be proven that all the gains involved increased investments that actually increase the employment level substantially.

Steep inheritance taxes should be maintained and relaxed only in case of farms and small businesses operated by someone inheriting them.

State and local taxes should also generally be progressive, but, as already suggested, there is a place in the system for property taxation based on the benefit principle (to finance police & fire protection).

The public school system should be financed by a progressive income tax, not the property tax. There is an ample literature explaining that.

An equitable tax system is offset to some degree when some government expenditures favor those better off. Of course public expenditures should favor the underclasses & the underprivileged, not those better off financially. The rich never need to be subsidized, but sometimes are directly or indirectly because they often have so much political power.

6. IN PROVIDING ADEQUATE SOCIAL INSURANCE

Life is full of economic insecurities. Some can be insured against if one can afford the insurance. But insurance companies can fail if not reinsured & regulated by government. Only the very wealthy can save enough to be protected against disasters that hit a few unexpectedly. Social insurance can relatively inexpensively protect all against such as well as against old age financial needs more equitably than can private pensions. Social insurance should include medical insurance, but the attempt to fully reform the present wholly inadequate U.S. private medical insurance system failed after the press simply reported political attacks instead of clarifying the real issues & analyzing misrepresentations of them.

7. IN DEALING PROPERLY WITH PERSISTENT SOCIAL PROBLEMS

The social problems that persist do so because they can not be handled adequately by private efforts alone. Government money will be needed even to hire the expertise required and to train those needing more training and to provide transfer payments to those in poverty who cannot or should not hold jobs etc.

It is clear that no problems are solved simply by throwing more money at them, as the conservatives love to say, but of course they do not want to spend any money on them. The fact of the matter is that most social problems cannot be dealt with without throwing more money and expertise at them than we have in the past.

Clearly this is not the place to list all social problems and talk about each, though I often teach a course on socio-economic problems. It does require separate study of each problem, trying to learn everything relevant, and considering what combinations of tactics seems most likely to deal effectively with each of them, learning as we proceed to try to deal well with each problem separately.

It is widely recognized that one serious problem & one we do not seem to know how to deal with well is that of reducing the number & serious consequences of various anti-social elements.

8. IN FINANCING SCHOOLING ADEQUATELY

The slogan “leave no child behind” is a wonderful slogan.

One could only wish that those who use it, as well as all the rest of us, would do whatever that requires.

Certainly it requires making Headstart available to all who want or need it, and improving public schooling in every way possible. It will at a start be necessary to prevent schools in poor areas from falling into disrepair and otherwise funding schooling in such areas very much better than presently.

Everything will cost money. We need not only to learn how to insure that every child in this country masters the 3Rs well enough, but that all have enough knowledge of how to be a good citizen, all get enough training to find interesting jobs, and all learn how to enrich their lives in the years ahead of them. We are not yet doing well enough in any of those respects, but it is not because we do not have any idea of how we might do better in each.

9. IN ALLOCATING EXPENDITURES WISELY

In principle, government should do only what needs to be done but cannot be done otherwise or cannot be done as well otherwise. That principle will itself determine that substantial funds will be needed for some things already mentioned above.

Economists think they have given enough guidance to wise allocation by saying that we ought to try to equalize the marginal productivity of each dollar in each proper line of expenditure. That says nothing about how to measure marginal productivity, so it leaves out the most important part of

the task. The answer cannot be found in dollar measures. Some of the most important directions in which money needs to be spent yield no direct monetary returns to anyone. The problem is to make judgments of relative values with respect to which there would often be a general consensus among well informed people.

10. IN OFFSETTING DEFLATION & INFLATION OF BUSINESS CYCLES

The business economy whose merits I have amply recognized despite the need for a legal framework that both favors the system and prevents individual business misbehavior has long experienced more or less serious ups and downs that harm it and everybody. Those ups & downs can now be offset to some degree so that depressions can be prevented and runaway inflation prevented by government without government power exceeding its proper constitutional limits.

HOW WELL IS THE U.S. DOING?

Compared with whom on what? I have done no objective research to make well-based judgments, but like most Americans who have not done such research either, I have some off-hand opinions based upon limited reading. For such purposes all I can claim is daily reading of the Twin City Star Tribune, reading the weekly Business Week magazine, reading the quarterly Defense Monitor, and reading nearly a thousand books (mostly on social, economic & political problems) in the last 40 years.

On that basis I venture the opinion that the U.S. is doing better than most of the non-democratic countries in most of the ten respects. And we are doing better than some democratic countries in some respects, but not better than some in all ten respects.

And I am frankly disappointed to have to say that this country is failing to do even nearly as well as it could and should in all of the ten respects.

I feel I should briefly indicate why I say that. Much of this book provides fuller answers. Indeed in presenting the 10 things democracies need to do I could not refrain from indicating many failures and suggesting how things could be done better, so this will be a set of short comments on how to do better, to try to drive home again things that could be done.

#1. THE INFLUENCE OF MONEY. This country has become a real plutocracy, not a real democracy. Members of Congress can do very little that big business lobbies and wealthy individuals oppose because they depend on their money to get elected & reelected & sometimes to get good jobs after their Congressional jobs.

Only public financing of elections and other restrictions to put wealth on a par with average individuals can restore democracy. Why can't voters see this and do it? I will write at greater length on this after this quick set of brief evaluations. (See below: U.S. Plutocracy & reducing the influence of money.)

#2. THE CONDUCT OF ELECTIONS Our elections are better than many, but enough is known about smear campaigns without adequate time to rebut them instead of fair-minded opinion differences being discussed fairly.

The public could make & insist on enforcement of better election procedures & behavior.

#3. THE LEGISLATIVE PROCESS There is plenty of publicity about undemocratic procedures in legislatures. Rules could be changed & enforced so these would not occur, if public interest groups combined their forces & induced Congress to do what is needed. (Many of the ten problems listed could be dealt with & be handled better that way.)

A filibuster in the senate is totally undemocratic & the rule that permits it should be withdrawn by majority vote, as should whatever permits a senator to hold up a bill by his single objection. Such undemocratic procedures should long since have been abolished!!!

#4. THE REGULATION OF ECONOMIC ACTIVITY IN THE PUBLIC INTEREST. Although the great bulk of business activity is in the public interest, it is obvious that there are far too many ways to make more money in ways that are not in the

public interest and that can be eliminated only by regulating business carefully.

#5. TAXING EQUITABLY. The only fair tax system is one that is highly progressive. Now huge inequalities have developed with people in finance able to take huge millions for themselves while most of us are lucky if paid according to productivity. Entirely fallacious reasoning was evidently accepted by the Congress and even the public when supposedly temporary tax reductions were approved reducing taxes on the very richest.

Many people in the U.S. claim that our taxes are higher than other prosperous countries but they are lower in the aggregate.

They claim our taxes are at the expense of economic growth, but fail to notice we have experienced periods when taxes & growth have gone up and down together. We want & get many government services, but that requires us to pay their cost.

Complaining about taxes does not change realities, nor alter the fact that the only way to have an equitable tax system is to base it primarily on ability to pay.

#6. ADEQUATE SOCIAL INSURANCE. We still have poorly designed medical insurance and proper provisions for old age.

We seem too unwilling to learn that private medical insurance is most prosperous by not insuring those most in need, while other democracies have shown how to do it by social (governmental) insurance. We still saddle business with inadequate retirement benefits which they should not have to pay, instead of improving Social Security.

#7. DEALING WELL WITH PERSISTENT SOCIAL PROBLEMS. The U.S. has a higher % of its population in jail than other countries. That is one measure of our failure. Many are kids there for their possession of marijuana or being pawns in the trade of more potent drugs. When will we learn to deal with the habit forming drug problem by helping people avoid or cure the habits insofar as we can? I will confine myself here to only one other persistent problem: We have long had a large economic underclass, even some fully employed but still in poverty. This is totally indefensible given the GNP we are producing. It must be corrected.

#8. FINANCING EDUCATION ADEQUATELY. First finance *No Child Left Behind*. Then use the income tax, not the property tax, to finance better all public education. Reduce the cost of public colleges & universities partly by eliminating their competing for research faculty in the same fields which has put tuition out of the reach of their average students.

#9. ALLOCATING EXPENDITURES WISELY. People will have quite different judgments as to what is a wise allocation, but public discussion would probably produce some agreements as to what to increase and what to decrease at any given time.

But it turns out that politics sometimes makes cutting established expenditures difficult. For example, the Pentagon has deliberately allocated many of its big expenditure items so that parts of any one budget item are produced in different states, so that any attempt to cut that item from the Pentagon budget will face opposition from many senators.

#10. We have never done very well in offsetting business cycles, though we now can do much better than when our beliefs mistakenly prevented doing what needed to be done. Our fear of excessive government power was warranted, but the things that need to be done to offset serious unemployment or runaway inflation do not involve government power doing anything such as invading the rights protected by our constitution. It benefits all of us to mitigate the business cycle.

U.S. PLUTOCRACY

Although nominally a democracy, U.S. politics is largely governed by the power of big monied interests. Some think we should be called a plutocracy now – a country actually governed by big monied interests. The content of the laws that are passed or defeated, & how the laws are administered, are heavily influenced by them. Most of the people elected to offices are those big money supporters when it matters to them.

“K” street in Washington DC should be renamed as “Lobbyists Street”. There have always been a few lobbyists in Washington, but that number is now said to have swelled to

outnumber the number of people in the Congress by a large margin. They never used to be allowed in the committee rooms where legislative bills were being drawn up, but in recent years there have been examples of their not only being in the room at that time but of their having provided the wording their industry wanted in some legislative bills.

The press has over the years provided evidence of small favors provided to legislators, as for gifts or dinners, or trips. But they do not come close to the importance of monied interests contributing substantial sums to the campaign expenses of people running for election or re-election to Congress or for important positions in state governments. These are not supposed to be considered bribes. They are said merely to make it more likely that they can help the lobbyist have an audience with the legislator. But others have said that we now have the best Congress & the best legislatures that money can buy.

We need to recognize that monied interests control elections, pay large numbers of lobbyists to influence legislation for special interests, and put pressure on government administrators & administrative agencies to affect their behavior.

Maybe Bill Moyers story will get you ready to consider what can be done to become some kind of a democracy again instead of primarily a plutocracy. One of his public TV broadcasts Friday nights put my mind at work again on the problem of ending the corruption of American politics by monied interests.

Moyers uncovered much of the story of how **a group of college republicans later took over the Republican money raising machine** with a scheme intended to cut the Democrats permanently out of the ability to compete in money raising from "well heeled" special interest lobbies.

A group of Republicans, whom Moyers named, & buddies told the special interests that **if you want our help you will have to play by our rules – give money only to us and appoint only Republicans as lobbyists.** (One buddy also exploited some religious groups.)

They pocketed enough of the contributions for themselves, and the politicians who got money or trips etc. got it

after the original donors' money changed hands more than once so it obscured where the money came from. And they were not above exploiting special interests after promising them help though that was not always provided – some were simply exploited by lying to them about the uses to which the money they gave was put.

They had a scheme to keep the public nominally supporting the Republican Party forever, partly by voting machine fraud & reducing some potential Democratic registration & voting. Though some of the original bunch may serve some jail terms, the lessons they taught partisans may still be used effectively. Two well-known Republican powers are still around & teaching others.

(These were blatant attempts of the Republicans to divert big monied interests to their own party. Obviously Democrats have sometimes been as guilty of shenanigans as Republicans, especially in local elections e.g. Tammany Hall in NY & the first Daly in Chicago.)

Again the proposed 1994 Contract with America. The ten titles sounded fine, but if one examined the contents closely, they were very different from what the titles suggested. (Now even some Democrats seem to have copied that technique of using titles for bills that sound good, but are misleading titles just to get support.)

When Obama was elected, the Republicans went after him very hard in their effort to return to power. That was a proper objective. Obama had made it plain that reforming the medical insurance system was needed after restoring the collapsing financial institutions & stimulating the economy. So Frank Luntz, a veteran Republican consultant, circulated 25 pages of “talking points” to be used against any Democratic proposed health care legislation, before knowing what they would propose. And the Town Hall meetings were then flooded with people shouting slogans misrepresenting what was being proposed & further confusing people who were understandably uncertain of how they would be affected by what was called health reform legislation.

The Republicans were totally uninterested in responding to Obama's effort to get Republicans & Democrats to work

together to solve the country's pressing problems. Of course each party wants to be in control, but politics has always required some compromises to get anything done. There had never been a time when one party simply voted NO almost unanimously regardless of what the party in power proposed. As I write this, after it was clear that the Republicans would not compromise at all with Obama's proposed medical insurance bill, although it was a bill that had added some Republican proposed features and eliminated the government market option that they opposed most, a spokesman repeated on a national news TV channel the same set of totally erroneous statements about the Obama bill which had been made before & which the news channels broadcast without any comment about its total falsity and without providing any opportunity for Democrats to rebut the charges when they were made. **The main charge was that the government was going to take over the health care system, not that it was leaving all health care insurance in the hands of private enterprise with some restriction on what it could and could not do, & all health care is still private except for Congress members who still get socialized medical care.**

REDUCING THE POLITICAL INFLUENCE OF MONEY

Clearly we need to eliminate insofar as possible the excessive influence of special interest money in financing any elections. To date, the only related laws are quite inadequate.

It is of course true that monied interests have every right to be fully represented in democracies, but so do all the interests that have less money to get effective representation. The essence of democracy is equal opportunities for all to argue their case before the general public.

Elections for government offices are a necessary part of democracy – it is essential that they not be determined, as they often are in the U.S. by who can spend the most money to urge the public to vote for them.

The problem is complex: four highly used conduits for special interest money (so-called soft money for "party-building", "issue ads", PACs, and bundling) each have some valid public interest uses, but the special interest money flowing through

these channels is obviously not there to support valid public interests but to support some special interests instead.

Several obvious things need to be done, it has long seemed to me.

One, TV must donate a sufficient amount of time to enable the public election business to be carried on by them as a public function that they can easily provide free since their access to the broadcast spectrum is worth vastly more to them.

Two, there must be a limit on the total amount of money from all sources spent to elect anyone, or indeed to pass or defeat proposals on any issue, or to influence the administration of any law.

And equally valuable free time needs to be given to those without enough funds to match others in order to provide them equally free speech.

Any efforts to regulate the amount of private special interest money financing public elections have been opposed as a violation of free speech which is correctly forbidden by our Constitution.

But that is elaborate misrepresentation of the real situation. Speech is not really free if only those with lots of money can buy up huge amounts of time reaching the public with their promotions of candidates or issues and their opponents cannot come even close to matching them and often cannot get much exposure on mass media, let alone equal exposure.

The problem is how to make it possible for equally free speech to prevail for all contestants. Public campaign financing is one answer being accepted in some cases, but is easily defeated if private financing is permitted in addition to those that can afford it.

Only regulations providing equal opportunity for candidates, or both proponents & opponents on issues, to get equal exposure in mass media will enable free speech to become a reality for all interests.

Reasonable and equal absolute limits on total spending for each candidate (or for advocacy & opposition re any legislation, or for or against anything to be submitted to popular vote) could by law be set by government election commissions.

Finally, there must be a certain and equal amount of free time provided by the mass media to each candidate to adequately make his or her case for election, & for both sides on any policy issue. Otherwise the media are unwarrantedly profiting from performing a necessary public function which requires the use of media (the rights to use which were usually free or almost free to the owners in the beginning).

Public financing of campaigns may be the only adequate solution in the end, and it would have to be quite limited. It would not be too expensive if TV & other mass media were to be required to give an equal but limited amount of free time to all qualified. Additional private financing would obviously have to be prohibited or limited to small amounts and equal for each position. Some additional regulations would likely be necessary.

Any public distribution of material relating to a candidate or issue must be approved by those it is supporting and be limited in expense also to prevent undue influence by any group.

Non-monetary favors may also need to be prohibited or limited in dollar value.

There must be some way to prevent special interest money from being received indirectly & so hard to trace (Abrahamof style).

Since I wrote the preceding argument for equal opportunities for different legitimate candidates for elective office to have their views presented, or different views on legislative issues to be equally represented, the U.S. Supreme Court has ruled that any restriction on political advertising even by Special Interests such as economically powerful businesses (as distinct from persons) is an unconstitutional restriction on free speech rather than a way to equalize or limit unequal opportunities of economically powerful special interests.

It will now be much more difficult & maybe impossible to find good ways to prevent some "well-heeled" special interests from dominating the supposedly democratic political process and make that process represent different views fairly.

Did the 5 member majority of the Supreme Court not understand the democratic problem involved, or did they deliberately choose to represent big-monied special interest

businesses, or was it just a simple-minded view of the concept of free speech, or is there a fourth legitimate interpretation of their decision? What would it be?

It is obvious to many people that a way must be found to offset the door the Court opened to big business to swamp the media by buying all the free speech it wants & leaving little free speech outlets for others.

A very big part of the problem which is hard to solve is the circulation of personnel between government and private business jobs.

A government official wanting a job with a big corporation any time later can make it more likely by voting for legislation the corporation favors. And a person with a corporation job can lobby effectively for that sort of legislation for the employing corporation & likely get their financial support if they later seek election to a government job.

It is almost impossible to prove a job was the result of favors done for a corporation. There are regulations now that prevent legislators from taking a business job for a couple of years. That is insignificant. A much longer wait might have some effect, but it could discourage people from combining them over time. But the conflict of interest problem is entirely obvious.

There are real problems to be solved & there are not always clear answers, but some things are reasonable clear, and progress in those respects could be possible with enough public support.

THE PROBLEMS OF THE OBAMA PRESIDENCY

1. **The biggest problem is the total intransigence of the Republican Party.** I will comment on that more before this chapter is finished. It is unforgivable when Obama tried to invite constructive cooperation. And then to complain because he made interim appointments after Republicans had stalled on average for 7 months had no merit. Even complaining about the "Reconciliation tactic to avoid a filibuster was inappropriate after Bush 2 had used it to pass two sets of very questionable tax cuts.

2. **The problem of reducing the influence of big money is critical** because our entire Congress is dependent upon big

money contributions to re-elect them, so few will dare cast many votes that would endanger that. Congress would have to vote for government financing of all political elections and all other money in elections and issue campaigns would have to be limited to what the average middle class person could afford. Don't expect it soon.

3. Then Obama's most critical problem is to **stop mortgage foreclosures & evictions**. Many people & many cities have suffered & will continue to do so. Those foreclosing refuse renegotiating mortgage terms. But with the collapse of housing prices, they could not resell the houses at mortgage prices. **If they evict mortgagees, They should be required to maintain the properties & not allow them to deteriorate. At some point it would be clear that their best bet would be to renegotiate mortgages at current salable value.**

But many are now jobless & cannot meet any mortgage payment. **Federal government housing agencies should buy them at market value & rent them to occupants at rents they could pay & prevent evictions. When possible issue a feasible mortgage.**

(It is clear that many of the people & businesses involved in the mortgage business in recent years had learned how each could make a lot of money by deliberately doing things that almost no one would question or understand though I submit that they should have realized that what they did was unethical. Some still evict the helpless. Prosecute. But where stop the prosecutions?)

4. After careful examination of state & local government budgets, the job is to provide enough Federal funds to prevent reductions in police & fire prevention forces & other vital elements until conditions improve. **I thought this would be done quickly.**

5. The problem is jobs. The recession increased unemployment. That is no time to worry about debt reduction. Tax receipts of governments fell. The federal government has to increase its spending, first to offset state & local tax declines so their employment is maintained rather than reduced.

Federal tax reductions do not create jobs when consumer spending is declining. Recessions occur when business real investment has been overbuilt & awaits an increase in consumer spending. Federal spending puts money into the hands of those who will spend most of it & reduce their own debts so they can. Congress should have passed bigger job stimulus bills.

Much of the infrastructure of the country has been under maintained for years, and is normally government financed, so after careful examination of what is now needed, **the federal government should finance rebuilding of that infrastructure which will create many jobs for private business in the construction industry.**

This country has been offshoring jobs, primarily in our manufacturing industries but also in some service industries, for years as explained in Chapter Five because we undertook globalization without creating first a level playing field on which competition would be fair. (Business week 12/28/09 & 1/4/10 issue is full of articles on business opportunities to invest in foreign countries. So helpful!!)

