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Chapter 1

Introduction and Overview

This chapter provides the reader with a sketch map of where the book is going and an overview of its content like that found in the final, summary, chapter of many books.

The book was written as a contribution to the quest for ways of tackling the serious ecological, economic, and social problems facing our society. To paraphrase Ekins^{1.1}: There are endless good ideas for ways of dealing with these problems, but it is almost impossible to get our leaders to take the necessary actions and, especially, to act in concert on a worldwide basis. Ekins' observation suggests that the problems which face us are not, in fact, economic *per se* but arise mainly from the way society is run. That is, they have centrally to do with deficiencies in the arrangements made to collect information, sift it for good ideas, use it to initiate innovative action which will be in the long-term public interest, monitor the effects, and take appropriate corrective action when necessary. In other words, the need is for a better monitoring, learning, and management *system*.

Environmentalists who call on governments to address our profound ecological problems are whistling into the wind - for two reasons. First, the actions they call for are generally insufficiently integrated and programmatic: They lack a foundation in an understanding of the *systems* processes of which acute problems are often but a symptom. Second, they fail to acknowledge that government is already grossly overloaded and that our procedures for getting public servants and politicians to orchestrate communal action for the common good are inadequate.

As the work of the Taylor Nelson Monitor^{1.2} and the Aspen Institute^{1.3} has shown, more and more Westerners are concerned about conservation, our iniquitous trade with the Third World, and the waste of human and natural resources associated with centralised production and distribution. Many wish to see care for the aged, the isolated, and the sick being provided through re-designed communities which facilitate neighbourly support rather than through the (highly unsatisfactory) channels of the commercial marketplace and impersonal bureaucracies, and many want those who provide such care to be appropriately rewarded. Most people are by now well aware of at least some aspects of the perilous state of the environment and population time bomb. They sense the social disintegration of their own society, and are acutely aware that our current societal management arrangements - whether "market" or "public-sector management based" - are not only ineffective, but are unlikely even to engage with the problems looming on the horizon.

These concerns lie at the heart of the British Liberal Democrat and Green parties' *raison d'être*. But a large proportion of those who vote Labour, and many Conservatives, also share them. The Taylor-Nelson Monitor's surveys show that, cross-culturally, the proportion of the population endorsing this cluster of concerns and priorities (collectively termed "The New Values") is higher in the UK, Holland, Austria, and Norway than it is in the other countries studied. A similar conclusion emerges from work carried out by Social and Community Planning Research^{1,4}: The majority of the British public have not actually embraced the "enterprise culture" and they never endorsed the aims, procedures, and beliefs of Thatcherism. The problem is that they neither know how to translate the New Values into effect nor see social research and organised reflection as a way of gaining the necessary insights or developing the required social arrangements.

Toward the Heart of Our Problems

It is easiest to grasp the nature of the problems which confront us by reflecting on the implications of two modern realities. First, as will be documented in Chapter 3, in many countries, including most countries of the European Union, the spending of some 75% of the gross national product is, in some sense, under government "control". This means, among other things, that the role of money in the management of society has been overturned. Whereas such authors as Adam Smith and Fred Hayek argued that adoption of a money-based market mechanism would enable everyone to give effect to their knowledge and feelings - and thus determine the direction of development - by voting with their pennies, the situation now is that the control of cash flows is used to orchestrate actions which have been determined through the politico-bureaucratic process. It follows that the economic system no longer - if it ever did - provides a management system *per se*. Second, as will also be shown in Chapter 3, the present public management system has, at least in part, come into being for the best of reasons. It gives us control over physical, social, and economic forces which lie outside the marketplace and were previously beyond the control of humankind. We are no longer totally at the mercy of plague, disease, famine, and blind economic forces. Moreover, if our society is to take appropriate action in the light of the information which is available about the state of the environment and what is likely to happen in the future - that is to say, if we are to create a society which *has* a future - we will need more, and especially more effective, information-based management. Unfortunately the need to undertake even current levels of public management has grossly overloaded our governmental apparatus. The result is poor decision-making on the one hand and feelings of powerlessness on the other. These symptoms of malaise are often attributed to public management *per se* when they are, in reality, attributable, to the *way* in which we manage our affairs.

One effect of attributing our problems to government *per se* is that, although there is an urgent need to gain still more control over economic, social, biological, and physical processes (or to get more control over our own behaviour so as to live in greater harmony with biological processes), many people are reluctant to call for the kind of action that would be needed because they believe it would mean government action of a kind of which they are (rightly) suspicious. In fact, there is a conspicuous need to co-ordinate policy in different parts of the world and, within countries, to co-ordinate what at first sight appear to be relatively independent domains of activity. Examples include agriculture, urban planning, and health; education and employment; and disease control and population policy. This need has become even more significant with the growing internationalisation of problems. One country's effluent, efficiently disposed of into the air, rivers, or seas, has become another

country's poison. Western knowledge of pest and disease control has been largely responsible for the population explosion. Western prosperity, based on trading policies (such as GATT) orchestrated and enforced by the G7^{1.5} through, among other things, the International Monetary Fund (IMF), is increasingly based on the impoverishment of other countries. These countries in due course export pollution, disease, migrants, and social unrest to the West. It is this need for more, and better co-ordinated, intervention which has led, on the one hand, to the establishment first of federal countries like the USA and then to federations like NAFTA and the EU, and, on the other, to recommendations - by, for example, the Brandt and Brundtland Commissions - for still greater intervention in world economic processes.

The main problems which plague the world today and, unless things change dramatically, are likely to plague it even more forcefully tomorrow, stem in part from the world-wide mismanagement of human resources, energy, food, and minerals and in part from the pollution of the land, the seas, and the atmosphere. These problems will not be tackled by the so-called 'invisible hand' of the economic marketplace. It was processes associated with the "marketplace" (actually largely a facade for corporate and government management) that created the problems in the first place. Despite Smith and Hayek's claim that the marketplace provides a mechanism whereby widely diffused bits of information can influence what happens, there is in fact no mechanism whereby much of the most important information - such as that on the effects of our activities on the global environment - can influence market processes. Left to themselves the unfettered workings of market processes - and, perhaps more importantly, those which have promoted a market facade which conceals a very different reality - will lead to further disintegration of our social fabric and further destruction of the fertility of the soils and the seas. They will, in the end, lead to the elimination of many more species, perhaps including *homo sapiens*. As Keynes observed, market mechanisms work, if they work at all, too slowly and too destructively. Perhaps more importantly, one of the things which will be demonstrated later in this book is that faith in market processes is even more misplaced than even the more sceptical among us suspected.

Many of the industrial plants (if not their owners' head offices) responsible for our problems are located in countries which have inadequate legislation to control pollution and insufficient resources and international influence to maintain the health and well-being of their citizens. The reasons why standards are so low, and enforcement of the legislation so poor, include lack of information on the consequences of the processes involved - whether they be manufacturing, agriculture, mining or waste disposal. But they also include the lack of an effective bureaucracy to generate and enforce standards. This is itself a product of the intrusive demands of the trans-national corporations and the IMF's insistence that "debtor" countries should export food, raw materials, and manufactured goods in an artificially induced buyer's market at prices far below their costs.

It would, however, be a mistake to lay most of the blame for the world's ills at the door of the economic marketplace. Much more destructive have been the actions which governments and international bodies have taken to advance their own interests in the name of creating conditions in which market processes and democracy can function. Market processes are, in reality, rarely allowed to take their course on the international scene. Instead, highly interventionist, ideologically-based, "solutions" are imposed by financial and military might.

This imposition of an economic faith by the sword is nothing new. It was not economic forces which led subsistence farmers to move off the land. It was the demand for taxes - enforced by private militia and the army. It was not the attraction of pay which forced even

these destitute migrants to accept work in factories. Rather it was the confiscation of common lands and the press gangs who forced “beggars” into workhouses where they could not avoid their fate. Likewise, it was not an absence of food which led to the mass starvation and emigration from Ireland at the time of the “famine”. It was the government military interventions which were deemed necessary to ensure that market processes could work: The large amounts of food still available in the country had to be exported under armed guard and replaced by grossly inadequate food “aid” inhumanely administered by the same military personnel who “knew” that if the people were starving that was because they were too lazy to work. Exactly the same processes can be observed in many parts of Africa today and in the Ethiopian famine of the late ‘80s.

Most of the IMF’s “solutions” to “problems” (which anyway often only exist in the minds of economists and statisticians) are likewise imposed by political fiat. The “problems” to be tackled include, not the number of starving people, the quality of life, or the predictable worsening of the conditions of life on the planet, but highly suspect abstractions like balance of payments, the “money supply”, or the “need” for debtors to “repay” “debts” (which are, actually, as we shall see in Chapter 4, entirely notional). The “solutions” to these moneylenders’ problems are imposed on the “debtors” rather than the moneylenders - and not infrequently by overt or clandestine military intervention. The overall effect is achieved by an alliance between the IMF, Western governments, Western banks and the trans-national corporations. (The question of the extent to which this is a conspiracy rather than an effect of like attracting like will be discussed in Chapter 11.)

A World of Problems or Opportunities?

When considering the problems of modern society it is vital to recognise that choice of an appropriate way forward presents us with major opportunities to *enhance*, not reduce, the general quality of life. It is not just a question of dramatically reducing the damage done by our lorries, the time we spend in our cars, and changing our lifestyles. There are also opportunities to eliminate many of the unproductive, unsatisfying, and stressful aspects of work. New societal arrangements could mean less unproductive paper-work and committee work. There could be real opportunities for large numbers of people to get off the employment treadmill without being subjected to demeaning treatment at the hands of “welfare” agents. There could be many more opportunities to engage in work which is personally satisfying - creative work, or work which directly meets the needs of others, rather than the requirements of bureaucracies or the demands of profitability. There could be more opportunities to labour together for the common good. What we are faced with, therefore, is a real opportunity to meet the needs of those who espouse new personal as well as social values and to enhance the quality of life of all.

It will be shown our quality of life depends hardly at all on the quantity of manufactured goods we possess. It depends on such things as the quality of our relationships, our opportunities for accomplishment, and the extent to which we feel we have been able to *influence* what happens in our organisations and society. It depends on our opportunities to contribute in ways which please us or extend us. It depends on the human scale, levels of amenity, and more general liveability of our cities, our personal security, our ability to give and receive help, and our security for the future. It depends on our freedom from demeaning inquisitions into our private lives by “welfare” agencies, and harassment by tax collectors or the police. It depends on whether we have sufficient security to be able to think about the future without fear and to think creatively about the steps needed to create a desirable future.

It depends on whether we are allowed to take the kind of action which is needed to create a secure future - something our current welfare legislation denies the “unemployed”.

In later chapters shows in more detail that the market mechanism is incapable of recognising - let alone delivering - most of the potential sources of life satisfaction mentioned in the last paragraph because they cannot be monetarised. And most of those it can recognise - like security - can only be purchased collectively, not individually. Since our quality of life depends hardly at all on the factors with which the market engages it is obvious that it could be greatly enhanced at the same time as our consumption of resources and the impact which such consumption has on the global environment was greatly reduced.

But make no mistake about it: We cannot allow ourselves to hope that finding a way forward will somehow *evolve* through trial and error. We cannot secure the future by proceeding in an academic or leisurely fashion. As we will see in the next chapter, we may, from an environmental point of view, already be beyond the point of no return. We may have already done irreparable damage to the soils, seas, and atmosphere. The problem of the environment is upon us. It is no longer something which, just might, occur in the future and which we could, by taking thought, avert. Nevertheless each of the problems we face is accelerating exponentially. The great danger is that, as they interact, the whole situation will spiral out of control. Thus the strain on our food base will interact with the population explosion and, in all probability, global warming, to threaten the very substance of human life. At that point it is virtually certain that governments and terrorists will deploy our massively destructive arsenal of biological and nuclear weapons in an effort to retain or increase their own chances of survival. We will be trapped in a self-reinforcing cycle spiralling irrecoverably toward disaster.

Historical Connections

The need for this book as it emerges from the above discussion has been identified by Bookchin^{1.6} while discussing how Green economics might be distinguished from visions of a Green economy:

“The current celebration by writers such as Susan Meeker-Lowry of entrepreneurs who voice Green pieties within an economic system that makes a mockery of their most well-meant ecological aims requires forceful criticism ... In the absence of a coherent critique that goes to the heart of the present ecological crisis ... we run the very real risk of slipping back into economic apologia, dressed up in formulas such as ‘backyard revolution’, ‘steady-state economy’, ‘consumer responsibility’ ... I do not wish to depreciate the very good intentions of proponents of these formulas. Their solutions ... may in the best of cases plug some holes in a sinking ship, but they ultimately fail to address the damage a market society must inexorably produce unless it is radically replaced.

“But replaced by what? Certainly not by a mythical “revolution” occurring in the backyards of the world or by investment in Green mutual funds ... A Green economy, qua economy, would no longer be describable in economic terms. It would be, above all, a political and ethical project ... Green economists would be obliged to ask whether market exchange relationships should exist at all ... They would have to ask whether ownership of the means of production should be ... replaced by free civic assemblies of the people ... whether our present metropolitan urban belts should be replaced by ... a polis-type network of humanly scaled communities. Finally they would have to ask whether the

nation-state should be replaced by a ... confederal association of municipalities united by mandated, recallable, and rotating deputies of civic assemblies ...”

Our book’s title links it to Adam Smith’s *Wealth of Nations*. Historically, Smith can be seen as someone who both gave society insight into the dramatic changes which had recently come about in the way in which it was organised, and as facilitating those very changes. We hope we can, in some small way, emulate him.

Our book is directly linked to the most fundamental question Smith sought to answer in providing an intellectual justification for the market mechanism. The problem was the following: It was noticeable that decisions taken by politicians and government officials were often far from wise. No one had anything approaching complete information on anything. The information individuals possessed was often not verbalised, never mind formalised. And the actions any one person took on the basis of the information which was personally available influenced the decisions everyone else took on the basis of the information available to them. The problem was to create a dynamic system which would enable these widely dispersed, inarticulate, incomplete, and reciprocally determining bits of information to have a cumulative and continuously self-correcting impact on what happened in society. Smith suggested that the emerging market economy would solve the problem. People could vote with their pennies to give effect to their preferences on the information they possessed. They could vote *separately* on a myriad of issues. They could change their minds as they saw what transpired. The mechanism, without centralised or deliberate control, would *automatically* result in the greatest good accruing to the greatest number. Nothing could differ more from a political system offering people a single vote every five years or so and requiring them to vote for or against a *package* of issues.

The most fundamental problems with this solution are, as we shall see in later chapters, (i) that too many costs and benefits elude the mechanism, (ii) that the cost of the time required to calculate and weigh the costs and benefits of alternatives and negotiate deals with others - that is to say, the transaction costs - are enormous, and (iii) that the system has been used to derive cumulative indices (such as GNP^{1.7}) which are used to as a basis for political intervention instead of allowing the guidance to come from the operation of the system itself.

Nevertheless, it cannot be too strongly emphasised that the most important problem facing society is still to find an alternative way of solving the problem with which Smith sought to grapple. *The primary purpose of this book is to propose an alternative solution.* It is in no sense to list specific requirements for a sustainable society. It will outline an alternative, dynamic, system for social experimentation, learning, and management.

It is not only the central problem on which we have sought to focus which links our book to Smith’s. The *solution* we propose also has much in common with his. Smith proposed a process which was anything but tidy and centrally controlled. What was proposed was a learning and management system which was decentralised, dynamic, and characterised by a ferment of innovation and evaluation. So too is ours. It will not appeal to those who are preoccupied with centralised planning, control, orderliness, and narrowly defined types of efficiency.

It will be argued that many of the difficulties our society currently faces arise from four fundamental errors^{1.8} in Smith’s analysis - errors which were of no particular importance at

the time but which have been elaborated into belief systems which, when applied in a very different world, result in utterly dysfunctional activities.

The first of his errors was that, while acknowledging that public servants contributed significantly to the improvement of the quality of life, and, indeed, by enforcing ground rules, to the very functioning of the economic system he proposed, Smith regarded them as “unproductive” members of the community.

Yet surely those who contribute to the creation of an infrastructure which makes the provision and distribution of food and goods *possible* - by providing roads, transport, sewerage systems, new knowledge (research), medical systems, security, insurance and so on are *productive*. To take a simple example, if one desires the production of more eggs one would be better advised to invest in civil servants who will do research into the feeding and lighting arrangements required to make hens lay more eggs, who will disseminate such information, make the economic arrangements required to stabilise farm prices, and arrange to get foodstuffs to farmers and eggs to consumers, than simply to offer farmers more money for their eggs. Farmers alone - without investment in the public sector activities required in these domains - simply cannot control key aspects of the productive process. It follows that public servants, by developing an understanding of biological, social, and economic forces, and inventing ways of harnessing and bending those forces, have contributed much more to the production of eggs than have farmers. It is often argued that the public servants don't do any real work: They only *manage*. But, on that logic, is it not true that the farmers “only manage” the “real” workers - the hens? It follows that public servants have *produced* wealth every bit as surely as have the farmers.

One of the most important changes in perception to which it is hoped that this book will contribute is, in fact, to the recognition of the key creative, managerial, contribution which public servants make in the creation of wealth. It is on finding ways of getting them to perform this role more effectively that we must focus.

Smith's second error was to identify the wealth of a society with the quantity and quality of the manufactured goods it produced, thus overlooking the significance of other determinants of quality of life. In actuality, any index of the wealth of a society should take into account such things as the ability of its members to lead satisfying lives (mainly associated with quality of working and family life) and their ability to avoid plague, disease, urban blight, and the horrors of economic depression. Not only are many of these missing from traditional economic indicators, the quality of working and family life is, as we shall see in Part II, actually *driven down* by market processes, and the contributions of those who do most to enhance the quality of life - such as parents, wives, and friends - are not recognised because their work cannot be commoditised and exchanged for financial reward.

Smith's third major error was to misunderstand the nature of money. This led him - and still leads classical economists - to seriously flawed conclusions.

In the first place he believed that, by and large, money *circulates*; that the price system is self-liquidating. When money was mainly a medium of exchange if I paid you £10 for some chops then that money got distributed. You spent it on food, clothes, housing, education. The recipients then spent it on other things. Such a system could go on indefinitely. But now it is obvious from the fact that world debt is increasing at an ever increasing rate that, on average, it costs us more to live than we earn. We have to borrow more and more. One consequence of

this is the money distributed through the system as a result of the sale of an article becomes less and less. What is happening is, however, seriously obscured by the fact that much of the debt is collective, not individual. What looks like taxation to pay for services is, very largely, money siphoned off through taxation to pay collective debts. One vitally important consequence of this process is that the banks have come to have a lien on more and more of the real wealth of society. Another is that the gap between real wealth and monetary values has become wider and wider. Money is not wealth. Its possession gives its owner a *claim* on wealth. Smith's assumption that money and wealth are much the same thing is now seriously in error. Today it is the international banking community which has by far the greatest claim on the real wealth of nations. Classical economists continue to believe that, by and large, money lent by banks comes from savings. Unfortunately, as will be shown at some length in later chapters, it does not. Only a fraction of the money that is lent by the banks comes from this source. The banks mainly lend money which they have themselves created. Not only does the money sucked in as "interest" on this self-created money undermine the foundations of the self-liquidating price mechanism, the assets offered as security for these astronomical "loans" gives the banks a lien on far more of the real assets of any society than Smith would ever have believed possible.

Smith's final error was based on this, for it had to do with savings. This oversight continuously worried Keynes, although he never understood it. Smith realised that it is what is *done* with money which is important ... but he went on to advocate saving. Unfortunately savings may or may not be invested. Keynes noted that they may simply be taken out of circulation. This produces the disastrous results to which he drew attention. It follows that the issue is not one of savings *per se* but the *direction* in which savings are invested.

Responsibility for the direction of investment cannot safely be left to the marketplace. For example, insurance companies sell land, property, and companies to each other at higher and higher prices in order to generate the inflation they need to appear profitable. Although such an arrangement increases the monetary value of assets, it does not lead to an increment in the quality of life - or even to the capacity to improve the quality of life. That is, it does not lead to any increase in the genuine wealth of society. Even in the more restricted sense of promoting traditional forms of innovation, insurance and pension companies as owners of other companies are unable to make the kind of judgments of people which would be required to guess which investments are really likely to pay off in terms of successful innovation. What one has is, not the endless decisions taking account of a multitude of non-verbalised bits of information envisaged by Smith, but a few powerful people making world-shattering decisions on the basis of a single criterion - being as certain as they can of a high level of profit. Those who run these organisations - far larger than any economic entity known to Smith - have no pretensions to the concern with humanity evinced by the wise men Smith castigated and whose power he sought to erode. It follows that Smith failed to solve the problem he most centrally set himself - namely to invent a system which would take account of widely diffused and disjunctive information without the need for wise men making complex judgments. It follows from this discussion that it is on the *decision-taking process* which guides investors who have power, wealth, and international connections that we must focus.

The Way Forward

So far, this chapter has highlighted some points which will be made at greater length in Parts I to III of this book. The remainder of the chapter will sketch in something of what will emerge when, in Part IV, we come to consider the way forward.

The new societal arrangements which are required to introduce the radical transformations that are required in the way we run our society turn out to have three components. It is not without irony that these build centrally on our existing politico-bureaucratic arrangements, the procedures the Trans-National Corporations use to manage world affairs in their own interests, and, most directly, on the procedures the Japanese use to manage the world in their interests.

But, before we review these components, two points may be reiterated. The first is that public servants play a vital role in creating the wealth of modern society. It is not only in sectors producing commodities, whether in the EU or Japan, that the activities performed by public servants are of vital importance. They also play a vital role in enhancing the quality of life *directly* through public provision - for example through the design of living and working arrangements or by creating conditions of security both now and into the future. For this reason it is to finding ways of getting public servants to play their key role in releasing energy into innovative activity more or less across the board that we must attend. The role which the public service plays in wealth creation is far too great to be adequately directed and supervised by multi-purpose elected assemblies. It is on *public servants themselves* - and not governments - that we must focus. We need to change our expectations of them and we need to develop better arrangements to direct and monitor their work. Most importantly, we need to develop new arrangements to ensure that public servants seek out and act on information in an innovative way both in the long-term common interest and in the interests of sub-groups of the population.

The first requirement for any radical transformation in society is the creation of a pervasive climate of innovation. This means setting aside time for, attaching importance to, and establishing the network-based working arrangements required for *everyone* to become involved in what Kanter^{1.9} has termed “parallel organisation activity concerned with innovation”. In this way everyone will be able to contribute their diverse, and often unverballed, insights and distinctive talents to the process of identifying and introducing the almost endless changes that are required. This will lead to numerous contradictory “experiments” based on different definitions of “the most important problem” and routes to its solution.

The development of the arrangements needed to create this hive of innovation need to be linked to much better arrangements for monitoring the experiments that are initiated in such a way as to learn from their effects, for carrying out the crucially important fundamental research that is required, and for ensuring that action is taken on the basis of results. The necessary research and development organisations themselves need to be run very differently to most of today’s universities and policy research units.