The most important long run problem for the Obama administration is to stop offshoring of jobs and to replace that with the rebuilding U.S. located businesses especially in manufacturing. The count as I write is about 5.5 millions of jobs offshored. It is outrageous for any firms to dodge paying U.S. wages, taxes & meeting labor & environmental & other requirements in the U.S. but selling here goods produced abroad as though produced here.

If the WTO is not modified so that variable tariffs can be used to correct the situation, the U.S. federal government can use variable border taxes to make offshoring unprofitable. It is inexcusable not to make a level playing field for international competition, and it is inexcusable for the U.S. to have lost so much of our manufacturing base when many U.S. businesses are still more labor efficient in production than are many foreign countries.

After World War 2, the U.S. helped rebuild the factories of Germany & Japan. We better rebuild our own now before it is too late. The policies necessary will over time greatly in-

crease manufacturing & other employment again here. Not unimportantly, this could help rebuild our declining U.S. economic middle class.

THE AMERICAN PROSPECT magazine for January, February 2010 has a 23 page special report analyzing the problem by competent people.

6. **The problem is to rebuild a legal framework that protects the public from unscrupulous business tactics while facilitating normal profits for good business practices.** Regulate finance businesses so that they can neither repeat the most recent fiasco or create new unregulated innovations to benefit them at others risk or expense. Pass again a usury law to prevent outrageous interest rates and set up a really good consumer protection agency with clout.

7. Another problem I list now is every bit as important as those I listed first. It is to **eliminate our persistent class of working poor.** That is entirely possible as shown by some books listed in the annotated book list that concludes this book.

8. The last problem is reforming our medical insurance system. It is also very important – to insure everyone in the country & to prevent the private insurance firms from denying insurance to many when they need it. Obama emphasized this. Republicans mounted a scurrilous campaign against it which Obama did not refute adequately (e.g. the “death policy” charge). Medicare & Medicaid are governmental & popular, but are not replacing private insurance companies which still dominate while some of their abusive tactics will be stopped. Both sides in the abortion dispute tried to make gains in the changing bills. Nobody asked what % of what the medical insurance companies collected in insurance premiums they paid out to cover medical claims by the insured, what % were paid out in political lobbying, & what % went to managerial compensation. Those figures are the important ones & should be publicized. The cost of doing something as important as improving medical insurance was exaggerated, as was the saving from medical malpractice reform, though the saving from reducing defensive medical practices might be substantial if it became possible.

9. My wife and I thought that Obama's election to the presidency of this country was a big step forward in overcoming our historical racism. I did not think the problem had disappeared entirely, yet I do not want to charge anyone with racism though I suspect some of it. My Mother taught me as a child that we were all equally children of a loving God and whites need to understand that blacks are often still discriminated against, while my dad told me his experience was that they were all lazy. Both my wife and I have naturally had good friendships with some black people, & were privileged to have a very precious relationship with the famous pastor Howard Thurman. We cannot claim we have done enough to combat race discrimination. But we know discrimination is wrong. We know that not everyone in the country rejoiced in the election of Obama, and that some will now do everything they can to discredit him and defeat him because of his race. Whites will soon be a minority in this country, & might then become concerned about discrimination against minorities if they experience it themselves.

THE BREAKDOWN OF EVEN THE FORM OF DEMOCRACY

Democracy requires those elected to offices to work together to deal as well as they can with the problems their society faces, despite some differences of views as to how best to do that.

The U.S. political system has long been dominated by two political parties. Third parties never replaced either of the other two in popular support. When they did enter any election they tended to draw most of their support from one of the main political parties, their effect then usually being to result in the defeat of that party. With the exception of our civil war, the two party system worked successfully. After each election, the party that won and the party that lost continued their struggle to win more support from the voting public in the next election. But meanwhile they found ways of compromising their different views of what would be best to do in dealing with the society's problems. Although the process often involved some wild exaggerated charges of some in each party against some in the opposite party, they managed to pass legislation that was often some form of

compromise between their views, and in some cases the majority party simply put at least part of its program into effect.

I was particularly impressed by Joe Biden's book *PROMISES TO KEEP* in which he explains how U.S. senators developed many good friendships crossing party lines so that more than "senatorial courtesy" was involved in their working together to pass legislation.

I have already talked about Bill Moyers account of how a group of young Republicans tried but failed to develop a system to keep a Republican majority in control permanently.

What I could not imagine was that when Obama & the Democratic Party won the presidency and a small majority in both houses of Congress, the Republicans would vote almost as a solid block against almost everything the administration proposed, although President Obama had invited them to work with him to find common approaches to America's problems.

When one political party becomes completely intransigent and votes NO almost as a block to anything the other proposes, the democratic process is destroyed by such a tactic.

That is not the worst that happened since 2008. In 2009 when Obama asked Congress to reform our medical insurance system & gave some indication of the need, & some things that should be done to improve it without revolutionizing it, Republicans attacked it partly with allegations they ought to have known were false.

It was obviously a partisan tactic in town hall meetings to label the Obama effort "a socialist medical system". Members of Congress are themselves using essentially a socialist medical system since their medical services are provided by doctors & nurses on the government payroll supported by our taxes.

The medical reform bills in Congress, & Obama's proposals, would not convert the U.S. private medical system into a government operated system.

They do not even replace private medical insurance with a single payer government insurance system, for which a good case could be made while delivery of medical services would remain provided by private businesses as they now are.

But the Republicans know that some of the public does not understand these distinctions & is opposed to socialism, so they play upon that ignorance to defeat any rational judgment of the reforms proposed. They should be ashamed to use such tactics.

So Congress enjoys a socialist system but attack a relatively small but important change in the medical insurance system as socialism. I call that inexcusable hypocrisy. My wife says the Republicans cannot help but know they are trying to get away with simple lying.

In any case, this represents more than even a breakdown in the form of democracy when one party rebuffs completely the other's attempt to work together & reach compromises in dealing with national problems. That is bad enough.

What made the situation as bad as it was is that the Republicans had enough votes to threaten a filibuster – one senator preventing a big majority of the body from passing legislation it approved. That put Democrats in the position that they needed 60 votes, not any smaller majority, to pass legislation. So any single democrat could bargain for whatever they wanted to go along with the majority of the party. The filibuster itself leads to undemocratic practices by both parties.

I cannot imagine that either political party will continue to behave that way & continue destroying even the form of democracy.

This book indicates that democracy has at best a difficult problem just in its operating better than it has so far.

All other forms of government have been even worse, or potentially so, so there is a strong case for making democracy better insofar as possible.

No case can be made for deliberately destroying its form. Surely Republicans will come to their senses and try to make democracy work. It will work only if both parties learn how to work together despite some differences in viewpoints, and no one party should have permanent control of government.

I am puzzled by how the leadership of a major party became led by extremists as the Republican party has – temporarily I hope. I used to know many Republicans who would never have

supported such policies as those I feel it necessary to criticize so severely.

The Republicans I knew were very sensible people and we supported some common policies & differed on some. Many were very able people so I voted a split ticket at the time. But I can't do so until the Republicans welcome moderate Republicans again. May that happen soon, for democracy cannot work with either party unwilling to cooperate in dealing with the country's problems.

Democracy can work only if all parties are willing to cooperate democratically whatever party wins an election, and even while losing parties work to sell their program to more of the electorate.

A word must be said about the effort of the major political parties to control the redistricting process state by state so that Congressional districts are redrawn in crazy shapes to provide one party of the other as many "safe" districts as possible. Efforts should be made to prevent this tactic and make all districts bi-partisan contests in geographically sensible districts. California is experimenting with a new redistricting process that may be worth examining to see how well it works in getting good candidates in each party.

Even newspapers have long reported that Medicare's automatic payment of claims submitted results in continuous payments to crooks who profit by submitting fraudulent bills which they collect. Claim legitimacy must be established before payments are made.

The greatest tragedy is that Fannie Mae & Freddie Mac are now evicting people from homes they own when they should be holding those homes until economic conditions improve & humane permanent arrangements can be worked out for residents who can't pay old unadjusted mortgages.

A QUOTATION FROM A POLITICAL SCIENTIST

I now reprint a statement by a retired Professor of Political Science at the University of Minnesota, now President of the University of Minnesota Retirees Association (UMRA) (reprinted with his permission from UMRA's March 2010 Newsletter). (Its relevance is obvious.):

I overheard a conversation a couple of days ago. Two guys were lamenting the sad state of affairs in Washington with Congress getting most of the knocks. They weren't partisans; they weren't arguing. They agreed – the law-making machine is broken. And the tone was harsh. Then one of them remarked, "What can you expect. It's always been like this." At that point I was about to blurt out "No!" In fact, it has not always been like this. The Washington that those of us in UMRA should remember was dramatically different, but I am afraid that most Americans and most of us in UMRA don't really appreciate how strikingly different it is. I don't want to preach: it's just the facts, ma'am.

In the early 1990s David Mayhew published an important book on the legislative process in the United States. He studied what he considered to be all the important pieces of legislation passed by Congress from 1946 through 1990 (267 in all) – Taft-Hartley, the NATO Treaty, the Marshall Plan, major civil rights legislation, Medicare, a half dozen major environmental acts. Actions that reshaped the America into which we were born came out of this legislation. Many were very controversial. One might expect that there were bitter conflicts in Congress and sharp rivalries between parties and regions and political philosophy. But in virtually all of the cases, the resolution of differences resulted in widespread agreement and general good feeling among the participants.

Of the 267 pieces of legislation, 206 passed with a two-thirds majority in both Houses of Congress; only 18 did not receive a two-thirds majority in at least one house – 196 received a majority of each political party in each house. If we define a party-line vote as one in which 90% of the members of one party votes in opposition to 90% of the members of the other party, then there were no party-line votes on the

passage of any major piece of legislation in this period. Indeed, the number of times when the final votes reflected near unanimity is surprising.

Today the battle between the parties on the control of greenhouse gas emissions is best described by the poetic fight between the gingham dog and the calico cat. (I can use this metaphor with this audience but anyone under 65 won't know what I am talking about.) The past was not like this. The Clean Air Act of 1970 – which led to a reduction of automobile polluting emissions by 90 percent, got the lead out of gasoline, and contributed to the collapse of a major American company – passed the Senate on a unanimous vote, while in the House there was only one “no” vote. The Clean Air Act of 1990, which put into effect a cap and trade mechanism to control sulfur emissions from coal burning plants, passed the House 401-25 and the Senate 89-10. Today a cap and trade provision provokes as bitter a controversy as ever emerged on the floors of our stately Houses of Congress. While Medicare/Medicaid passed with strong bi-partisan support, the Health Care Reform bill today is a prime example of extreme partisanship and vicious conflict of competing ideologies that makes even thought of compromise heretical.

We are seeing something strikingly different in Washington today. It does not augur well for our future.

– Robert Holt, UMRA President this year.

THE VIRTUE OF DEMOCRACY

It gives every adult has a right to object if they think they or others are not being treated fairly. They have an equal vote if they think, rightly or wrongly, that they are being discriminated against or not being adequately protected.

When people attribute some of their difficulties to government, they demand a voice in government policies. They may not know whether they would all agree on what should

be done instead, but that does not matter – they want to have a say & be able to suggest remedies & choose among suggested remedies. They want some sort of democratic process that they have an opportunity to try to influence.

The democratic attitude is that everyone is capable of serving in some valuable social role and can ordinarily be assumed to be doing so.

LIMITATIONS OF OUR DEMOCRACY DIFFERENT PEOPLE'S INTERESTS IN VOTING

But most of the time, most people in every country want primarily to be able to go about their daily lives without having to concern themselves with what sorts of policies governments should undertake. They want to be relieved of having to know anything about the issues involved and relieved of having the responsibility to know how to vote on most policy issues. They want government officials to do whatever would be most helpful to everybody, and leave them alone. **Democracy would require much too much of them, & they know that most of them could not live up to it & would not want to have to try to do so.** They just want an opportunity to influence things if injustices occur.

That is not true of everybody. There are different portions of the population in different countries at any time who are both concerned about government policies, think they know what they should be, and want to have the opportunity to influence them. **When some voters think they have a strong economic or ideological interest at stake, they also want democracy so they can participate in it.** Democracies depend primarily upon all these participants, sometimes well informed, though often not. Democracies seldom provide enough help to keep those well informed who both want to be and are capable of being well informed.

Then there are those political animals who want to be the main actors in governments. They would often prefer to rule without having to submit to electoral processes, though some enjoy being the beneficiaries of publicly expressed support even if electoral.

Those who are really power-hungry in a democracy may operate in as authoritarian a manner as they can get away with.

Of course they are the ones who rule in non-democratic societies.

Conflicts between them are a problem in many democratic & non-democratic governments.

MANY ARE UNQUALIFIED TO VOTE ON MANY ISSUES

The above classification of people leaves out some groups. Some people respond to the pressure from others who say that **voting is not only a right but a duty – everyone should vote, so they vote their prejudices. Many men and some women would not vote for any woman**, given their prejudice that they are not as competent as men to govern. I find it difficult to understand why some women vote that way.

Those prejudiced against blacks or any non-white candidates would not vote for any of them.

Some, forgetting their descent from immigrants would not vote for anyone with a strange foreign sounding name.

Some would not vote for those identified with a religion different from their own.

A friend once asked a woman of her acquaintance who she would vote for for some local office. She answered that she wasn't sure she would bother to vote since she wasn't sure who to vote for, but said that if she did take the trouble to vote she thought she would vote for so-and so because he had a nice smile.

Maybe those who vote only because they feel it is a duty to vote will vote for someone with a nice smile, or with some other irrelevant factor.

They may even vote unknowingly against their own economic interest. And they likely have even less of a conception of what would be in the public interest.

Read the letters to the editor in any newspaper and judge how many of them know much about whatever they are talking about and how many are completely mistaken about what they are talking about. The large preponderance of those who

fit that last category always amazes & discourages me. I would hope that they never bother to vote. It would be accidental if they even voted for their own interest, and more of an accident if they voted for the public interest.

Unfortunately, modern economies are so complex that very few voters are likely to have the competence to know what is in their own interest or, more importantly, what is in the public interest.

Even some economists would not always pass the test of what is in the public interest now. They too often operate on the basis of oversimplifying assumptions the discipline adopted long ago. I speak especially about those who use models that assume market clearing, which implies that there can never be involuntary unemployment! It denies recessions can occur.

PEOPLE VOTE ONLY WHEN THEY FEEL IT IS IMPORTANT

Others may vote only occasionally when they feel some important issue is at stake that they care about.

The question is what important issues do large numbers of the public know enough about to protect their own interest & the public interest when they vote.

It has been suggested that they knew enough to oppose the Bush proposal to turn part of our Social Security into a private saving system. (Or was it the vocal opposition from knowledgeable regular voters that alarmed others?)

But **much of the public was tricked by the claim that reducing taxes on the wealthy would lead to their investing in employment creating jobs.** Some of the wealthy may use a little of their wealth that way if consumer demand is high & they think they see a way to profit by investing in a growing business. A few wealthy are prepared to take the risks of adding to venture capital when they see a good opportunity. But most wealth is normally invested in securities of some sort to increase their wealth further without, they suppose, taking much risk of losing what they have. The same is true of those receiving the highest incomes. What isn't used to "live high" is invested in securities, not gambled in employing labor.

Economists, who should know that globalization leads to harmonization downward unless it is prevented, still talk free trade.

A few business leaders are aware of some changes their businesses can anticipate for environmental reasons, but there is little evidence that many foresee the full sustainability problem.

To summarize briefly the above two sections: Many people have no interest in preparing to vote, but if told they should, they vote their prejudices or vote on irrelevant criteria. Probably nobody is fully informed on every candidate and issue, & probably can't be in a complex society like the U.S., and a relatively small number are relatively well informed on some issues and some candidates.

WHAT CAN BE DONE ABOUT DEMOCRACY'S LIMITS?

IN GENERAL

If much of the above is true, what might be done to make it more likely that either supposedly democratic countries or any others will be able to adopt policies that would be relatively appropriate for the complex issues governments need to deal with in this century?

Since many people are unable to protect themselves, it is very important that at least democratic governments are run in such manner that those people's interests are protected by the government.

Every society should have sufficient local, state, and federal ombudsmen and ombudswomen, popularly elected and recallable if not performing well.

People should not be encouraged to vote as a duty. They should feel obligated to vote only when they think they know the qualifications for the office of the different for candidates running for that office, and know the issues involved, and are confident that the one for whom they vote would generally vote for the public interest.

And they should vote only on substantive issues put before the voters that they understand well enough to be convinced, at least after discussing them with other knowledgeable people, that their vote would be in the public interest.

Various public interest NGOs, i.e. those promoting the well-being of society like the league of Women Voters and Public Citizen & others, might be able to expand their work to provide the public more information relevant to various problems & proposed solutions.

There are probably many voters who vote without any encouragement, but who also vote just on the basis of their prejudices. These are people who others judge have beliefs or ideas or feelings that are simply wrong or unwarranted. It may be very hard to change them, but if they are at all educable, it is worth a try to somehow help them see that they are mistaken.

Should not people who admit that they would never vote for a woman under any circumstances not be excluded from any voting for anyone running for an office if some woman is one of the contestants for the office? Similarly if no one would vote for a foreigner, or for someone with a different ethnic background or a believer in a different religion be excluded in similar situations? Can we not restrict voting to people without prejudices in certain situations? Nobody thinks they are prejudiced – they think there are reasons for not wanting to vote for certain people. They aren't excludable for prejudice, but are they ever educable?

Perhaps free courses could be offered that sound attractive to them and others & are worthwhile to them in some other way, but that in fact help reeducate them without attacking their mistaken beliefs too obviously. Such courses could also deal with voting on irrelevancies.

Some people might think that such courses should be required of voters for them to be allowed to vote on issues on which they might then be educated enough to vote on the basis of at least some knowledge of the issues on which they would then be allowed to vote. Presumably they would be less likely to vote mere prejudices after such a course. Courses

would have to be available on different issues for people to be able to vote on more than one issue.

RESTORING PROFESSIONAL & INVESTIGATIVE JOURNALISM,

There has been sufficient publicity about the disappearance of enough newspaper advertising to maintain newspapers and even some magazines, & the resultant shrinkage of the number of journalists who could make a living in their profession.

TV & the internet are not supplying the quantity or the quality of information that the public needs in order to be able to vote intelligently even if wants to do so. This makes true democracy impossible.

There has been a lot of discussion of what to do in this situation. It seems clear that merely leaving it to the market will not solve the problem. But any suggestion that government get involved raises the specter of government propaganda replacing journalism. Obviously that must be avoided like a plague. But if the public needs a large body of competent journalists providing the information that democracy requires, we are talking about a public good that the market no longer will be providing.

Government provides many public goods directly, covering their costs out of tax proceeds, & it subsidizes some others, streets & highways, state universities etc. It has been pointed out that newspapers have long enjoyed subsidized postal rates. How could government provide further tax financed subsidies to restore investigative journalism in the volume needed by democracy, while keeping journalism free from government propaganda. There are several ways this can be done.

One suggestion is that government give everyone a tax deduction of a specified amount only if they spend the funds released to subscribe to their own choice of a nonpartisan objective investigative newspaper that not only reports what is done or attempted or said by governments, or politicians, or businesses or individuals, but evaluates that by reporting all known relevant facts as part of the news report. This sets a proper standard which journalists & newspapers must en-

deavor to meet, and is expected to lead to competition among private newspapers.

Individuals who have no income tax obligation should be provided government funds equal to the amount of the tax deduction others claim, but only if they spend it the same way: for an objective newspaper.

If some such system had been developed and worked properly, most potential voters could know (1) How big money had tried to dominate the news. (2) How local public meetings to discuss proposed changes in medical insurance legislation had become dominated by irrational shouting matches. (3) How serious were Senate threats of filibuster by one political party.

(4) How little most banks had done to modify mortgages adequately. (5) How banks had used "robot-signers" illegally to provide them grounds on which they foreclosed on delinquent mortgagees & evicted them. (6) how it resulted in vandalism of vacant houses & neighborhood deterioration. (7) How it happened that Fannie Mae & Freddie Mac, again Federal Government agencies, foreclosed on houses & evicted residents behind in their mortgage payments when those housing agencies proper function would have been to make whatever arrangements could have been made during existing national economic conditions to enable residents to remain until economic conditions improved & more permanent equitable arrangements could have been made.