The process of innovation needs to be supported by new arrangements which will enable everyone concerned to get credit for having contributed in very different ways to the difficult, demanding, and frustrating activities involved in innovation. The outcome will be a very messy process, almost exactly the opposite of the current preoccupation with authoritarian direction, streamlined (“lean and mean”) arrangements for implementing directives, and the

almost complete absence of arrangements for learning from the effects of action or taking corrective action when necessary.

Public servants have the key responsibility for creating this pervasive climate of innovation and for introducing the arrangements needed to support it.

The second, overlapping, requirement involves the evolution of much better arrangements for initiating the collection of information in the first place, bringing it together, sifting it for good ideas, initiating action based upon it, monitoring the results of that action, learning from the monitoring process, and re-starting the cycle. Clearly, this is again primarily a responsibility for public servants.

The third set of necessary developments involves the introduction of new ways of thinking about management, bureaucracy, democracy, and citizenship. The most important development in our ways of thinking about *management* involves recognition that it has centrally to do with *releasing the energy, creativity, and initiative of others in a hive of innovation*. This in turn underlines the importance of developing of new procedures to *ensure* that politicians and public servants both set about creating such a ferment of innovation and themselves consistently seek out and *act on information in an innovative way in the long-term public interest, monitor the effects of those actions, and take corrective action when necessary*. The arrangements required to do this involve the introduction of much better, social-science based, monitoring procedures, and the evolution of much improved ways of exposing the behaviour of public servants to the public gaze (so that they are more likely to act in the long term public interest) and finding ways of giving them credit for engaging in the risky, creative, demanding, and publicly visible activities involved in innovation.

The development of better ways of exposing the behaviour of public servants to the public gaze turns on the evolution of new forms of participative democracy grounded in network-based supervision of the public service. This has major implications for concepts of citizenship.

Although implemented through our existing structures, the result will be a devolved, dynamic, experimentation-learning-and-management system very different indeed from what we have today. What happens will be determined - as in Smith's market mechanism - by a wide range of people who have different priorities, perceptions, and bits of information. It will not be determined by central decree. But the invisible hand of the marketplace will be replaced. It will be replaced by visible monitoring and learning arrangements aimed at understanding *systems* processes - an understanding which will allow the consideration, assessment, and control of *multiple* determinants of events and the identification of a wide range of desired and desirable outcomes.

At this point many readers will be wondering how all this activity is to be paid for. Later chapters will show both that this is not really the correct way to pose the question, and that, even if posed in this way, there is really no problem. We can hint at the answer here by saying that the correct way to view the problem is to focus on the redeployment of human resources. There is ample scope for this. We have lots of unemployed people. We have a incredibly ineffective public sector. And we have a market process the provision of which (as we shall document) consumes two thirds of the selling price of all goods and articles which pass through it. "Paying" for the process is, therefore, like the wider problem of which it is a symptom, essentially a *management* task rather than an economic one.

The use of the words “learning” and “management” in the previous discussion poses problems. Those which are associated with the use of the word “learning” are most apparent in Milbrath’s^{1.10} work. Milbrath, like ourselves, noted that the key development required is the evolution of a “learning society”. Unfortunately, use of this term tends to evoke entirely the wrong impression since the word “learning” has been captured and given an inappropriate meaning by educationists^{1.11}. What is needed does not correspond to the image conjured up by the phrase “lifelong desk study”. What is required is the kind of learning involved in making one’s own observations about how biological, economic, and social processes work, identifying points at which those systems might be influenced, acting on those tentative insights, monitoring the results in order to learn more about the nature of the problem and the effectiveness of one’s strategies, and initiating further action on the basis of what has been learned from the “experiment”.

It has become fashionable to say that we live in the “information age”. This phrase is used in two distinct ways. In Britain, it is taken to denote a society in which information can be *traded*. Used in this way it refers to everything from the publication and sale of books and information on the codes required for genetic engineering, to the whole paraphernalia of conferencing the non-information generated by the climate of “publish or perish” in academe. But at the heart of the Japanese economic “miracle” lies another interpretation: the *use* of information. In Japan, quality circles *use* information to improve production. Networks of discussion groups and the media participate in debates to decide on the future and how it is to be achieved. A continuous massive worldwide trawl is conducted to find information of potential use in product development - and the information so collected is carefully sifted and acted on in an innovative way in the interests of Japan. The way the international banking system works was carefully studied and the information so obtained used to acquire worldwide assets - and simultaneously to prevent outsiders acquiring assets in Japan (and especially the control of Japanese companies). Careful studies are made of how every political economy on the globe works, and this information is used to invent ways of making them work in the Japanese interest^{1.12}.

The main aim of this book is to help to operationalise a concept of “the information society” as “a society in which information is collected, sifted, and used in an innovative way in the long-term interests of the planet”. The most fundamental question the book addresses is: “How does one run a society in which money has ceased to perform the functions which Adam Smith envisaged for it - that is, to weigh and coordinate (through prices) numerous bits of (often feeling-based rather than explicit) information to provide feedback and determine the direction of development?”

The information required is complex and involves the study of systems processes - of the way in which processes which can be analysed and studied separately interact to produce unanticipated - and often self-reinforcing - results. Whether or not one takes on board the full ramifications of the Gaia hypothesis - which sees the Earth as a unified organism evolving as the conditions of its existence change - it is not difficult to conceive of our world as a system of systems. Each of these systems, the ecological, financial, political and so on, has its own set of thresholds and feedback loops, but they also feed into one another, so that change in any one of the systems leads to change in the others. This book will provide many examples of such interconnections, and is intended to address the question of how to collect and give effect to the vast amount of information needed to manage the global supersystem.

Just as one needs to understand the word “learning” more broadly than is encouraged by the way in which it is used in most books and discussions in education, so, if one is not to be misled, one needs to understand the word “management” to refer to a much more subtle process than that most often envisaged when the word is used in the UK and US - though, again, not in Japan. Ironically, effective management in the UK and US embodies everything the word is intended to imply when it is used in this book. Studies of effective management^{1,13} show that it involves actions which release the energies of others into innovative activity which harnesses the goodwill, creativity, and serious-mindedness of those concerned in a collective and concerted effort to find ways forward. It involves taking deliberate steps to create a pervasive climate of innovation in which many people contribute in very different ways to the process. Management does *not* involve making decisions for individuals and issuing instructions. It involves managing situations so that people’s *own* problem-solving behaviour leads them forward. There is no way central government can prescribe all the actions needed to create an effective educational system or society.

A Contribution to the Third World

There is one final comment to make in concluding this chapter. This is that, if the book contributes to the evolution of a better way of running our own society, we will have stumbled upon the most important contribution we could possibly make to the Third World and Eastern Europe. The problems facing these countries are not economic as such. They are management problems: They involve finding ways of harnessing their human resources to manage their own affairs effectively and to control the damage done through their interface with the rest of the world. We hope to provide the framework needed to do this.

Notes

- 1.1 Ekins, 1986
- 1.2 Taylor Nelson Monitor, see Large, 1986.
- 1.3 Yankelovitch et al., 1983
- 1.4 Jowell and Topf, 1988; Social and Community Planning Research, 1993
- 1.5 The G7 countries are: the USA, the UK, Germany, Canada, France, Italy, and Japan.
- 1.6 Bookchin, 1992
- 1.7 GNP stands for Gross National Product. This roughly corresponds to the total value of all goods and services produced in a country. In later chapters, we will explore some of the interpretational problems posed by the figure.
- 1.8 These errors were actually clearly perceived by Douglas more than 60 years ago (Douglas, 1935/78b).
- 1.9 Kanter, 1985
- 1.10 Milbrath, 1989
- 1.11 Educators tend to use such terms as “lifelong learning” to refer to formal, “education-defined-as-telling” learning, not the ability to develop oneself, develop one's own talents, make one's own observations, initiate action, monitor the results, develop a better understanding of the problem one is tackling and the effectiveness of the strategies one is using and, as a result, make more appropriate interventions, the ability to build up a new understanding of current social and ecological processes and the ability to intervene in them.
- 1.12 The best-selling book in Japan in 1993, selling over two million copies, was *How to Live in Poverty with Dignity*. It consisted mainly of teachings drawn from ancient Japanese manuscripts. Although these sales may be interpreted as evidence of sudden endorsement of the “New Values” - which are actually ancient Navajo and Japanese values - in Japan this is not necessarily the case. Much of the deliberate crafting and presentation of misleading persona to the rest of the world has been legitimised by saying that Japan is a poor country which needs to protect itself. A strengthening of this self-image may therefore lead, not to the expected internal transformation of society, but to a strengthening of the tendency to concealed protectionism and international exploitation.
- 1.13 Raven, 1984; Spencer and Spencer, 1993

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*(pp.17-31). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 [“Some Observations on Money”], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 2

The State of the World: The Environment, Population, International Debt and Interest, and the Social Fabric

This book develops a distinctive perspective on the arrangements needed to run modern society. Recognition of the need to do this was prompted by awareness of two things: (1) The precariousness of the present human predicament; and (2) The inability of our current societal management arrangements - the financial system (and especially market processes) and the public management system (government and bureaucracy) - to tackle the problems which face us. The dangerous situation in which humankind finds itself will be well known to many readers. Nevertheless, the book would not be complete without a brief summary of the main evidence.

Although this chapter mainly summarises a few of the facts assembled by ecologists and others to underline the seriousness of the environmental crisis, it also includes a little information on the state of the financial system and the disintegration of the social fabric although these topics will be discussed at greater length later.

Much of the material summarised in this chapter has been discussed more fully in the sources on which it is based. These include Ward and Dubos' book *Only One Earth*^{2.1}, the Worldwatch *State of the World Reports*^{2.2}, the *Gaia Atlas of Planet Management*^{2.3}, an books published by Porritt^{2.4}, Milbrath^{2.5}, and Meadows et al.^{2.6}.

In essence, the problems we face stem from the pervasive and perverse persistence of the “American Dream”. Not only has this proved to be a mirage even in America itself, but, long before all the world's people - or even just the people of China - could achieve it, the planet would be laid to waste. Apart from anything else, living like Americans depends on endless resources sucked in from other parts of the globe. The West consumes more than three quarters of all the world's metals and energy and causes the bulk of the pollution of the soils, seas, and atmosphere. It accounts for two thirds of all the greenhouse gases and three quarters of the sulphur and nitrogen oxides that cause acid rain. It generates 90% of the chlorofluorocarbons (CFCs) that destroy the ozone layer. Since the Second World War, the population of the US alone has consumed as many minerals as everyone who lived on the entire planet in all previous generations.

Despite this fantastic consumption, there has been no increase in the proportion of Americans who report themselves “very happy”. The socio-economic processes which drive American society have had the effect of requiring Americans to engage in more and more frenetic activity to stay in almost exactly the same place as they were 50 years ago. To achieve the same standard of living today it is necessary for both partners in a marriage to work - and to work longer hours each day - despite the availability of labour-saving gadgets like washing machines, vacuum cleaners, and refrigerators. The US social fabric is collapsing: Statistics on crime, mental illness, family disintegration, and levels of stress are all increasing exponentially. The American Dream is therefore a mirage in more ways than one: It is unattainable and its pursuit is unbelievably destructive.

The average American consumes almost his or her own weight of basic materials each day: 18 kg of petroleum, 13 kg of other minerals, 12 kg of agricultural products, and 9 kg of forest products. The US, with 5% of the world’s population, uses 30% of its energy and generates 30% of its carbon dioxide emissions.

One fifth of American families own three or more cars. 90% of new cars in the US have air conditioning, doubling their contribution to global warming and adding to the emissions of ozone-depleting CFCs. The USA’s automobile-based way of life clearly cannot be generalised to the rest of the world: Only 8% of the world population currently have cars. No technological developments could possibly achieve the energy savings or the increase in production that would be required to extend the American way of life to the rest of the world - never mind to deal with the products of energy consumption and waste disposal. Nor would developments in car technology help the majority of humanity who will never own a car. They would not reduce traffic congestion, death (worldwide, more than 250,000 fatal accidents a year) and injury on the roads, urban sprawl, centralised production and distribution, the loss of vast tracts of land to highway construction, or the social costs of road building.

The US - and the rest of world with it - is lured to its destructive way of life in part by images presented in the media. It is not only advertisements that are to blame: Films and plays also portray the materialistic way of life as a legitimate - indeed as almost the only thinkable - way of life. They portray it as a means of achieving satisfaction. Yet, in any comparison between countries, there is no correlation between income and happiness. Within countries there is more support for the idea: The better off are slightly happier than the less well off - but they are no happier than those who are actually poorer but, in their own countries *relatively* better off. Contrary to what the media suggest, life satisfaction is related most closely to satisfaction with family life, work, leisure, and friendships.

In the remainder of this chapter, the seriousness of the problems which face us will be documented under a number of headings.

Population and Resources

Perhaps it is best to approach what is in reality a dense knot of environmental problems by looking first at the question of population. Since the beginning of the Industrial Revolution, world population has increased exponentially. At a growth rate of 2% per annum, population doubles every 35 years. Although the actual rate has dropped below this figure during the last

two decades, population growth remains exponential. In 1991, 92 million people were added to the world population, equivalent to the populations of Germany, Switzerland, and Austria taken together. However, since 90% of the increase has occurred in the Third World, a more appropriate comparison would perhaps be eight times the population of Calcutta.

Unfortunately, the space and resources of the Earth are finite, not only in terms of the supply of resources available but, perhaps more importantly, in terms of its capacity to absorb waste.

However, the population increase itself is not the main problem: India, with 20% of the world's population, uses only 2% of its energy. This is particularly important because many of the most important problems facing the planet stem from the pollutants and greenhouse gases which arise from our inordinate consumption of energy and the destruction which the use of energy-intensive machinery inflicts. Without wishing to minimise the problem of population, and noting what China has been able to accomplish by way of limiting population growth if not by way of restraining "development", it would be churlish not to overlook the possibility that focussing attention on population may be, at least in part, a mechanism whereby the poor of the Third World can be blamed for problems created by the West.

It is the *combination* of population explosion with a worldwide commitment to Western concepts of "development" - most notably in Pacific rim countries - which is so terrifying. When this is combined with access to the knowledge and technology required to deploy biological and nuclear weapons to lay claim to whatever remains available the situation becomes still more alarming.

Agriculture, Food Production, and Land Management

Each year 40 million people die from hunger and hunger-related diseases - equivalent to 300 Jumbo jets crashing without survivors every day. The within-country variance in access to food - outside China - is often enormous. The rich in Kenya, Brazil, Mexico, and the Philippines gorge themselves among the starving. Average statistics by country are therefore extremely misleading.

In 1989, enough food was produced in the world to provide 5.9 billion people, more than the world's population, with a subsistence diet, but only 2.9 billion with a diet at European levels. Nevertheless over a fifth of the population had less food than the body requires, and something between 10% and 20% were chronically hungry.

Despite the enormous success (at least in the short-term) of the agricultural policies pursued in the US and Europe, both of these countries import massive amounts of foodstuffs from the Third World. Thus Rees^{2.7} has shown that Holland imports all the fodder which can be produced by a land area five times its size to feed to its livestock. Overall, it requires all the agricultural produce of a land area 17 times its size for its population to live as does. The highly fertile Frazer valley of Western Canada requires for its survival at its current standard of living a hinterland of 18 times its size. Among the most important agricultural imports into Europe is grain to feed cattle. This often comes from countries in which many people are living at starvation levels. (At the height of the Ethiopian famine, Europe imported grain worth many times the value of the "aid" sent to that country at the time, and vastly exceeds the sums raised by the worldwide Band Aid concerts organised by Bob Geldof.) We should not focus only on the *quantity* of food imports: they are typically priced at well below their cost. This is partly a product of the absence of international standards to outlaw conditions of work which would not be tolerated in the West including low wages, child labour, absence of

welfare, poor housing, poor health care, absence of pensions, and scanty control of pollution. But this is not their main source. GATT and the policies of the IMF and World Bank, not to mention the activities of the TNCs, force Third World countries to sell food to the West at below cost and to divert still more of their farmers to growing cash crops for export instead of the food needed at home. We import coffee, cocoa, and sugar at prices which have been forced down by GATT and IMF policies which require the countries concerned to close down local manufacturing plants in order to concentrate on exporting unprocessed commodities in a highly competitive buyer's market. The TNCs also deny these countries access to the equipment required to process foods, like coffee, for themselves. As a result, only 8% of the sale price of coffee, and as little as 2.5% for bananas, ever reaches the grower.

Over most of human history agriculture was mildly energy positive ... which is just as well. Modern agriculture outside China uses enormous amounts of energy - not only to drive tractors and equipment, but also to manufacture and distribute fertilisers, to transport seeds, and to get the produce to market via vast processing, packaging, and centralised distribution plants. Manufacture of the packaging itself consumes huge amounts of energy and results in waste which is hard to dispose of. Centralised distribution plants result in the transportation of such things as vegetables over hundreds, if not thousands, of miles to the plants and then back to supermarkets whose customers themselves then drive miles to purchase them.

Each year land is lost in every part of the world. This is due in part to such things as erosion in North America, desertification and deforestation in Asia, Africa and Latin America, and acidification in Europe, although it has, of course, many other causes.

Desertification alone accounts for the loss of 12 million hectares a year. 11 million hectares are lost as a result of clearing tropical forest and 6 million through erosion. 25 billion tons of topsoil - equivalent to the total tillable soil coverage of India and France combined - disappear into the sea each year. Additional contributions to the degradation of the agricultural land bank include a declining supply of uncontaminated water and the absence of sinks for agricultural chemicals.

The potential of the seas to generate food in the form of fish is being destroyed by dumping and over-fishing. Although it is well known that land-based agriculture results in destruction of the soil and contaminates waterways with fertilizer, it is less well known that fish farming produces substantial contamination of the seas from excess food, fish droppings, and dissipation of the antibiotics required to counteract the diseases which proliferate when fish are reared in high concentrations. Fish farm escapes, which are common, also result in genetic changes in wild fish populations.

Deforestation

Since the introduction of agriculture, a third of the Earth's forests have been lost, and only a third of what remains is undisturbed primary forest. Half of the loss has occurred since 1950. 200 million hectares of trees have been felled since 1972 - an area one third that of the USA. The more species-rich tropical forests are culled at ever-increasing rates. Encouraged by domestic government policies, international aid agencies, and international pricing, cattle ranchers alone cut and burn 2.5 million hectares of forest in central America and Amazonia each year. The soils lose their fertility within six years, leading the ranchers to move to new land. Hardwoods are also cut for export and other species for paper manufacture. Loss of forest cover causes erosion which silts up lakes and reservoirs, thus leading to flooding and

loss of water supplies. As it washes into the oceans the silty effluent destroys natural fisheries. Forest clearance also affects climate, since trees absorb heat and CO₂. Thus forest clearance results in drier climates like those of North America and Europe.

It is important to note, however, that the disappearance of forests can also be caused indirectly - acid rain and air pollution have damaged three quarters of European forests.

Ecological Diversity

From the point of view of survival of the planet perhaps the most worrying change is that more species have been exterminated in the last 20 years than in the mass extermination that eliminated the dinosaurs 65 million years ago. At the same time our species - one among millions - now appropriates 40% of terrestrial net primary production (photosynthesis).

Water for Drinking and Agriculture

The majority of the world's population drink seriously contaminated water. It is the most common source of deadly diseases.

Water, like timber, is a renewable resource which, under conditions of local over-exploitation, becomes non-renewable. Pollution, and an exponential growth in demand which continually comes up against operational limits on storage capacity, are together laying the foundations for a global water shortage.

Falling water tables and competition for river water are now a major threat to continued agricultural production in many parts of the world, not just in India, China, the US, and the Middle East. The rate of fall of the water table in mid-China is a metre a year. The vast Ogallala aquifer, which supplies irrigation water to US farmers and ranchers from Nebraska to Texas, is being systematically depleted.

In the "developed" world much water is now contaminated by leaching from landfills, oil pollution, etc.

Energy

The pervasive use of oil is a very recent phenomenon. Even 40 years ago, annual oil consumption was one sixth of what it is today. It is set to increase by 75% in a decade - an amount that can only feasibly be extracted from the Persian Gulf. US oil production is already declining because of lack of new finds.

In 1989, the World Energy Conference predicted that the world's overall energy demand will increase by 75% by 2020. Most of this will need to be satisfied by the non-renewable fossil fuels - coal, oil, and natural gas. Due to the discovery of new deposits and the upward reappraisal of old stocks, estimates of the number of years resources will last if production remains at current rates have actually increased since 1970. In 1989, the estimate was 41 years for oil, 60 years for gas, and nearly 800 years for coal. The estimates will continue to rise as long as the rate of discovery outstrips production. However, each new discovery draws from the Earth's - ultimately finite - store of irreplaceable fuel. Further, at the end of the production process, fuel combustion pours pollutants and greenhouse gases into the various planetary sinks, which are already straining. In the case of coal, which is still relatively

abundant but whose combustion produces enormous quantities of carbon dioxide, use will almost certainly be limited by the (unknown) capacity of the atmosphere to absorb this most important of the greenhouse gases. The same limit applies to the flow of oil, but here depletion at source is much more of a problem. We can expect to see less and less return on exploratory efforts, and a gradual decline in global production as remaining stocks become concentrated in the Middle East. Natural gas is the cleanest of the fossil fuels, but it would be rapidly used up if adopted as a replacement for coal and oil.

It is important to realise that, while renewable energy sources can provide energy forever, they cannot support an ever-expanding population or the massive increase in energy consumption which would be required for the universalisation of the American way of life. Nevertheless they could provide the energy for a sustainable society without incurring the destructive effects of fossil fuel.

Waste Disposal; Pollution; Threats to the Global Ecosystem

So far, we have concentrated on problems associated with diminishing resources. At least as great a threat to future global security is posed by the abuse of our planetary sinks, which are beginning to overflow with waste. The most dangerous among these, such as radioactive waste and the greenhouse gases, seem to generate a feeling of paralysis arising from the manifest political and economic difficulties involved in their regulation.

In the case of nuclear waste, humanity has created a monster - something outside the natural order of things. The lethal products of the fission have not previously existed in the biosphere to any extent. No organism has evolved to render them harmless. They only degrade over a long period of time, in some cases thousands of years. Our solution to the problem they pose has thus far has been to store them out of sight in the hope that we will one day find a way of destroying them.

Surprisingly, many industrial chemicals are just as much an unknown quantity as nuclear wastes. Although more than 65,000 such compounds are now in regular use, toxicology data are available for less than 1%, and of the new chemicals entering the market each day, 80% have not been tested. It is, however, known that organochlorines (such as PCBs, dioxins, DDT, and Lindane), which are used in bleaching solvents, dyes, PVC, and pesticides, damage the immune and reproductive systems, causing birth defects and cancer. US industry discharges 250 million tonnes of toxic waste a year - one tonne per citizen. Very little of it is properly disposed of. Most of it finds its way into landfills, which often leak into water, which then makes its way the surface. Not infrequently such wastes are exported to Third World countries for a small fee. Those countries, lacking both a full understanding of what is involved and the bureaucracy required to enforce regulations, are even less likely to dispose of them in a satisfactory manner than the originating country.