PROVIDING SPECIAL INFORMATION FOR VOTERS WHO WANT IT

NGOs could be helpful on many issues affecting the public interest or involving candidates where public interest matters were, or should be, prominent. They could do a lot to gather relevant information and publicize it, getting people to work on such matters. etc. & then getting the informed to go to the polls & vote.

In many small communities, the best may be to have a single NGO doing such work on matters affecting the public interest.

SHOULD VOTERS MEET CIVIL SERVICE RESTRICTIONS?

At one time even incompetent people sought jobs in government administering the laws that legislative bodies had enacted. Civil Service requirements were adopted to secure people who had the competencies needed for the various jobs available as well as to end the use of public jobs for private corrupt money making. I am raising the question as to how much, if any, extension of this Civil Service concept would be desirable and possible so voters had to show competence to vote?

IS AN ETHICAL REQUIREMENT DESIRABLE? AND POSSIBLE?

To say that governmental policies should promote the public interest is an ethical proposition. Could it be a requirement of any candidate for public office, elective or appointive, that a commitment to this ethical proposition be required? Officials who violate the moral principle that the office is to promote the public interest (i.e. to promote social well-being) could then be impeached. (It would seem to me more appropriate than requiring an elected official to swear to anything on a Christian Bible, but this is sometimes required.) But people have different ideas as to what is moral. Is there enough consensus on what is in the public interest & what government should do or should not do to promote the public interest to make such a requirement work well?

SHOULD A CANDIDATE FOR POLITICAL OFFICE BE REQUIRED TO SHOW SOME DEGREE OF COMPETENCE FOR THE POSITION ?

If so, how determined & by whom, how administered, does competence involve some amount of factual information? These are difficult questions. There are many possible answers, but any answer might involve some problems. Many possible solutions might likely prevent many incompetents from being elected.

A specific recent instance convinced me of the vital necessity of doing something about this. A major political party accepted a vice-presidential candidate after those having power to make the

decision chose a vice presidential candidate with obviously insufficient qualifications should the person have to fill the presidency as any vice-president might have to do. After the party made its vice-presidential choice, a press conference interview indicated the candidates knowledge of world affairs: she evidently believed that Africa was a country. Obviously she was not competent for any governmental position that involved foreign policy, let alone becoming president of the U.S.

The matter is not closed. The next question is whether voters are able to evaluate the competence of candidates for public offices. On a tour to sell her book, she is swarmed by autograph seekers many of whom sound as though they were her great admirers for whom they would vote to elect to any office. It could still be disastrous if she could run a campaign without having to reveal much of her ignorance or many of her mistaken beliefs.

REMOVAL FROM OFFICE

If running for a political office, or appointment to one, were to require demonstration of adequate knowledge of the issues involved and a moral commitment to the public well-being, then once in office, the office holder should be subject to continuous scrutiny by qualified non-partisan investigators. Legal criteria should be established to permit judicial removal from office if the office holder did not meet the criteria established for competence to stay in the office or did not show a moral commitment to promote the public well-being.

Pending another election, a higher official shall be designated to make an interim appointment which must meet the same qualifications.

PROVIDING INFORMATION TO POLITICAL CANDIDATES

Nonpartisan sources should provide all political candidates information about the situation in the U.S. compared to other countries, currently, then inform them about prior, if any, attempts to deal with it anywhere, and their consequences.

PROVIDING INFORMATION TO LEGISLATORS & OFFICE HOLDERS

There needs to be at least one but better several NGOs aiming to provide objective information about each important issue before the Congress, and about those that perhaps should be before the Congress.

Generally these should start with information about the situation in the U.S. compared to other countries, then prior, if any, attempts to deal with it anywhere & their consequences.

Then each political party should present arguments for their proposals and against the opposing party positions.

Finally there should be objective analyses of the sound and unsound statements in the different positions, and statements of experts in each field & objective analyses of their presuppositions.

This information should be on the internet, in newspapers & magazines required to print it at public expense, and posted and available from many local public outlets.

PUBLIC DISCUSSION GROUPS

In addition there should be non-partisan groups in every local community that can not only furnish the above printed information, but that will hold public meetings on each issue at various times to accommodate everyone interested in public discussion of the issues & of the adequacy of the information, the results of which should be provided to the mass media for them to report and analyze as well as they can. The media should always distinguish between reporting what some one or some group says on an issue and the analysis by experts.

Of course such discussion groups might need to be held on innumerable issues that are before legislatures or Congress, or that should be considered and voted on there.

It would be quite a job to get qualified people on every issue – hopefully presenting different legitimate differences in viewpoints competently.

And that many discussions would probably wear out even the most interested voters. So their attendance would fall off

at some point. The less interested voters would probably attend only the issues in which they were vitally interested.

Theoretically voters could become well-informed on issues this way, but the big problem would likely be to interest enough voters to make a real difference, and to avoid overloading them with meetings they need to attend. Democracy takes too much time to be a well informed voter on everything.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER NINE

VIOLENCE

WHY VIOLENCE?

EISLER & SCHMOOKLER & WAR

The very first sentence in Riane Eisler's 2007 book *THE REAL WEALTH OF NATIONS* is "Much of my life has been a quest." A couple of sentences later the quest is identified. "It was a quest for answers to a basic question "Why, when we humans have such a great capacity for caring, consciousness, and creativity, has our world seen so much cruelty, insensitivity, and destructiveness?"

That has been my basic quest also, and like Eisler, I want not only an answer but some remedies. I hope many, many other people are on the same quest, at least to some extent, and equally anxious to find remedies, as Eisler does and I will in this chapter.

Eisler reaches the conclusion in her 2007 book that the problem is primarily economic: the real wealth of nations lies, she says, in the character of their people, people who would not exist if helpless infants had not received loving care from parents or others. But economies ignore this human wealth creation and engage people in competitive and often hostile activities, she says.

Only supposedly rational humans, among all the animals, organize masses of people to fight organized masses of others of the same species. They don't have to do this for enough food to live, but because they think that their interests or ideologies inevitably conflict enough to require fighting. That only settles matters temporarily & only in one locality.

Many historians have written their history books as largely stories of "man's inhumanity to man". Since wars were fought by men but victims included women, it meant mens' inhumanity to humans, which has been ongoing.

Historians concentrated most attention on military operations and outcomes, battles won & lost & consequent changes in who ruled whom & sometimes how.

Andrew Bard Schmookler sought the origins of conflict between militarized forces in a 1984 book entitled *THE PARABLE OF THE TRIBES: The Problem of Power in Social Evolution*. Schmookler thought that in a state of nature, every adult lived only when it managed to find enough food for itself. When agriculture developed, farmers produced food for many, so human population increased. Still driven by self-interest & efforts to survive, they had energy to expand the area they controlled. Hence the first conflicts over power were to control wider areas to accommodate more people, when each individual was no longer limited by dying if its daily intake of food was insufficient.

Whether this is the best answer to how inter-group violence originated among humans or not, Schmookler wrote several subsequent books to find grounds for hope that humans would find ways to live without wars between groups. Those books are worth reading. I will not review those books, but provide my own answers.

THE UNSOLVABLE PUZZLE

Throughout human history, wars between groups of different sizes have gone on repeatedly, one group trying to conquer another.

I can understand some men's egos craved power over more people & larger areas, but how did they get lots of other men to fight ever bigger & more distant wars to create even bigger empires? That remains a puzzle.

Perhaps the soldiers were promised some of the "spoils of war" (the fruits of winners). The leaders of individual battalions could be rewarded, but not the rank & file of ordinary soldiers. Could they all be threatened or ordered around?

It appears that the area under one government usually reduced the violence between groups conquered. Peace reigned over ever wider areas, but when wars broke out they then became wars between larger groups of fighters.

Without examining what got people on different sides willing to fight each other in a war, it doesn't seem to be rational. Why was it thought to be desirable or necessary? Were the reasons always the same, or how different were they?

Any war is very costly in terms of human & natural resources used, many of which are destroyed or badly harmed. Especially in more modern times, even the years of preparation for possible wars are extremely wasteful of both human talents and time and natural resources and require lots of money.

And war itself creates extensive human suffering on both sides. Some badly wounded never fully recover, and the families of many who are in the military also make sacrifices that cannot be recompensed. So the notion that soldiers would all be willing to risk their lives fighting on the chance that they might be personally benefitted by sharing the spoils of war seems quite unlikely. It may require lots of propaganda to make willing fighters in some cases. And now the appeal to patriotism is important.

Some wars may need a moral justification to get willing fighters, for deliberately making any other human suffer, let alone taking their life away, is inherently immoral. Within a country that is usually legally prohibited, so war requires special exceptions. Even individual self-defense is justified only when limited to what is thought to be necessary.

The apparent ease with which group leaders got enough soldiers to create increasingly large empires throughout history is still a puzzle to me. Is it only relatively recently that even some military leaders have said that "war is hell"? Those who willingly risk their lives for some national ideal are indeed very praiseworthy.

As an economist, I am unavoidably favorably impressed by all activities that contribute to human well-being. Anything that uses resources to increase human suffering instead of human well-being is exactly the opposite of economic activity. What does it take to justify it? Is that different every time, or what is common?

In the modern world, the main thing that is thought to be necessary for each nation is to protect its national security, which may even be its national existence, or to prevent foreign rule. That can be held to be necessary for the well-being of its people. I will examine the national security problem later.

U.S. FOREIGN POLICY, PAST & FUTURE

The Monroe Doctrine & Interests Outside Country Borders

The U.S. early in its history announced the Monroe Doctrine according to which all other nations were warned that it would be regarded as an "unfriendly act toward the U.S." if any other nation would in the future establish a military alliance with or establish a military base in any nation in the Western hemisphere. The U.S. thus officially established the entire western hemisphere as its official "sphere of influence".

How strange that the U.S. does not seem at times to recognize the legitimacy of other nations establishing or maintaining any sphere of influence that exceeds their own recognized territorial boundaries.

And even more strange that the U.S. has long maintained that it has legitimate interests world-wide that it has a legitimate reason to promote and protect by whatever means necessary, including having military bases in many other countries.

When colonial empires were still in existence, they made similar claims about the legitimacy of protecting their colonial interests, i.e. protecting the colonial system as it existed or even grew. But that day ended when, after world war 2, the colonial systems largely broke down more or less peaceably.

And when the Soviet system (the USSR) broke down and the non-Russian nations over which it ruled declared their independence, the U.S. was left as the dominant military power in the world. It has acted as such in some of its international relations since then, not always to the pleasure of all other nations, though some have accepted our dominating role.

The U.S. military expenditures, by some calculations, are close to or exceed that of all other nations combined. And the U.S. is from time to time letting some other nations know what we consider our national interests that they should respect & not endanger. These other nations think of themselves as sovereign within their own boundaries & often resent being lectured to by the U.S. as though we had rights there that they do not recognize. (We don't admit that other nations have any such rights outside their own borders.)

The U.S. has for some time maintained over 200 military bases in countries all around the world. No other country has so many, & we deny any country the right to maintain military bases anywhere in our hemisphere as though that was our own private sphere of influence. What right have we to do anything that other countries consider to be a threat to spheres of influence adjacent to their borders or near them? By what right do we assert that our national interest is at stake anywhere in the world that we choose to make it? Even as the world's overwhelmingly large military power we could not enforce that right in very many places at once, as we have learned by now, or anywhere where the population is decidedly against our ruling them.

The U.S. must abandon the notion that other nations must decide to be for us or against us. Obama has recognized that It is time for us to find ways to work together with other nations wherever possible.

Bush #2 & the Iraq War

It is now known that the 2nd Bush administration presented an untrue case for the invasion of Iraq. In the first place, Iraq had nothing to do with the 9/11/01 terrorist attack on the U.S., so the attack on Iraq was not part of an attack on terrorism.

The main case for invading Iraq was that Iraq had weapons of mass destruction to threaten the U.S. & perhaps Israel. So the war against Iraq was held to be a preemptive war to prevent the use of those weapons against our interests. It was later shown to be based on false intelligence that Iraq had a stockpile of weapons of mass destruction or that it was currently producing them. So a preemptive war against the country could not be justified.

Nevertheless the invasion was initially successful & not long after deposed dictator Saddam Hussein whom the U.S. had previously supported in his war against Iran.

When the U.S. successfully invaded Iraq, it was not welcomed as a liberator as predicted, and the war, which was very incompetently managed, dragged on for years at a total cost estimated at in the neighborhood of a trillion dollars.

There was also a very high cost in U.S. soldiers lives lost and soldiers seriously injured, in addition to countless Iraqi lives lost & many in effect driven from their country.

It is now clear that the Bush-Cheney administration was trying to achieve a more basic goal: to enable Western oil companies to take over ownership of Iraqi oil. They also tried to establish about 60 U.S. military bases in Iraq and get some extra-territorial rights there. Iraq obviously resisted much of this.

One alleged purpose of the entire U.S. effort was to bring democracy to Iraq, a country divided between three groups: Kurds and Sunni & Shiite Muslims. The Kurds have been in control of more oil than the Muslims & this has provided them at least temporarily more independence. The Shiites were more numerous in Iraq than were the Sunnis, though in the world Sunnis outnumbered Shiites. Hussein supported the Sunni minority in his government in Iraq, and when he was deposed the Shiites gained power in the successor local government supported by the U.S. There has continued to be hostility between the two Muslim groups which do not work well together in the present government.

Our effort to export democracy to Iraq was doomed to failure from the beginning because the country was far from having an understanding of democracy or of being a country that would have wanted democracy if their people had understood it. Each Muslim group wanted their own religious leaders to control their own government by applying their own interpretation of Sharia law which is law according to their Muslim religion. They reject the idea that they should be ruled by temporary popular majorities.

During the Bush 2 administration, a friend of mine asked me "Isn't it strange that Bush thinks democracy is just a commodity for export?"

It was a jab at Bush for sometimes violating democratic principles in his administration but wanting to offer another country democracy. The U.S. plutocracy is not an example of democracy, as I indicated already, though that can't simply be blamed on Bush 2.

At the date of this writing, there is a date set for U.S. withdrawal of military forces from Iraq, but it is uncertain whether “conditions” for withdrawal will be met by then.

From the beginning of his administration, Bush #2 listed some countries as members of an “axis of evil” thus indicating that we would treat them only as enemies whatever they did now.

Indeed his whole attitude toward other countries was that they were considered to be “either for us or against us” whatever our policies were toward them or toward other countries.

This, among other things, changed foreign opinion of the U.S. from quite favorable to very unfavorable indeed.

Obama’s Foreign Policy

Obama started with a very different approach that prejudged nothing and was open to discussing all aspects of relations among countries with each of them.

There is general recognition in the U.S. at the time of this writing in 2009-10 that we hope we can regain a favorable foreign view of the U.S. by appropriate changes in our foreign policies.

So what changes are desirable for that reason or for the better reason that our foreign policies have been wrong and need to be righted? The so-called preventative war in Iraq has been shown to have been based on faulty intelligence & faulty reasoning. I think it is a mistake to think that beefing up our military forces in Afghanistan can produce the results the new administration was persuaded would solve our problems there, i.e. protect “our interests” in that country.

The long-term policy of the U.S. toward China & Taiwan seems unchanged. I have long been of the impression that our own military leaders had warned us of the dangers of getting into any wars with Asian countries. This may have been based on the realization that such wars would not be winnable just by air power, and that any Asian ground war would be both disastrous for us and utterly unwinnable in any realistic sense.

But economic ideologies have led us to embrace a very risky military policy & could result in an idiotic war with China.

Historically the island of Formosa had been essentially a part of China about 30 miles off its coast. It came under the

control of Japan during World War 2. When Japan lost, China reasserted its right, but did little more for the Island.

When Chiang Kai-shek's Nationalists lost control of China and the People's Army under Mao Zedong took control of China, what was left of the Nationalist army fled to Formosa, & ruled that island country for years.

The U.S. refused for years to recognize the Communist government of China and supported the military government of Formosa with military assistance so it could be independent of Communist China.

More recently, nationalist Formosans came into power in Taiwan as it is now called. Over time economic relations between Taiwan and China have developed that are profitable to both countries. China still assumed that Taiwan is part of China, though in fact both countries have acted very much as though independent.

Still more recently the governments of Taiwan have made a point of wanting to establish Taiwan as a legal country completely independent of China, but China has opposed that and claims it is still a part of China. War between China & Taiwan is quite possible though it is quite unnecessary – just a matter of “pride” on each side, though each is gaining by their present economic relationships.

The U.S. military recently sent another 6+ billion dollars worth of military hardware to Taiwan to help it maintain its independence from China. If we continue to support Taiwan militarily & war breaks out between China & Taiwan over their pride, China may bomb our mainland or sink our ships for aiding Taiwan militarily. We will be at war with China. Any such war will require us in the end to fight a land war in China – nothing would be so idiotic for us. But at least one of three countries national leaders could avert this.

Best would be for the U.S. to stop supporting Taiwan militarily. Then if Taiwan & China fight, we would not be involved. But war between those two makes no sense either. The leadership of either country could prevent it.

National Responsibilities

The most important change desirable in the foreign policies of all nations is one that recognizes that might does not make right. The U.S. must recognize that we have no right to dominate the world, and that we cannot do it & cannot force other countries to do whatever we try to get them to do.

Indeed we have a greater responsibility than any one other nation to make bigger contributions than others may be able to make to deal better with common world problems that no nation can alone deal with adequately. I start by mentioning world climate change, its consequences, and its stoppage and reversal. That will be most consequential for better or worse for generations.

The U.S. & Russia Now

After the long Cold War between the U.S. & the USSR came to an end, Russia went through a difficult period in which its standard of living fell for a time (instead of rising as we predicted it would). How it will continue to evolve under its new leadership is quite unknowable, but new tensions have already appeared, partly due to U.S. initiatives which were not welcomed.

A new cold war, let alone a hot one, needs to be avoided if at all possible. What initiatives by either side might make this possible and inaugurate mutually beneficial relationships instead are now to be discussed.

There are at least two types of initiatives that might be taken by either country that could qualify: one providing new institutionalized ways to deal with possible disputes between the two countries or between their businesses or citizens. The other: steps to reduce their military establishments simultaneously for its economic benefits to both countries and to reduce potential military threats of either to the other country. Any degree of success in the first should make the second much easier.

Since the only international law is found in treaties, international courts can handle only limited types of disputes. The rest (involving individuals of the two countries, or businesses or

other groups, or even the governments themselves) could be dealt with through institutionalized negotiation procedures. A new institution & an initial set of procedures could be established now and modified only as experience might dictate later.

For a short time Russia & the U.S. were "at loggerheads" over Georgia, which was said to be on the border of Russia, though I do not have a map recent enough to show such an independent country on Russia's border. The U.S. newspapers said that Russia had invaded the little adjacent democratic country of Georgia, & the U.S. had demanded that it leave promptly. Some of its forces did withdraw before very long, but some dispute remained between Georgia's president and Russia.

I remember reading in some magazine at the time that the situation was quite complex. Two provinces of Georgia next to Russia were inhabited largely by Russians, and had tried to withdraw from Georgia & attach themselves to Russia. The Georgian President had refused to recognize that movement and had sent Georgian military forces to try to recapture those provinces. The further complication was that the Georgian military was being trained by American military already in Georgia. That of itself would obviously be regarded as a hostile act by Russia. It rather looked as though the Georgian president had been somewhat responsible for the entire situation that had developed. But in the U.S., some politicians started calling for some unspecified tougher reaction to Russia.

To my way of thinking this is how limited information here can quickly worsen relations with Russia that should never have occurred if our military had never become involved with a country clearly within Russia's "sphere of influence".

The most pressing foreign policy problem for both the U.S. and independent Russia is to avoid another Cold War relationship between them. They have a strong common interest in working together to reduce and then eliminate the threat of any nuclear war in the world, end all stockpiles of nuclear bombs, and end their production completely by a virtually fool-proof system. Nothing should be allowed to develop between Russia & the U.S. that might be allowed to hinder pursuit of that important common interest.

The U.S. & North Korea

A U.S. preemptive military attack, or a military attack by any “coalition of the willing”, would be a terrible mistake & might not even hit all the necessary spots. Preemptive attacks are the result of insufficient information about the real extent of the danger and of paranoia. North Korea was called by the U.S. a part of the axis of evil, so it has worried ever since the Korean war ended that we were likely to attack it. For some time it wanted the U.S. to sign an actual peace treaty ending that threat, but because of the label we had pinned on it, the U.S. has been unwilling to do so. If we were to do so now that would do much to relieve their paranoia about the U.S., but our preemptive attack on Iraq might still leave some fear of us. Give them a treaty & take care of that at least.

Why the N. Korean leader is testing missies & wanting nukes is far from clear. An attack on the U.S. or any other country could bring a worse attack on N. Korea. If he is dependent upon the internal military establishment to stay in power & name a successor, that needs to be done by other favors to the internal military. Keep talks going, not mutual threats.

The U.S., Afghanistan & Pakistan

Afghanistan is called a nation, but might better be regarded as an ungovernable loose collection of different tribes, the biggest one being the Pashtun tribe.

The alleged government governs little & that little by bribing local leaders for favors. The U.S. does not have enough information about the area. Much more is needed. Here is some history.

The Soviet Union’s military forces invaded Afghanistan in 1979. The U.S. can learn a lesson from their military failure there. The USSR failed to understand the various local cultures in Afghanistan. These are more important to the people there than is the government or any of its laws or rulers. Kinship and friendships matter above all else in personal relations, and loyalty to tribal or local cultures govern everything else.

Many Americans seem not to remember that in the mid-1980s President Reagan extended aid to the anti-Soviet forces

in Afghanistan, including helping finance & arm Al-Qaeda. The Soviets gave up their failed military effort and left Afghanistan in 1989.

But those who harassed the USSR military effort in Afghanistan then turned against the U.S. as another unwanted foreign interference. So when Al-Qaeda was not useful to us but opposed us, we opposed its terrorist methods.

It was reported that the U.S. military relied on local military to capture Osama bin Laden, the Al-Qaeda leader, in an Afghan mountain hideout, but they may have let him escape. We now think that he is hiding somewhere in NW Pakistan & may, among other things, be directing the effort to defeat the U.S. in Afghanistan.

The Taliban took over the Afghanistan government after bin Laden fled to Pakistan, but was subsequently defeated by U.S. forces and replaced by a U.S. favored leader.

The Al Qaeda & Taliban might once have been successfully attacked, for both groups are quite small minorities of the populations of each country. Unfortunately, their present elimination by any outside military force would probably be quite impossible.

Obama's military and political effort can not likely be a permanent solution or justify the cost, as many fear may be the outcome.

The area where we think bin Laden may be hiding is largely a self-governing small area in Pakistan adjacent to Afghanistan. Now the Taliban has extensive deep tunnels which could not now be successfully attacked even by foot soldiers.

The same things that prevented the Soviets from getting military control of the country would prevent us from eliminating either objectionable group. Independent branches of each can now attack opponents and innocent people anywhere in the world. That is well known, but much of it is ignored when it comes to deciding what policies would now most likely be successful and desirable. Unfortunately makers of U.S. military policy in the area seem to ignore critical factors about the situation they face in Afghanistan and Pakistan.

Finally the U.S. has succeeded in getting the Pakistani government to attack the Taliban in its stronghold in the Swat

Valley of NW Pakistan. But this is widely regarded in Pakistan as a U.S. war in which Pakistan has no interest. Many Pakistanis who are not radicals themselves may have more sympathy with the Taliban jihad against the U.S. than they have with U.S. interference in Pakistan & Afghanistan. The U.S. drone attacks in Pakistan are aimed at killing terrorists, but inevitably kill some civilians. The attacks are even regarded locally as dishonorable operations because no pilots risk their lives in the combats.

Most Muslim Pakistanis are moderates and supported their lawyers who protested rule by a military person who fired a judge.

But in both Afghanistan & Pakistan there are many local & tribal cultures which dominate, as well as areas controlled by war lords in Afghanistan. The areas in both countries controlled by the Pashtuns have long been largely self-governed. That group is over represented in the Pakistan army which is now attacking the Taliban in areas heavily Pashtun. Some in the area & some in the army may be Taliban or sympathetic to them. The situation is not as simple as policy makers seem to think it is.

I never saw a report on the U.S. dropping leaflets offering substantial rewards for turning in information on members of the Taliban. A consequence was that a war lord rounded up a group of peasants, put them in chains and delivered them as alleged Taliban members & collected the rewards offered.

Another problem is economic: there may be no agricultural alternative in Afghanistan to the poppy which is even close to being as profitable, primarily because of the U.S. market for drugs.

But we want to prevent them from treating women as they do. We believe that they misinterpret the Koran and the teachings & practice of Mohammed. But not all these beliefs justify military action even if it was easy & successful. And even where justified, if almost certainly unsuccessful, it should not be undertaken. We are almost certainly going to have as much trouble being successful militarily in Afghanistan as Russia was. The situation is more complicated than the U.S. policy makers have as yet understood.

Foreign Affairs magazine for Nov./Dec. 2008 had a helpful article on our relations with Pakistan & Afghanistan. It first shows how many countries are already involved in one way or another. The conclusion of the article was advice that the U.S. policy makers need to realize that military success to do what we want there will be impossible, and that we had better try as hard as we can to involve all stakeholders in the region in problem-solving talks that could resolve the many conflicts & benefit the region as much as possible. It will not be easy, nor completely suit every country involved, but honest efforts can give results far better than military efforts that are much more likely to make everything worse for the region.

The U.S. & Latin America

The Monroe Doctrine has succeeded in preventing the interference in Latin American affairs of foreign interests except for those of the U.S. whose military and business interests are still problems for the area.

From the days when both North and South American continents were captured from Indian natives by European invaders, the Southern Continent was dominated by a class of large landowners. A colleague of mine told me that, outside the fenced in lands of these landowners farm lands, one could see dead people almost any day, presumably losing their lives trying to get something to eat. In some Latin America countries there are now needed popular movements trying to prevent foreign businesses from destroying parts of their land (& even the rain forests) to graze cattle, or to mine for gold, or drill for oil, or even just harvest timber. When these extractive industries are owned by foreign interests, the profits go entirely to foreigners. Some are U.S. firms, & they may regard popular local opposition as "socialist".

Pre-Obama, the U.S. government with the aid of "Milton Friedman's boys" (the Chicago school of economics) and the IMF (International Monetary Fund) put pressure on Latin American Governments to "liberalize" their economies, adopting free trade, reducing government & giving business a free hand to do anything it tried to do. Most countries resented this and did not comply, & those that did were disappointed

by the results and tried to return to their previous ways. Brazil, the biggest country in L. A. has been fairly successful. Many others futures are still problematical. That calls for consideration of other elements not yet treated.

Let us start with Ecuador. It has a new constitution that aligns it with the International Network for the Abolition of Foreign Military Bases. In 2003 the U.S. Navy had been forced to withdraw from a base in Puerto Rico. But when Ecuador facetiously offered to renew a U.S. lease there if it was allowed it to set up a base in Miami, the U.S. got Columbia to agree to let the U.S. use 7 military bases in Columbia & other unspecified facilities.

For some time, the flow of narcotics from Columbia to the U.S. has been a problem, & still is. The problem as I see it is that the Columbian government forces have been no match for insurgent criminal elements which slowly took control of the country, partly through a long series of political murders. In this way they became little local dictatorships. The same paramilitaries took over much good farm land by telling peasants to sell it to them or their widows will. Wealthy big land estate owners were not bothered.

The U.S. military has the bases it wants in Columbia & has tried unsuccessfully to extend its military bases in other Latin American countries, so it cannot do other than work with things as they happen. Obama could not tackle the Latin American situation too, whatever he would want to do there. But the danger is that the paramilitary criminal elements may slowly infiltrate & take over other Latin American countries too. Does the U.S. still fear popular movements to control foreign firms are all socialists? Can the U.S. not find policies that would help Latin America & preserve its great rain forests?

A New Role for the U.S. ?

In addition to improving U.S. policies with respect to individual countries, this country should relax its domineering stance before the world, & deal with other nations more nearly as one among equals. We have no right to have military bases all over the world. We can't really make all other countries do whatever we want them to do.

The U.S. should solicit ideas from other nations as to how to work together to deal with common problems such as global warming, poverty & disease, We do not have to lead in everything. We should support good ideas from anywhere in the world.

PROBLEMS WITH DIFFERENT FORMS OF VIOLENCE

TERRORISM

The violence most feared now in many countries is terrorist violence. That fear was heightened by the surprising 9/11/2001 destruction of two New York skyscrapers and the attack in Washington on the Pentagon. This was the most spectacular and damaging terrorist violence thus far. The presumed mastermind of the 9/11/01 attack, Osama bin Laden, we cannot find.

Individuals & groups using terroristic violence are those that are unable to wage war but are able to do a great deal of damage by terrorism that they hope might change government policies that they believe are hurting them or hurting the people with whom they identify. So it is incorrect to speak of any nation waging a war against terrorism which it can win or lose.

(The U.S. threatened to wage wars against any countries that "harbored" terrorists. Did that mean willingly protected them, or supported them, or where they managed somehow to hide?)

Terrorism may from now on present a continuous problem that cannot be ended by any "victory" over terrorism.

Terrorists can hit almost anywhere in the world, & have hit in widely separated places. The individuals or groups employing terrorism may be from within the nation where the threat occurs or from anywhere outside it.

Some terrorists appear to be primarily politically motivated, while others are religiously motivated. Virtually all seek some political changes.

It is first necessary to understand each terrorist group, how it originated, where & how it recruits members, & why some people are easily recruited & trained in terrorism. In some cases it may be possible to make those people less open

to terrorist arguments. That may require major and long run changes in some nations foreign policies if that could reduce some of the aggravations to which terrorists could legitimately object. This could be most important.

It has been suggested that some groups living in poverty who feel discriminated against may be helped out of poverty & thus become less susceptible to recruitment by terrorists.

If we can learn, when there are individual threats by terrorists, what bothers them & instigates their threats, it may or may not be possible to do something to alter the things that bother them so much that they threaten violence to try to change them.

Research on terrorist thinking has turned up some information that can be useful. Though there is no universal finding, in some cases treating prisoners or their families well helps modify their thinking, in other situations the helplessness of prison life makes them give up. For a violent terrorist group to give up violence is rare, but it has happened: In 1997 leaders of an Egyptian Islamic terrorist organization renounced violence based upon new understandings of the Koran encouraged by their religious Imams. Personal difficulties often lie behind the acceptance of martyrdom by terrorists who find it gives real significance to their lives. So they may not be dissuadable.

Actually modern industrial civilization is **very highly vulnerable at innumerable points** to well-planned terrorist attacks. Such attacks could be very disruptive of the highly integrated systems in modern economies.

There are very limited possible defenses. Spies are used to try to learn the plans of various terrorist groups. While necessary, this is seldom very successful. Since too many things are highly vulnerable, the most that can be done is to decrease, if possible, the vulnerability of some places whose attack could do the most damage and some which could most easily be attacked.

A midwest glitch in our power grid cut power to New York, proving the vulnerability of a national power grid. Amory Lovins

had called for more localized power generation for safety. We should do that & reduce, not build more, power transmission lines

Unfortunately, the U.S. Security Agency's funds were spent as political patronage instead of providing some protection at vulnerable economic spots.

The U.S. government did not require many vulnerable U.S. firms to try to provide better protection, nor did it help them do so.

The first big U.S. response was to attack terrorist groups in Afghanistan for turning against the U.S., after they had helped drive the Soviets out of Afghanistan. The U.S. did succeed in replacing the Taliban government there with a government expected to be more favorable to the U.S. One temporary success.

The present relation between Al Qaeda and the Taliban is not entirely clear. They appear to be separate organizations that sometimes cooperate. The Taliban seems now to be the main Muslim terrorist organization. It is prepared & anxious to be more than a terrorist organization, since it is prepared to become the government of any country it can gain control of. It proposes to rule according to its interpretation of Sharia, which they think of as law according to the Muslim religion.

It must quickly be added that the vast majority of Muslims, whether Sunni or Shi'ite, are not members of the Taliban or of any terrorist group. They are "moderates" not radicals, and want to be governed as their religious leaders conceive Muslims should be governed – according to their interpretation of Sharia – not according to the will of the people. They do not believe in democracy and rule by a popular majority.

In most areas in the world, most Muslims are not violent terrorists. They believe that the religious doctrine of jihad requires them to struggle individually with bad forces within themselves, not to kill those who believe differently.

What I learned of the Muslim faith from reading an English translation of the Koran, and reading about Mohammed's life lead me to think that there was nothing in either that justifies a violent jihadism against non-Muslims.

What Mohammed faced in his own life, however, were a number of violent attempts to kill him. He escaped each time &

subsequently led a group of followers in successful military attacks on those who had tried to destroy him & his movement.

He had himself brought most of the Arab tribes together into what he called a “umma” or a unified group of believers. I think that he would be utterly dismayed to see his umma followers split between Sunni and Shiites with violence between them.

And I saw nothing in all I read to justify the Taliban behavior toward women and girls or violence to get the power to rule. I had hoped that modern Muslims would be able to show the Taliban & the Jihadists that they misinterpret the basic Muslim doctrines, but the violent terrorists seem uneducable.

Viewed more broadly, the prospect of religious terrorism declining may depend primarily upon their own leaders slowly realizing that, since people will continue to believe differently, it is necessary if we are all to live together on this planet, we must all become tolerant of each other’s religion.

If this does not happen, the world may have entered a new age in which religious terrorism is a major continuous problem.

However, the number able to be recruited by religious terrorists can be reduced by understanding the conditions or the policies that make them easy recruits, and doing whatever can be done to reduce or eliminate those conditions or policies. That is not yet being done.

Wars are still waged against Muslim countries, some have had military outposts in them. Foreign countries try to control their oil deposits. A new Marshall Plan to aid less developed countries might be very helpful if moderate Muslim countries got special help.

Of course Muslim terrorists provide reasons why others fear them and see a need to protect themselves against them. When Muslim terrorists say that those believing in other religions are infidels whom it is legitimate to destroy, the alleged infidels have good reason to try to protect themselves.

Terrorist activities have to be financed, so the question becomes how are they financed, and for those trying to protect themselves against terrorism, can they do anything to cut off some of the financing.

A Time magazine article dated 9/7/09 indicated that the Taliban finances its operations by drugs, extortion, kidnapping for ransom, & protection rackets. And the same month I read in The Nation that the trucking companies the U.S. military hires to deliver supplies of all kinds to them in Afghanistan find it necessary to bribe insurgent forces there to allow them to be delivered to where our soldiers need them. The military say this is unavoidable, though they know this is helping finance the Taliban that they are fighting.

The U.S. heavy dependence upon dangerous habit-forming drugs is a major problem itself, and it makes the poppy by far the most profitable product for Afghanistan farmers & enriches the powerful drug lords. Of course doing more to try to reduce our own drug addiction is more important than its contribution to the Taliban.

The most feared terrorists are the suicide bombers. It appears that they are persuaded that being martyrs for the cause the terrorists serve will give them a special place in the hereafter. That seems more important to many than to continue to struggle with life's problems. Thus persuaded, no punishment if caught first will reconvert them.

And it will be very difficult to identify such people in advance, so society will remain very vulnerable to suicide bombers. Ultimately the number of suicide bombers might be reduced only by their religious leaders, if at all.

NUCLEAR WAR

The first Two Bombs on Japan

The only nuclear bombs used in war were dropped by the U.S. on two Japanese cities, Hiroshima & Nagasaki, as everyone knows. Perhaps something should be said about the usual explanation of why the U.S. dropped nuclear bombs on two cities.

The usual excuse is that it saved American lives which otherwise would have been lost in a necessary invasion of Japan to end the war with Japan.

The real reason why any more lives were lost was because the U.S. had demanded the unconditional surrender of the Japanese government. If Japan accepted that, they did not know whether their country would become a colony of the U.S. or how they would be treated if so, or what terrible terms might be imposed.

They felt they could not accept unconditional surrender, but they knew they were losing, so they put out feelers to see if they could settle for some acceptable terms without fighting to the last possible instant. The U.S. evidently was not open to settling short of unconditional surrender. So it was a U.S. decision to invade (rather than negotiate terms for ending the war that might have been acceptable to both sides) that would have cost American lives.

Were more Japanese lives destroyed by the bombs than the Americans would have lost by the invasion, or didn't they count as much? Doubtless the atomic bombs were dropped without the decision makers having any way of making good estimates of either figure.

The war had started with a poor estimate by the Japanese which Washington pretended was totally unexpected. The Pearl Harbor attack came after a U.S. attempt to restrict Japanese imports of scrap metal which was vital to its economy. So Japan felt a war with U.S. was inevitable, & they thought they would win if they destroyed enough of the U.S. Navy by attacking it at Pearl Harbor.

When Japan surrendered, the terms imposed on it were not those Japan had great reason to fear. Was unconditional surrender necessary or a tragic mistake?

The Cold War Years

The U.S. monopoly of the atom bomb was relatively short-lived. Fortunately there has never been a nuclear war between two or more nations armed with nuclear bombs. However during the long "cold war" years, nuclear bombs became more powerful hydrogen bombs, & stockpiles grew beyond conceivable justification. The world escaped a nuclear war between the U.S. and the USSR by luck rather than by good management.

Scientists who were in the know thought that if any such war used most of the nuclear weapons each side had stockpiled to use in war, the human race might perish from the earth, killed off by the radioactive fallout if not by the exploding bombs themselves. The speculation was that turtles with hard shells might be the only life on earth to survive such a nuclear war.

Nuclear war on any big enough scale could end human life on earth. Such a nuclear war becomes more likely the more countries develop their own nuclear bombs, perhaps mistakenly thinking that nukes can protect their country's security better.

Any war might be started by accident, instead of being thought necessary for one reason or another. A computer malfunction might launch a nuclear bomb toward another country, which would quickly retaliate & a nuclear war between the two would result.

Or, a third country, wanting to destroy both the U.S. & the USSR, could have launched a bomb toward either, & if the country attacked mistakenly thought it came from the other, would counter-attack. So they might have destroyed each other in a nuclear war neither intended.

The later in the cold war, the luckier the world was to have escaped a nuclear war.

Both belligerents had a "launch on warning" policy. If either country thought a bomb was headed toward it, it would have only a few minutes to decide if that was true, and if they thought it was, it would unleash a massive nuclear attack on the other country which would respond by nuking its attacker.

There were instances where alarms were sounded, but fortunately, in the few minutes available to decide what to do, it was discovered that something other than a bomb on the way had mistakenly triggered the alarm.

The policy of launch on warning was labeled MAD, meaning "**mutually assured destruction**". Both side's officials in charge of firing the nukes realized that if both fired large numbers of nuclear bombs at the other, both countries economies would be utterly destroyed. It was indeed a "mad" policy, both irrational and totally immoral because it might

lead to humanity committing suicide more quickly than by destroying humanity's life support system.

Yet the buildup of nukes was undertaken to protect each country so it could protect itself if it had to wage a defensive war. But all those bombs could not protect either country if both used them. They could only destroy each other. They had accumulated such overkill capacity that they theoretically could have completely destroyed each other several times at once. That had all been done by each in the name of better protecting the country, but the MAD policy instead risked each country's total destruction if an all-out war developed.

During the cold war years between the U.S. & the USSR, individual scientists in this country and the Federation of Nuclear Scientists (now called the Federation of American Scientists (FAS)) made statements suggesting specific ways to reduce the dangers somewhat. For example, even unilateral actions by either country to reduce the number of bombs targeted on the other nation & ready to fire quickly. Neither country needed a multiple overkill ability.

The End of the Cold War

Only a communist dictator, Gorbachev, however, could have ended the cold war, as he did, since no American president could have done so without being crucified politically as soft on communism. Gorbachev evidently recognized how dangerous the situation was.