The US generates 660 kilograms of garbage per person per year - twice the rate of Europe. Garbage incineration pollutes the atmosphere and the water used to cool the incineration plants and quench cinders. It also produces highly toxic ash which, when placed in landfills, leaches into water systems. Incinerators pump into the air nitrogen and sulphur oxides (which cause acid rain), carbon monoxide, dioxins, furans, and heavy metals. These heavy metals are widely scattered, extremely damaging, and non-degradable. Smokestack cleaners can extract some of these pollutants - but at the cost of further water pollution and the production of

more toxic ash. The capital costs are also extremely high: Building a plant runs at about \$150,000 per day ton of productive capacity.

Finally, mining itself produces enormous amounts of waste. For example, non-fuel mining in the US produces 1.3 billion tons of waste a year.

Whereas solid radioactive and industrial wastes are relatively localised in their effects, discharges into the air and seas have global effects. Certain gases, carbon dioxide chief among them, trap the sun's energy, letting it reach the earth's surface but not allowing it to leave the atmosphere on reflection. This "greenhouse effect" is a natural process, crucial for the maintenance of habitable conditions on our planet, but the concentration of the gases responsible for the effect must remain constant for a steady temperature to be maintained. At the beginning of the Industrial Revolution, the level of carbon dioxide in the atmosphere was 265ppm. In 1990 it reached 350ppm. The difference is the result of fossil fuel consumption and deforestation. Currently, 6 billion tons of carbon are pumped into the atmosphere each year. There are all manner of predictions for future levels, but a typical estimate suggests an exponential growth to a concentration of some 600ppm by 2050. Analysis over the last twenty years suggests that concentrations of other greenhouse gases, including methane, nitrogen oxides and chlorofluorocarbons, are also growing exponentially, having doubled since 1972. Given these changes, we should be able to observe an increase in average temperature corresponding to the increase in concentration of greenhouse gases and indeed, the eight hottest years in the last century have been recorded in the 1980s and 1990s. The ice-free season in the Canadian Lakes has lengthened, so that the mix of species in the Lakes has changed.

Climate predictions for the future vary widely. An increase of a few degrees centigrade in average temperature over the next 20 years could lead to a permanent drought in the North American grain belt and a six metre rise in global sea-levels. The former would lead to world-wide starvation and the latter flood much of the Netherlands, half of Florida, much of Bengal and the savannah of Argentina. However, great uncertainties surround the actual workings of the global ecosystem. There may, for example, be negative feedback mechanisms to counteract climatic change. Indeed, it already seems that the oceans are busily absorbing about half the excess carbon dioxide we emit. But specific predictions are really premature. The point is that vast amounts of information need to be sifted, evaluated and acted upon if we are to gain control of the global environment^{2,8}.

The ozone layer, associated with the maintenance of planetary temperatures and the exclusion of life-threatening radiation, is destroyed by chemicals contained in such apparently harmless things as aerosols or the Styrofoam of which egg cartons are made. The radiation which enters through the hole in the ozone layer produces skin cancer, cataracts, allergies, lowered resistance to diseases, and destroys forests, crop yields and animals. In the past decade ozone levels in both the Northern and Southern hemispheres have fallen by 8%.

Acid rain is another global pollutant which does not respect national frontiers. 90 million tonnes of sulphur dioxide (mainly from electricity generating plants and smelters) are pumped into the atmosphere each year. This, together with oxides of nitrogen, creates the acid rain which kills forests, makes lakes sterile, leaches plant nutrients out of the ground, destroys buildings, and activates heavy metals in the soil, rendering them toxic.

Air pollution alone is causing a fall in US agricultural production of 8% p.a.

But it is not only gases which are discharged into the atmosphere. Particles are ejected as well: There is half a gramme of lead in every litre of leaded petrol, with the result that cars eject 450,000 tonnes of lead per year as fine particles. While this has been reduced in North America and Europe, the oil companies still insist on selling large quantities of leaded petrol elsewhere in the world. But the use of unleaded petrol is no panacea because its anti-knock ingredients are based on enzymes which find their way into exhaust fumes. These may have much more detrimental effects on life than lead, although they have been much less thoroughly studied.

Turning to pollution of the seas, Britain discharges 5,046 tonnes of highly toxic heavy metals (zinc, lead, cadmium and mercury) into the sea each year. These heavy metals are used in a wide range of manufacturing processes including electroplating, the manufacture of paints, plastics, pulp and paper, pesticides, electrical goods, pharmaceuticals, mining and ammunition.

Widespread pollution is also caused by dumping untreated sewage directly into the seas, carrying waste out to sea and then dumping it, massive dumping of nuclear and other wastes, and washing residue out of oil tankers. The oceans are littered with plastic and tar balls resulting from oil spills, lost drift nets, and factory ships. All of these are fairly conspicuous, yet 70% of marine pollution consists of the often unnoticed sediments and contaminants that flow into the seas from landbased sources.

Political and Military Bloodshed

Since the Second World War sixteen million people (many of them civilians) have died as a result of military operations^{2,9} and there are over ten million refugees displaced by war. In fact, the world is, from the point of view of massive extermination of man by man using military (as distinct from economic) force, an increasingly dangerous place.

The number of wars fought each year is increasing steadily. In the 1950s an average of 9 wars broke out each year; in the 60s it rose to 11, and in the 70s to 14.

Current nuclear firepower amounts to 1.5 million Hiroshimas. A single Trident contains eight times the *total* firepower expended in the second World War. There are more nuclear reactors in the sea than on land. Yet a nuclear winter could easily be precipitated by terrorists placing conventional bombs in selected nuclear power stations.

“Peacetime” military operations contaminate vast tracts of land with bombing practice and other manoeuvres. Although the pollution caused by nuclear testing is well-known, military manoeuvres involving nuclear weapons also result in massive contamination. The actual production of nuclear and other weaponry is highly contaminating. Military activity in the US releases more toxins into the air than the next six largest polluters combined. Horrific contamination has been revealed in the former Soviet Union and Eastern Europe as military forces have moved off.

Military contamination is not confined to nuclear weapons. Conventional warheads are extremely toxic, and chemical and biological warfare has been widely practised - as in the Iraq-Iran War.

Current developments for use in biological warfare are even more terrifying. Genetic engineering has resulted not only in the production of deadly viruses, but also recombinant DNA - a product capable of permanently destroying the operation of cells at the most basic level.

The proliferation of chemical and biological weapons is also wide open to exploitation by unscrupulous terrorists.

Much of what has been said refers to the worsening environmental situation at a global level. But, despite surface appearances, the social fabric of most Western societies - and especially the United States of America - is also deteriorating at an alarming rate. Statistics on crime, poverty, social and ethnic conflict, homelessness, mental health, family disintegration, stress, insecurity, drug addiction, and lack of health care are all increasing dramatically.

In the US, the number of children born to single mothers increased from 4% of all births in 1950 to 18.4% in 1980. Since 1972 there has been a tenfold increase in the US prison population, which now amounts to 5% of the population. 42% of Black men aged 16-35 are serving some kind of sentence from the criminal justice system. The prison building programme has cost more than 70 billion dollars. More than 2 million crimes are reported to the police each year ... and reported crimes amount to only 25% of all crime.

The Financial System

This brief review of the environmental and social problems facing society is sufficient to indicate the need for urgent action. However, although the workings of the financial system will be examined in greater detail in later chapters, this chapter would be incomplete without a brief discussion of the precarious state of the world's financial system and the ways in which it is linked to the previously mentioned ecological problems.

Evidence suggesting that the financial system is on the verge of collapse has been assembled by Bellini^{2.10} and Robertson^{2.11}. But clearly the money-creation process (to be described in Chapter 4), which has resulted in money amounting to some 30 times the value of the total annual world production circulating the globe cannot be sustained indefinitely. Neither, too, can the process of sucking money and agricultural and mineral commodities priced at a fraction of their true cost out of the Third World continue much longer. Likewise, the process which has resulted in the banks and insurance companies in effect owning most of the land, buildings, and companies of the West cannot go on for ever. Nor can the creation of huge national debts or the subsidy of national government budgets from the sale of public assets. These observations suggest that the financial system as we know it *must* collapse. The only question is: "When?"

Most people are aware, at the edge of their consciousness, of the radical need for change in the way we organise society. Many young people holding well-paid jobs are so aware of the gathering storm and their powerlessness to do anything about it that they have chosen simply to live for today. Everyone can see that stopping the arms race should have led to an increase in quality of life ... but that on the contrary the "peace dividend" has become a peace tax. They have become aware that consumerism simply cannot generate enough work to yield "full employment". They dimly perceive that this has one of two, equally disturbing, implications. Either the production of useless goods - especially armaments - will have to be stepped up. Or we will have to either take much more radical steps to share work out or

change our current fixation on the idea that the only entitlement to share in the good things in life comes from a contribution to society through paid work. The horns of the dilemma are horribly clear: To generate enough conventional work, a Third World War is required. Peace, paradoxically, worsens the quality of life, worsens sidewalks, health care, social security, the quality of television programmes, and pensions. Yet the thought of sharing wealth and well-being with those who do not work is, for most people, unthinkable. As far as they can see it would lead to the disintegration of society.

In 1988 the World Bank for Economic Reconstruction and Development lent \$11 billion to the Third World but, in the same year, received \$15 billion back in interest payments. A similar story could be told about the “lending” of Western governments and private banks. This financial inflow to the West is but a fraction of the total: The “loans” are typically spent on Western armaments, consultants, and machinery. As a result, much of the capital never leaves the West. Furthermore, much of what does reach the Third World countries flows into the hands of public servants and politicians who promptly place it in their Western bank accounts.

In 1989 Third World “debt” amounted to \$1.2 trillion, 44% of its collective gross annual product (it was 400% of GNP in Mozambique). In 1985 the net flow in terms of interest payments alone from the Third World to the West amounted to over \$40 billion a year.

Much of the money - even the money lent by the World Bank - is spent on projects which are ecologically and socially damaging, such as the construction of dams, military installations, chemical plants, and highways. Even a cursory examination of the lending shows that its main effect is to keep the wheels of Western economies turning rather than to help the Third World.

According to Hancock^{2.12} “(World) Bank staff are rewarded for the quantity of loans they process, not their quality”. The Bank is “plagued by a culture of secrecy and arrogance that makes it resistant both to its own internal reformers and to pressures exerted from the outside”. Its *borrowers* are responsible for assessment of the value of the projects for which money will be “lent”, but they lack the staff and expertise needed to assess their environmental impact. Since it requires less Bank staff time to oversee large loans than a similar volume of smaller ones, there is a tendency to go for ambitious projects. It is very difficult for anyone to find out about the details of any proposals - and virtually impossible to debate them in public.

Trade

The international trade orchestrated by the IMF and the TNCs is highly exploitative of Third World countries. As George^{2.13} shows, these countries are routinely forced to: Sell their nationalised industries and other national assets; give loans to the TNCs who purchase them (in the hope of retaining jobs); subsidise TNCs’ exports; move out of manufacturing into the export of basic agricultural and mineral commodities; sell these commodities in a buyers market in competition with other countries who have been forced into the same position; cut wages and welfare; eliminate subsidies which benefit the poor; cut back on the public service needed to manage and oversee their economies, and cut back on the regulatory framework which plays such an important part in promoting the well-being of the West. As if this were not enough, they are not allowed the licences or the equipment which would be required to process their agricultural and mineral commodities, and are confronted by all manner of tariff

barriers, quotas, “voluntary” agreements, and non-tariff barriers involving irrelevant specifications which only Western products can meet when they seek to enter the West. To add insult to injury Western manufacturers (a) dump their manufactured products - and especially drugs and pesticides banned in the West^{2.14} - in these countries at below cost, thus further forestalling the growth of local industry, (b) ship components around the world so that profits are only made in tax havens, and (c) rely on these Third World countries to, for a small fee, dispose of millions of tons of highly poisonous nuclear and chemical waste from pharmaceuticals and other industry.

The West has exported its labour-intensive^{2.15}, dirty, and most polluting industries to the Third World. In addition, importing timber has the effect of transferring, or exporting, the debt we have accumulated through the deforestation of Western countries.

These processes *increase* the disparity between the average incomes of those living in rich and poor countries and between rich and poor within countries. In fact, the trajectory upon which international “development” has been propelled is now truly a cause for alarm: It can only lead to conflict, terrorism, and genocide. The Marxist class struggle has, in effect, been *internationalised*.

Provocation of the Wrath of Gaia - and Hints of How to Avoid It

We have now seen that the urgency of the situation cannot be over-estimated - indeed that we may already be beyond the point of no return for we may have damaged the soils, seas, and atmosphere beyond repair and set in train virtually unstoppable “development” processes.

Yet there is one more - perhaps the most important yet - reason to fear the future. If it is true, as Lovelock^{2.16} has suggested, that the planet is actually *alive*, then we must anticipate the kind of reaction an animal would initiate if one part of it became cancerous and threatened its existence.

Evidence that the planet is, indeed, alive - i.e. evidence for believing that it behaves like a single live organism (which has been named Gaia) - is to be found in the fact that the planet, like other living things, supports many incompatible processes.

One example is that the chemical composition of the atmosphere should not be as it is. Methane, nitrous oxide, and even nitrogen should not exist in our oxidising atmosphere. The gases which compose the atmosphere are unstable in each other’s presence. They should not co-exist, especially in the presence of sunlight. They must be being systematically replaced on a vast scale - methane at the order of 1,000 megatons a year. There is no reaction known to chemistry which can produce this output. Something must also be preventing their too rapid destruction. And whatever it is that is going on has been keeping the proportions of the various gases very much the same over millions of years despite the cataclysmic changes in temperature and vegetation that have taken place over this time.

If the planet were dead, 95% of the atmosphere would consist of carbon dioxide. Instead only 0.03% is carbon dioxide - and that is the level required to support life. Part of the explanation is that photosynthesis continuously operates to convert carbon dioxide into carbon and oxygen. But much of the carbon so created has been miraculously locked away - in contradiction to the second law of thermodynamics - in vast stores of fossil fuel. The laws of entropy would suggest that such energy differentials should long since have been run down.

That they continue to exist suggests that the planet has somehow arranged to take all this carbonised energy out of circulation in order that the whole network of life that constitutes Gaia can continue to exist. The atmosphere is not merely a biological product but a biological construction designed to maintain the environment required for the survival of Gaia. If we humans burn and release this energy and this carbon we will be undoing the very thing Gaia has taken so much trouble to do, and we should not be surprised if she vents her spleen upon us. She has to stop us doing it if she is to survive.

In saying that the planet is alive one is saying that she maintains processes which enable her to continue to live. She is therefore likely to do the same kind of things that animals do when attacked by viruses or bacteria. Thus she may get a fever - make herself too hot for us - or exude antibodies (the AIDS virus?) to exterminate us. Although there is danger that we, like a cancer, may kill Gaia, the probability is that she will survive by eliminating us.

Implications

Whether or not we accept the truth of the Gaia hypothesis, the problem facing us is to find ways of living in in harmony with nature instead of seeking to dominate it. The aim of this book is, therefore, to develop a perspective - going beyond those outlined by Goldsmith^{2.17}, Milbrath^{2.18} and other “green” philosophers - on how this is to be done.

Our basic argument is that the implication of the information summarised in this chapter is that it is going to be necessary to *manage* our society much more effectively and, after we have documented more fully why things cannot be left to market processes or to our current forms of bureaucracy and democracy, we will outline the developments which are needed to do so. But the discussion cannot be entirely postponed because the word “management” tends to conjure up an image of a process which is very different to that which is needed.

Jaques^{2.19} has convincingly demonstrated that the manager’s job is not to orchestrate or accept “democratic” decisions, still less to do what is most popular. It is to consult widely, collect information from below and above, and to make discretionary judgments and take high-quality decisions *which are in the best long-term interests of everyone in the organisation*. The problem is to hold managers accountable for doing these things. If one substitutes “public servant” for “manager” in the above statement it becomes clear what this book is centrally about: It is about finding ways of holding public servants accountable for collecting and sifting information about what is in the long-term public interest and acting on the judgments so formed. Neither the expectations we currently hold of our public servants nor our current concepts or forms of democracy are conducive to this end.

Although our central problem is to develop more effective forms of public management, let there be no doubt about it. What we have seen in this chapter is that the societal transformations which our new management arrangements need to bring into being as a matter of urgency are radical indeed. We need to dramatically reduce levels of transportation and get rid of most of our motor vehicles and the industries associated with them (which amount to about one quarter of modern economies). We need to redeploy those involved in the military-industrial “defence” system (another 25% of the economy). We need to dramatically re-organise the banking, insurance, and tax-collection and security-payment system (another 25%). We need to return to energy positive agriculture. We need to take firm steps to control population. We need to *reduce* consumption; to reuse rather than (in an energy-intensive way) re-cycle.

Despite the apparently threatening nature of this scenario, there is every reason to believe that, if it is done in an appropriate way, the adoption of a more sustainable way of life will bring with it a higher quality of life.

Let us be clear, however. It follows from what we have seen that radical transformation in our way of life is *inevitable*. We are currently set on a disaster course. The only option we have is whether we will act in time to get control of the situation or whether we will wait to be pushed around - and probably eliminated as a species - by forces beyond our control.

The Lure of Complacency and Committees of Enquiry

Much of the information in this chapter has been around for a quarter of a century. During that time the situation has only got worse - often at an exponential rate - and may now be beyond recovery. Why has so little been done? The answer is in part that the way forward requires dramatic, radical, change in the way our society is run. It is in part that the action to be taken requires systems analysis. It is not sufficient to recycle beer cans: The whole politico-economic system drives toward higher consumption of commodities, faster destruction of the rain forests, more merciless exploitation of the Third World, greater production of more dangerous wastes, and less processing of those wastes. Morgan^{2.20} has shown that the study and reversal of such systems processes requires careful study and carefully targeted intervention. Otherwise the effects of any change - however well-intentioned - are negated by the operation of other components of the system.

But the time has come to comment on the inadequacy of the normal way in which we try to move forward - i.e. through the production of official reports and conferences which claim to be seeking ways of addressing the problems.

It will be obvious from what has been said that neither most of those who wrote the Brundtland Report, nor most of those who attended the Earth Summit Conference in Rio de Janeiro in 1992, recognise the seriousness and urgency of the predicament in which we find ourselves, the inter-connectedness of the problems, or the radical nature of the changes that are required.

Trainer^{2.21} has provided the most trenchant commentary on the Brundtland Report. That report is given to mouthing platitudes without considering - let alone spelling out - the implications of what is being said. The assumption that growth will somehow yield a way out of our difficulties permeates its thinking. As a result, most of its recommendations will have exactly the opposite effect to those intended. It fails to identify and analyse the fundamental causes of our problems. To examine such causes and generate alternative ways forward requires a huge investment in research - research which cannot be initiated or conducted according to the conventional understandings of the scientific process. Despite appearances, the Report in fact constitutes an enthusiastic and unquestioning re-affirmation of the system, lifestyles, and values that are causing the problems under discussion. It purports to be critical and innovative but is in fact an entirely conventional statement: It argues for continuation, indeed acceleration, of the same basic values, systems, and strategies. This is most evident and most seriously mistaken with respect to its unquestioning acceptance of (a) the so-called free enterprise and market-oriented global economic system, (b) the "indiscriminate growth and trickle down" approach to Third World development, and (c) the affluent lifestyles and resource-expensive social systems characteristic of rich countries. While it contains the occasional phrase acknowledging the real problems, these take the form of window-dressing

embellishments to conceal what is behind. They are not built into, and do not inform, the main body of the text or its recommendations. Such behaviour is characteristic of commissions of enquiry made up of the great and the good. We are easily duped by their words ... indeed, the members themselves seem to have an enormous facility for self-deception and for failing to notice what their colleagues are really saying so long as they mouth what seem to be the right words.

One does not know how much of this is accidental and how much a product of Machiavellian manipulation on the part of the socially astute. But one thing we do know is that the oil lobby in the agenda-setting talks prior to the Rio Earth Summit got all discussion of the oil companies' central role in creating the crisis which confronts us off the agenda. They succeeded despite numerous attempts to re-insert it and despite the role which these companies actually play - directly and via the manufacture of plastics and fertilizers and the promotion of transportation and energy use - in poisoning the soils, seas, and atmosphere; despite their implication in the wars which have ravaged the globe in recent years; and despite their role in manipulating the international financial system.

The establishment of more such commissions is not, therefore, the way forward. An alternative is urgently needed. It is hoped that this book will provide it.

Notes

- 2.1 Ward and Dubos, 1972
- 2.2 Brown et al., 1984-1991
- 2.3 Myers, 1985
- 2.4 e.g. Porritt, 1984
- 2.5 Milbrath, 1989
- 2.6 Meadows et al., 1972, 1992
- 2.7 Rees (1992) shows that it would require five backup planet earths to support the current population of the world at the standard of living of the Fraser Valley, Canada.
- 2.8 See Holling, 1994.
- 2.9 Myers, 1985
- 2.10 Bellini, 1980
- 2.11 Robertson, 1985
- 2.12 Hancock, 1991
- 2.13 George, 1988
- 2.14 The US alone does trade of \$5 billion a year in pesticides that are banned at home to developing countries ... ironically, some of it finds its way back to the West in foodstuffs.
- 2.15 For example, Korten (1995) reports that a footwear manufacturer employs 8,000 people in management, design, sales, and promotion. However, its shoes are made by some 75,000 workers employed by independent contractors, most of whom are in Indonesia. Shoes sold in the West for £50 to £75 cost about £3.50 to produce ... by young women working for about 10p an hour. The workers are housed in company barracks and overtime is mandatory. See also Barnett and Cavanagh (1994).
- 2.16 Lovelock, 1979
- 2.17 Goldsmith, 1992
- 2.18 Milbrath, 1989
- 2.19 Jaques, 1976, 1989

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.35-45). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 3

Preliminary Observations on the Nature of Modern Societies, Wealth, and Wealth Creation

We live, it is said, in a market economy. Many of us are also convinced that market mechanisms are primarily responsible for producing our wealth, that wealth is mainly produced by the manufacturing industry, that money is somehow to be *equated* with wealth and does not merely provide its owner with a *claim* on it, and that monetary values have some kind of substantive reality which can be used as a basis on which to build policy. Later in this book we will re-examine some fundamental aspects of this faith in market processes.

In point of fact, governments control most of the spending in Western, so-called "market" economies. For example, in all countries of the European Union, on average about 45% of GNP is spent by central government - either directly, via Local Authorities, or through the European Commission itself^{3.1}. A further 15% is raised and spent by Local Government, Quasi Autonomous National Government and Non Governmental Organisations (QUANGOs and NGOs), and other government-monitored and controlled authorities such as Water Boards. Another 15%, or thereabouts, is spent in ways decreed or encouraged by governments. Examples of the latter include compulsory employer contributions to pensions, holiday pay, and sick pay, requirements that employers maintain safety standards and control pollution, and insistence that they administer VAT and other expensive tax collection systems (e.g. PAYE) on behalf of the State. Individuals are subject to legislation which has a similar effect - requiring them to insure their cars and contribute to pension schemes, for example. Other ways in which governments control spending include grant and levy schemes designed to induce employers to do such things as provide training programmes for their employees or householders to install loft insulation. In return for grants, employers are led to spend much more of their own money in ways decided by governments. All of these are only examples: The point is that governments determine the spending of something like another 15% of GNP over and above that which they administer directly. Thus it emerges that, in total, central and local government, in some sense, control the spending of about 75% of GNP. One can argue over the precise figure, and one can argue about just how much control governments have over the spending of such things as "transfer" payments intended to take money from the rich and give it to the poor^{3.2}. But, whatever the room for argument, these figures show that, in modern societies, *governments* and not individual consumers, determine the way in which most money is spent.