When Walesa in Poland gained power & rejected Communist rule, the usual reaction of the USSR would have been a quick reassertion of military control of Poland. Gorbachev realized that this could have resulted in a U.S. bombing of the Soviet military, & a nuclear war could have developed with catastrophic consequences for all involved. So Gorbachev accepted the loss of power in Poland to keep the peace. Gorbachev's policies of Perestroika & Glasnost, economic policy restructuring, & allowing people to criticize government actions & make suggestions to improve things led to many changes. The USSR collapsed & many satellites became free.

The U.S. & the USSR subsequently made some significant changes in their relationships. Among them they took three major steps: **first** they agreed both to take some of their nuked missiles off hair-trigger alert (though it would not take very long to put them & others on such alert if the situation seemed warranted). **Second**, they also both agreed to dismantle some of their nuclear bombs. And **third** Russia agreed to accept some help from the U.S. in employing some nuclear scientists in other pursuits, and helping Russia keep more safely their nuclear stockpiles so they could not be diverted to others or stolen as easily by terrorists. These processes are continuing under the **Nunn-Lugar** program approved & financed by Congress.

Nuclear Bomb Proliferation or Abolition

It did not take long for a few other big nations to develop their own nuclear bombs, & still later a number of other countries, mistakenly believing that nukes will increase their national security, started plans to join the bigger nuclear powers.

Even in a nuclear armed world, wars are not likely to start as nuclear wars. But in any war if one side is losing without having used its nukes, it may use them in hopes it can then win (unless it knows the enemy has even more nukes). Both countries could, if both used their nukes, have absolutely huge human casualties & destruction from which they might never recover.

Are nuclear bombs good defensive weapons or better as offensive weapons? No nation can rationally claim nukes are needed for its defense – they are not really at all useful as defensive weapons. All they can do is destroy everything within a large radius around the spot targeted. That doesn't actually defend anything.

Nukes are not really good offensive weapons either, since there are always some alternatives in wars that do not have the potential immorality of nuclear bombs (even if aimed at military targets, they inevitably kill directly or indirectly very large numbers of innocent civilians. A single nuclear bomb murders more innocent civilians than ever before thought to be possible. A nuclear bomb is the most immoral weapon known.)

It should be remembered that the nukes being used now are hydrogen bombs which have replaced the nuclear fusion bombs used against the Japanese cities, & they are roughly 1,000 times as powerful as were the bombs dropped on Japan.

Even when there were only a few nations with their own nuclear bombs, people began to realize that much nuclear bomb proliferation to many more nations would create an extremely serious threat to the human race.

So, many nations were persuaded to sign a nonproliferation treaty. They agreed to refrain from developing their own nuclear bombs if the major nations having stockpiles of such bombs would slowly reduce their stockpiles of them and slowly eliminate them entirely. The only really big possessors of large quantities of such bombs are the U.S. & the USSR (& now Russia). These have agreed to reduce their stockpiles some, but not to the entire satisfaction of the signers of the Nonproliferation Treaty.

When Bush #2 became president, he tried, though unsuccessfully, to get the Congress to approve the development and production of a new series of bunker-buster nuclear bombs, and announced his willingness to make first use of such bombs in any war instead of using them only if such bombs were used against the U.S. first.

When Obama became president he announced his support of the objective of world-wide elimination of nuclear bomb production. But that may depend upon whether the U.S. & Russia agree to reduce its usable nukes to zero as others do also, all under inspections by those concerned.

Many military leaders & foreign policy analysts in the U.S. & elsewhere now recognize all this and are trying to stimulate progress on abolition of nuclear weaponry. The U.S. general (George Lee Butler) who had the responsibility for aiming at the USSR the nuclear tipped missiles in our underground silos is now actively calling for the abolition of all nuclear weapons and ending their production. Generals from a number of other nations joined the movement in the Canberra Declaration. It is not merely civilians or politicians who are doing so.

Before the world again hangs on a precipice where humanity might be ended on earth, even by an accidental or mistaken war, it behooves leaders of all nations to think carefully about how to end this terrible threat forever.

The knowledge of how to make nuclear weapons is not something that can be eliminated, but the process of making them cannot be hidden if there is a good outside inspection system.

In addition, all present stockpiles of nuclear bombs must be slowly dismantled on a schedule that all holders of them must work out together, subject to a good inspection system. **What the world desperately needs is to avoid a potential nuclear war and to achieve as soon as possible a nuclear bomb free world.**

For ideas: The Stanley Foundation "Courier" (See the Winter 2009 issue, free from 209 Iowa Ave, Muscatine Iowa 52761).

By far the best analysis of the reasons why some nations want their own nuclear bombs, & what leads others not to develop their own, is provided in a 2007 book by Joseph Cirincione entitled *BOMB SCARE: The History & Future of Nuclear Weapons*. This book is optimistic about the future. More people now understand that nuclear bombs are not useful defense weapons but absolutely terrible mass murder weapons that should never be used. But the big two can't maintain a double standard: okay for them but not for others. There is now a "Double Zero movement" that may succeed if we go along. Obviously it also depends upon every nation agreeing to something close to a nearly fail-proof guarantee that no nation is cheating. Fortunately it is not easy to hide all the facilities for producing nuclear bombs.

A nuclear bomb free world could be started by any nation possessing some nuclear bombs. It might announce to any nation whose nukes it fears that, if that nation will do likewise, it will agree to any reasonable schedule of reducing its bombs if the other does so at the same rate over time as it does.

The other nation can tell whether it is sticking with its schedule of bomb reduction (& non-replacement) if both offer

to be open to unscheduled inspection by an independent group of international inspectors and each others' inspectors.

Other nuclear bomb nations will then be under pressure to join some such matching schedule of bomb reduction & destruction, and will be challenged to accept the same nearly fool-proof inspection arrangements.

This may take some time, but most countries know which other one or two they fear most, so this method may get there more quickly than waiting until all nations agree to do it at the same time.

When this foolproof inspection system spreads to all nuclear countries, the world will be started on the road that will free it of the danger of nuclear war & humanity's accidental suicide.

This would solve one big problem, the spread of nuclear weapons around the world.

PREVENTING OTHER INTERNATIONAL WAR

History is the long story of men's' inhumanity to humans in repeated warfare. The opening section of this chapter dealt with this in general, but now, after repeating some things needed here too, I will deal with how we might eliminate the source of recent international wars and step by step inaugurate a peaceful new international order.

Humans are the only animal that has ever organized masses of human being to go out armed to kill or maim other organized groups of the same species. And we are supposedly the rational animal. This is not rational on the face of it. There must be other better ways to settle our differences.

As a matter of fact, Jonathan Schell in his 2003 book *THE UNCONQUERABLE WORLD* writes that when people get too tired to continue to fight the wars they get into, they usually manage to find some nonviolent way to handle issues the war did not fully resolve.

It should be clear that each nation's attempt to gain national security (against attack by any other nations) by increasing its own military establishment is regarded as a threat to the national security of some other nations. As Kenneth Boulding said, "A property of a mutual threat system is war." We mistakenly called it a "deterrence system". The deterrence

may be temporary; but in the long run the mutual threats produce wars.

Prospectively biological war or chemical war could get out of hand like nuclear war and be an irretrievable disaster also.

It is now true that the national security systems the world has must be changed to a system that provides national security for all or it will be available for none.

That means that national security cannot be obtained by military establishments & alliances for national defense. "Progress" in military technology has made modern military establishments to protect nations as obsolete as castles were after the invention of cannon and gun powder.

No nation can now protect its national security by its own military establishment, however big, since missiles can now travel half way around the world, and bombs can be dropped anywhere from submarines, or aircraft or from space stations. The only national security is in a system where no nation can threaten another militarily, and in which disputes have to be dealt with by nonviolent institutional methods – it is national security for all nations or for none.

The human and natural resources released from present military establishments, to say nothing of those used & injured or destroyed in wars, would be able in the end to improve human well-being tremendously in the aggregate.

Reason suggests that there must be a way to move toward a demilitarized system where no nation need fear attack by another.

It may start with any two nations that realize that the huge ongoing cost of preparing for war, plus the larger costs and losses of human life involved if war is not avoided is huge.

And the fact is that the labor & resources used in preparing for war & fighting it could be better used in producing valuable goods & services instead.

Any nation fully realizing all this could start by pointing out (to its main opponent) that its military establishment is not meant to attack any other country – it is purely to enable it to defend itself if attacked.

It would likely get a response from the opponent that their military establishment is also not to attack anyone but is for defense alone.

Then either country might announce to the other that they saw no need to keep such a large military establishment, so they are slowly going to reduce it by some percentage, say 10% or maybe even by 25%.

They might invite the other country to do similarly. Either or each could invite the other to make unannounced inspections to verify the reductions.

Obviously things we have already learned about workable inspection systems to ensure compliance with arms reduction agreements need to be applied. Not only must their be as impartial an inspection agency as possible, but inspectors unknown to the inspected countries & coming from other countries must have the right to inspect any facility in any country at any time without notice. That would be a virtually fool-proof inspection system.

When their respective good intentions were established, they could by agreement proceed to disarm down to levels required for keeping domestic order from incipient internal disruptions. With strengthened institutions to handle later disputes, war between these nations could be ended.

Other nations could do likewise, and international wars could become a thing of the past.

If the process does not go that far by pairs of nations agreements to reduce arms at the same time, any peace-minded international NGO could continue the process a pair of countries at a time, or on a bigger scale. Or the UN could set up teams of experts to continue to do so to achieve a demilitarized and peaceful world. After some step by step progress, the UN might be able to bring all remaining nations together to complete the job.

CAN ANOTHER WAR OVER ISRAEL BE AVOIDED?

When the state of Israel was created in 1948 out of a sparsely populated part of Palestine, a prominent Christian pastor, Harry Emerson Fosdick, said its prospects would depend upon whether Israel would conduct itself so that it would benefit the conditions of Palestinians in the area. It seems to me that the Israelis never thought that could or should be one of their objectives.

To be sure, some neighboring countries never accepted Israel as a neighbor, and even attempted to destroy it militarily. The wonder is that Israel built up its military quickly enough to defeat those military attackers.

But even those attacks did not justify all the policies that Israel has deployed over the years that were detrimental to the Palestinians. Israeli authorities have since the 1967 war destroyed over 20,000 Palestinian homes in the occupied territories & has made life difficult for Palestinians in many ways that have been reported in foreign newspapers. It does not help that some Jews believe that God gave them a wider area than they now possess & that they think they have a right to it now, despite the fact that others have owned & occupied the land for centuries.

Some Jews evidently believe that they still have a right to treat Jerusalem as their Holy City & that gives them a right to control at least part of it as their own. It is a holy city for Jews and also for Muslims and Christians. A solution is still needed.

Radicals had for some time lobbed rockets into Israeli cities from underground tunnels dug in the Gaza Strip. The Israeli military attack on the Gaza Strip was indiscriminately destructive & was followed by bulldozing thousands of houses & trying to prevent rebuilding efforts. Some Jews now question Israeli foreign policies.

Now Israelis have reason to fear that Iran will develop atomic bombs to drop on and destroy Israel completely since some people call for that to happen. Israel once before bombed & destroyed what its leaders thought was a foreign atom bomb plant, and as I write wonder if it thinks it needs to atom bomb Iran to save itself from destruction. This situation might of itself prevent movement toward abolition of nuclear bombs, though it makes it more necessary.

There is now some indication that Palestine is making some progress, so that statehood for it could be acknowledged by other nations as a step in the right direction.

The only book that gave me any hope that there was a way out of this dilemma was entitled *HEALING ISRAEL-PALESTINE: A Path to Peace and Reconciliation* by Rabbi Michael Lerner, published by Tikkun Books in 2003. Clearly he

believes Israel will have to do better in treating Palestinians, & that those opposed to Israel's existence will have to accept its continuation.

If Rabbi Lerner's path is not followed, I visualize two alternatives. In one, Iran develops nuclear bombs & threaten Israel's destruction unless it obeys Iran's dictates. A desperate Israel drops nuclear bombs on Iran killing its leaders & millions of people & devastating the country. The world reacts by isolating Israel & it becomes economically a wreck, so Jews leave it to infiltrate other countries as non-Jewish immigrants but are suspect & are discriminated against. The U.S. also is blamed as Israel's supporter & faces universal foreign policy discrimination.

The alternative scenario sees Jewish critics of Israel, unable to achieve a two-state solution, managing to persuade more Israelis to modify Israeli policies to be less unfavorable toward Palestinians. As the latter multiply so Jews become a minority in the country, the Palestinian majority is divided between those wanting revenge and those favoring accommodation. Jews now have to accommodate though discriminated against some.

The second scenario is clearly better than the first. Are there better alternatives?

RELIGIOUS WARS

Very unfortunately, religion which historically has upheld many of human's finest ideals and led to the production of many of its finest artistic works of all kinds, has also led to terrible violent fanaticisms. There have been prior religious wars in history. Their history would be illuminating.

The root of the religious fanaticisms is clearly in those doctrines that claim each religion to have the truth, the whole truth, and nothing but the truth in religious matters, and that all other religions are false. Many believe that that permits them to use violence against the infidels.

The only solution to this is for high religious leaders in each religion to make it clear that other religions may have some valid religious insights also, so they need to be treated tolerantly.

If they can't admit that, they could teach their followers that it is up to God to judge humans & decide how to treat them, & that humans have no right to play God in these respects. Humans have enough problems here on earth & we need to get along with all others as peaceably as we can, treating others as we want them to treat us.

The present trouble is that those called "fundamentalists" in each religion are becoming more prominent in many religions.

There was a time when Hinduism, which was the religion of most people in India, was a polytheistic religion. It was generally open to adding more gods whenever people with different gods appeared in India. In most recent times, we have seen Hindus violently smash temples of Muslims instead of finding a way to accommodate Muslim religion peacefully.

Hans Kung has written that the world's religious leaders need to get together and examine their sacred texts, which he is convinced will show that all have somewhere a common ethic which he believes should make it possible for the world's religions to emphasize their common global ethic and provide a solid basis for tolerance of religions of each other and provide a solid basis for their peaceful coexistence in the future.

The parliament of the world's religions was thought by some to provide such an opportunity. Instead it provided each religion its own space to proselytize.

I think Hans Kung is right: If nothing else, all have some form of the Golden Rule: do unto others only what you would want them to do to you. If all stressed that, it should prevent intolerance & killing others.

Unfortunately, only a few people seem to be able to live with uncertainty regarding three basic questions about the universe & life itself: whence, whither, and why.

No science can be certain of any answer to those questions, but religions usually provide "authoritative religious answers" which satisfy their followers. They feel a need to believe in these "certainties".

Since people will continue forever to have different religious beliefs, the only way to prevent killing each other endlessly is to develop tolerance of each others beliefs.

Can violent Jihadists not see that it is better to live well together rather than to kill each other? That does not seem as hard as having to admit that the sun does not revolve around the earth, which even our eyes tell us it does, though in the end that had to be admitted.

CIVIL WARS

Two things are usually necessary for a civil war to occur: (1) some issue becomes more important to citizens than maintaining their country intact (referred to by political scientists as maintaining their normal constitutional consensus) and (2) it is not too difficult for each side to develop a viable government & organize military actions. This is one of the bitterest types of violence because it can pit different family members against each other.

Any democratic government is likely to be able to avoid civil wars if both sides have representation in the government (in all respects if possible) in proportion to its numbers of supporters.

If any group is seriously underrepresented & unsuccessful in correcting that, it may resort to violence and start a civil war, or conceivably a majority may fear such an outcome in which it might lose, so initiates the violence itself. In some cases, if those in power provide valuable consultative roles for leaders of the under-represented, that may suffice.

Consultants may even educate government personnel on what to do & what not to do to prevent violent outbreaks and civil wars.

Civil wars are more likely if government is undemocratic & quite arbitrary, & more likely if a government allows paramilitary groups to form within the country.

GOVERNMENT VIOLENCE AGAINST CITIZENS

This has happened most with non-democratic governments, but any government has upon occasion violently removed individuals or small groups that it feared threatened the government. Constitutional prohibitions are essential as is investigate journalism.

This has long been a tactic by which government rulers have silenced some critical individuals and by killing them (or disappearing them) scared off and silenced other potential critics. It takes a quite effective democracy to prevent this, and that is often not a possibility.

But there are also instances where it is not confined to small scale violence but results in much wider violence dispersing mob opposition. Mugabe's violent attacks on political opponents to reelect himself in Zimbabwe is a recent case in point.

It is seldom possible to help all the opposition escape and resettle it somewhere else. The best that can usually be done is to seal off the country economically, although this penalizes the oppressed as well as the leader's followers.

If the opposition could settle in one section of the country, it might in some cases be militarily defended by an outside coalition against attack & be temporarily provided humanitarian relief until a better solution might be reached.

There have been enough instances of rulers who, once in power, use their power as commander of the government's armed forces to maintain their power.

It is high time for the general population of a country to wake up and take united action anytime some ambitious leader tries to gain power undemocratically or otherwise to make certain that he & the military personnel know that the military is his to use only if the country is attacked militarily.

The constitution of every country should prohibit the police force from being used to prevent nonviolent protests by citizens.

GENOCIDE AND ETHNIC CLEANSING

It has been amply demonstrated that people of quite different religions, ethnic or racial backgrounds can live together peacefully, happily and fruitfully, even intermarrying.

But even where this has been the case, genocide or ethnic cleansing can still take place. If any one ethnic group controls the government of a country & prevents some other groups from being represented in proportion to their numbers, those who feel discriminated against may assert themselves by trying to kill off the ruling group, or the ruling groups may try

to kill off the protesting group. Outside pressure appears necessary to resolve the problem and try to stop the killing. This led the UN to adopt a formal statement of its Responsibility to Protect. But how this responsibility can be implemented in specific cases is entirely unclear.

Many people had great hope that the establishment of the International Criminal Court would be able to subject individuals guilty of crimes against humanity to receive a fair trial if not in their national courts system, and although many nations have ratified their adherence to the ICC, the U.S. position has vacillated. It can still be hoped that its future will have a greater impact on those who might have to face the court in the future.

But if the initiative in the genocide or ethnic cleansing is supported by a country's government, this becomes a matter of outsiders killing government personnel to prevent their killing others. Darfur is the worst example of this problem.

Where there is a simple geographical separation of the two ethnic groups the simplest solution is to divide the country in two, and prevent any military conflict between them.

Postwar settlements in the past have often pasted together different groups without regard to whether there was enough unity to last. Some work longer than others, but division is often desirable. Yugoslavia was held together only by Tito, then split though not as peaceably. Czechoslovakia split peaceably after many years as a nation.

What is more common when different groups are pasted together politically is that some people, more emotionally devoted to their own group, or those whose egos seek greater prominence or power take a lead in fostering their own group's dominance, and such things may lead to internal violence between ethnic groups.

The world has had enough experience now to realize that genocide or ethnic cleansing are bad mistakes & should be noticed before they become serious & stopped one way or another wherever possible without substituting one war for another.

OTHER INTER-GROUP VIOLENCE WITHIN SOCIETIES

Our concept of the well-being of a society implies that its acculturation processes either eliminate any inter-group violence within a society or at least minimize it. One factor that may tend to make such violence more likely is if there arise large differences among large internal groups in their power in the society, especially in their political power if that is maintained or grows over time. The more homogeneous a society is, the less danger there is of such violence, and the more heterogeneity of groups within a society, the greater the danger of inter-group violence from power differentials.

COUNTRIES WHERE PERSONAL SECURITY IS ABSENT

Modern countries began forming after the treaty of 1648 ended violence between feudal lords over how much land each ruled. Sometimes countries were formed with different peoples with somewhat different cultures. Some worked well & others did not. The preceding section of this chapter deals with some consequent violence. There are other instances where personal security was never established in the entire country, or where it later broke down. These are now spoken of as "failed states". Somalia is one such, where pirates now operate freely in adjacent seas.

The Stanley Foundation publishes a quarterly pamphlet entitled *COURIER* dealing with the problems of establishing a more peaceful world. Its Fall 2009 issue contends that what it calls "fragile states" pose the biggest threats to world peace now. It also indicates what those countries need to do to become good world citizens internally & externally.

Noted sociologist Amitai Etzioni has a thorough discussion of the importance of providing people personal security (freedom from violence against them) in his 2007 book *SECURITY FIRST: For a Muscular, Moral Foreign Policy*, published by the Yale University Press.