Of course, government priorities and actions are not solely, or even mainly, determined by the public interest. Janicke^{3.3} has demonstrated that, since 1945, the actions of the West German government, for one, have been deliberately manipulated by powerful economic agents who repeatedly led that government to act in their interests while presenting a public interest rationale for its actions.

Although the figures cited above relate only to the European Union, there is every reason to believe that a careful examination would reveal a similar situation in the United States. As soon as one looks at the affairs of what appear to be private corporations one finds a large group of government grants, defence contracts, or purchases required to satisfy government mandates. Striking support for the suspicion comes from the fact that almost the entire difference in per-capita incomes between California and Ohio derives from the difference in government military spending. If Minnesota received the same military expenditures as Massachusetts it, too, would have full employment.

In fact Inkeles^{3.4} has shown that the tendency is worldwide. He first demonstrates that the notion that there are such things as “modern” and “traditional” societies has some scientific basis and that the two are characterised by very different sets of attitudes. He identifies some of the factors which make for their social evolution. Societies are converging with respect to some of the features which are commonly associated with modernity, but not in others. There is, for example, marked convergence toward industrial production. One of the most important ways in which diversity is reducing is that all societies are becoming managed economies in which governments control the lives of their citizens. This is true whether their governments claim to be free market or socialist, whether they are military or civilian, and whether they hold office for shorter or longer periods of time. Some are more monolithic than others and some are better able than others to orchestrate communal action for the benefit of their populations, but the convergence on management remains.

Despite the obvious room for concern, this move toward public management of our economies has occurred, at least in part, for good reasons. Economies managed by the invisible hand of the marketplace gave us little control over the liveability of the urban environment, crime, the inequitable distribution of income, exploitation of the weak by the powerful, plague and disease, or environmental despoliation and pollution by producers or consumers. Market processes do not enable us to orchestrate action which relates to the *main* sources of quality of life and life satisfaction. As Lane^{3.5} has shown, these have to do with quality of family life, friendship networks, and, above all, high quality *working* life - the opportunity to undertake tasks one is strongly motivated to carry out, to make a contribution to the improvement of society and other people’s quality of life, the opportunity to be creative, original, and exercise judgment and discretion. Societies governed by the invisible hand of the marketplace did not even offer the stability which is necessary to make planning possible. The immense social costs of dealing with the by-products of an industrial civilisation, providing the educational, highway, and regulatory infrastructure required for its effective operation, and providing for the unemployed and the aged, do not form part of the market economy *per se*. Market processes not only do not deliver such benefits, they drive down the quality of working life so that the commodities produced can be “competitive”. They destroy family life. They destroy the environment and the future.

Besides providing a context in which the market can “work” and correcting some of its grosser deficiencies, what have we actually been able to accomplish as a result of creating an administered world? We have been able to introduce complex water and sewerage systems,

highway and transportation networks, and arrangements to control plague and disease. We have been able to formulate and enforce safety standards in building construction, food production, and the emission and disposal of some pollutants. We have enacted conservation legislation which is in the interests of at least a larger sector of the community than the owners of the organisations directly concerned - and sometimes even in the interests of the producers themselves (as is, at least to a small extent, the case with fishermen). Although it would not be possible for them to pursue these interests individually, it can be done collectively. We have been able to provide care for the sick, the elderly, the isolated, and the unemployed. We have, to some extent, reduced personal and regional disparities in income. We have dispersed employment and industry in a way which, to some degree, counters the centripetal tendency of large conurbations, thereby improving the quality of life of all. We have been able to fund research and development activities - the risks of which would have been altogether too great for individual firms to undertake. We have, to some extent, given employees - and other members of society - a greater say in the future of particular enterprises - a say which goes some way toward countering the otherwise dominant interests of the owners of capital. We have created tranches of public-sector employment offering higher quality of working life than typically found in competitive, private-sector organisations. And we have been able to create the conditions of security and the assurance of continuity which have made possible the kind of long-term planning and concern with the future that are so characteristic of modern societies both at individual and corporate levels.

We have also been able to implement agricultural policies which have produced unprecedented amounts of food, and industrial policies which have resulted in otherwise unimaginable advances in technology.

The increase in our agricultural production is almost entirely attributable to government-funded programmes of research, extensive advisory services, government-induced reform of land holdings, and government-induced introduction of fertilisers, production equipment, and marketing arrangements including the stimulation of demand for the finished products. It has been produced in part by the use of price guarantees to insulate farmers and consumers from the effects of potentially disastrous under- or over-production resulting from annual variations in weather conditions. It has been aided by non-tariff barriers to prevent the importation of processed foods from the Third World. And it results in part from arrangements to buy into "intervention" (which occasionally result in butter mountains and wine lakes when the policies are too effective) and from the introduction of marketing arrangements to dispose of surplus production.

Industrial development has likewise been heavily dependent on government-funded research and development (often from "defence" budgets), grants and levies, protection in the form of non-tariff barriers to permit research, manipulation of apparent costs and prices, and non-market intervention in the workings of other political economies. In fact, the existence and profitability of most firms in modern society is dependent on legislation mandating the activity: Pensions and insurance are only the most conspicuous examples. Psychological and educational testing firms are absolutely dependent on legislatively introduced arrangements which depend on tests for their functioning. Sales of safety and pollution control equipment develop hardly at all in response to consumer demand. Demand is almost entirely induced by legislation.

It emerges that governments can abdicate, but they cannot avoid, responsibility for public management. Whatever they do they will rightly be held accountable for their achievements

in this area. When the management role is overtly rejected, governments find themselves forced by events to take a series of expedient decisions. Unfortunately, given their ideology, these must be taken without any serious consideration of their long-term consequences - let alone the public interest.

Governments can, of course, set about creating facades. These may be facades of concern with the public interest. Or they may be facades of concern with decentralisation and market processes behind which lurks an agenda of control for themselves or those who stand behind them.

But the fact is that, whether they like it or not, whether they admit it or not, whether they do it explicitly, openly and systematically or not, whether they claim to let market forces decide or not, governments are centrally concerned with public management. The questions we have to ask are: In whose interests are the decisions that are taken? In whose interests is the system working? In which ways is it working effectively and in which ways ineffectively?

It is important to recognise that it is not only politicians and public servants who have been deploying management skills to use information to gain greater and greater control over the economic, biological, geological, meteorological, and social forces to which mankind was previously subject. The same has been true of corporations. As they have grown larger, they have come to rely less and less on the marketplace as a means of obtaining the best price and most continuous supply of materials and customers and more and more on explicit management of suppliers and governments, both at home and abroad. It is therefore not just in relation to the management of society as a whole that market rhetoric is inappropriate. It applies also to the actors in the so-called "market economy" itself.

Despite the potential abuses of social management, the solution to the problems briefly reviewed will require *more* effective management of the world economy in the public interest. It will require *international* management because the consequences of one country's waste and neglect are visited on others. One country's drug companies engage in unjustifiable marketing practices in another because the public service there is too small to adequately monitor research on the dangers, introduce appropriate legislation, and enforce that legislation. Ships registered in countries with minimal public services can operate without having to abide by public safety and employee-protection legislation and thus undercut the prices of those with greater social control. The opportunities for exploitation of lower standards elsewhere are virtually endless. Third World countries often lack building and safety regulations, welfare legislation, and legislation to control pesticides and drugs. They typically lack even the capacity to enforce what there is. The effects of these deficiencies are often exacerbated by the belief in those countries that they cannot have such legislation *until* they have become more wealthy and by the absence of pressure groups capable of translating such information as they have into legislation.

There is no question about the future growth of world management. The questions are whether it will be management in the *public* interest or merely management (in the interests of the privileged few) within the giant corporations that are already bigger than all but the largest countries of the world, whether it will address the issues which threaten the planet or hasten its collapse, and whether it will be *effective* management or result in more of the conspicuous self-strangulation stemming from current, inappropriate concepts of what "management" entails.

Only an extension of public management will give us control over international forces which have until now been beyond control. This is why the Brandt^{3.6} and Brundtland^{3.7} Reports have called for more intervention on a world scale.

The Defects of Public Management

Although we have deliberately emphasised some of the benefits of public management, there are much darker sides to the process. Too often what one society or group gains tends to be at the expense of another. The quest for central government action to control violence, exploitation, and destruction commonly has contrary effects. The lesson of history is that central governments commit acts of violence, expropriation, and exploitation on a scale which far exceeds any imaginable cumulative total of the individual crimes of this kind. Under the guise of acting in the public interest Stalins, Hitlers, Amins, Maos, Pol Pots, and Husseins have been able to orchestrate campaigns of mass extermination which even the worst drought could not equal. Although contributing less to the advancement of despots, the campaigns against Native Americans and the Vietnamese have been no less destructive. “National Debts” (interest payments on which form by far the largest component in public expenditure) have been mainly run up to finance wars and other campaigns of destruction. In such a context, faith in world government as a means of getting the Machiavellian and unscrupulous to behave seems misplaced.

More generally, despite the role the public service has played in creating the wealth of modern society, its contribution to the serious “economic” problems facing the globe should not be ignored. The blind operation of market forces is not mainly to blame. Governments and public servants have promoted the development of nuclear, chemical, and biological weapons and engaged in endless nefarious activities in the name of “creating conditions in which the market can work”. While Adam Smith was right to underline the need to create appropriate conditions in which market mechanisms could work, he never envisaged the scale, power, and market dominance of modern organisations or the extent to which they would collude with and manipulate governments and international governmental organisations or set one national government against another to promote their own short-term interests. There can be no doubt that he would have objected in the strongest possible terms both to the policies which have been actively pursued in his name by individual governments and the IMF and to the failure of these same governments to tackle flagrant breaches of market “rules” - such as the Japanese funding all development work out of government funds, selling their products more cheaply abroad than at home, externalising basic research costs to the West, and buying up and closing down competitors. Market forces are, in reality, rarely allowed to take their course because that would have serious consequences for the powerful. Instead, highly interventionist “solutions” are imposed by political decree.

Most of the IMF’s “solutions” to “problems” (which anyway often only exist in the minds of economists and statisticians) are imposed by political fiat. The “problems” to be tackled include, not the number of starving people or the quality of life, but highly suspect abstractions like balance of payments, the “money supply”, or the imperative that “debtors” should “repay” notional “debts”. These solutions to money-lenders’ problems are not uncommonly imposed on the “debtors” (rather than on the “lenders” who have provided the “money” at such usurious rates) by overt or clandestine military action. The overall effect is achieved by an alliance between the IMF, Western governments, Western banks and the transnational corporations (which, for example, control 90% of world production of some commodities^{3.8}). It is particularly notable that these Corporations typically step in to acquire

the assets of Third World producers after these have been privatised at the behest of the IMF “in order to create conditions in which the market will work” or after these have been rendered unprofitable by changing interest rates or the effects of IMF policies which seem designed to force Third World countries to export minerals and commodities at below their true cost. The transnational corporations are themselves often only able to make these assets “viable” because the country concerned pays them a grant to avoid unemployment, because their “internal” international trading and pricing arrangements enable them to evade taxation, or because they, unlike the local firms they displaced, are able to secure loans at preferential interest rates or to obtain tax concessions.

The fate of the Brazilian computer industry provides an illustration. It grew to outsell transnational competition in 1985. Whereupon the US Under-Secretary of State was sent to Brazil to say that, if Brazil insisted on supplying its own internal market with computers instead of allowing IBM to do so, the US would retaliate against Brazilian steel, shoes, and agricultural products. Brazil ended up having to find enough dollars to both pay its “debts” and buy IBM computers.

Implications for Our Understanding of Wealth and Who Produces It

So far we have made some surprising discoveries. Among these are our findings that we already live in a largely managed world economy (albeit decidedly mismanaged by people other than those most commonly taken to be its managers) and that this management has conferred great benefits on some of us (if wreaking destitution, and even death, on others). We have seen that any solution to the problems which face us demands more effective worldwide management to secure the current and long-term public interest. In this section we will come to two further conclusions: First wealth is primarily a public, and not a private, commodity. Second, it is public servants, not industrialists, who are mainly responsible for producing most real wealth.

We may first note that people who live in unjust societies, in societies which do not care for the sick and the elderly, and in societies which do not protect their environments, would be prepared to pay a high price to do so. Many pay a high price to move to the West to avoid these conditions. People pay to live in aesthetic, beautiful, livable cities, to have access to music, art, literature, and know-how and to have jobs which permit them to grow. What is more, surveys^{3,9} have shown that many members of our own society would be prepared to spend a higher proportion of their income on such public provision. In other words, the wealth of modern society inheres, not mainly in private goods, or even in public goods, but predominantly in public services. These services are not “consumption” or “a drain on wealth-creating activities”. They are wealth. They are not things which one can only have *if* one is wealthy; their delivery generates, defines, even *constitutes*, wealth. More public activity providing better services in these areas would not be a drain on wealth. It would be wealth-creating activity^{3,10}.

Several things follow from these observations. First, the service sector, of which our society is so largely composed, is not to be understood as being concerned only with consumption. It is a quality-of-life-enhancing, wealth creating activity. Wealth is *not* “produced” by manufacturing industry and “spent” on services. One does not have to earn money by manufacturing before one can spend it on services. One does not have to have “wealth” (meaning money) *before* one can embark on quality of life enhancing activity. Wealth is a *product* of organised activity. If one requires money to organise wealth-creating activity, the

printing of that money is something which has itself to be managed. (We shall see in the next chapter that the creation of the money in itself presents no problem^{3.11}.)

It follows that the people who contribute most to the production of wealth in modern society are our public servants. However, since that observation, like Galileo's observations about falling bodies, generates not only disbelief but outrage, it is necessary to dwell on it a little longer.

Clearly, public servants contribute directly to the production of wealth by carrying out research and development, by developing plans, by generating standards for products and working conditions, by enforcing standards, by designing roads and transportation systems, by controlling crime, by providing houses, by providing health care, by providing education and training, and, if we include some of our most successful nationalised services and industries, by directly producing goods and providing services.

But they also contribute indirectly. They determine prices through the structures of taxation, grants, and levies they implement. They establish non-tariff barriers to trade. They create conditions which stifle or encourage risk-taking and initiative. (They, for example, stifle initiative when they implement welfare legislation which leads people to behave in a degrading and de-skilling manner. They can release or curb initiative through the criteria they apply to applicants for grants, and in the activities they encourage when following up on the deployment of funds.)

It is important to note that public servants are of immense importance in creating wealth even in the more restricted sense of producing valuable goods. Products are valueless unless people can use them - and the potential to use them is often determined in large part by public servants. Thus, for example, a car is valueless unless one has fuel to put in it, roads on which to drive it, leisure in which to use it, and employment, shops, friends and areas of natural beauty to visit in it. Because they contribute to many of these provisions, public servants contribute greatly to wealth-creation even when the concept is restricted to the value of goods.

The absurdity of the distinction commonly made between public servants and other wealth producers may be underlined by considering in more detail the example given in the first chapter. A farmer who deploys his land, capital and chemicals more effectively in order to get his hens to lay more eggs is said to have created wealth. However, a public servant who introduces legislation which gets very many more farmers to deploy their resources more effectively to produce many more eggs is commonly regarded as a parasite. Public servants *do* get hens to lay vastly more eggs - that is what the EU's agricultural policy has at least in part been about. They take steps (such as demanding taxes) to redirect farmers' energies from subsistence farming to market-oriented farming, they consolidate land holdings so as to facilitate mechanisation, they man the laboratories which breed new strains of hens, they carry out research into egg laying - on foodstuffs, drugs, lighting conditions - they disseminate that information through a massive advisory service, they create new ("private enterprise") arrangements to get mechanical equipment and the feed required for production to farmers, they provide rural electrification and oil-distribution systems, they create new marketing arrangements, they advise farmers and intermediaries on new markets, they intervene in the market to force intermediaries not to take advantage of small farmers, they guarantee prices to protect farmers from the hazards of nature and over production, they create arrangements to buy into intervention, they manipulate taxes and grants to ensure that

there is a market for farmers' products, and they create storage mechanisms to enhance the shelf-life of the product in both its natural and transformed (e.g. dried) state.

Few of these developments would have occurred as a result of the unaided operation of market mechanisms. The farmer becomes a cog in a machine. He is no more and no less important than a cog in a lathe or an intelligent "chip" in a computerised machine tool. Public servants design the machine tool, orchestrate the arrival of the necessary materials, drive (guide) the machine, and market the product. Without the slightest doubt, therefore, public servants, as a group, are the most important *producers* of wealth mankind has ever known. Our aim must be, not to get rid of them, but to find ways of getting them to act more effectively in the public interest.

In his book *Democratising the Wealth of Nations from New Money Sources and Profit Motives*, Turnbull^{3.12} retains a traditional definition of private wealth and disparages public servants. He has important points to make: People's monetary worth - their private wealth - is very unevenly distributed; wealthy people make far more money from their wealth than from their labour; private wealth provides a balance which enables people to exercise independent power: If all monetary wealth is held by the state, people have no independent power. Turnbull discusses ways of democratising the ownership of monetary wealth. All of this is very worthwhile. Unfortunately, what we have shown here is that we cannot *own* the things which *primarily* determine the quality of our lives. As we have seen, these things include our ability to get satisfying work, the livability of our cities; the quality of our hospitals, art galleries, and schools, the quality of the organisations which generate and disseminate the information on which the operation of our society is so dependent, our freedom from crime, injury and disease, our freedom from impediment by other people's cars, the stability in our food supply, and the levels of ionisation and the global warming to which we are exposed. So the ownership issue, while important, and without in any way diminishing the value of Turnbull's work, is not the main issue. Our question must be: How can we influence and manage the forces which primarily determine the quality of our lives?

Why the Opposition to Public Management?

If public servants are such important creators of wealth, if what is needed is much more *effective* management of the world economy in the public interest, why is there so much opposition to public servants and public management?

A full discussion of the real and imaginary problems of the public service will be found in Part III. All that is needed here is an indication of some of the most widely articulated reasons for opposing public provision - although, as we will see, these are not, in fact, the main reasons why financial institutions and government seek to discredit the public service and promote privatisation^{3.13} They include:

- (i) The fact that people dislike being pushed around, or prevented from doing things, by faceless bureaucrats following rules which ignore individual circumstances.
- (ii) The way in which rules adopted by the public service often require people to behave in demeaning ways.
- (iii) The belief, carefully nurtured by private enterprise propaganda and the whole tenor of our media - not just advertising - that goods and services purchased through the private sector are of higher quality, offer better value for money, and are more suited to individual needs than those offered by the public service.
- (iv) The belief that our current standard of living is attributable to the market mechanisms.

- (v) Awareness of some of the problems which stem from overloaded government accompanied by a tendency to attribute these problems to management *per se* rather than to the particular model of centralised management and democracy we have adopted.
- (vi) The public service's apparent inability to avoid the kind of blunder so thoroughly documented by Chapman^{3,14} and scandals like the farmers' expropriation of billions of pounds from the Common Agricultural Policy Funds accompanied by suppression - or explaining away - of similar mistakes in "private" firms.
- (vii) A vague awareness of much more basic problems with public provision - such as the fact that the so-called "educational" system is hardly at all about education but about legitimising the rationing of privilege, and the fact that the "health" service is, not a health service, but a *medical* service serving powerful interest groups - with the corollary that it has failed to consider and evaluate alternative (non-medical) ways of improving health (such as by improving agricultural policies or redesigning jobs, working arrangements, and urban-planning policy).
- (viii) Observation of the difficulties involved in preventing public sector employees, such as miners, holding the country to ransom.
- (ix) Experience of frustration at inability to get public servants to take action in relation to obvious defects in the system and act on the many good ideas which exist for better ways of doing things.

Some of these beliefs stem from misunderstandings and oversights. Some are deliberately nurtured. Still others stem from inappropriate management practices. The primary purpose of the later chapters of this book is to examine what lies behind some of these beliefs and experiences and suggest ways of overcoming the difficulties. What we need to note here is that, whether real or fallacious, these beliefs lead to carefully orchestrated attacks on the public sector at home and to policies which destroy public services abroad. The attacks on the public sector abroad not only result in there being no infrastructure within Third World countries to manufacture genuine wealth. They also result in there being no way of controlling the exploitation of those countries by the TNCs and no infrastructure to control polluting industries - or even an awareness of the need to do so. In due course, this rebounds on the Western world in the shape of pesticide-ridden and contaminated food products and disease.

It would be a mistake, however, to conclude this section on too negative a note. Although public management suffers from endless real (and imaginary) problems there is also widespread awareness of many of the problems of *private* provision. Many people are aware that private provision often means *worse* provision: In health care (lacking in coverage and availability), housing, environmental design, insurance, and entertainment (television). There is also widespread awareness of the fact that privatisation of provision often results in degrading treatment of employees - as in the case of school and hospital cleaners. The myths of privatisation will be discussed in Chapter 5.

Summary

In this chapter, we have seen that the society in which we are living cannot meaningfully be described as a "market economy". Nor is it a managed economy in the sense of having either a monolithic management structure or effective management in the public interest. Our society is in fact managed by many sub-groups who seek to manage it in their own interests, the most important groups being the TNCs and the banks. The result is often bad

management, especially from a public interest standpoint. Nevertheless, this managed economy has conferred huge benefits on at least some sectors of humankind.

We have also seen that wealth is not to be equated with money and that, in modern society, wealth is mainly in public domain. We cannot purchase many of the components of high quality of life as individuals: they are dependent on collective provision.

Public servants turn out to be key actors in the process of wealth creation. More - and more effective - (not less) public management is required to tackle the problems which confront us.

We have also looked briefly at sources of opposition to public management. We saw that many of the difficulties stem from inappropriate concepts of what management entails.

What we will argue is that, if we are to find a way forward, the first need is for public servants to do much more to release public energy to create a pervasive climate of innovation. The problems we face are multiple, interlocked, and intractable. Much creativity is required if this Gordian Knot is to be cut. Second, there is a need to establish better mechanisms to ensure that public servants initiate the collection of, sift, and act on information in an innovative way in the long-term public interest.

Although one of the main purposes of this book is to discuss the arrangements which are needed to do these things it is important, before doing so, to demonstrate more thoroughly the futility of looking for a solution through market and price mechanisms. This discussion will occupy us in chapters 4-12.

Notes

- 3.1 I am deeply grateful to Michael Ross of the ESRI in Dublin for drawing this information to my attention after one of our seminars on *Civic Culture in Ireland*. It was one of a small number of interventions which changed my thinking and life's work.
- 3.2 Some people argue that those who are living mainly or in part on state benefits are free to spend this money as they themselves choose, and not in a way determined by government. Many of the recipients, however, make it clear that the public servants dispensing the money mainly determine how it can be spent.
- 3.3 Janicke, 1990
- 3.4 Inkeles, 1981
- 3.5 Lane, 1991
- 3.6 Brandt Report, 1980
- 3.7 Brundtland Report, 1987
- 3.8 United Nations, 1985
- 3.9 See, for example, *The Economist*, October 8th, 1983; Raven, 1980.
- 3.10 As much as 50% of such services are actually provided by family members, friends and the general community. While this reinforces the argument presented here in that wealth is primarily in the public domain it also underlines the inadequacy of economic indicators as indices of the quality of life (wealth) and the inability of market mechanisms to deliver wealth. In pre-monetarised societies most of these services were provided by the community as a whole. One of the central problems we now face is to find alternative ways of orchestrating such community-based processes.
- 3.11 Although there has been a dramatic shift from "manufacturing" to "services" over the past 40 years, the proportion of the population employed in offering direct services to the public - as in park-keeping, medicine, etc. - has actually declined. Most of the increase is in services to industry and distribution - transportation of goods, accounting, development of computer software, etc.
- 3.12 Turnbull, 1975
- 3.13 Still less are they the main socio-economic forces driving the privatisation process.
- 3.14 Chapman, 1979

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.46-55).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 4

Some Observations On Money

In the last chapter we saw that the world in which we are living is, from an economic and social point of view, very different from that which most of us take it to be. It is a *managed* world economy, which has come into being for a variety of reasons. The good reasons include the fact that it provided the only means of controlling economic, social, and bio-physical forces to which we would otherwise have remained subject. The quality of our lives - our wealth - is *primarily* dependent on what our public servants and politicians do ... even when that involves creating a set of "market" inducements to get businessmen and farmers to do what they need to do. To solve the problems which so conspicuously confront our civilization, we need *more* (and better) management, not less. We also saw that the real wealth on which the quality of our lives depends is best regarded as *commune*-wealth: It is wealth which is, or was, communally produced - mainly by predecessors who got scant rewards for their labours. And it is wealth which it is not generally possible for any one person to obtain unless all have access to it.

We will see later that better management will involve new understandings of what is implied by the term "management" and that new organisational arrangements and new public expectations are required if public-sector management is to function effectively. But before we turn to these topics we will examine the basis of the claim that society does *not* need more explicit management but rather the "return" of management to the "invisible hand" of the marketplace.

This chapter will first review a number of, generally overlooked, consequences of the changes that have already occurred in the way society is organised. Thereafter a number of socio-economic concepts which guide a great deal of policy thinking will be re-examined. Our first discovery will be that the realities behind terms like money, costs, prices, customers, and consumers do not conform to the images most commonly evoked.

The Quantity of Money

The amount of money available was once strictly limited and its value was directly linked to the value of goods and services^{4.1}. Neither of these things is any longer true. The amount of money in circulation now amounts to more than 30 times the total value of world production^{4.2}. This has come about as follows: Banks create money by making loans. They do

this by lending "money" which neither they nor anyone else already has. Within most countries other than Japan, bank lending is restricted to about nine times their total assets and deposits^{4.3}. The money "lent" involves no transfer of funds from investment accounts. Nor do the banks have to decline to offer any service or forgo investment in order to lend the money. They do not even have to forgo lending to any other borrower, decide to transfer investment from one potentially profitable activity to another, or even choose between more and less profitable investments. The funds available for loan are therefore virtually unlimited. The myth that banks are lending "depositors" money is carefully cultivated to create an acceptable facade. The necessary money is created by making ledger entries. Even the money required to purchase bank property and buy gold is created in this way. The value of the asset is then continuously inflated to help increase the apparent size of the one ninth of their lending capacity that banks must maintain to satisfy legal requirements. Nor is this the end of the story - for even the notional restriction of bank lending to nine times their assets and deposits is a charade. The money one bank creates and lends appears as a *deposit*, first in the borrower's account and then, as the borrower spends the money, in the accounts of those from whom he or she has purchased goods and services. The banks then use these "deposits" to justify lending nine times their value to someone else. It does not require a genius to see how the processes just described result in the amount of money circulating round the globe amounting to more than 30 times the value of total world production.

This process has another important consequence. It results in banks' quoted rates of interest being grossly misleading. The banks have really lent (transferred from other possible uses) only about one ninth of the money they appear to have lent. The true return on their real investment therefore amounts to nine times their published rate of interest because the rest of the money they appear to have lent is entirely fictional. A nominal rate of 15% p.a. therefore represents a true rate of 135% p.a. on the money the banks have actually invested. Such a rate would be widely castigated as usurious and is, indeed, illegal. The true rate of return on bank "lending" via credit cards and other less controlled activities at nominal rates of 30 - 35% therefore amounts to a staggering 270 - 415% per annum.

But this is not the end of this incredible story.

When banks lend outwith national jurisdictions - and the point is particularly important in connection with their "lending" to Third World countries - there is no requirement that even a proportion of the money come from nominal assets and deposits^{4.4}. Thus *none* of the money they "lend" to Third World countries comes out of their own pockets or their depositors' accounts. It is *all* fictional "funny-money". The banks' true rate of interest is therefore infinite - in that *any* return on nothing (the money actually diverted from other possible uses) is, by the mathematical process of dividing anything by zero, infinite.

Next, most of the money "lent" to Third World Countries promptly finds its way back into the Western bank accounts - either of those who have sold goods (usually armaments) and services to the "borrower", or the private bank accounts of the rulers, politicians, or public servants of the country to whom the money has been lent. Either way, the money provides a justification for a further round of lending both internally and internationally by Western banks. Defaults on "interest" payments on these loans of entirely fictional money are also used by the banks to justify a swathe of acquisitions of *debtors'* assets. This further swells the "assets" of the banks - this time with "real", appreciating, assets.

There is a convincing theory^{4.5} that it was because President Lincoln had become aware (i) of the fraudulent nature of money and banking and (ii) that the economic system mainly produces *useless* work, and concluded that these two things meant, first, that governments could create their *own* money in the way banks do (and thus without paying "interest" on it), and, second, that an honest concern with efficiency and effectiveness would involve the introduction of a very different system of resource accounting, that the banks had him shot. Indeed *The (London) Times* openly encouraged that course of action at the time saying: "If (this) policy (were to become) a fixture then the government (of North America) will furnish its own money without cost. It will pay off its debts and be without debt. It will have all the money necessary to carry on its commerce. It will become prosperous beyond precedent in the history of the civilized governments of the world. The brains and the wealth of all countries will go to North America. That government must be destroyed." Fear of a similar fate may also be why President Woodrow Wilson - in the last of a long line of conspiracies starting in 1694^{4.6} both colluded in secret with Rothschild (of London and Berlin, representing the international banking community) to deceive the American public into believing that the Federal Reserve System was a public body *and agreed that its true nature should be kept forever secret*. The effect was to maintain both the myths of banking and the power of the banks.

In fact^{4.7} the 12 Federal Reserve banks are *private* banks who, in collusion with the US government, have created over \$1,000 billion of fictitious money and then lent it back to the American government at a varying rate of interest - around 7%. This money has also been lent to other governments, with the result that the committee of the Federal Reserve System (a small committee consisting predominantly of the chairmen of the most important of the 12 banks) can make or break governments at will.

What happens is that the Federal Reserve banks "buy" government bonds in both the US and other countries. They charge the governments interest on the money they use to buy the bonds. But the "money" they use to buy them is entirely fictitious. If one asks "Where was the money needed to purchase these bonds immediately before their purchase?", the answer is that it was not anywhere. There was no such money. It was created by a ledger entry at the time of purchase and then "lent" to the governments concerned at interest. A fraction of these bonds is then sold to others who earn interest on them. The money "lent" to the governments then finds its way into the hands of government contractors, who, in due course, use it to borrow more money. Likewise, eventual purchasers of the bonds which find their way through the system and to other banks and corporations use these "assets" to borrow more money to "lend" to others.

Although it was agreed to keep the ownership and mechanism of the Federal Reserve System secret, and although it has in fact been kept secret for almost a century, it has now emerged that the owners of the banks (listed in order of importance) are: Rothschild Banks of London and Berlin; Lazard Brothers Banks of Paris; Israel Moses Seif Banks of Italy; Warburg Bank of Hamburg and Amsterdam; Lehman Brothers Bank of New York; Kuhn, Loeb Bank of New York; and the Chase Manhattan Bank of New York (who now own all the other banks in the cartel). The main owners of many of these apparently independent banks are Rothschilds and their relatives, amounting to not more than 300 people in all. Not only do these banks have a monopoly, the 1980 Monetary Control Act in the US (pushed through at the behest of the Federal Reserve System) *brings all other depository institutions under their control*. The

small committee representing these 300 people thus controls the whole banking system of the US and, as Roberts^{4.8} and Adelman^{4.9} have documented, the central banks of most other countries too. (No doubt the whole system has now been replicated and elaborated in Japan with that country's customary attention to detail, secrecy, and promotion of the Japanese national interest.)

The effect of these processes is that banks are by no means restricted to lending 9 times their assets and deposits - because the one ninth itself turns out to be fictitious, having come from the Federal Reserve System.

Both the Federal Reserve Bank itself and its member banks not only lend to the "owners" of companies against the right to take over those companies if they default, but can - and do - use this fictitious money to purchase companies and other assets directly. In this way they come to own (or at least, through their rights arising from defaults of payment, have a lien on) virtually everything in America - and hence much of the rest of the world. They can make or break, not only all other banks, but all national governments.

It follows from these observations that it is not only the Third World which urgently needs to repudiate its debt - so too do the people of the West. They need to repudiate the "debt" owed to private banks who have acquired, through what can now be seen to be, at best, a huge confidence trick, and, at worst, a heinous conspiracy, legally enforceable rights to the ownership and control of nearly all property and institutions.

If what has been said is true, why are the banks so concerned to obtain collateral to "secure" loans? First, of course, the banks have to maintain the mythology that they are "lending other people's money" in order to remain in business. Second, the consequences for individual banks of "bad debts" or allowing "debtors" to renege are, indeed, extremely serious: The banks' *shareholders* sell their shares and move them to more profitable banks - obscenely profitable though their investments already are. Without shareholders the banks would collapse. Third, most bank managers simply believe the mythology.

It is also very much in the banks' interest to maintain millions of deposit accounts which allow depositors to earn what are, by the banks' own standards, trivial amounts of interest. This process - like widespread ownership of shares in privatised public companies - generates support for a system in which the real beneficiaries are the big stakeholders. It also stimulates systems support by perpetuating belief in that cornerstone of economic mythology - savings. A more tangible benefit is the creation of pressure for high interest rates.

What we have seen so far is that the banks provide a fantastic mechanism whereby the rich can extract money from the poor. Banks do this directly by taking the savings of the poor (both within and between countries) and investing them where they can earn higher interest rates - i.e. in rich places. Poor communities are thus deprived of their own capital. They also do it indirectly in ways which will be discussed in Chapter 7.

The observations we have made so far explain how it has come about that world debt has reached such a staggering figure and why it is increasing so fast^{4.10}. They undermine the justifications put forward for the actions taken by the Trans-National Corporations, the International Monetary Fund, and the governments of the seven richest countries of the world

- the Group of 7 or G7 countries (which control the IMF and the World Bank) in relation to the so-called "debts" of the Third World.

They also indicate that assertions to the effect that certain types of necessary public action cannot be carried out because "there is no money", "it would mean raising taxes", or "it would be necessary to first earn the money by exporting products or services" - are without foundation.

However, they have other, much more serious, implications at a different level. Our observations undermine many of the most fundamental concepts of economics and expose its claim to be a science as fraudulent. The processes we have described mean that, as briefly discussed earlier, many concepts widely used in economic theory - including "money supply", "marginal differential rates of return on capital", and even (monetarised) "capital" itself - do not stand for what they are thought to stand for. Thus money does not even "circulate". It is manufactured and siphoned off by a huge system which is hardly even mentioned in classic economic texts^{4,11}. Clearly the statement that one of the functions of money is to facilitate exchange misleads - for it leads us to imagine that what is being facilitated is the cumulation and division of barter between two persons. What is really happening is that, through interest payments and taxation (a large proportion of which is devoted to making interest payments on "debt"), is that ownership of the goods and services which are apparently being exchanged between two people is being sucked (at a fantastic and ever-increasing rate) into the hands of an invisible third party - bankers. Exchanges taking place under these conditions do *not* "in the end" cancel each other out in such a way that no one owes anybody anything. That is, they do not self-liquidate. Instead they end up with everyone owing almost everything to the banks. Even if the individuals concerned have been prudent enough to avoid incurring debts themselves, they will find that their governments have given the banks a lien on everything they think they own.

It is obvious to anyone who thinks about it that money is not real wealth. What the possession of money does is give those who possess it a *claim* on real wealth - such as property - and *the right to command the compliance of others in whatever activities they have chosen*. What we have seen is that a small group of international bankers have, with incredible sleight of hand, pulled off the confidence trick of all time. What hope do we have of introducing a new socio-economic order when they have acquired such enormous powers to command our compliance in activities of their choosing?

It would appear from what has been said that, far from (as would be the case in the sciences) describing a hidden reality which can be discerned behind the observable, the assertions of economics have as little contact with reality as the doctrines of medieval religion.

The foregoing has serious implications for the everyday use of terms like "money" and "debt" and thus for public debate of appropriate policies. Clearly, the word "money" no longer denotes what it did even when Adam Smith promoted the invisible hand of the market mechanism as a means whereby people could vote with their pennies to influence the direction of development. Terms like "debt" and "debtor" no longer imply what they used to mean: Most modern "debtors" have not somehow acquired capital or resources which anyone else would be using if they did not have them. No assets that belong to anyone else and could have been put to any other money-making or productive purpose have been lent to them. The term

"Third World Debt", which conjures up an image of a profligate population purchasing unnecessary consumer goods with borrowed money which the lender could have deployed in more profitable ways is even more misleading. In fact, (a) no money has been diverted from any other use - if more was needed to "lend" elsewhere it would have been created by the processes we have described, (b) the "money" has been spent, not by the general population of the countries concerned, but by their leaders, (c) most of it has been spent on armaments, not on consumer goods, (d) nobody else has been deprived of similar goods or services (if someone else wanted armaments or any of the other goods supplied the "money" "required" to produce - and not simply purchase - them would have been created through the processes which have been described), and (e) the money has frequently ended up in the Western bank accounts of the leaders of those societies. What has *actually* happened is that Western banks created the money in order to stimulate creation - *in the lending country* - of work producing maximally-quickly-obsolescent and maximally useless products (armaments) in order to keep the wheels of Western economies turning^{4.12}.

The Role of Money

In fact, it is not simply the nature of money - and the meaning of the term - that has changed. The *role* of money in society has been *overturned*

Adam Smith argued that decisions produced by the invisible hand of the marketplace would be better than those taken by "wise men" because even the wisest of men did not have all the information required and could not know all the consequences which their actions were likely to have when those actions interact with the actions of others. Bits of this picture could, however, be known to different people. If one allowed everyone to contribute to the decision-taking process by enabling them to vote with their pennies, this would provide a mechanism whereby all these different bits of information could contribute according to their quality and prevalence to the way things develop. Furthermore it provided a rapid feedback mechanism which would quickly respond to effects produced by the interaction of actions and marginal changes. In contrast to the public data which alone would be available to wise men, these bits of information would not need to be conscious and articulate; people could act on their intuitions or feelings. Prices would then be determined by, on the one hand, the costs of raw materials, labour, and capital - i.e. by the efficiency with which goods were produced or services provided - and, on the other, by how much consumers valued the goods or services and were therefore willing to pay.

But the world is no longer (if it ever was) like that. The control of cash flows is now used to orchestrate decisions taken through the politico-bureaucratic process. Funds are collected and budgets apportioned to achieve goals established by the owners of the TNCs, politicians, and public servants (who may or may not be wise or concerned with the public interest). Money is not used as the best available management mechanism to establish the goals themselves, to orchestrate their attainment, and to provide feedback to ensure that the *system* achieves its unwritten goals effectively. Instead, taxes, grants and levies are fixed by men (or women) to influence the costs and prices of materials, labour, land, capital, and transportation, and to influence the behaviour of manufacturers and consumers so as to point them in the direction of what is conceived to be the public interest or the interests of the TNCs. The main feedback mechanism in modern societies does not consist of people casting, on a daily basis, a whole series of votes with their pennies, voting separately in relation to each of a wide variety of

different types of provision and product, but a single, five-yearly, vote in relation to a wide-ranging package of policies and provisions. A positive effect of this political voting is that it becomes possible to spend money on communal activities which it would have been difficult to provide through the individualistic market. A less positive aspect is, however, that it pre-empts individual voting on many issues.

One effect of having become an economy in which costs and prices are managed is that it is now more important for producers and the providers of services to attend to grant and levy legislation than to the needs of those who are nominally their customers or clients. Or, put differently, the customer is not the "sovereign" person he or she is supposed to be. This is why it has become more important for farmers to attend to the grant structure than to the needs of their customers, the well-being of their cattle, or the fertility of their soil (which is not to say that their eventual customers' needs may not be better met by their doing this). Another effect of this change is that the image of "a customer" which comes into the minds of most of us when we hear the word leads us to mistaken conclusions. Customers are no longer individuals voting with their pennies, but corporate giants purchasing on behalf of hundreds, even millions, of people - for medical ("health") services or international defence alliances. The effect of these changes is that the realities which lie behind the main words central to market theory - words like "money", "customer", "product", and "producer" - are quite different from what they were when market theory was developed and from what they are taken to be in everyday conversation. For this reason the continued use of such terms - and market theory itself - misleads.

Additional Considerations

There are four widely accepted beliefs about money, management, and wealth-creation which create serious barriers to developing the concepts and tools required to run modern societies effectively. These are:

1. That we must have money *before* we can initiate wealth-creating activities.
2. That wealth inheres in manufactured products.
3. That wealth is to be equated with money.
4. That manufacturing industry is the main source of wealth.

As we will shortly see, none of these beliefs is well founded. Wealth is a *product* of organised activity, not a necessary pre-cursor to it. Money is a *tool* to be used to organise wealth-creating activity. Money is neither something which is in limited supply nor an outcome of wealth-creating activity. Wealth mainly inheres, not in private goods, but in the wider environment. Public servants and other service providers, not industrialists, are the main producers of wealth.

The excuse that "there is no money" to do important things is clearly without foundation. Douglas^{4.13} drew an analogy between the supply of money and the supply of railway tickets - which are designed (among other things) to provide management with information about how many trains are required. He remarked:

"It is every whit as sensible to argue that because there may happen to be 100 tickets from London to Edinburgh in existence, that therefore no more than 100 passengers may travel, as it is to argue that because the units of money happen at the moment to be insufficient, therefore desirable things cannot be done, irrespective of the presence of the men and materials necessary to do them."

Bank notes are notes of authority to command the compliance of others in a course of action one has chosen. They are voting slips which enable us to comment on the goods and services we are offered.

Viewed in this way, money is not sacrosanct. We can print more notes of command - but, if we do, we must beware of devaluing other people's power and influence. One can command (by introducing income and other taxes) that people vote with their money in particular ways and thereby deny those concerned any effective say in relation to the issues to which those votes pertain. (Note the need to provide alternative prioritising and feedback mechanisms.) More generally, as Douglas^{4,14} noted, there is an essential continuity between money as a general ticket which can be exchanged for a wide variety of goods and services and a railway ticket which can be exchanged only for a particular service. We could therefore envisage a wide range of types of money having limited domains of validity. The most important consideration is that any system that is introduced be, and be seen to be, fair and effective.

Currently, the operation of the monetary system is neither well-policed nor fair.

Money - i.e. tokens which enable us to influence what happens in society - is normally issued to us in return for a contribution to society. However, (i) the most important contributions to society have come from previous generations who are now unable to gain any reward for their efforts; most of the money that is currently paid to those with the highest incomes has been earned, not by them as individuals but by previous generations; (ii) we do not need most members of society to "contribute" in the ways which are currently deemed to merit the highest rewards; (iii) it is not at all clear whose current contributions are in the end going to benefit society and the planet most; (iv) the poor are poor mainly because the well-paid leaders and managers of our society - including those who control the financial system - have failed to do their jobs properly and not because of their own laziness or ineptitude; (v) the well-being of the rich is heavily dependent on disproportionate contributions from the Third World and future generations who get scant returns for their efforts, and (vi) many of those who are currently paid most spend their time on the very activities which do most to destroy the future and the planet. It would seem to follow that there is every reason to distribute money more equitably and, in particular, to offer everyone a high basic standard of living which will provide the security needed to facilitate the kinds of innovation society most urgently needs.

Money as a tool can be used well or badly: It can be used to organise activities which benefit us all or which benefit only a few; it can be used to dissipate energies on activities which occupy many and benefit few. The unintended dissipation of money on useless work can be achieved as easily through market mechanisms as through bureaucratic generation of checking activity.

The notion that manufactured goods are the main source of our wealth is due to their tangibility. Actually, large numbers of - supposedly non-productive - service providers - designers, drivers, salesmen, computer programmers, management personnel, accountants, market researchers, advertisers are required to produce and distribute them ... and their monetary value is dependent on those who purchase them being able to use them - on the availability of roads, good health, and ample leisure. All who provide these services contribute directly to wealth production. In fact most international trade now consists in trade in *services* - finance, consultancy, education, tourism.

We have continued to believe that all these other activities - some of them wealth-creating in themselves - have to be paid for out of taxes raised from levies on manufacturing industry and incomes. As a result, we have created a taxation and accounting system which absorbs vast amounts of labour - and which *does* drain human resources away from wealth-creating activity of one sort or another. It is this which needs to be replaced by a new, social-science-based, accounting system which takes account of many more of the relevant costs and benefits. Traditional economic theory has underestimated the contribution of the public sector to the public good. It has underestimated the contribution of the public sector to the private sector. It has overestimated the contribution of the private sector to both the public sector and the public good.

Conclusion

Social scientific research is urgently needed to set money and taxes in the context of an adequate framework for thinking about social management - a framework which encompasses non-market means for prioritising options and influencing decisions, and providing variety, choice, accountability, and feedback. The focus on *money* is diversionary: What we need to focus on is the way in which society *uses* money to frustrate or achieve human ends. We need to examine the decisions taken in the course of constructing the components of prices and in conducting cost-benefit studies and claims about "efficiency".