Those of us who live in countries which are most advanced in recognizing that all humans should be accorded equal human rights feel an obligation to try to extend this

concept (and practice) to all other countries. We forget how recently we have believed and tried to practice this. The U.S. gave women the right to vote only in my lifetime, & in the 19th century fought a civil war over our extensive system of slavery, and still have not equalized provisions in our elementary schools to give equal schooling for black-skinned children. Many world cultures do not yet even believe in equal human rights. The practice cannot really be forced upon them, & the question is how they can be helped to understand the importance of equal human rights. Helping them is a very important obligation.

INTER-PERSONAL VIOLENCE

Interpersonal violence also needs to be reduced, & can be by better institutions & better childhood teaching, less drug use and less gang violence, but humans acting on impulse is sometimes at fault as well as social systems.

It is not necessary here to analyze statistics on murders & attempted murders. A few comments may suffice. Emotions that overcome empathy are clearly involved. Or participation in drug conflicts may involve killings.

Inter-personal violence is in most countries illegal except in self-defense. But there is a great deal of it. There is more in some countries than in others. I won't try to explain that.

In Chapter One I started with the human nature seen in very young children's quarrels, and commended my Mother's teaching me that I did not like to be hurt, so I should not hurt another child, making them an enemy when I could have made them a friend by behaving differently toward them. I can't help but believe that if other Mothers lovingly taught their children what I was taught, the inter-personal violence in the world would fall sharply.

I dealt later with society's need to civilize each generation's invasion by a new group of barbarians, and the process by which each country civilizes its new barbarians in its own culture.

So most adults in each culture are generally good peaceful & law-abiding citizens.

When some parents may not do well enough in teaching children not to be violent, the educational system could do the job if it made a real effort to do so.

I noted that when a class of people is kept in poverty, their children may not get the training or it may not take. Especially male children may join gangs & get into a life of crime. Some gangs even require members to show that they can murder someone.

Even young adults, if they feel too much discrimination too often), may become anti-social & sometime take violent action.

Society has responsibility to eliminate unnecessary poverty & discrimination & the violence it generates.

There may be no general solution to the violence or killings that are sometimes the result of serious sexual conflicts that are irresolvable.

There may always be a small number of individual cases of people acting violently on sudden impulses they fail to control, and some people may at some point simply lose their temper and act violently. But this number can be kept relatively small if the culture is strongly disapproving & laws are well enforced & guns are not so readily available to people who we know should not have them.

It should be obvious that though few if any humans could claim saintly behavior, **most adults are inherently good non-violent people. Violence is not dominant but is the exception that makes the news.**

Most religions teach some form of the golden rule that would lead a person not to be violent toward another & in other ways teach violence toward other humans be very wrong.

This would lead us to think that there would be less interpersonal violence in the world than there is.

So far my impression is that the 21st century is seeing more individual violence than the 20th century did, but it **does not have to continue that way!!**

It may turn out to be that way, however, partly because of less adequate home teaching of young children by many, & partly because of the easy availability of guns, & partly because we are making money breeding violence by making violence

entertaining, & partly because there has been no deliberate effort to redesign social institutions to foster mutuality rather than conflict.

This country's easy availability of all kinds of guns & bullets undoubtedly makes killing anyone easier. And now police can often be outgunned by criminals.

There is some evidence that many American gun owners, including many members of the American Rifle Association that opposes any gun control legislation, would support restrictions that make it harder for criminals to out-arm the police.

Do we have to learn again the lesson the Wild West taught us: that when everyone enforced his own law with his own gun, death reigned; to establish a peaceful law and order, the sheriff had to carry the only gun.

Now a great many carry guns for self-defense, but that results in too many using them in anger at someone with whom they have a sharp difference. It is doubtful that those people will learn more self-restraint. As long as many people are still prepared to, & willing to, kill others they think of as a threat to their kind, their race or their religion or their country, a peaceful civilization will be impossible.

We all need to learn how to live together, instead of die at others' hands. So we must first realize that although each of us may think we are right and our opponents are wrong, we might both be wrong to some extent, and in any case none of us has any right to kill others whatever we want others to stop doing.

IN CONCLUDING THIS CHAPTER

So much for dealing separately with each type of violence and suggesting some things that can be done to reduce some kinds and eliminate other kinds completely.

The human race need not continue its absurdly stupid record of many kinds of violence throughout history. If we use our brains, it is possible to do much better. The question is will we? And if not, why not?

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

CHAPTER TEN

BELIEFS & CONSEQUENCES

THIS BOOK'S MAJOR PROBLEM

In an earlier chapter I took the position that human actions are governed chiefly by their beliefs, and that consequences are determined by realities about which we can learn by scientific inquiries. Beliefs are both about the nature of situations in which we act, about values we should seek to advance, & about how best to advance them.

The chief problem is to learn how to advance our own well-being in ways that are compatible with the advancement of the well-being of society, that is, the well-being of all others instead of being at the expense of the well-being of the public, or of at least some other groups or individuals.

Pure individualism does not pass that test. But this book should have made it clear that a proper individualism is all-important because it suggested several times that the proper public policy would be one that provides fair and ample opportunities for all individuals to develop and use their choice of their own fine potentialities. No one's fine potential can be said to be their self advancement at the expense of the public or indeed of any others.

The world presently consists not only of billions of individuals with partly different beliefs but also of multitudinous local groups each with its own beliefs, and countries composed of both individuals & groups & having some common beliefs.

In addition each of these individuals, groups & countries believe they have common interests which they should each advance for their own benefit, but which our thesis requires should benefit the entire public rather than being at its or anyone's expense. It is the contention of this book that that can be possible, and may even be necessary to at least some

minimal degree or the human experiment may bring about its own demise prematurely.

Even in the short run, if each individual, group, or nation advances its own beliefs (ideology) or interests without regard to the effects on the public or of some others, the results will be conflicts which may become violent, in which case the costs may be very significant and indeed each may lose more than they gain.

Of course history has shown clearly that some individuals, some groups, and some nations have gained for themselves in the short run instead of losing.

What is the argument for the book's thesis when there might be big winnings for some by ignoring it? Aside from the case that it might in time doom the human race to slow or quicker suicide if it ignores what is essentially an ethical issue, I contend that the choice is between doing what we should know is right rather than doing what we should know is wrong.

I offer a story told by Vice-President Joe Biden in his 2007 book, *PROMISES TO KEEP* published by Random House. It concerned Mississippi Senator John Stennis whose office Biden was about to occupy when Stennis retired in 1988. Both stood there conversing.

Stennis reminded Biden that when they first met Stennis asked Biden why he had run for the Senate & Biden indicated his interest in working for civil rights. Stennis then told Biden something he had long wanted to tell him. He pointed to a table in the office and said "This table was the flagship of the Confederacy from 1954 to 1968. We sat here, most of us from the deep south, the old Confederacy, and we planned the demise of the civil rights movement. And we lost. And Joe, its time that this table go from the man who was against civil rights to a man who was for civil rights." In the book Biden said he didn't know quite what to say, but thanked him & moved toward the door. Then Stennis said "And Joe, one more thing. The civil rights movement did more to free the white man than the black man." Biden wrote that he may have looked confused. Stennis added as he pounded his chest: "It freed my soul. It freed my soul." Biden added in the book that

he regarded that as a journey of the heart for Stennis, not mere political expediency. It was a major journey Stennis had made 20 years before he retired.

That story does not prove anything. But I was moved to read that and then think about how the Senate has changed from the days when senators could make major changes in their beliefs as they listened to each other and were willing to learn from each other as Stennis had, while now they are so bound to partisan positions that even invitations to work together to handle national problems better are flatly rebuffed for partisan purposes. It does not augur well for the future of the U.S. public's well-being.

I may have made it seem as if I thought it is always just a simple choice of right or wrong, ethical behavior or unethical behavior. Choices are often not that simple, although sometimes the question is how much does it take to buy us off from making what we regard as a more ethical choice. But sometimes our knowledge of the likely consequences are so uncertain that we cannot be sure whether the likely good effects outweigh the likely bad effects.

While there are real practical problems, the question I raise is whether we regard ethical virtue as its own reward or whether we need an additional incentive to be ethical.

This book has pointed out that much of history has shown that individuals, groups or nations pushing what they regard as their own interests or their own ideologies may produce relationships with others that are conflicting (it becomes "us" against them") and may even become violent which is not efficient economic behavior, & violence is harming others which is inherently immoral so special justifications are usually offered.

With all that said, is it not true that our socio-economic-political problems can be solved better? They have been much closer to being solved in some countries than in many others. Some of the relatively small Scandinavian countries have done much better than richer or more populous countries in some respects.

This author thinks that the most serious problem throughout history has been human violence. This book spent a whole chapter on it. In many countries personal security is

not presently a serious problem for most of the population, though in some areas it is, and for some groups or classes it is. In some countries, military expenditures are not a big chunk of the central government budget, while in many countries they are. There is little or no effort to find alternative ways for countries to work through their differences in better ways than waging war against each other before they have to find other ways.

As the preceding chapter points out, all humans have a violent element in their human nature which can usually be controlled by proper training from early childhood on & by lifelong institutional safeguards and penalties.

That chapter also indicates that institutional changes could make international war a thing of the past. But if inappropriate beliefs dominate and prevent such a solution, wars will continue and might even prematurely end human life on earth.

This book has also spent a whole chapter on a relatively new problem – the unsustainability of the present world economies. A different set of beliefs will have to change to prevent a slow destruction of the human life-support system on this planet. Even some religious beliefs will have to change or mere population growth will be stopped by nature's inability to feed its growth. Humans should have enough sense to find a better long-run outcome than starvation & disease.

So who believes what about these problems is very important for the human future.

The most general & most widespread erroneous belief is that all that need concern any person is how he or she can get the most of whatever he or she is after at the least net cost to himself or herself.

I have shown in this book that this smart guy ethic is not rational for the individual & not for society. But I am not foolish enough to think my book will change the world's worst belief. I am relying upon something else.

Most human adults want very much to be good moral people, most think they are such people, and in fact most of them are and behave accordingly almost as well as they can. This is my own observation and experience, and two books by non-economists gave me partial backing for such a belief on

my part. The first was noted sociologist Amitai Etzioni's 1988 book *THE MORAL DIMENSION: Toward A New Economics*, published by Free Press.

The other book, already quoted here is Riane Eisler's 2007 book *THE REAL WEALTH OF NATIONS*, published by Berrett-Koehler Publishers Inc. Both insist that economics has too often ignored the fact that human behavior is always influenced by ethical considerations since most humans personally try to behave ethically.

If that is at least partly right instead of totally wrong, then something else I said earlier in this book is relevant here: there are always multiple potential social relationships between individuals & groups (large or small) that involve conflicts of interests or of ideologies and multiple potential other social relationships that instead are mutually beneficial, and these may divide the mutual benefits equitably or inequitably (in the views of both parties).

Historically the social relationships develop one way or the other "automatically", that is without any party choosing them. But the consequences are quite different. If the social relationships of the parties are conflicting, some may gain at the expense of others, and may at times lead to violent conflict. Whereas mutual benefit social relationships would benefit all parties involved in them, and they could be divided equitably by mutual agreement of the parties involved.

How much wiser to deliberately choose to develop equitable mutual benefit social relationships rather than conflicting ones.

The social problem then becomes one of learning how to replace an inherited set of conflicting social relationships by a set of equitable mutual benefit relationships. That is no small problem, and would likely take a long time to replace any one troublesome social relationship with a good one.

But there is no reason why that should not be a possible approach to solving our major socio-economic-political problems. The problem in each case is one of changing a set of beliefs that lead us into conflicting social relationships when there would also be alternative sets of better social relationships that could be developed if we were able to analyze the

consequences of various different belief systems and rationally choose ones with better consequences than the conflicting ones that we may have inherited.

This is most difficult when it involves beliefs that at some point became associated with our professed religion. But if we take seriously the so-called Golden Rule which appears in one form or another in all major religions, many of the difficulties could be overcome. I will venture to say that all cultures develop in each individual some sort of conscience to induce something it considers to be the essence of moral behavior, and every government tries to regulate individual and sub-group behavior so that it is encouraged to, and is constrained so that it will, contribute to social well-being rather than operating against it.

Although sometimes even adults act upon impulse rather than after thought, most adults act upon the beliefs already in their heads. Usually these include beliefs about the situation in which they are about to act, beliefs about what they should try to accomplish in that situation, and beliefs about how they should then act in each situation. If all those three types of beliefs are appropriate, their actions should be also. But if any of the three are mistaken to a great extent or only to a small extent, then the action they take is likely to be a mistake also to a great or only a small extent.

Nobody ever knows everything about the situation in which they are acting that would be relevant to their action – we always act in various degrees of ignorance in that respect, some may be minor but others maybe vital.

People ordinarily will differ a little or by various large amounts in their beliefs as to what they should try to accomplish in the situations in which they find themselves. Those beliefs may be appropriate or inappropriate to various degrees, judged by any more objective standards.

Finally beliefs as to what would accomplish the intended objectives may be both right and/or and wrong to various degrees.

None of us ever has a right to be too dogmatic about our beliefs. All of us should be open to criticism, and to consider-

ing the bases for other people's beliefs. Inaction itself will have effects so it is also subject to judgment.

That is part of the human condition that cannot be escaped.

Action or inaction makes a difference. We can act with different degrees of thoughtfulness from zero to the maximum possible, given limited time & opportunities. We should oppose obvious dogmatic error without becoming too dogmatic ourselves since no one ever knows as much as they need to know.

Since we are all products of somewhat different cultures in which we are born and raised and in which we live most of our lives, this creates problems in our working together for common purposes.

But it is usually possible to find some common grounds as humans that can enable us to work together to promote our common well-being.

RELIGIONS, SCIENCE, & DIFFERENT QUESTIONS

In many instances different cultures include different religions, and since those belonging to each religion think that their own religion alone comes from God, the problem is more complicated than mere cultural differences.

The origins of religion are lost in pre-history. Some scholars think that primitive people thought that there must be gods causing terrible storms at times and other gods producing needed rains at other times.

Other scholars think that religion started when family & friends sat by the bedside of a sick & dying old person who had been talking with them but suddenly fell silent. The body was still there but the person they all knew was suddenly gone. They speculated as to where that person had gone, or the spirit had gone since the body remained. They may have thought that it had gone to the heavens where it might still influence things on earth.

At any event, religions of one kind or another developed in different cultures, most dealing in one way or another with nature & the conceivable influence of gods on natural events, and all having something to do with how humans ought to live their lives. Religions also often had ceremonies

or prayers to try to influence gods to change natural events in favor of the petitioners.

It is natural for believers in each religion to believe that their religion is the only true one. Many believe it is based upon the word of God, especially if they have holy scriptures or bibles. Most don't know that even the accounts of creation differ. Would God have given different accounts of it to different people?

Such differences & other differences between religions could be better explained by **the fallibility of humans**. We might not all understand the same way what could have been a message from God. Indeed even our senses are fallible. Two people seeing the same automobile accident will testify under oath what they saw happen, but since they report seeing contradictory things, both could not be right. It would be very easy for different people to have what they consider to be "religious experiences" and report contradictory things presumed to have come from God.

People with any familiarity with different religions have a problem when conflicting ideas are claimed to have been derived from God, as in different stories about creation. In some cases even customs that prevailed in the earlier years are said to have been ordained by God, or even that some current customs were.

Some religions have only more recently made a clear distinction between what is cultural and what has to do with what they call the human spirit and our spiritual lives.

There is a little ground for hope that when cultural beliefs are mixed up with religious beliefs, the latter will become less dogmatic and more rational.

This small planet simply cannot support a continuously growing population – maybe cannot support the present population very long. But to date there is no sign that everybody's beliefs will become more rational about population or about contraceptives.

Another problem is that some people think the bible indicated that homosexuals were immoral, but should drop that belief when it becomes more widely known, as it can be expected to

become, that homosexuality is a natural development in women's wombs at times, and writers of any bible written earlier could not be expected to have had that scientific knowledge

For many people their religious beliefs are their most important beliefs, and those most firmly held. For many others they are less important than their political or economic beliefs or some others.

Unfortunately many religious people, probably trying to follow their religion's moral teachings, and trying to live better than those who violate such teachings, think that if it were not for those religious teachings there would be no reason for them or anyone else to be moral. This is a mistake and rather unfortunate, for they might have a problem if anything shook & undermined their faith. Since it should be obvious to them that many people who are not members of their religion, including some who profess no religion, are in fact moral people, that is a puzzle for them. They simply do not understand a secular basis for morality. They really need that understanding in order to understand other good people.

If they did have their faith in their religion shaken & suddenly be left thinking there was no reason to be good, they would very quickly realize that it mattered a whole lot to them how other people treated them. They knew without being told that they wanted to be respected and treated well. They wanted other people to be moral in treating them. So they could not help but realize that other people wanted to be treated morally too. And it might occur to them that how they treated other people likely would affect how others treated them. So all of a sudden they would learn that there is a social basis for moral behavior of people to each other, quite independent of their earlier religious basis for morality.

In the modern Western World, it was widely believed that the final outcome of the French Enlightenment would spread around the world and provide a universal tolerance of religious differences and a common set of beliefs that would facilitate working together for common purposes. But that has not been the case so far and now seems unlikely to ever be the

case universally. Only a minority of the highly educated will likely not be somewhat divided by their different religions.

And a small minority of the uneducated will likely always be easily trapped by strange cults that can be real social problems.

Even some isolated cultural group's highest ideal may be comparable to that of some Pakistani tribes who, to protect the honor of their tribes, will kill both people if any two from different tribes marry each other. This raises the question of what is now most people's highest ideal, and we should hope that it does not result in sacrificing anyone who does not share it.

The nub of one religious problem seems to be that many (most?) people cannot psychologically tolerate uncertainty about some fundamental things. The highly educated know that there are three fundamental questions to which no person can really know the answer: **whence, whither, and why** relative to the universe we think we know a little about and relative to life as we know it. The human mind can hardly cease wondering about those three things and speculating about the answers, but we cannot really know the full & true answers.

Scientists answer the whence by the "Big bang" hypothesis, but that does not really answer whence the clump of matter came from, or why the big bang. Science does not know whether the whither will be one or more cycles of return to big clumps & then bangs, or a continuous expansion or what.

And science never talks about reasons why – people have reasons why they do things. They say natural phenomena don't.

Religions usually provide answers that they claim came from God. The answers differ, but each religion is certain it is right. Religions give different stories, but they are not consistent, though that does not bother anyone who believes their one story is correct. Religions may also talk about whither – the long run future with more certainty than science does, though scientists speculate. And religions usually provides an answer to the question why it all did come about and how it will all end and why.

I have already said that most people cannot tolerate uncertainty about these three questions. Religion gives them assured answers to all three. That psychological necessity for most people can seldom be shattered, & it is probably not

wise to try to shatter it since no one knows how to help them psychologically if the belief is shattered. But if doubt does enter their minds, they can be helped to understand & live with the uncertainty.

A personal note is in order. I know I cannot know the answers, & I can live with the uncertainty. But as I speculate, I cannot believe that everything was already there (certainly life as we know it was not). I can't believe that everything about the universe somehow just came into being by itself & then evolved life requiring as it did too many very precise chemical ratios.

I need to plead guilty to what is known as anthropomorphic thinking. We humans "naturally" think in terms of humans doing things for reasons. It is not natural for us to think that a very complex mechanism like the universe could have made itself or always existed without something having made it.

I am inclined to think, with Huston Smith, that some spiritual power somehow produced the ordered material universe on one side and life and mind and personhood on the other, with some connection between the two. But I can hardly imagine this either. That is what I meant when I said earlier that no one can really know the whence or whither or why – that is know how or why the universe we know came about or what will finally happen.

Although the modern world has recognized that scientific research is needed to learn more about the physical world than humans can know otherwise, there are other questions that science cannot answer besides the 3 no one can. I am referring now to some all-important human questions. It cannot decide for anyone what human values should be most important for his or her life.

Although humans cannot ignore without consequences the principles that apply to the operations of physical forces in nature that science can learn about, humans have to make decisions about values important in their lives that science can not decide for them.

Religions usually do have something to say by way of advice to their members about such things. Religions do not agree on all advice about human behavior. But there is one

principle found in all the major religions – it is called The Golden Rule. That has already been discussed in this book.

In one form it says that one should do to others only what one would want them to do to you. A substantial number of people probably try at least some of the time to obey that principle. That is very significant. For most people, even if they believe the principle is good, find that “their reach exceeds their grasp”, that is they can't always live up to what they know is good advice.

Now a word about two erroneous but dangerous political philosophies: Anarchists renamed libertarians or conservatives (though the only value they conserve is their own freedom to exploit others for their own gain) are now the biggest internal U.S. problem. Group totalitarians, Soviet variety now discredited, Chinese undetermined. Christian religious totalitarians now environmentalists so socially helpful on a very important matter, Muslim violent totalitarianisms are a major world problem.

HURTFUL AND HELPFUL BELIEFS

This book has claimed that beliefs are very important in determining people's actions and societies' institutions & policies.

There are probably a very large number of beliefs that could be hurtful to individuals & their well-being, and a similar very large number that could be helpful to individuals & their well-being.

There are also a very large number of beliefs that could be helpful to societies and their well-being and many that could be hurtful.

Now I am going to select a very small number of beliefs that I suggest would be hurtful to individuals and societies & their well-being, and a small number of beliefs that I suggest would be helpful to individuals & societies & their well-being.

This book has aimed to promote the good life and the good society. I invite readers to draw up their own list of beliefs hurtful or helpful to either individuals or to societies or to both.

Hurtful Beliefs

1. The way to get the maximum net benefit for oneself is to get for oneself the most one can get of whatever one is after at the least cost possible, and without regard to the effects on anyone else. (I called this the “smart guy ethic”. Review what I said was unhelpful about it in several respects, including many economic respects.)
2. Unregulated markets are the only efficient way to produce things. (This is a simple statement of what is called “market fundamentalism. It has shown in practice to be untrue, though it is still widely held by those who want to be allowed to do anything they choose to do to benefit themselves).
3. I know what is right and what is wrong, so I have a right to enforce my views upon those who are wrong.
4. My religious views come from God & others are mistaken that theirs do.
5. It does not matter to anyone else how many children I choose to have.

Helpful Beliefs

1. The quality of human life is enhanced by empathy, sympathy, caring, friendship, cooperation, helpfulness, & promoting the well-being of others which is what love means in practice.
2. One should not do to others anything you would not want others to do to you. (The Golden Rule)
3. Everyone should have fair and ample opportunities throughout life to develop & use their own choice among their fine potentialities.
4. Everyone needs to be less certain that they are right & others are all wrong.
5. No society or group has a right to penalize anyone for what it decides are incorrect beliefs.
6. Despite having different interests & different beliefs, all humans have some common problems, & many societies do too, so all can benefit if we work together to deal well with our common problems.

HOW TO APPROACH & REDUCE SOCIETY'S PROBLEMS

THE CONSEQUENCES OF HAVING PEOPLE WITH THE MOST POWER OPERATE BY HOLDING MANY OF THE UNHELPFUL BELIEFS HAS NOT BEEN CONDUCIVE TO SOCIETAL WELL-BEING.

TO PROMOTE SOCIETAL WELL-BEING, IT IS NECESSARY FOR PEOPLE WITH POWER TO OPERATE MORE LARGELY BY APPLYING PRIMARILY THE HELPFUL BELIEFS.

FINAL THOUGHTS

THIS BOOK'S CONCEPT OF TWO DESIRABLE OBJECTIVES

1. GOOD SOCIETIES

The leaders of all nations in the world now face the problems of how to deal with each other peacefully & so each can contribute to the well-being of its people by meeting their needs as well as is possible in the circumstances they face.

Every leader would draw the most support if he or she provided insofar as possible in the situation fair and ample opportunities throughout life for each inhabitant to choose to develop and use their choice among their fine potentialities.

2. A GOOD LIFE FOR EVERYONE

Everyone should seize such opportunities as are available to develop and use their choice among their fine potentialities. They should be able to enjoy the privilege of life, and should be able to take pride in their helpful work & in its contribution to society.

REASONS FOR OPTIMISM

Although present trends could lead to a relatively quick suicide for the human species in a big nuclear war or a slower suicide by overloading the planet's life-support system, neither fate is inevitable if humans use their brains to reverse those trends (which we can do), & if we control our human egos somewhat and get rid of some erroneous & dangerous beliefs & some improper & dangerous human values, & if we restructure some of our socio-politico-economic institutions we can have a better human future for a very long time.

Indeed there is reason to think that we may do just that because we can all know from our own experiences that we are rewarded for doing so by a more meaningful and satisfy-

ing life. Humans have far more than enough brain power to realize all this.

So it seems very hard to believe that we will not come to our senses in time to avoid both suicidal trends and do what is necessary to avoid a suicidal fate. **At the very least, it can be said confidently that there is ample ground for us to continue to hope that this is so, and to work hard to make it so.**

We do know that kindness to others is a fine ethical value, that the Golden Rule is in all major religions even though it may be hard to live up to fully in all situations. We know that none of us would even be alive long after birth if someone had not cared enough for us to keep us alive. We know the importance of caring for ourselves, for others and for the environment that nature provides us.

We know enough about human nature to know that all humans have a whole set of somewhat similar needs not only to exist but to have a really fulfilling life. We know that we all need to harmonize our desires within ourselves (or we would be miserable botched up personalities), with others insofar as possible, and with the life-support system that nature provides us lest we destroy it.

Humans can have a future far better than our past if we use our brains properly to achieve it. Life can be for most of us a great privilege – and at the same time a series of significant challenges which we are capable of meeting reasonably well. It is a privilege just to live and become aware of the mysteries of this universe and to enjoy the impressive & even great creativity of humans in both practical fields & in the fine arts.

WHERE I END

When I started this book, my main desire was to convince more people, as I was convinced, that the world would be better for everyone if we all realized the things that improve the quality of human life & tried hard to live accordingly & to embody those things somehow in societies' institutions.

That led me to ask the reader to consider a large number of things from my point of view. I know that I failed to shed

much light on how best to embody what might be called "life's principles" in societies' institutions. I doubt that humans have put enough thought into that vital problem. I invite anyone to do better than I have done on that in this book.

I have indicated that I think the major human social problem is the ethical problem: preventing self-interest from harming the public or harming any others.

It is both natural & proper that individuals and small & large groups (including nations) try to promote their own well-being primarily.

But the ethical problem is whether that is done in ways that harm others & especially the general public well-being, or is neutral in that respect, or promotes the mutual well-being of others & even of the general public.

All individuals and human groups have an obligation to try to find ways to benefit themselves that are at the very least compatible with the well-being of others & the general public, or better yet promote mutuality of interest, & avoid any harmful effect on others & the public.

I showed that, since we are social animals, promoting our own well-being rationally entails promoting the well-being of some others, but that our "social selves" are often much too narrow.

There are always potential relationships among individuals and groups that involve mutualities rather than conflicts which might become violent. The question is whether the potential mutual relationships can be developed to replace the potential conflicts.

I emphasized that our troubles typically come from beliefs that cause them. I examined only a few specific individual and societal limitations. But I spent a whole chapter on the various forms of violence, how to eliminate some & minimize others.

I remain an optimist with hope for the future because mature individuals are basically good and take pride in doing their job well in any socially useful occupation. That can go on even as society will have to struggle for a very long time because of our collective failure to avoid global warming.

The most important principle for humans to try to follow in their inter-personal and even in their inter-group relation-

ships is provided by THE GOLDEN RULE. Indeed each of us as individuals & in groups should enter & try to maintain relationships with all others in a spirit that is concerned not only with our own well-being but also with the well-being of all others besides ourselves.

Children can be taught this very early by telling them lovingly that since they don't like to be hurt by anyone else, they should try not to hurt anyone else but to become their friends. It needs to be repeated often & lovingly. Most mature adults often find themselves in situations where they willingly make sacrifices for their social selves. But everyone could be better off if all our social selves were still broader than they are & we sacrificed some for the well-being of humanity which is now threatened by group selfishness inconsistent with a sustainable world.

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What are the best things each of us can do for ourselves? Try hard to overcome our special shortcomings as well as common human foibles, and relate well with others.

What are the best things we can do for society? Do what we can individually & in groups & with government to promote the well-being of others, of the public, and of the human race.

What are the best things that a society can do for itself? Do what it can to eliminate violence internally & with other societies, & do what it can to handle well its internal and external problems, some of which this book has dealt with briefly.

What are the best things society can do for individuals? Do the best it can to meet all individuals needs, and to provide everyone fair & ample opportunities throughout their lives to develop & use their own choice among their fine potentialities.

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I append an annotated & classified list of a few of the good books that I think would help most readers of this book.

ANNOTATED & CLASSIFIED BOOK LIST

I. A SPECIAL GROUP

THE DIVINE RIGHT of CAPITAL: Dethroning the Corporate Aristocracy, by Marjorie Kelly. Published in 2001 by Berrett-Koehler Publishers.

For some time Marjorie Kelly owned & edited in Minneapolis a magazine called Business Ethics. She became disenchanted with the idea that business would become ethical enough. That produced this book, written in such a style that it should become a political science classic. It has become obvious to more people recently that the corporate aristocracy does quite well for itself in the present favorable legal framework. Kelly writes about the principles that support the corporate aristocracy and the principles that support democracy and justice instead. She calls for our society to be more democratized, but doesn't indicate how to do this. (See the end of my Chapter Four on the structure of business boards of management.)

The REAL WEALTH of NATIONS, by Riane Eisler. Published in 2007 by Berrett-Koehler Publishers Inc.

On page 1 she inquires "Why, when we humans have such a great capacity for caring, for consciousness, and creativity, has our world seen so much cruelty, insensitivity, and destructiveness." Seeking an answer she concludes that our economies do not value the caring without which no one would last beyond birth. She argues that economies could value caring instead of power to dominate others. Those who really understand this will never be the same.

WHEN CORPORATIONS RULE THE WORLD, by David C. Korten. 2nd edition co-published in 2001 By Kumarian Press Inc. & Berrett-Koehler Publishers.

Many people think they already do rule the world and that this is part of the reason economies the world were in some trouble even as the century opened.

THE POST-CORPORATE WORLD: Life after Capitalism, by David C. Korten. Published in 1999 by Berrett-Koehler

This is a conception of how the world could do better in the future in some ways than it has done under capitalism.

THE FOX IN THE HEN HOUSE: How Privatization Threatens Democracy, by Si Kahn and Elizabeth Minnich. Published in 2005 by Berrett-Koehler.

The authors make a strong case against privatizing & making private profits for what have been important functions of democratic governments.

MORAL CAPITALISM: Reconciling PRIVATE INTEREST with the PUBLIC GOOD, by Stephen Young, Global Executive Director of the Caux Round Table. Published by Berrett-Koehler, Publishers in 2003.

This book is a guide to using the Caux Round Table Principles for Business.

Any business that applied those principles well would remove the grounds on which criticisms of business behavior often rest.

ALTERNATIVES TO GLOBALIZATION: A Better World Is Possible, 2nd ed. Edited by John Cavanagh and Jerry Mander as A Report of the International Forum on Globalization. Published by Berrett-Koehler in 2004.

Presents alternative principles to guide the governance of the global economy.

2. HUMAN NATURE

THE IMAGE, by Kenneth E. Boulding. Published in 1956 by The University of Michigan Press.

Boulding contends, as I do, that the things we believe determine our actions. This book says we all have manifold images in our minds – the things we think we know about everything. He examines many of these images in different fields of study, noting their need for improvement.

*EMOTIONAL INTELLIGENCE**SOCIAL INTELLIGENCE*

Both by Daniel Goleman. The 2nd published in 2006 by Bantam Dell.

These two books by a science journalist have become widely popular, because both are full of information from modern science about two kinds of “intelligence”. When I read the first one I thought it was the most important book I had ever read, partly because it meant I could improve my emotional maturity however old I became. Clearly we need social intelligence also, & Goleman indicates that science now shows that adults have a built in bias for cooperation with others.

3. HUMAN SOCIETIES

ADVENTURES OF IDEAS, by Alfred North Whitehead. Published in 1933 by The Free Press.

In this book, Whitehead views human history as providing exemplifications of different significant ideas. Whitehead was the most recent of the philosophers to present a complete philosophical system & one that has been immensely influential. This book is the capstone of his system. The book is very readable, so don't be scared off by the fact that it is written by a philosopher. It is a wonderful book.

POLITICAL POWER; Its Composition and Incidence, by Charles E. Merriam. Published in 1934 by Whittelsey House.

A prominent Political Scientist provides here THE classic treatment of power.

There is no better book to read to get a good understanding of the sources and limitations of power in human societies.

TYRANNY AND LEGITIMACY: A Critique of Political Theories, by James S. Fishkin. Published in 1979 by Johns Hopkins University Press.

The author rejects theories that could also justify some tyrannies, & gives three principles that would prevent tyrannies.

4. THE MARKET SYSTEM

THE MARKET SYSTEM: What It Is, How It Works, and What To Make of It, by Charles E. Lindblom. Published in 2003 by the Yale University Press.

A Yale University Professor of Economics and Political Science's book whose subtitle tells exactly what the book does, evaluating strengths & weaknesses of market economies.

THE NATURE and LOGIC of CAPITALISM, by Robert L. Heilbroner. Published in 1985 by W. W. Norton & Company.

Heilbroner, the most readable among economists, gives his clear analysis of capitalist economies.

THE LIMITS OF AMERICAN CAPITALISM, By Robert L. Heilbroner. Published in 1966 by Harper Torchbooks.

He doubts that capitalism would ever make the cultivation of humans central, but suggests that science probably would not either, so a moral struggle remains whatever economic system is used.

THE QUEST FOR WEALTH: A Study of Acquisitive Man, by Robert Heilbroner. Published in 1956 by Simon & Schuster.

Heilbroner indicates the different forms this human acquisitiveness took in different periods of human history up to modern times. He raises questions about the effects on individuals & societies but leaves it to the reader to make their own judgments after such a survey.

PROGRESS WITHOUT POVERTY: Socially Responsible Economic Growth, by Peter S. Albin. Published in 1978 by Basic Books, Inc.

Here an economist shows that economic growth had previously frozen the class structure of the income distribution, either unconsciously or more likely deliberately, but that with conscious improvement of education of the poor & dealing better with urban problems, growth could eliminate U.S. poverty.

DEVELOPMENT AS FREEDOM, by Amartya Sen. Published in 2000 by Anchor Books.

The title means that less developed countries will develop when their people acquire the opportunities of average people in more developed countries.

UNDERSTANDING ECONOMICS, by Harlan M. Smith. Published in 1999 by M. E. Sharpe Inc.

In 177 pages & 40 short treatments of 10 topics usually covered by elementary economics textbooks, I try to give

readers a better understanding of economics than do many standard elementary textbooks.

5. GLOBALIZATION

GLOBALIZATION: Threat or Opportunity, by Paul Streeten. Published in 2001 by Copenhagen Business School Press.

An eminent economist shows that it is producing benefits and harm.

Real World GLOBALIZATION: A Reader in Economics, Business and Politics from Dollars & Sense. Eighth edition published in 2004 by Dollars & Sense.

Nine chapters, & many authors write on different aspects of globalization.

GLOBALIZATION AND ITS DISCONTENTS, by Joseph E. Stiglitz. Published in 2002 by W. W. Norton and Company.

One of the most experienced & famous economists tells how it made things worse in many countries partly because it required the same mistaken policies in all of them.

MAKING GLOBALIZATION WORK, by Joseph E. Stiglitz. Published in 2006 by W. W. Norton and Company.

Many of us hoped Stiglitz would follow the critical book by outlining how globalization could be changed to benefit all countries. This is the book. Everybody who can should read it at least once.

6. BUSINESS IDEOLOGY & BUSINESS MORALITY

THE FOLKLORE of CAPITALISM, by Thurman W. Arnold. Published in 1937 by Yale University Press.

A legal scholar, Arnold characterizes as folklore many things people believe are basic legal or economic principles. Arnold shows how they are used to justify practices that can be questioned. For example, it was thought to be proper for a huge corporation employing thousands of people to be treated in law as a single individual. And many believe that government taxation is harmful but seem to be unaware of taxation by corporations which Arnold claims occurs. You may be more interested in other instances cited in the book as folklore of capitalism.

THE AMERICAN BUSINESS CREED, by Francis X. Sutton, Seymour E. Harris, Carl Kayzen, & James Tobin. Published in 1956 by the Harvard University Press.

Based upon published statements of business leaders & business organizations such as Chambers of Commerce & the National Association of Manufacturers, business claims that U.S. capitalism through free enterprise has produced hitherto unparalleled wealth & created the biggest ever middle class democratically. The authors then provide their own analysis of this ideology.

SOCIAL JUSTICE, Edited by Richard B. Brandt. Published in 1962 by Prentice-Hall.

Boulding, Frankena, Freund, Gewirth & Vlastos represent different disciplines. A good way to see different conceptions of what constitute justice.

WELFARE, JUSTICE, AND FREEDOM, by Scott Gordon. Published in 1980 by Columbia University Press.

A careful discussion of how those 3 values may be conflicting in practice.

CORPORATION NATION: How Corporations Are Taking Over Our Lives and What We Can Do About It, by Charles Derber. Published in 1998 by St. Martins Press.

This book does an absolutely excellent job of doing what the subtitle indicates, along with some excellent history of the development of corporation power in the U.S. and of the first Robber Baron era. See also his book entitled *THE WILDING OF AMERICA* for other ethical problems.

THE CORPORATION: The Pathological Pursuit of Profit and Power, by Joel Bakan. Published in 2004 by Free Press.

The argument of this book is that some businesses pursue profit & power to a pathological degree and without any regard for the harmful impacts that might have on others. Legal regulation and democratic controls are then called for.

BEYOND THE BOTTOM LINE: Putting Social Responsibility to Work for Your Business and the World, by Joel Makower. Published in 1994 by Simon & Schuster.

An encouraging book showing an increase in the businesses that try to operate in a socially responsible manner & more youth wanting jobs in such businesses.

ETHICS FOR AN INDUSTRIAL AGE: A Christian Inquiry, by Victor Obenhaus. Published in 1965 by Harper & Row.

The subtitle tells the viewpoint of the author which is important

THE ECONOMIC ILLUSION: False Choices Between Prosperity and Social Justice, by Robert Kuttner. Published in 1984 by Houghton Mifflin, & subsequently by University of Pennsylvania Press.

The subtitle indicates that the book shows that choice to be false. Society can indeed have both and should have. Nobody should ever again be able to deny this after reading this book.

AMERICA'S HIDDEN SUCCESS: A Reassessment of Public Policy from Kennedy to Reagan, by John E. Schwarz. Rev. edition published in 1988 by W. W. Norton & Company

Here is proof that the alleged failure of government social programs was wrong and that they were instead a demonstration that government can promote justice in a way private enterprise alone did not.

POWER and MORALITY in a BUSINESS SOCIETY, by Sylvia & Benjamin Selekman. Published in 1956 by McGraw Hill Book Company Inc.

The authors start by discussing the different forms of power in modern society, the two factors that can help tame power, then how power can be creatively used.

A MORAL PHILOSOPHY FOR MANAGEMENT, by Benjamin M. Selekman. Published in 1959 by McGraw-Hill Book Company Inc.

Calls for a new posture avoiding the dangers of self-righteousness, cynicism, & perfectionism & details how this can be achieved by management.

THE MORAL DIMENSION: Toward a New Economics, by Amitai Etzioni. Published in paperback in 1990 by Free Press.

Chastises economics for mistaking altruism for just another preference. Insists that values are totally different & that they are

more important for most people. Insists that economics needs to incorporate them & emotions & power into their analyses of human decision-making along with rationality.

AMERICA: WHAT WENT WRONG? by Donald L. Bartlett and James B. Steele. Published in 1992 by Andrews and McMeel.

Two modern muckraking journalists blame Washington rule-makers and Wall Street deal makers for things they saw that shouldn't have been happening even before the 1990s. For example "raiders" take over a company, strip it of cash, load it with debt, & then exit. (The type of business firm that does this has now been given a special name.)

7. THE SOCIAL CONTROL OF BUSINESS

SOCIAL CONTROL OF BUSINESS, by John M. Clark. 2nd edition Published in 1939 by McGraw Hill Book Company.