Notes

- 4.1 Originally, the issuer of "money" - e.g. cowhide tokens - was the owner of the real assets (cows) they represented. Even as late as the Middle Ages, money largely consisted of receipts issued by goldsmiths in return for valuables deposited. These receipts could be exchanged for other goods and services but their value remained directly linked to the value of the goods deposited. The control of early coins was vested in the monarch as a trustee for the nation. Currently governments do *not* act as trustees for nations in such a way as to curb misuse of the system for sectional benefit. That is, they do not act as Weights and Measures officers who insist on the maintenance of high standards.
- 4.2 Ekins, 1986; Roberts, A.E., 1984; George, 1988; Institute of Economic Democracy, 1982
- 4.3 In most Western countries and Japan the overall figure was about 9:1, but varied between activities. In Britain it has recently been revised so that business loans require 8%, real estate 5%, and government bonds zero. Not all the capacity for lending afforded by these figures was - or is - directly taken up. However, the process whereby loans return to banks as deposits which are then used to justify further lending makes the figure relatively meaningless. But even the official figure has been eroded. The Japanese have recently increased it 30:1, and the Bank for International Settlements is now recommending 12:1.
- 4.4 Ekins, 1986; George, 1988; Institute of Economic Democracy, 1982
- 4.5 Ekins, 1986; Roberts, A.E., 1984; Adelman, 1989
- 4.6 The (private) Bank of England was created in 1694 by William Paterson. It was designed to purchase Crown debt (bonds) and resell it to private investors. In return for the bonds, the Bank issued currency to the Crown and charged interest. Within two years the Bank had issued far more currency than it could redeem in gold. As Paterson wrote "The Bank hath benefit of interest on money which it hath created out of nothing". The Crown specifically excluded the Bank from the requirement to be able to redeem its notes in gold, thus legitimising debts which far exceeded assets - a situation which would, in any other business have constituted fraud. A monopoly was established which would not have been tolerated elsewhere.
- 4.7 Douglas, 1935/78a&b; Roberts, A.E., 1984
- 4.8 Roberts, A.E., 1984
- 4.9 Adelman, 1989
- 4.10 Douglas, 1935/78b
- 4.11 It is remarkable, or perhaps, given the evidence not surprising, and perhaps even supportive of a theory that there has been a conspiracy, that these texts have been altered so little to take account of the writings of C.H.Douglas in the 1930s (see for example Douglas, 1934, 1935/78a&b).
- 4.12 Ekins, 1986; Adelman, 1989; Daenhardt, 1994. The next step is also in their interests: The nominal debt will be used as an excuse for the Western banks, in the shape of the IMF, to intervene in the affairs of the

"debtor" countries to make them "more efficient". They will do this by insisting, first, that public services are run down. (This will have the added advantage of making them less able to monitor the workings of the world economic system.) Second, by insisting that "inefficient" manufacturing industries are closed or, preferably, first sold to the TNCS and *then* subsidised "in order to preserve jobs". The net result will be that the countries concerned will be required to focus on exporting below-cost food and raw materials or, if that objective cannot be achieved, below-cost, labour-intensive, manufactured goods.

4.13 Douglas, 1924/79, 1934, 1935/78a&b, 1936

4.14 Douglas, 1934

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.56-61). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 5

Some Observations On Prices

We will now look at some consequences of the fact that control of the spending of some three quarters of GNP rests, in some sense, with government. Many of these consequences stem from governments' adherence to current economic beliefs - which require them to raise most of the money they spend through taxation. In fact, in all countries of the European Union, on average about two thirds of the price of goods and services consists of taxation. In the UK, this is made up roughly as follows: One third of what appear to be the direct costs of labour consists of income tax, a further 10% consists of employees' national or other compulsory health insurance and pension contributions, and a further 25% consists of employers' national insurance and pension costs. Of the money that reaches employees, a significant sum is then spent on property taxes, other local taxes, and VAT. In this way, perhaps half of the wages paid to employees finds its way back to central or local government. Of firms' non-labour costs, 17.5% of the costs of materials, equipment, fuel and services consists of VAT. There will also be annual taxes on the use of cars and lorries. There may be training levies. Taxes on business property commonly amount to 30%. Much of the interest businesses are charged on loans will be devoted to banks' administration expenses. These have a high labour - and thus taxation - content. Finally any profits made by the business will be taxed at some 30%.

These observations indicate - in contradiction to traditional economic theory - that the largest share of the purchase price of goods and services consists of taxation - and not land, labour, capital, or management costs.

On the international scene, the price of most products is heavily dependent on the way in which research and development, defence, waste disposal, pollution, education, training, pensions, landscaping, redundancy, safety provision, and energy are priced and paid for. Such costs can be spread over a whole community via taxation, or individual firms can be required to pay for them and recover the costs from sales. In the second case, firms' products become much more expensive on the international marketplace. (As we will see, these arrangements have far-reaching consequences because, if firms were forced to pay the true costs of transportation, the claimed economies of scale of centralised production would disappear.) Indeed, as Grossman and Adams^{5.1} have shown it was precisely to avoid the second scenario this that corporations worked so hard to create a network of laws - few of which came to public notice - to ensure that as many costs as possible were spread over the whole community.

Not only is the international competitiveness of a country's products heavily dependent on the overall level of taxation, it also depends on such things as tax-free enterprise zones (which enable employers and employees to enjoy the benefits of living in a society with high levels of public provision without having to pay for them) and on the *way* in which taxes are raised. Consider, for example, two countries which devote the same proportion of GNP to the public sector. One (like the UK throughout the 1960s and 70s) raises most of its revenue from income taxes and only a little from VAT. The other (like Germany) does the reverse. Since VAT, but not income tax, is deductible from export prices, the first country's exports become relatively expensive. This price differential is then further increased by the high VAT charged on entry into the second country. This gives the second country a huge competitive advantage without any basic difference in the overall level of taxation.

There are other ways in which legislation affects prices. For example, the price of housing and office and factory accommodation is primarily determined by, on the one hand, building and zoning legislation and policies relating to the release of land for building purposes, and, on the other, by pension companies' need to keep selling the property to each other at higher and higher prices in order to increase their nominal income and the value of their assets. The viability of out-of-town DIY warehouses, furniture stores, and supermarkets is heavily dependent on community investment to provide tax-free "advance business" accommodation. Similarly, the viability of forestry is heavily dependent on special taxation arrangements. Because it takes trees more than one human generation to grow, forestry, in the UK, can only be made "economic" by allowing management expenses to be set against the first owner's overall income, by creating special legislation to exempt forests from capital gains and capital transfer tax, and exempting sales of timber from other taxation. The viability of shipping lines is determined by the extent to which the country in which the ships are registered fails to enforce desirable (and sometimes internationally agreed) safety standards, manning levels, and hours of work.

What these examples show is that the *way* in which taxes are raised, and other legislation enforced, plays as important a role in determining prices on the international market as *levels* of taxation.

Then there is the question of subsidies, grants, and levies. The way in which targeted taxes and subsidies affect prices is immediately obvious in the case of such things as butter, oil, and electricity. In addition there may be direct "subsidies" to manufacturers: Capital grants, grants to employ certain classes of worker, and subsidies designed to maintain employment in designated local areas. Beyond that, certain types of equipment may be subsidised or, as is the case for factory robots in Japan, made available free of charge. Research may be paid for out of public funds ... in Japan it is *illegal* for firms to pay for research out of sales. Funds for such activities are made available by the government and thus do not have to figure in the prices charged for products.

Another factor which plays a much more important role in the determination of international "competitiveness" than the efficiency of management and labour is the rate of exchange. Changes in the rate of exchange between the US dollar and Sterling during the 1980s actually caused the price of the same British car, carrying a constant Sterling price tag, to vary between \$8,000 and \$24,000 in the USA. Confidence in a currency - and thus the rate of exchange - is primarily determined by what public servants do: It depends on the accounting conventions adopted in the calculation of "profits", the level of taxation of profits, interest rates, the likelihood of government confiscation of capital, and arrangements for the

protection of the financial interests of shareholders in companies which get into difficulties. Once again, therefore, we see that it is the quality of public management (rather than the innovativeness and efficiency of individual producers - to which market theory attaches so much importance) which determines the success of individual companies in the international marketplace.

But these are not the only ways in which the decisions of public servants come to be the main factors determining prices and trade. Public servants also decide *which* costs have to be included directly in the price of a product and which will be spread over the whole community. As we have seen, the costs of production and distribution are not, as economists would have us believe, "facts" uncontaminated by human hand. They are in no sense directly determined by costs of capital, labour, and resources. On the contrary, the nominal costs of goods and services is almost entirely determined by what amount to almost arbitrary accounting practices resulting from an accumulation of, largely opportunist and ideologically-motivated, political and public service actions often themselves resulting from the interventions of pressure groups.

These interventions have had the effect - sometimes deliberately engineered - of obscuring the true costs of many goods and services. For example, the true costs of mass-produced goods include both the costs of transporting employees and materials to the factories and the products from factories to consumers. These costs actually include the expense, not only of constructing highways, but also the (extremely high) costs of the planning enquiries which are required prior to the highways being built and the administrative costs incurred in maintaining and policing them. The costs of transport also include the enormous costs of the insurance and legal systems. The costs to the community include the enormous costs of time lost in traffic congestion^{5.2} and the costs of dealing with the effects of lead poisoning (many of which will be long-term and inflicted via damage done to the biosphere), treating injuries caused by vehicles and the costs of repairing property and rejuvenating forests damaged by the acid rain produced by exhaust fumes. To these may be added the costs of treating the diseases and organisational problems caused by the stress of travelling to work and working in large units, and the costs of disposing of the industrial waste (and the effects of the attendant pollution) generated by the factories themselves. Because of the way things are organised, most of these costs are spread over the entire community (via taxation) or else left for future generations to pay. Put simply, the organisers of mass production units do not have to cover more than a fraction of the costs which are directly attributable to them. These are paid by all citizens - whether they buy the mass-produced goods or not. It is virtually only because mass-produced goods are effectively subsidised that they seem to be less expensive than those produced by small units.

Similarly, the supposed efficiency of large distribution outlets - such as supermarket chains^{5.3} - is almost entirely illusory. These impose a number of costs similar to those imposed by mass production units onto the community as a whole - and thus on those who go to smaller shops. By channelling almost all material through a small number of regional distribution centres - in the case of Safeway (one of the large supermarket chains), one milk centre serves the whole of the UK with all milk from all farms in the country being channelled there, packaged, and trucked back to stores from the north of Scotland to the south of England - they not only contribute to traffic congestion and pollution, they also destroy local resourcing of shops, kill local sustainability of communities, and gain enormous power over their suppliers. They use their economic muscle to force many of the costs which *are* counted by current accounting systems onto those - mainly older and poorer people who do not have cars

- who patronise small shops. This is done by demanding “discounts” from suppliers which far exceed the savings which can be achieved through bulk sales. To continue in business, manufacturers then have to raise pre-discount prices. The bulk of the increase is paid by small purchasers. Large distributors also put pressure on government to secure favourable terms and employ accountants to find loopholes which enable them to exploit legislation - by, for example, continuously moving from one advance warehouse to another in order to remain eligible for reductions in property taxes. The general lesson to be drawn from this discussion is, once again, that not only are costs and prices not primarily determined by the marginal productivity of labour and the efficiency of management processes - as traditional economic theory would have us believe - but by the accounting conventions and the arrangements for paying for provision which have been established by politicians and public servants.

The fact that taxation and other legislation has such a major effect on the prices which have to be charged - both nationally and internationally - has major implications for employers. An effective manager will seek loopholes in, and ways of influencing, tax legislation. He or she will work to secure the enactment of legislation which will release funds directly into his operations or to purchasers of his products. He will press for legislation mandating the use of the goods or services he provides. He will argue for complex packages of policies like the European Union’s agricultural intervention programme. These lobbying efforts become more important than attending to the needs and reactions of customers, minimising labour costs, or improving the efficiency of the enterprise.

Implications

Three main conclusions follow from this discussion: First, what appear to be market prices are based on the cumulation of expedient decisions taken in particular circumstances with only limited account taken of how they load costs onto particular products or spread them over the whole community. Outside Japan there is very little systems analysis and consideration of the way in which particular decisions will interact with others to have consequences of national importance. Second, what appear to be “economic realities” - such as “competitiveness” and “inefficiency” - are primarily constructions of the public service. They are determined by the accounting conventions which are adopted and do not merit the interpretations commonly placed upon, or indicated by, such terms. The appearance of competitiveness, efficiency, or otherwise is easily manipulable and, as such, rarely merits the kind of action typically advocated to combat the accusation of non-competitiveness or inefficiency. Third, cost-benefit studies designed to assess the merit of particular activities are rarely of value because they are based on indices which are ephemeral and subject to radical change at the stroke of a civil servant’s pen. Thus, even in those areas of the economy which have not been brought directly under government control, it is the doings of public servants, rather than those of management (at least as commonly understood) or labour, which determine “economic realities”.

It follows from what has been said that the prices of any country’s products on the international marketplace can be greatly altered by public servants, not only by changing the arrangements made for taxation, but also by varying such things as the charges made for energy and pollution or the grants available for pollution control. Thus the international competitiveness of a country’s products or services is more dependent on the ingenuity, inventiveness, and competence of its public servants than on the competence of the management of individual firms.

Such interventions could be made much more systematic. By constructing a map of systemic connections and taking appropriate action (which would typically *not* involve direct intervention in prices and taxes), prices could be explicitly manipulated to have any of a whole series of effects, both nationally and internationally. The kinds of action which could be undertaken include promoting the development of academic research laboratories, encouraging decentralisation and sustainability, requiring Third World countries to invest in pollution control and research before they can trade with us, and requiring Third World customers to pay for our armaments industry, welfare system, and pensions if they wish to purchase from us (or relieving them of the responsibility of doing so) and so on.

Our need now is not so much for a new *economic* system as for some system of accountability which will ensure that the accounting conventions which public servants establish - and other actions in which they engage - are indeed in the public interest. Actually, it is not just public servants to whom this statement applies because we have delegated much of the responsibility for the management of the monetary system to stockbrokers and the managers of private organisations like the banks. Such people are not noted for their inclination to manage the system of which they have charge in the interests of society. Rather they have behaved as if they had a licence to manage it in their own interests, justifying this by reference to market theory and arguing that what they were doing must have been worthwhile and important because they were able to earn large commissions by doing it.

We also need evaluation systems which look far beyond the “demand” for products and services in the marketplace and ask what their effects are likely to be on the individuals concerned, society, and future generations.

Finally, new feedback systems are needed to enable people with different priorities to make their feelings known and participate in making decisions which affect themselves and society.

It follows that it will not be possible to define a sustainable economy using the - at best - metaphorical language of economics. As Bookchin^{5.4} has noted, its description will, above all, involve the delineation of new political and ethical arrangements based on new inter-personal relationships and sensibilities and the distribution of goods according to rational, ecologically-oriented, needs. It will involve radical change in our *social* institutions.

Notes

5.1 Grossman and Adams, 1993

5.2 Pearce, 1993

5.3 Raven, H., Lang, & Dumomteit, 1995

5.4 Bookchin, 1992

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.62-72). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 6

The Marketplace and Classic Economic Indicators

Problems with Market Theory and Market Processes

We have seen that the foundation on which market theory is based is nebulous in the extreme, and that two of its basic building blocks - costs and prices - are not mainly determined by market forces but by public servants and politicians.

Thurow has, in his book *Dangerous Currents: The State of Economics*^{6.1}, shown that many of the "laws" of economics are nothing of the kind. At best they apply only to particular kinds of *politico-economic systems*. Thus the effects of savings, interest rates, levels of taxation, etc. are mainly determined by the socio-economic *systems* in which such economic actions are embedded and not by economic processes *per se*. In some societies (such as Japan and Germany) firms borrow most of their capital from investment banks which take a long-term perspective and offer stable, low rates of interest. (In Japan 95% of capital comes from such sources; in Germany 60%.) The banks have a direct say in what the firms concerned do. In America, finance for development comes primarily from equity, and direct investors are precluded from sitting on the boards of companies. This makes for short time horizons, a need to fund the developments required for tomorrow out of today's income, and high prices. Arrangements in the UK lead to still shorter time horizons and an exaggerated concern with short-term profits.

Turning to other factors, Thurow shows that, contrary to common belief, there is, across countries, *no* correlation between rates of inflation and long-term economic success. Economic success can co-exist with both high and low inflation. Indeed, since the Second World War, Japan has had one of the highest rates of inflation, but this has detracted neither from its economic performance nor from the propensity of its population to save. Contrary to expectation, government policies designed to fight inflation undermine development because they create recession.

Thurow provides a stream of examples of how things do not work out as economic theory would predict and numerous demonstrations that it is *the social context in which economic activities and decisions are embedded that primarily* determines what happens. The widely accepted belief that economic forces fundamentally determine social action is thus flatly contradicted.

In fact, market theory has *many* serious weaknesses, of which the following are perhaps the most important.

1. *Market processes do not confer the claimed improvements in productivity and social organisation.* Market theory failed to work from the beginning: It did not induce farmers to increase their productivity. Nor did the wages offered to the migrant labour created by forcing subsistence farmers off the land attract them to work in factories. Instead, government legislation had to be introduced to confiscate and fence off common lands, to induce famine, to impose taxes on subsistence farmers - taxes which were, of course, unpayable since subsistence farming by definition did not form part of the monetarised system - and then burn down their dwellings for failing to pay them, drive crofters into the sea, and force homeless people to work by making begging illegal and herding them into workhouses and whipping them. Gunboats had to be used to force China to trade in the market. Grossman and Adams^{6,2} show that the growth of giant corporations in America had little to do with market processes. Instead, it was achieved by political manipulation. The laws of incorporation gave corporations great advantages over private businesses. These were not just directly financial. They also legally protected the Corporations from prosecution for behaviour which would not have been tolerated in private business. The overt justification was that the wider community would benefit. Indeed, in the early days, several corporations were taken to court for failing to fulfil their public interest responsibilities. However, the corporations used their position and immunity from investigation to “buy” judges and politicians in order to obtain contracts, legislation, and judgments which would not have been accessible to others. Wealth held in common by the community was destroyed by legislative fiat to facilitate corporate growth. Corporations could do what they liked with “their” property, regardless of any wider repercussions. They were exempted from responsibility for the injuries inflicted on workers or other members of the community. Legislation was introduced to *define* the common good as the profitability of corporations. Citizens were *deprived* of the right to enquire into and seek to influence the “internal” affairs of corporations - on the grounds that this would interfere with their productivity and thus the common interest.

These processes are still at work today. As authors like Chomsky^{6,3} have documented, taxes are still introduced to force subsistence farmers off the land. Press-gangs are still used to recruit miners and factory workers in Africa and elsewhere. Wholesale military slaughter is still employed in places like East Timor to create conditions suitable for capitalist profitability. And clandestine armed intervention is still used to murder peasants and promote favourable politicians in the countries of South America (“to create conditions in which the market can work and democracy can flourish”). Economic persecution and the forces of “law and order” are still used to promote policies favourable to the TNCs in Eastern Europe. Corporations still use “the public will benefit from the jobs and profits” argument to obstruct enquiries into their internal affairs, despite clear evidence of actions which run counter to the long-term public interest.

Clearly, the market does not automatically commend itself to those it is said to benefit! It does not give people the influence it is said to confer. Nor do the individuals and societies on whom it is imposed benefit as the theory would lead one to expect. Instead, it is those who, openly or clandestinely, do the imposing who benefit.

2. *The marketplace underestimates the importance of - indeed denies the existence of and renders invisible - (and therefore fails to take steps to satisfy) real needs which cannot be*

transformed into demands capable of being backed by money. There are several groups of such needs:

- a) Needs the means of satisfying which have been commoditised but which many people do not have the money to purchase. This means that those concerned have little opportunity to influence the quality of the provision they get. Yet the illusion that they *could* have an influence if only they had bothered themselves to earn the necessary money remains. The observation that the poor are unable to satisfy their needs is used, not to discredit the system, but to blame the poor for not having worked hard enough. Money is even needed to avoid dubious “benefits” of “welfare” which, despite its overt claim to provide people with the wherewithall to satisfy basic needs, frequently denies them the opportunity to satisfy much more basic needs - such as the need for self-esteem - by treating them in contemptuous, demeaning, degrading, and de-humanising ways.
- b) Provisions which, though markedly influenced by commercial decisions, cannot be influenced by consumers. Such provisions include the livability of city centres and quality of working life. People can do little to influence commercial developments by varying their discretionary spending. Yet the quality of commercial developments has a dramatic effect on their lives. Quality of provision in many of these areas is actually forced down by market processes. Thus our health and quality of life are markedly impacted by such things as the quality of our living and working arrangements, but the quality of these is destroyed by employers’ concern to reduce the costs of factory, office, and commercial buildings and the costs of the goods and services they offer. The quality of our lives as a whole depends very much on the quality of our *working* lives. Yet we cannot purchase high quality working lives - because this would mean being able to purchase such things as opportunity to make a contribution to society, the opportunity to exercise discretion and judgment, and the opportunity to feel that our actions have made a difference to the quality of life of our customers or clients^{6.4}. In a similar vein, the sustainability of our society and the need for personal and national security of a kind which makes survival, the accumulation of wealth, and planning for the future, possible are all dramatically undermined by commercial forces which tend to foster the manufacture and sale of weapons and armaments, the creation of conflicts which will promote such sales, and, within societies, the manufacture of differentials which result in crime.
- c) As Lane^{6.5} has shown from a review of the extensive literature, the quality of our lives is dependent on a cluster of provisions and activities, nearly all of which elude the market. One set of these, already discussed, has to do with the quality of working life. Thereafter come such things as quality of family life, the quality of friendship networks, and the ability to avoid undue stress and unsatisfactory interpersonal relationships. The latter include the distress involved in encounters with high-handed and non-responsive authorities at work and in the public service. Also associated with high quality of life is freedom of association, thought, and expression.

It follows that, contrary to popular belief, the Market is incapable of organising activity which will satisfy either the most common or the most important needs in society. It can handle only the goods and services which, in reality, contribute *least* to the quality of our lives and the survival of society. In the course of seeking to profit from the satisfaction of these relatively trivial needs, market providers actually destroy the provisions and processes which most importantly determine the quality of our lives both now and in the future.

3. *Among the needs with which it can engage, the marketplace caters particularly badly for those which arise in situations of distress* - such as when serious accidents or illnesses occur, when people lose their income, employment, or property, or when legal disputes arise. One reason for this is that people cannot have the information they need to prepare for such eventualities because they do not know which ones will arise: One has no way of knowing what kind of illness or legal dispute one is likely to encounter and there is therefore no way of accumulating in advance the information which will be needed when the emergency arises. Under these circumstances, one is inevitably dependent on advice from others who have a financial stake in the outcome. The costs are extremely variable and may be very high. Another reason for poor provision in this area is that it is not in the commercial interests of insurance companies to insure those who are at high risk - i.e. those who are *most* likely to need help (especially those on a low income or suffering from chronic illness). Yet the needs which arise from fire, crime, accident, illness, conflict, and unemployment are among the most important in our society. It follows that - even in relation to commoditised provision - the operation of the marketplace is weakest in precisely those areas in which it is most important to have good provision.

4. *Although market mechanisms provide some variety and choice for some people, the process is (i) extremely expensive and inefficient, (ii) inequitable, and (iii) exploitative.* Approximately two thirds of the price of most goods and services traded in the marketplace goes on distribution, advertising, and marketing. It is difficult to believe that it would not be possible to invent less expensive, perhaps information-technology-based, ways of providing choice and variety, obtaining feedback, and stimulating the trial and evaluation of innovations.