Prominent economist Clark 500 page book was the first thorough treatment of the need for and the instruments available for such control.

SOCIAL RESPONSIBILITY AND THE BUSINESS PREDICAMENT, James W. McKie, ed. Published in 1974 by The Brookings Institution.

This is one of Brookings' Studies in the Regulation of Economic Activity, & consists of two opening essays by the editor reviewing the issues and changing views, followed by ten essays by highly qualified experts each dealing with a different part of the problem.

A DECLARATION OF INTERDEPENDENCE, by H. A. Overstreet. Published in 1937 by W. W. Norton and Company Inc.

This book is more needed today for our nation and for the world of nations than when it was written. We are all interdependent, but don't act accordingly.

THE PREDATOR STATE: How Conservatives Abandoned the Free Market and Why Liberals Should Too, by James K. Galbraith. Published in 2008 by Free Press.

The attacks on a variety of ideas are fine, but this new Galbraith puts forth a good economic program as well.

AMERICAN POLITICS: The Promise of Disharmony, by Samuel P. Huntington. Published in 1981 by Harvard University Press.

The way government really works creates a great gap between our ideals and our performance.

THE GREAT UNRAVELING: Losing Our Way in the New Century, by Paul Krugman. Published in 2004 by W. W. Norton & Company.

One of the best economists here republishes some columns he wrote for the New York Times. In the new paperback edition, he treats Bush 2 not as a conservative but as a revolutionary reversal of both accepted American foreign and domestic policies, and spells this out in many of his columns.

Each is short, but prove the authors' thesis that what he criticizes is not conservative but a radical revolution in traditional Americanism.

FREE FALL: America, Free Markets, and the Sinking of the World Economy, by Joseph E. Stiglitz. Published in 2010 by W. W. Norton & Company.

There is no economist better equipped by experience & competence to analyze the present world recession causes & inadequate remedies. Read it!

MORAL POLITICS: How Liberals and Conservatives Think, by George Lakoff. 2nd ed. Published in 2002 by University of Chicago Press.

A linguist looks at politics differently & traces conflicts back to differences in views of morality and family life.

MORAL MAN AND IMMORAL SOCIETY: a Study in Ethics and Politics, by Reinhold Niebuhr. Published in 1932 by Charles Scribner's Sons.

This classic by theologian Niebuhr should be very widely read. The thesis of this book is in the title, but in other books (all of which are insightful) he dwells on the sins of both man & society. I found the chapters on the ethical attitudes of privileged classes and common laborers especially illuminating.

THE ECONOMICS OF FEASIBLE SOCIALISM, by Alec Nove. 2nd edition published in 1991 by HarperCollinsAcademic.

Here an able economist reviews the problems of Marxism & the Soviet Union & outlines the sort of socialism that would be workable & should scare no one.

THE FUTURE OF SOCIALISM, by C.A.R. Crosland. Revised edition published in 1963 by Schocken Books.

Americans generally have an oversimplified & largely erroneous concept of socialism. This book which shows them the variety of socialisms & socialist concerns. Crosland's own concern is to make a democratic society more just.

8. HISTORY

A SHORT HISTORY OF THE WORLD, by J.M. Roberts. Published in 1993 by Oxford University Press.

Roberts accomplished the impossible; surveying world history in about 500 pages. We could all use such a broad perspective on our present world in the light of all history. Roberts says he judged what to include by reference to how many people were affected by different things that happened.

HISTORY of the IDEA of PROGRESS, by Robert Nisbet. Published in 1980 by Basic Books.

The first part of the book is historical. The second part focuses on different modern conceptions of what progress consists of and how they fare now.

THE GREAT TRANSFORMATION: The Political and Economic Origin of Our Time, by Karl Polanyi. Published in paperback in 1957 by Beacon Press.

The origins of the market economy that made commodities out of land, labor, and money. And the resulting changes in provisions for the poor.

THE BIG CHANGE: America Transforms Itself 1900-1950, by Frederick Lewis Allen. Published in 1969 by Harper & Row.

How American capitalism transformed itself in that half-century. A very delightful account with sensible evaluations of the period.

A PRIMER ON SOCIAL DYNAMICS: History as Dialectics and Development, by Kenneth E. Boulding, Published in 1970 by The Free Press.

By dialectic he means conflict. Written history stresses conflicts (between some “us” against some “them”, but the more important factors in history are what happens to promote social development in peacetime. A most insightful way to analyze historical change.

NON ZERO: The Logic of Human Destiny, by Robert Wright. Published in 2001 by Vintage Books.

Wright claims that history shows that there is some grand unfolding purpose about it all.

9. THE FUTURE

THE COMING WORLD CIVILIZATION, by William Ernest Hocking. Published in 1956 by Harper & Brothers.

At this writing, Hocking was Emeritus Professor of Philosophy at Harvard, following quite varied life experiences. Anyone should find it interesting to see what a fine mind hoped for the human future in 1956.

THE RECONSTRUCTION OF HUMANITY, by Pitirim A. Sorokin. Published by The Beacon Press in 1948.

This book was written while Sorokin was still teaching Sociology in the department he allegedly established at Harvard, after having earlier established one at Petrograd University. He believes humanity can avoid repeating its tragic past, but only if we avoid superficial reforms and rely on what he calls “creative altruism” to transform our personal behavior and remodel our social institutions. An amazing challenge to come from a sociologist!

WHICH WORLD? SCENARIOS FOR THE 21ST CENTURY: Global Destinies, Regional Choices, by Allen Hammond. Published in 1998 by Island Press.

Hammond presents 3 main alternatives that he calls A Market World, A Fortress World, and A Transformed World. He says any of the three would be possible futures, depending on which trends become dominant world-wide or in particular regions. Laissez-faire markets might come to dominate, or violent conflicts or militarization to prepare for them might give us a fortress world. Hammond clearly hopes that both of these can be avoided and our present world could be transformed into a

more equitable, peaceful and productive world. His analysis of different regions indicates familiarity with conditions in each.

AN INQUIRY INTO THE HUMAN PROSPECT, Updated & Reconsidered for the 1980s, by Robert L. Heilbroner, Published in 1980 by W. W. Norton & Company.

In 1974 Heilbroner wrote the most pessimistic book I have seen predicting a terrible future for humanity. As the 80s began he predicted the same. It is worth knowing why Heilbroner is so pessimistic.

HUMAN BETTERMENT, by Kenneth Boulding. Published in 1985 by Sage publications.

Readers might be interested in Boulding's 200 page program to do it. Boulding was a very important thinker.

HUMAN OPTIONS: An Autobiographical Notebook, by Norman Cousins. Published in 1981 by W. W. Norton & Company.

Cousins: The problem is not for us to become more productive or comfortable or happy, but to become more sensitive, more sensible, more caring, and more fully alive. A wonderful heart-warming book.

NATURAL CAPITALISM: Creating the Next Industrial Revolution, by Paul Hawken, Amory Lovins, and L. Hunter Lovins. Published in 1999 by Little, Brown and Company.

The coming industrial revolution being forced upon us will use less materials and less energy but use it efficiently. These three show that we can move in that direction now.

STEADY-STATE ECONOMICS: The Economics of Biophysical Equilibrium and Moral Growth, by Herman E. Daly. Published in 1977 by W. H. Freeman and Company.

Sustainable economies will be forced upon us if we do not achieve biophysical equilibrium voluntarily which would require some moral growth on the part of most of us. But if we achieve the latter, we will learn how to enjoy the privilege of life even more.

10. DEMOCRACY

THE PARADOX OF AMERICAN DEMOCRACY: Elites, Special Interests, and the Betrayal of Public Trust, by John B. Judis. Published in 2001 by Routledge.

The book claims that the only time the country escaped betrayal was when there were influential groups in business, in government & in academia that agreed on policies serving the public well. Hmmm!!!

SECURITY FIRST: For a muscular, moral Foreign Policy, by Amitai Etzioni. Published in 2007 by Yale University Press.

The argument is that democracy can't be promoted without first providing personal security for the people

WHO WILL TELL THE PEOPLE: The Betrayal of American Democracy, by William Greider. Published in 1993 by Simon & Schuster.

Journalist Greider is good at showing how economic & political power affect our lives adversely & how we can regain control democratically.

HABITS OF THE HEART: Individualism and Commitment in American Life, by Robert N. Bellah, Richard Madsen, William M. Sullivan, Ann Swidler, and Steven M. Tipton. Published in 1985 by Harper & Row.

After a 5 year study this group of sociologists suggests that our individualism has yet to provide us with enough commitment to common community needs.

THE GOOD SOCIETY, by Robert N. Bellah, Richard Madsen, William M. Sullivan, Ann Swidler, and Steven M. Tipton. Published in 1991 by Random House Inc.

The same group of sociologists suggest that if we work together we can reform our institutions & produce what many people want: a good society.

SOCIAL PHILOSOPHY, by Joel Feinberg. Published in 1973 by Prentice Hall.

This is the best short book I know on the major issues in social philosophy.

II. EDUCATION

THE FUNCTION OF REASON, by Alfred North Whitehead. Published in 1929 by Princeton University Press.

In 72 pages, Whitehead shows that without reason, life would be chaotic. The function of reason he summarizes as

promoting the art of living well. Anyone interested in education, please consider this well.

THE MEANING OF A LIBERAL EDUCATION, by Everett Dean Martin. Published in 1926 by W. W. Norton & Company Inc.

This is the book from which I learned what a real education entailed.

THE MATURE MIND, by H. A. Overstreet. Published in 1949 by W. W. Norton & Company Inc.

Psychologist & philosopher Overstreet tells us what characterizes a mature mind and how it weighs and considers the influences brought to bear upon it.

THE MIND ALIVE, by Harry and Bonaro Overstreet. Published in 1954 by W. W. Norton & Company.

How to keep the mind alive & live so that life is very meaningful.

THE MIND GOES FORTH: The Drama of Understanding, by Harry & Bonaro Overstreet, published in 1956 by W. W. Norton & Company.

How we can learn to understand one another & overcome the differences that too often lead to antagonisms.

12. RELIGION

AMERICAN PHILOSOPHIES OF RELIGION, by Henry Nelson Wieman and Bernard Eugene Meland. Published in 1936 by Willett Clark & Company.

I took a course by the same title from Professor Wieman in the University of Chicago's Divinity School that year using this textbook. I still have the book. It opened my mind to the different philosophical emphases underlying some religious differences in this country. Wieman's own position was that there is an empirical basis for a sound religion but not for all existent religious beliefs.

RUFUS JONES SPEAKS TO OUR TIME: An Anthology, Edited by REV. Harry Emerson Fosdick. Published in 1952 by The Macmillan Company

Rufus Jones was a prominent Quaker of whom someone who knew got to know him said "I felt the evil in me weakened and the good raised up." My life has benefitted by knowing some fine Quakers too, so I recommend the book.

THE NEW GOLDEN RULE: Community and Morality in a Democratic Society, by Amitai Etzioni. Published in 1996 by Basic Books.

His concept of a new golden rule reads "Respect and uphold society's moral code as you would have society respect and uphold your autonomy."

THE WAYS AND POWER OF LOVE: Types, Factors, and techniques of Moral Transformation, by Pitirim A. Sorokin. Published in 1954 by The Beacon Press.

Over 500 pages from sociologist Sorokin to discuss what all love can do for individuals and societies. According to Sorokin, love involves at least altruistic behavior toward others. He discusses the importance of this in many ways.

BEYOND ECONOMICS: Essays on Society, Religion & Ethics, by Kenneth Boulding. Published in 1968 by the University of Michigan Press.

This book enables us to see the full range of Boulding's thought. He is always worth reading.

THE ENDURING QUEST: A Search for a Philosophy of Life, by H. A. Overstreet. Published in 1931 by W. W. Norton & Company Inc.

Philosopher & Psychologist Overstreet writes a very helpful book for all of us striving for truth, beauty and goodness but having some difficulty.

THE BATTLE FOR GOD: A History of Fundamentalism, by Karen Armstrong. Published in 2000 by Ballantine Books.

When Armstrong discovered she could never be a good nun, she became the world's current leading scholarly writer about religions. This book is very informative about fundamentalism in different religions now.

13. PEACE, NOT VIOLENCE

WORLD PEACE THROUGH WORLD LAW, by Grenville Clark & Louis B. Sohn. Published in 1958 by Harvard University Press.

This book was the first book to spell out in detail how to amend the UN Charter to substitute a world ruled by law rather than by mutual military threats that repeatedly result in very costly international wars. The power provided the UN would be limited strictly to that necessary to prevent international wars and to promote economic development of the less developed countries. The original edition was quickly sold out, but is available in libraries.

WORLD PEACE THROUGH WORLD LAW, by Grenville Clark & Louis B. Sohn. 2nd edition (revised). Published in 1962 by Harvard University Press.

This edition omits copies of the present UN & the proposed UN charters & includes other minor revisions but is otherwise a reprint of the original book. The authors also call attention to their proposing in 1962 an alternative way of accomplishing the same purpose. It was entitled "Draft of a Proposed Treaty Establishing a World Disarmament and World Development Organization within the Framework of the United Nations".

Together these publications are still the best showing how costly international wars could be prevented if the world was ruled by law instead, with the power to create such law limited to peace & development needs.

PLANETHOOD, by Benjamin B. Ferencz and Ken Keyes, Jr. Paperback published by Love Line Books in 1991.

In a little over 200 pages, this little paperback makes the case for the general public so it can easily understand the advantages obtainable by strengthening the United Nations as Clark & Sohn suggested. This little booklet was not copyrighted, so it may be freely reprinted by anyone who can get a copy (if they don't copyright it for their own profit). You can reprint it cheaply now days for yourself & friends. You can likely borrow a copy for that purpose from The World Federalist Movement,

708 Third Ave., New York, NY 10017 or from Citizens for Global Solutions, 418 7th Street SE, Washington DC 20003.

THE PARABLE OF THE TRIBES: The Problem of Power in Social Evolution, by Andrew Bard Schmookler. Published in 1984 by Houghton Mifflin Co.

I have not known where to put this in my book list. It suggests how violence started & became so important in social evolution. But more importantly it led its author to write numerous later books trying to find ways to establish a more peaceful world.

THE UNCONQUERABLE WORLD: Power, Nonviolence, and the Will of the People, by Jonathan Schell. Published in 2003 by Metropolitan Books.

Schell wrote previously and since about the terrible consequences to be expected if nuclear war is potentially possible. Here he shows that nonviolence operates at every level of political life and could be used to bring about a warless world.

HARMONY and CONFLICT in Modern Society, by Jan Pen. Published in 1966 by McGraw Hill Publishing Company.

In 23 chapters Dutchman Pen describes the different conflicts evident in modern societies and he harmonies that inhere in each situation. A very important contribution to any analysis of societies problems and possibilities.

HEALING ISRAEL/PALESTINE: A Path to Peace and Reconciliation, by Rabbi Michael Lerner. Published in 2003 by North Atlantic Books.

Rabbi Lerner presents his solution for one of the most hopeless situations. Read it to restore your hope.

GETTING TO YES: Negotiating Agreements Without Giving In, by Roger Fisher, William Ury, and Bruce Patton. 2nd edition Published in 1991 by Penguin Books.

A step by step strategy designed to facilitate win-win negotiations.

STABLE PEACE, by Kenneth E. Boulding. Published in 1978 by University of Texas Press.

This small book tackles a big problem: how to enable the world to achieve a stable peace.

THE UNCONQUERABLE WORLD: Power, Nonviolence, and the Will of the People, by Jonathan Schell. Published in 2003 by Metropolitan Books.

Schell wrote previously and since about the terrible consequences to be expected if nuclear war is potentially possible. Here he shows that nonviolence operates at every level of political life and could be used to bring about a warless world.

BOMB SCARE: The History & Future of Nuclear Weapons, by Joseph Cirincione. Published in 2007 by Columbia University Press.

By far the best analysis of the reasons why some nations want their own nuclear bombs, & what leads others not to develop their own, is provided in this book. The author is optimistic about the future. More people now understand that nuclear bombs are not useful defense weapons but absolutely terrible mass murder weapons that should never be used. But the big two can't maintain a double standard: okay for them but not for others. There is now a "Double Zero movement" that may succeed if the U.S. goes along. Obviously it also depends upon every nation agreeing to something close to a nearly fail-proof guarantee that no nation is cheating. Fortunately it is not easy to hide all the facilities for producing nuclear bombs.

WORLD SECURITY INSTITUTE, its President Bruce Blair (& a division of it: The Center for Defense Information) is mentioned as the most important source of current information on matters considered in this section of the book list.

14. ECONOMIC SUSTAINABILITY

PLAN B: RESCUING a PLANET under STRESS and a CIVILIZATION in TROUBLE, by Lester R. Brown. Published in 2003 by W. W. Norton & Company.

Lester Brown is the most knowledgeable and most published person on the present world's non-sustainability problems. For years he was head of the Worldwatch institute with its variety of types of regular publications, and in recent years he founded the Earth Policy Institute which now publishes his

books. If you read anything in this field, read Lester Brown and the different publications of both of these Institutes.

COLLAPSE: How Societies Choose to Fail or Succeed, by Jared Diamond. Published in 2005 by Penguin Books.

Historical examples are given of societies that ignored the limits of the local environments upon which they had to depend & as a result they collapsed.

NATURAL CAPITALISM: Creating the Next Industrial Revolution, by Paul Hawken, Amory Lovins, and L. Hunter Lovins. Published in 1999 by Little, Brown and Company.

This book shows that industry can already save money by saving natural resources, that being “greener” is also being more efficient.

STEADY-STATE ECONOMICS: The Economics of Biophysical Equilibrium and Moral Growth, by Herman E. Daly. Published in 1977 by W. H. Freeman and Company.

Sustainable economies will be forced upon us if we do not achieve biophysical equilibrium voluntarily which would require some moral growth on the part of most of us. But if we achieve the latter, we will learn how to enjoy the privilege of life even more. The moral growth needed is to stop “worshipping” material growth. A very important book.

When I compiled this list, I felt that everyone should read the following two books because of the new importance of their authors. But even when they pass from prominent positions, their present importance will still be important recent history.

THE AUDACITY OF HOPE, by Barack Obama. Published in 2006 by Three River Press.

PROMISES TO KEEP: On Life and Politics, by Joe Biden. Published in 2007, by Random House.

They should be followed by two books by the world’s leading current economist Joseph. E. Stiglitz:

FREE FALL (explaining how the economy collapsed), (annotated above under Social Control of Business), and *MAKING GLOBALIZATION WORK* (telling why it is now hurting the U.S. & many other countries, and how it could

be changed to benefit all countries) annotated above under Globalization).

NOT ANNOTATED

For a few years I kept a list of the books I had read, I cannot end this list without including a very small number that should have been in the above list. But they are not books I own, so I am unable to list publication date & publisher. But I assure you that all the following books are very good and very worthwhile reading.

A GLOBAL ETHIC for GLOBAL POLITICS and ECONOMICS, by Hans Kung.

WHAT WENT WRONG: The Clash between Islam and Modernity in the Middle East, by Bernard Lewis.

WHY RELIGION MATTERS: The Fate of the Human Spirit in an Age of Disbelief, by Huston Smith

SAVAGE INEQUALITIES: Children in America's Schools, by Jonathan Kozol.

THE ARGUMENT CULTURE: Moving from Debate to Dialogue, by Deborah Tannen.

IT TAKES A NATION: A New Agenda for Fighting Poverty, by Rebecca Blank.

THE TRULY DISADVANTAGED, by William Julius Wilson.

WITHIN OUR REACH: Breaking the Cycle of Disadvantage, by Lisbeth B & Daniel Schorr.

THE LEFT HAND OF GOD: Taking Back Our Country from the Religious Right, by Michael Lerner.

Finally I should list 2 books that are reviewed at length by Robert Kuttner in the January-February 2010 issue of *THE AMERICAN PROSPECT*. They are:

HOW MARKETS FAIL: The Logic of Economic Calamities, by John Cassidy. Published in 2009 by Farrar, Straus and Girou.

TOO BIG TO FAIL: The Inside Story of How Wall Street and Washington Fought To Save the Financial System – and Themselves, by Andrew Ross Sorkin. Published in 2009 by Viking.