The actual *inefficiency* of the market mechanism is revealed by the fact that the TNCs have set about *managing* more and more of the world: They do not leave the management of their own affairs to the invisible hand of the market. This is not to deny that they “down size” when they need to shed labour or when they want to pay those they control less for what they do or to deprive them of their pensions. Under such circumstances they still arrange to manage and control these newly created and supposedly “independent” businesses (whilst shedding responsibility for the effects of errors in their judgments concerning design or markets) just as Japanese industry relies on a network of small firms which can be squeezed or discarded at a moment’s notice. When those “small firms” are assured of substantial profits, when there is a danger that they might sell what they are producing to competitors, and especially when they are engaged in innovation which might be of interest to another TNC, large firms prefer to own them. When these firms have no alternative outlet than the TNC concerned, the TNCs prefer to squeeze prices and force them to evade social security, safety, and pollution-control legislation and shoulder the risk of a declining market. The point is, however, that, one way or another, they *manage* their suppliers instead of shopping around for the components they need in a marketplace which has supposedly been induced by competition to be innovative and efficient.

The market is *inequitable* in that, while giving a shop-window-based impression of offering choice and variety to all, many people have to go without - or at least make do with the cheapest, poorest quality, and most exploitative of the range of available goods and services.

It is *exploitative* because cost-reductions (where they occur) result from the imposition of disadvantageous terms of employment on the weakest members of the community. They do not enter freely into their contracts. Inexpensive goods and services offered on the market are

often produced in the Third World or provided by employees whose plight forces them to accept work at less than minimum wages, and without paid holidays, pensions, and satisfactory working conditions.

5. *Since the marketplace deals effectively only with - usually small - goods and services which can be purchased by individuals and not with collective provision, it often results in actions which are contrary to the public interest.* A classic example is the “tragedy of the commons” or “commons dilemma” discussed by Hardin^{6,6}. It is in everyone’s individual interests to graze as many sheep as possible on common land. This results in over-stocking which reduces the fertility of the land and is bad for everyone. Yet it is in no one person’s interest to reduce the number of sheep he or she puts out to graze.

Far from being an academic and isolated problem, this is a pervasive happening. Capitalists are notoriously bad at acting in their own long-term interests. And many managers in the current economic climate further their short-term interests by removing the time and the staff required to secure the future in order to create “lean, mean” organisations which are efficient - but only in the short term.

Other examples abound: People use their cars despite the snarl-up of our cities and the contribution they are making to the destruction of the universe. We over-fish and pollute the seas. The health of the population could be greatly improved by urban planning policies which resulted in people living closer to work. By establishing networks of community support, and by changing food and agricultural policy in such a way as to reduce the consumption of fattening and carcinogenic foodstuffs, it would be possible to greatly enhance the health of the population. Since few of these developments could be promoted through market mechanisms, the marketplace has operated to overrule them: For example, it has actively encouraged the development of a society based on extensive car travel. It has encouraged the production of damaging foodstuffs and promoted the development of “health” - actually medical - policies which are almost entirely ameliorative rather than preventative, and based on the use of expensive drugs (including tranquilisers) which it is most profitable for the drug companies to produce - instead of the redesign of living and working arrangements (including those which lead to intolerable relationships with authorities like bosses, social workers, and teachers) to reduce stress, improved foodstuffs, and community-based health care. It has encouraged the road-based transportation of agricultural products over thousands of miles to regional processing and distribution centres, thus destroying small-scale, local production and marketing arrangements, and the environment (through all the by-products of transportation). It has encouraged the diversion of effort into car insurance, legal wrangles, and the growth of hospital systems to cater for accidents. By making a fetish of consumer sovereignty and the maximisation of personal, discretionary spending, it has degraded the quality of life in the interests of cost reduction. In this way, the public has been duped into thinking that cheap consumer goods and services, instead of improved quality of working life, is the route to happiness.

Another difficulty with market solutions to societal problems is that they engage with the symptoms of the problem rather than the problem itself. For example, what most people are buying when they invest in education is not an improvement in their own or their children’s competence, but a passport for admission to a protected occupation. The result is that the privatisation of education - as illustrated by the privately funded cram schools which occupy half the waking life of Japanese children - leads to the attainment of economically valuable, but educationally meaningless, credentials. It does not in any way engage with the problems

of the educational system, i.e. it does not lead to schools which nurture personally, let alone socially, useful competencies.

6. *Many services, such as education, benefit everyone in society, but do so indirectly. Yet market processes can only reflect the concerns and priorities of those directly involved.* The point may be illustrated from an example. Society can only make use of modern technology and information-based techniques of social management if most people can read. A failure to educate the children of the poor is therefore not only unjust, its long-term effect on society as a whole is negative. While this may be viewed as merely yet another example of people's inability to act in their own long-term, economic self-interest, consideration of other examples reveal that it is virtually impossible to orchestrate activities which are in the long-term, social interest using market processes. In other words it is impossible to orchestrate *moral* activity using market processes. Put like that the observation seems trite. But it is a fundamental and pervasive problem with reliance on the market. To take another example, failure to develop the competencies required for effective societal management among the future leaders and managers of our society has a profound impact on everyone. Yet the general public cannot use the market process to induce them to develop and utilise the necessary competencies. Another service which benefits everyone and not just its immediate recipients is health care. *Everyone* is worse off if society has many sick people who are unable to contribute to its diversity and the quality of life of its members - quite apart from the fact that whatever disease they have may diffuse through the rest of society. It follows from these observations that, contrary to what market theory would have us believe, it often pays society to fund activities which it would not be in any *individual's* personal interest to purchase. Market mechanisms not only fail to address these issues, the benefits an individual can most easily purchase may be anti-social, such as the "cheap" disposal of waste which then inflicts disease, acid rain, or radioactivity on others (and later on oneself).

7. *Consumers actually need many other things besides money to exercise their sovereignty of choice.* For example, many people purchasing consumer goods lack the time and energy required to visit anything other than local shops. People lack the knowledge to argue with salesmen or resist the claims of advertisers. The problem becomes worse in the case of purchases like drugs. They lack information on the long-term, personal or social consequences of making alternative purchases. In the case of housing, they do not have the legal knowledge and collateral necessary to receive their rights, even if they know what these are. Market theory, in treating money as the main source of power, has obscured the importance of other sources of power like time and knowledge.

8. *Since most employers are now large organisations, whether public or private, those responsible for purchasing on their behalf are unlikely to have a direct financial stake in making a cost-effective decision.* Purchasing agents are therefore relatively insensitive to costs, prices, and quality. To distort purchasing decisions still further, firms often offer gifts - or bribes - which go to the purchasing agent. These "gifts" vary from the wine glasses offered by petrol companies, through "cashback" to the "purchasers" of company cars, to the substantial "backhanders" offered for military contracts. The result is that the criteria which influence the decisions of purchasers become divorced from those of the true customer or client.

9. *Most purchases are bundles of provisions.* When we speak of a purchase we usually envisage a single item like a washing machine. However, even most individual purchases are complex packages of provisions such as a health insurance scheme or an educational

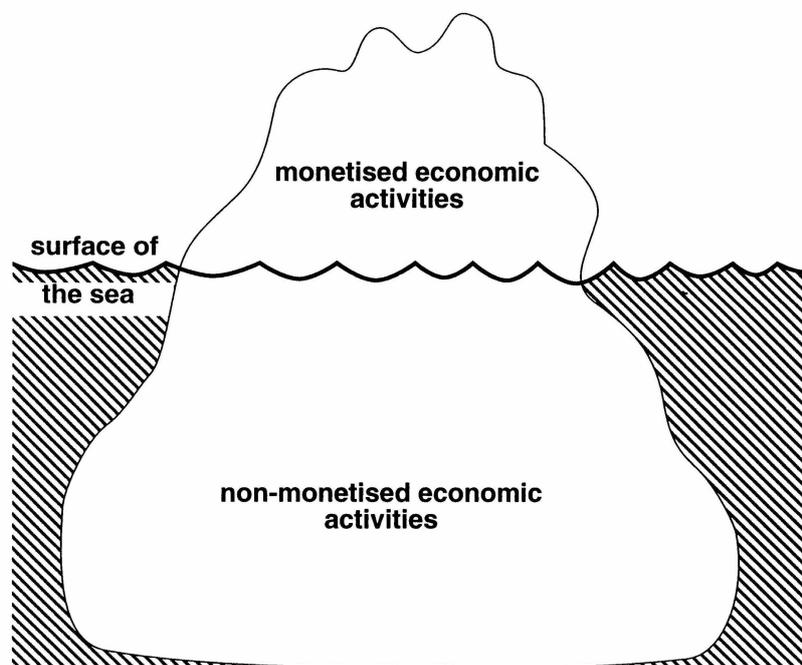
programme. It is difficult for individuals to influence any particular aspect of these provisions using market mechanisms: They may be able to take their business elsewhere, but they are likely to find that the alternative contains different undesirable elements. The marketplace does not provide sufficient variety for customers to be able to satisfy their idiosyncratic needs and generate clear feedback to producers. People with non-standard needs are likely to have great difficulty.

The Inadequacy of Economic Measures as Indices of Contribution to Wealth Creation

Having outlined some of the limitations of the marketplace as a societal management mechanism we may now examine the adequacy of monetary values as indices of the value of different types of contribution to the process of creating wealth and enhancing the quality of life.

Many extremely important activities, without which society could not function, lie outside the formal, monetarised, economy. These include the citizenship^{6,7} and voluntary-organisation (including environmental conservation) activities to which many people freely contribute. They include the provision (mostly by women) of food, health care, child-rearing, house-cleaning, laundering, and transportation within families. They include house and car maintenance, DIY, and gardening activities. They include the vast array of interpersonal contributions made by family members and friends. They include love and affection, counselling, emotional support in times of difficulty, and most mental-health care. It has been estimated that these non-monetised, economic activities amount to about two thirds of the activity occurring in “developed” economies - see Diagram 6.1 - and still more in less developed economies.

Diagram 6.1 The Economic Iceberg



Bringing such activities into the formal, monetised, sector creates serious anomalies. Women going out to work and purchasing convenience foods and child-minding services may be taken as an example. Given current accounting practice, both the woman's income and the cost of the services she has purchased then show up in the national accounts as positive contributions to GNP (which is often thought of as a reasonable index of national wealth or quality of life). At most, it should be the difference between the two which counts. In practice, the cost of child care of equivalent quality to that which most mothers provide "free of charge" greatly exceeds anything which it is remotely possible for most working mothers to earn. The calculation of the disbenefits of mothers working becomes additionally complicated because most formal-economy-based childcare is heavily subsidised by governments so that mothers pay only a nominal cost. Worse still, the cost to the community of future crime, remedial education, and treatment of mental illness arising from inadequate child care is typically enormous. (The result of a cost-benefit calculation is, in this instance, heavily in favour of the state paying parents or parent-surrogates a large fee to care for their own children as part of a family policy^{6,8}.)

Similar absurdities arise in reverse because many activities which are currently part of the formal economy would be *better* (not simply most cost-effectively) provided through demonetised arrangements. One example is that it has been shown that people, especially old people, can, through mutual care and support, obtain much better care than can be obtained from formal nursing and social services. It is important to note that the effect goes both ways. Under mutual support arrangements, the *most important* needs of the recipient - such as for companionship and respect - get met. Such needs cannot be commoditised or isolated for packaged and costable "treatment". But the care-givers also benefit because they are able to undertake more satisfying work: their services confer more visible benefits on those assisted and also enable them to enjoy exercising discretion and companionship. The quality of life of all is improved by demonetising the activity. Yet this would show up in the national accounts as a decline in wealth, thus suggesting that the quality of life had gone down.

What these few examples do is highlight gross deficiencies in economists' traditional indices of people's contributions to wealth creation. When more examples are added, they show that the indices which are most widely relied upon to guide policy have little meaning or value.

The Inadequacy of GNP as an Index of Quality of Life

Our next observation is that Gross National Product (GNP) is a misleading index of a country's wealth, quality of life, or well-being. It does not incorporate measures of the things that most importantly make for high quality of life because these lie outside the formal, monetised, economy. We have already seen that, while American GNP suggests that the USA is one of the wealthiest and most efficient countries, offering the highest quality of life, in the world, it is, in fact, the least efficient, least sustainable, most dependent on external resources, and among the most fractured of societies. Its apparent efficiency is dependent on under-priced fuel and imports and the creation of intolerable burdens for the future. Contrary to the impression given, those living in the USA itself have a relatively low quality of life. More seriously, the *average* quality of life of those living in the *entire international system* on which the quality of life of Americans is dependent is appalling.

It is often argued that those living in wealthier societies have higher quality of life - however it was attained - than those living in poorer societies. And it seems almost self-evident that those with higher incomes within societies will, in general, lead more satisfying lives than

those with lower incomes. However, even Adam Smith disputed these assumptions, claiming that they were convenient myths which motivated economic activity. More recently, Robert Lane has shown that they are false.

Lane starts by summarising the data which led Easterlin^{6.9} to the conclusion that there is less of a difference between the average quality of life of those living in poorer and wealthier societies than there is between those with higher and lower incomes within a society. He then reviews the work of Inkeles and Diamond^{6.10} who summarise eight studies, each based on a large number of measures. Inkeles and Diamond came to the conclusion that serious poverty does indeed lower levels of happiness and subjective well being. However, by introducing still more studies, Lane then shows that, while the bulk of the studies do indeed reveal a *relationship*, the *explanation* of that relationship is not the obvious one. Money does not, in fact, enable people to purchase a high quality of life. What happens is that people who have the most satisfying jobs (and for this reason the highest quality of life) tend to be *paid* more. So, people cannot buy happiness and low incomes *per se* do not lead to unhappiness. (Try as he might, Lane could find no evidence to support Smith's contention that people who do jobs which involve stress and physical disbenefits are compensated in financial terms.) There is therefore no reason to believe that we could not greatly improve our average quality of life whilst reducing our consumption of resources and the rate at which we pollute and destroy the planet.

Many limitations of GNP as an index of societal well being have been brought together, as follows, by Block^{6.11}.

1. GNP includes no indices of the value of leisure time or the quality of the environment.
2. GNP provides only a snapshot index giving no information about dynamics or probable longer term trends or outcomes.
3. The boundary between consumption and investment is arbitrary. Thus while house purchases count as investments, consumer durables count as "consumption". Research and development is a "business expense", considered to be completely consumed in production, whereas buildings and machinery are treated as investments. Computer software is an expense; hardware an investment. When GNP is calculated, investments are counted as additions to total output, but other expenditures, including research and development, are assumed to make only an indirect contribution.
4. It is plausible to estimate the total output of a manufacturing industry, but the estimate is more problematic in the case of service industries because of the difficulty in finding appropriate ways of measuring output.
5. The quality of goods can change independently of their cost.

Block notes that traditional economics is based on the "widget", an unvarying, standardised, unit of production, purchased in a single, final, transaction. However, in a post-industrial society, there is a shift in the nature of *what* is produced. There is no obvious way to measure output, which may take the form of an ongoing relation between producer and consumer. (We will later discuss the significance of the absence of measures of health, education, etc. in more detail.)

Useful though Block's article is, however, it does not sufficiently engage with the issues we have been most concerned with here: GNP's failure to index the efficiency, quality of life, and sustainability of a society.

Summary

In this chapter we have seen that market theory and market processes do not, and cannot, yield the benefits which are often claimed. The market process engages with only a very small fraction of the determinants of quality of life - and the least important fraction at that. Likewise money incomes do not, and cannot, serve even moderately well to index the value of people's contribution to the quality of life in society. And we have seen that GNP does not, and cannot, provide even a moderately satisfactory index of the quality of life in a society, let alone the probability that it will be able to sustain that quality of life for a significant period into the future. It follows that we have been seriously misled by market apologists.

Notes

- 6.1 Thurow, 1983
- 6.2 Grossman and Adams, 1993
- 6.3 Chomsky, 1991, 1993; Ekins, 1992
- 6.4 Jencks, Perman and Rainwater, 1988; Yankelovich and Immerwhar, 1983
- 6.5 Lane, 1991. Studies reviewed include: Andrews and Withey, 1976; Campbell, 1981; Campbell, Converse and Rogers, 1976; Freedman, 1980.
- 6.6 Hardin, 1968
- 6.7 We will later see that citizen contribution to the management of society is among the most important contributions people can possibly make.
- 6.8 Raven, 1980; Scarr, 1988; Shipman, 1971; van der Eyken, 1979
- 6.9 Easterlin, 1973
- 6.10 Inkeles and Diamond, 1980
- 6.11 Block, 1985

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.17-31). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 7

Manufacturing, Wealth, Money, and Management

In Chapter 4 we argued that a shortage of money does not necessarily imply a need to cut back on wealth-generating activity: We can have higher quality of life - i.e. real wealth - without having to have money *first*. Wealth is a *product* of productive activity, not a pre-requisite to it. We also suggested that the success or failure of an enterprise or society will depend primarily on its ability to use information to manage its affairs.

These lessons have been applied in Japan, which has transformed itself^{7.1}, without borrowing money, from a poor indebted country to a major exporter of high-quality products. On the surface, at least, it looks as if it did this by systematically developing the institutions, and collecting the information, required to manage both its own internal affairs and its relationships with the rest of the world.

Japan's Ministry of International Trade and Industry (MITI) initiated an international trawl to identify the products the rest of the world wanted. Its personnel collected and sifted information on technical innovations from all over the world, and acted on the information so obtained. Japan externalised the costs of scientific research not only by initiating an incredible search for relevant information, but also by actually placing the bulk of its research contracts with overseas - largely American - universities and research institutes.

An examination of the way in which the Japanese moved out of shipbuilding and into information technology is instructive. MITI realised that ship building was going to become less important, that other nations would be able to do the work more cheaply, and that it would be wise to transfer resources to some future-oriented activity - such as information technology.

But this was no behind-closed-doors debate, limited to the public service. An extensive network of discussion groups was set up in every community and supplied with information by the thousands of people who had been sent abroad on research missions. Key people were invited to Japan and media time was allotted to them and what they had to say. A great deal of media time was - and still is - devoted to a discussion of the state of the country and what needed to be done about it. The discussion groups not only considered whether the views expressed were sensible, but also what needed to be done to translate their recommendations into effect. In this way great effort was devoted to consensus-building. All of this was

supported by some not-so-open consideration of the steps needed to promote the best use of human resources within Japan - such as the enactment of laws preventing firms from investing directly in research and development (thus excluding those costs from their prices and preventing work essential for the marketing of foreign products in Japan from being carried out there). An extensive web of disinformation - involving, among other things, the fiction that R&D in the motor industry was funded from money raised by a cycle race^{7.2} - was developed to mislead foreigners who sought to enquire into pricing arrangements. Likewise, to mislead those who sought to enquire into accusations of “dumping” products below cost abroad, a system of not marketing the same product in home and overseas markets was developed. Extensive non-tariff barriers, such as the requirement that cars have particular types of mirror or rear lamps, were developed to prevent overseas penetration of the Japanese market. Indeed, for many years, after careful study of the product substitution required, the protection of the home market was quite explicit and laws were passed to outlaw discount stores and thus protect small firms.

The UK has 34 times as many accountants per member of the population as Japan. These accountants are preoccupied with cutting labour costs even though these amount to only between 10 and 12 per cent of the costs of production and despite the fact that society must then pay to maintain these “redundant” workers in idleness. The Japanese tend to take a wider and more long-term view. Not owned by pension and insurance companies, firms are less concerned with short-term profitability. But neither are they owned publicly through the stock market. As a result, while the Japanese can buy up (and close down) foreign companies - such as the European camera industry - no one from outside the country can do the same to a segment of Japanese industry^{7.3}.

But just as important as these activities was the study of how overseas political-economies worked. Thus, the import of Japanese cars into Pakistan was achieved by shipping them into the Gulf, off-loading them into little boats, running them ashore on the other side of the border, putting them on display in the tribal areas and then marketing them through the teaching profession. One could pay the local teacher the price of the car as displayed in the tribal area or that price plus a bribe to the customs officer to let it across the border. In this way the Japanese avoided most of the 300% duty on motor cars.

In a similar way, at the time of the 1970s Arab oil price increase, Japanese officials concluded that the Arabs would have vast sums of money to spend, and set about building a network of superstores to sell their products in the Middle East.

It is obvious from these comments that the “Japanese miracle” is by no means due just to the “quality circles” that the Japanese borrowed from an American ignored in his home country (Deming) and translated into effect. This is not to say that quality circles are unimportant: Japanese management has proved itself capable of turning round American companies whose industrial relations had contributed to their running at a loss for many years. (One is, of course, entitled to wonder whether other developments in these firms may also have played a role. Were there, for example, undisclosed injections of “funny-money”, and what role did changes in accounting practices play in their “success”? As we have seen, costs, prices, and profitability are constructed by human hand and can legitimately be manipulated by taking different decisions. But this is only to reinforce our claim that more than quality circles were involved and to underline the crucial importance of a broadly-based concept of what management involves.)

The most striking features of Japanese businesses are the extent to which they have been able to adapt their marketing strategies to a wide range of economies - capitalist and “communist”, democratic and dictatorial, centralised and decentralised, based on “corrupt” or “open” marketing practices - and the way in which they have been consistently able to present themselves in different ways in these economies and societies. Beginning with their 1870 visit to the UK, they have been able to attend to the way in which *systems* work and take the steps required to make those systems work *for them*. They have developed appropriate development *strategies*: Everything starts with small experimental projects which are carefully monitored against a number of society-wide criteria and an examination of systems constraints, opportunities, and societal consequences, and systematically built upon. The process has been applied to banking as well as industry.

But one should not over-glorify Japanese accomplishments. Even at the level of industrial development, large numbers of small firms are exploited. They are left to shoulder the financial risks of innovation and then let go if the product the large firms have required them to produce does not turn out to be a success. But Japan’s most important problems arise from the failure of the “New Values^{7.4}” required for sustainability to emerge and take root there. These - like industrial development before them - have emerged from the much less orchestrated kind of evolution which occurs in Britain.

”Creating Conditions in Which the Market Can Work”

From the point of view of societal management, it is important to recall that Smith thought that it was necessary for governments to establish and enforce a framework in which the market could work and consider the implications for a world in which there is no international government to regulate world trade and enforce the rules. Japanese success (like the growth of many TNCs) has, in fact, been in part due to systematically flouting Smith’s rules, deliberately concealing relevant information, and obstructing such enquiries as international bodies have initiated. Japan consistently conceals^{7.5} the vast public funds it pours into industrial R&D, into the provision of free manufacturing equipment, into international industrial espionage, into the evasion of patents (in part by subsidising reverse-engineering), into the invention of non-tariff barriers to protect its home market, and into espionage designed to find out how other political economies work and find ways of circumventing national regulations so that those economies come to benefit Japan more than themselves. It also conceals the extent of its systematic dumping of products at below cost on international markets and its use of bribery and underhand dealings to evade taxes in other countries. All of these processes help it to find ways acquiring the plant and marketing agencies of the firms thus driven out of business. One could, of course, make similar comments about America, drawing attention to the funding of car, aircraft, and communications-technology research and development out of military budgets and not out of sales, to hidden grants made to manufacturers, bribes to overseas purchasers (remember Lockheed), and political intervention through the CIA. And, historically, one could recall the British imposition, by military force, of the demand for opium on the Chinese in order to generate a semblance of a demand for “trade” to pay for the goods Britain wanted from China. The point, of course, is that much of the above-board moral context which Smith explicitly deemed necessary for the effective working of the economic marketplace is missing on the international scene and eludes most commissions of enquiry.

The problems which the internationalisation of trade has posed for Smith’s view that governments should act to create conditions in which the market would work for the common

good can be illustrated by considering pollution control. Although it would be possible for any country to introduce legislation to control pollution, this would not stop companies registered there moving production to countries which did not have the same controls. Thus, without further intervention to impose taxes or levies on imports and to “subsidise” exports, goods produced in the country which introduced the antipollution legislation would be priced out of the market.

By fixing the prices at which their subsidiaries in different countries sell to each other, transnational corporations ensure that they only make profits in countries where taxes are low. In this way they defraud countries of considerable revenues. Once again, therefore, we see that if modern societies are to function effectively, it will be necessary to establish extensive monitoring, regulation and information-based intervention arrangements. Not only are the countries of the Third World - whose need for these things is in fact the greatest - least able to establish appropriate arrangements, IMF policy specifically discourages those countries from setting them up.

Another way of drawing attention to some of the implications of our observations on the way in which societies and international trade are managed is to say that there are many versions of capitalism. In discussing internationalism one is dealing with types of capitalism ranging from Japanese fiefdoms offering lifetime guarantees *to suppliers as well as staff*, Korean baron kingdoms (where 15 families control the lives of vast numbers of people and feel they should control the government which nominally manages their society), through economies composed of medium size enterprises as in Germany, to the “screw your workers and suppliers” versions of capitalism found in the US, and the state capitalism of Eastern Europe. But behind the differences will be found common, massive, invisible manipulations to promote the interests of the wealthy - individually and collectively. These do not rely on market mechanisms, and it is *on these management arrangements* - some desirable, some deplorable - *that we must focus*.

Profitability in Modern Society

Profitability in modern society is, as we spelt out in earlier chapters, heavily dependent on structures of taxation and the arrangements which public servants make for trade. In addition - since the spending of about 75% of GDP is, in some sense, under the control of governments - most sales of goods and services must be, directly or indirectly, to the state. Notable examples include sales of aircraft (fighter planes), armaments, development contracts for new “defence” equipment, contracts for nuclear development, advertising (government advertising accounts for more than half the revenue of the “independent” television companies in Great Britain), highways (not forgetting the huge costs of planning enquiries and acquisition of land), hospital equipment, “education”, construction of government buildings, sales of most academic books, overseas contracts for consultancy and equipment in connection with “aid” projects, and the costs of most criminal prosecutions and litigation. Contracts for such work, often awarded with little public scrutiny, account for much of the work - and thus the profitability - of “private enterprise”.

Another significant factor determining the profitability of enterprises is whether (as in forestry) the relevant lobbies have been able to arrange for the introduction of legislation favourable to themselves, or, more commonly, whether firms’ accountants have been able to find tax loopholes or tax havens (as, for example, when the head office of a highly profitable chain of British butchers was moved out of the country). Put cynically, farmers farm grants,

not fields. Manufacturing industry trades in regional development grants, building and training grants, and non market funding of many other types.

Legislation which is not overtly financial is also important. Thus, the profitability of pension companies is not only dependent on the structure of taxation. It also depends, on the one hand, on legislation requiring firms to provide their employees with pensions and, on the other, on unscrupulous business practices such as implementing state legislation in such a way as to result in pension schemes being non-transferable. Another example of how legislation can create a market for a product or service is the way in which a one sentence law requiring access to “special education” in the US to depend on “a significant discrepancy between ability and performance” as assessed by a psychologist created jobs for 25,000 school psychologists and a huge market for tests.

Internationally, profitability, as with the drugs and soap powder companies, is frequently dependent on the exploitation of employees and customers in countries where there is little regulation of the conditions of work or on the exploitation of absence of standards controlling the products’ use. The UK Counter Information Services publications^{7.6} give examples of many of these (including the baby milk scandal), but further illustrations will be found in reports on the activities of the drug companies and Union Carbide - the company responsible for the Bhopal disaster.

Pension companies can, and do, kill or render profitable the manufacturing companies they control. They can - and do - shift their investments around the world - creating national balance of payments deficits and industrial havoc which the IMF then exacerbates^{7.7}. They demand high profits from industries located in the LDCs and thus increase the flow of funds from the poor to the rich nations. They inflate the price of land and property. In this way, these unaccountable bodies, which owe their existence to state legislation, have an enormous impact on our societies. Just as there is a need to enable the public to find out more about the workings of the state bureaucracy, so, too, there is a need to open up the affairs of nominally private companies to public scrutiny.

Money is made and people become rich, not, as Adam Smith proposed, by attending to the needs of society, but by manipulating the stock market (as, indeed, did the Rothschild family on the basis of advance information brought by carrier pigeons from the battlefield of Waterloo), by property speculation, asset stripping, and by moving capital around the world to exploit cheap labour or the absence of legislation limiting the use of damaging pesticides and drugs or the production of serious pollutants. As McClelland showed more than 30 years ago, clever people who devote their energies to such activities can become very rich. The problem is that it is not these people, but people who value developing better ways of thinking about and doing things - and who devote their thoughts, feelings, and energy to doing so - who create economic development. Depending on the nature of the society in which they live some such people become rich, but most do not. But, if there are enough of them, and if they attend to social as well as technological innovation, the *societies* in which they live become wealthy.

The fact that money is most commonly made by creative accounting, by securing favourable government contracts, by trading property at higher and higher prices, and by tax avoidance, has had a series of important social repercussions. The most significant crimes in our society are no longer crimes against the person, or minor “fiddles” of social security legislation, but major fraud. The result has been that the State has created an army of law-enforcement

officials (like VAT inspectors) with unprecedented powers to infringe the civil liberties of individuals. Equally, an army of public servants has been created to rotate around “private” firms, nationalised industries, and QUANGOs in an effort to ensure that public money is deployed for the purpose for which it was intended.

An important consequence of this is that firms’ managers are deprived of opportunities to exercise the very discretion and judgment that the marketplace supposedly promotes.

Not only is the profitability of a firm primarily dependent on its interface with the State, a very large proportion of its own “costs” consist of administering services on behalf of the State. These are therefore best described as externalised costs of the State. Thus, a significant proportion of firms’ budgets are devoted to paying the accountants and clerks required to administer VAT, PAYE, and pension schemes, and preparing the accounts required, not only by Companies House, but also by government accountants and the innumerable civil servants who sit on endless committees within the firms concerned.

Summary

It follows from the observations made in this chapter that the very concept of “independent”, “private enterprise” firms has little validity in modern society. The question is not *whether* the State will regulate and run the affairs of “private” firms, but *how?*

Thus, just as we need to examine the efficiency with which the State administers pension and health schemes, searching out excessive checking and bureaucracy, so we need to examine the actual efficiency of the “externalised” schemes it has set up but requires others to provide and pay for. The externalised costs of administering our current tax and pension systems - which have to be administered by private firms - are enormous.

These considerations undermine the value of profitability as a criterion of the economic value of an enterprise. The importance of allowing other considerations to over-rule profitability as a criterion of the value of an enterprise needs to be better understood. Constructs like “economic cost”, “economic viability” or “private” enterprise existing “independently” of the public sector are of the most dubious value.

Notes

- 7.1 However, the importance of dramatic US intervention in connection with the Korean War should not be overlooked.
- 7.2 Wolf, 1983
- 7.3 The same is also true of Switzerland, whose businesses are playing an ever-increasing role in Europe.
- 7.4 The best-selling book in Japan in 1993, selling over two million copies, was *How to Live in Poverty with Dignity*. It consisted mainly of teachings drawn from ancient Japanese manuscripts. Although these sales may be interpreted as evidence of sudden endorsement of the “New Values” - which are actually ancient Navajo and Japanese values - in Japan this is not necessarily the case. Much of the deliberate crafting and presentation of misleading persona to the rest of the world has been legitimised by saying that Japan is a poor country which needs to protect itself. A strengthening of this self-image may therefore lead, not to the expected internal transformation of society, but to a strengthening of the tendency to concealed protectionism and international exploitation.
- 7.5 Wolf, 1983
- 7.6 e.g. Counter Information Services, 1976-1984
- 7.7 Toffler, 1980

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.80-89). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 [“Some Observations on Money”], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 8

Our Misplaced Faith In Market Processes

If there is so much wrong with the market process, why do so many believe in market mechanisms?

Before attempting to answer this question, it is useful to recall the need to beware of over-estimating the extent of public support for market mechanisms and privatisation: At the height of the popularity of the Thatcher Government in the UK, more than half the population wanted the public services, and especially the health services, to be extended *even if it meant an increase in taxes*^{8.1}.

Faith in the market mechanism is stronger than the material reviewed thus far in this book suggests there should be. On what is this support based? The following phenomena seem to be at least partially responsible:

1. The belief that private sector goods and services are of higher quality, offer better value for money, and are more suited to individual needs than those offered by the public service.
2. The belief that our standard of living is largely attributable to our adoption of the market mechanism.
3. The belief that market processes lead to efficiency and innovation.
4. The systematic discrediting of public management by such bodies as the IMF.
5. The belief that market economies offer freedom and opportunity.
6. The belief that economic development comes from people pursuing their own *financial* interests.
7. The way in which market processes create work and thus conceal the need to find alternative ways of running society.
8. The way market mythology legitimises the social order.

In the pages which follow we will consider the validity of these beliefs and processes one at a time.

(1) *The belief that private sector goods and services are of higher quality, offer better value for money, and are more suited to individual needs than those offered by the public service. High quality is available to higher income groups, but at a very high cost: as we have seen,*

two thirds of the cost of goods and services provided through the market goes on distribution and advertising - i.e. on the market mechanism itself. This means that the needs of most members of society cannot be met through private provision. Also overlooked is the way in which costs are kept down by exploitation of cheap labour both at home and in the Third World and the piling up of costs for the future.

(2) *The belief that our standard of living is largely attributable to our adoption of the market mechanism.* This belief is largely unfounded. Our standard of living is based on:

- i. One sided trade with “Less Developed Countries”, produced, not only, as we saw in Chapter 2, by the intervention of the TNCs and the IMF, but also by such things as high-handed political and military intervention - such as the US government’s intervention on behalf of IBM to close the Brazilian computer industry and the CIA’s and associated military intervention in much of South America. What would collapse if market processes were allowed to take their course would not be, as market theory would have us believe, the economies of the LDCs, but: (a) Western banks, (b) Western manufacturers of armaments (who would not only lose many of their customers but also all the R&D that goes with the development of armaments), and (c) mini-Stalins all over the world.
- ii. “Externalising” many of the costs of production. Thus we have externalised the costs of cleaning up the air, land, and sea we have polluted to future generations. Many of the true costs of transportation and the nuclear industry have been externalised in this way.
- iii. Massive government intervention in the workings of Western markets. In the case of agriculture, these have, as indicated in Chapter 3, involved a huge network of research, development and advisory services in addition to massive and pervasive direct and financial intervention in every nook and cranny of the system. As far as industrial development is concerned, the relevant policies are best illustrated by the MITI-backed activities of Japan on the one hand and the huge American “defence” (and space) research and development programmes on the other. (The US military funded virtually all the basic R&D and programmes of minaturisation which were later taken into the marketplace by “entrepreneurs” - who were in turn supported by internationally orchestrated campaigns to achieve sales and conquer markets.)

(3) *The belief that market processes lead to efficiency and innovation.* In fact, as we have seen, competitiveness is mainly dependent on what public servants do - and market mechanisms are extremely expensive, *inefficient*, and do not result in activities which relate to our most important needs. Innovation comes mainly from scientists working on defence contracts or in government agricultural R&D laboratories.

The actual inefficiency of the market mechanism has been discussed. The ability of the market to induce innovation will be discussed more fully below. Here it is sufficient to note, first, that, in a competitive environment, individual firms cannot afford to undertake the R&D which would be required to generate new ways of thinking or to evolve new products. Conversely, if they are in a near-monopoly position, they have little incentive to do so.

Innovation rarely pays off - it is, by definition, a risky and expensive business and, if it is successful, it is easy for others to copy the basic idea and make marginal improvements to the product to avoid patent restrictions, thereby reaping the benefits. Roberts^{8.2} and McClelland^{8.3} have shown that most innovation fails and that those innovations that are financially successful incorporate the labours of hundreds of innovators who are dependent on government funds, go bankrupt for their efforts, get scant financial reward for their

contribution, or are long since dead. It is hard, therefore, to maintain that their crucial efforts were induced by the thought of unusual financial gain. In fact, Rogers^{8.4} and Roberts^{8.5} have shown, most innovation in modern society comes from government research laboratories and firms which carry out R&D for government on a cost-plus basis.

The image of “efficient America” is dependent on concealing the extent of government intervention, failing to count the true cost of the vast amount of energy consumed, and failing to count the cost of imported materials and labour. The US consumes some one third of all the world’s energy - and does so at rock-bottom prices. It is this, rather than its economic system, which lies at the heart of its apparent efficiency and prosperity.

The apparent competitiveness of Japanese products is heavily dependent on below-cost imports from LDCs, on a swathe of public-service generated activities to manipulate apparent prices, and on a huge international industrial espionage enterprise. Japan has externalised the costs of scientific research and basic development and loaded them onto other countries. Instead of engaging in this high-risk activity itself, it has systematically collated and sifted the results of work going on elsewhere. These observations seem to confirm our conclusion that competitiveness is largely dependent on there being some way of externalising the costs of innovation.

In the short-term, of course, the introduction of competition can benefit consumers. But, over a longer period of time, quality deteriorates and markets become dominated by a few giant firms which proceed to carve them up between themselves and, wherever possible, acquire, or find other ways of controlling, the organisations responsible for everything from raw material production to the distribution of the finished product. These large firms make endless deals to their own advantage with governments worldwide as well as finding ways of evading the tax liabilities and regulations of many of those governments. The modern world-economy thus bears little relationship to the kind of economy - in which they were thousands of small firms - known to, and envisaged by, Adam Smith.

(4) *The systematic discrediting of management, or planning, by the IMF.* The IMF has systematically discredited the notion, not just of public management, but of management in general by promoting the idea that the invisible hand of the market will, of itself, make the necessary arrangements. However, as we have seen, it has concealed the significance of public management in Europe and Japan and management by the TNCs.

(5) *The belief that market economies offer freedom and opportunity.* Put at its most positive, the historical and current sociological function of market theory is to subtly undermine faith in the legitimacy of whatever social order happens to be in place. It undermines the view that nobles, political parties, religious and political priests, bureaucrats, and kings have a right to push people around and assign “the rich man to his castle and the poor man to his gate” as the hymn “All Things Bright and Beautiful” used to have it (before the relevant verse was deleted as its conflict with the ideology of personal responsibility for position and status became apparent). As is abundantly obvious in Eastern Europe and central Africa, what market ideology does provide is a set of beliefs which legitimise the suppression of the poor and powerless on the one hand and the desire of the power-hungry to challenge, and subsequently usurp the authority of, the powerful on the other. It legitimises genocide on the one hand and *coups d’etat* on the other - just as Christianity, other religions, and Marxism did in the past.

Precisely because it is primarily about legitimising power, market theory, like other faiths, gets used to justify actions which are the opposite of those indicated by its basic tenets. For example, it is used to justify military and other forms of intervention designed to sustain both the dysfunctional activities of the Western banks (which would collapse if their continued existence was left to the market mechanism alone), and to justify a demand for continued below-cost exports from the LDCs (which would cease if market forces were left to themselves).

But market theory does more than legitimise the right of the dominators to dominate and the power-hungry to challenge those in authority: It also encourages those who want to do new things to just go ahead and do them *without having to get the approval of authority*. Of course, most of them find that they do have to negotiate with authority at some point. Nevertheless there is a very real sense in which market mythology creates scope for personal action and reduces mind control. This points to one of the most important needs of today. Since the innovations we most need are in the public domain, the most important problem we face is how to create climates of innovation within the public sector. Taking the relatively limited, but nevertheless real, climate of innovation created by embracing market mythology as a standard, i.e. recognising that it is not a panacea, how can we create alternatives which do a little better? We make the point because there is a tendency to judge suggested innovations against criteria of perfection rather than against the best available alternative.

(6) *The belief that economic development comes from people pursuing their own financial interests*. As the work of McClelland and others has shown, economic development actually comes from a pervasive cultural value for technical innovation accompanied by a commitment to finding new things to do and new ways of doing things, from the effective pursuit of new ideas and innovation, and from a combination of these concerns with a commitment to the public interest. Ironically, it is often associated with a personal disinterest in many of the things which other people want - such as leisure, opportunities to engage in friendly interaction with others, or power - and even with opulence or economic well being itself. The latter finds expression in contentment with a frugal life style - as in Calvinism and Japan.

It is widely believed that without pay differentials and the incentives of the market-place people would cease to conduct the activities which are crucial for society. Nothing could be further from the truth. Mothers care for their children without calculating the cost or the "return". Most innovators and those who come up with new ways of thinking get nothing for their efforts except the excitement of having generated new ideas and found ways of making things work. Arguably, much of the economy of Eastern Europe *did* function at least as well - and in many ways better - than the West with, not merely *equality* of incomes, but an actual "inverse" differential in which factory workers were paid more than doctors. Under these circumstances mental health care was *better* than in the West and, for most people, housing was better. What is more, what *was* there was largely created by the people themselves, from relatively local resources, without sucking in food, material, and money from the Third World. The *average* quality of life was *far* better than the *average* quality of life in the Western *system* - because such a calculation of such an average must include an assessment of the quality of life of all those living in the Third World countries on which the quality of life in the West is so dependent.

(7) *The way in which market processes create work and thus conceal the need to find alternative ways of running society*. The marketplace, when combined with appropriate

policies on the part of public servants, creates endless work which conceals the need to acknowledge the need to re-organise society and gives meaning to people's lives. The jobs created are largely middle-class ones, and the "need" to get qualifications to obtain them has a major knock-on effect, creating still more jobs in "education", administration, publishing, etc. These jobs give meaning to people's lives. What is more, the market operates in such a way as to induce people to get on the treadmill - not just through advertising (the production of which itself creates more middle-class jobs) but also by making the differentials between rich and poor continually steeper.

It is easiest to illustrate the way in which the market creates jobs and enhances differentials which induce participation in the system by considering the insurance industry. Privatisation of the insurance industry amplifies differences between the treatment of the rich and the moderately rich in such a way as to strengthen the incentive to join the system for fear of being treated in the increasingly demeaning way that the poor are treated. Thus the industry creates a swathe of middle-class jobs for people generating insurance packages, selling those packages, collecting and keeping account of small sums of money, assessing entitlement, pursuing legal wrangles, assessing the profitability of companies in which it might be suitable for an insurance company to invest, monitoring their profitability, and intervening in them to maximise the return to their investors or "owners". These "owners" actually turn out to include post-office workers' pension schemes, miners, and dockers - i.e. much the same public as "own" state insurance schemes. These owners and beneficiaries get much the same benefits as before. But it costs society vastly more to provide them. Not only does privatisation of the insurance industry create middle-class jobs within the industry, it also creates jobs for a host of individual pension plan managers, researchers to conduct consumer surveys to determine which insurance company is offering the "best buy", and personal accountants and advisors to advise individuals on which plan is best for them and make appropriate tax arrangements. The privatised system transfers money from the less fortunate to the more fortunate: Those who are already unlucky enough to have been forced to change their employer in the course of their lives get miserable pensions so that the pensions of those who have already had secure employment can be maintained. And it externalises many of the costs to the LDCs (whose companies are required by their new transnational insurance company owners to become more "profitable") and to future generations (because our children will have to pay more for their goods and services so that the companies concerned can make the profits which our insurance companies will require to pay the pensions of those of our generation that are lucky enough to get them). Of course, this necessity to charge more for everything generates inflation which operates to undermine the value of the pensions, so that those who have had even a moderate deal from life get a raw deal in their old age.

Nor is this the end of the job-creation programme. The use of the market to provide pensions is one of the strongest factors driving the whole privatisation programme: Privatisation of post office workers' and miners' pension schemes created a demand for investment opportunities. This created a demand for the privatisation of other nationalised industries as well as a demand for their increased profitability and thus to pressures for down-sizing and hiving off work to small private firms in which the insurance companies would *not* invest and which could therefore be exploited and forced to exploit their employees by making the firms evade social security (including pensions) legislation. This in turn created even greater demands for "education" to get into "good" jobs and for insurance against job losses. (Readers may be interested to note that these observations imply that the path to privatisation was set in train long before the Thatcher government came to power and embarked on the privatisation of state pensions.)

(8) *The way market mythology legitimises the social order.* Market mythology combined with other mythology relating to the “importance” of the financial system (money, banking, pensions, tax-gathering and disbursement accounting), the “educational” system, and “defence”, legitimises the organisation - or coercion - of labour and the social order more generally. In this, it is equivalent, historically, to myths like the belief that one must have pyramids to bury kings, or that God requires us to build temples in which to worship him, or that massive armies are required to ensure that infidels are converted (or exterminated). Acceptance of these myths incline people to accept that it is “more important” to attend to do these things than tend their fields, look after their families, spend time with their friends, or socialise at leisure. Even if they do not accept this themselves, the myths provide those in authority with an excuse to coerce them to work at school, in insurance offices, or in the army. These activities mainly satisfy the needs of the power-hungry.

Modern market mythology and the other myths we have mentioned are sociologically extremely subtle in that they justify the creation of huge amounts of work and the consumption of inordinate quantities of energy in the name of the very thing - efficiency and life satisfaction - of which they are the antithesis. Further, the mythology creates and legitimises inequality which induces participation in the useless work created by the system. In actual fact, our quality of life remains mainly dependent on relationships with family, friends, and neighbours and on the liveability of the community in which we live - on the absence of queues, gross disorganisation, and inequities in the distribution of basic foodstuffs and transportation, on freedom to express one’s thoughts (cf. USSR, China) and on not being arbitrarily pushed around by bureaucrats, lords, or military officers, and on being treated in non-demeaning way by welfare agencies. It depends only slightly on access to health care, never mind cars, plush carpets, or even conditions of employment^{8.6}.

Lane^{8.7} and Benton^{8.8} have argued that support for market over political mechanisms for running society stems from more deep-seated causes than those discussed above. In the first place, “it is the genius of the market to stimulate wants without at the same time stimulating a sense of deserving more than one gets”. But, more fundamentally, people are induced to accept not only major, otherwise inexplicable, differences in income but also such things as personal destitution arising from loss of a job by the belief, first, that market processes follow natural laws and, second, that the income differentials both arise from these processes and have functionality in it. These beliefs assuage the feelings of injustice, anger, and anomie that would otherwise arise. Benton goes further than Lane in drawing attention to the parallels between the way in which modern economic theory enables people to continue to believe that a capricious world is somehow ordered, understandable, and in some way just and the way traditional religious beliefs performed similar functions. The parallelism also helps to explain why the theories of economics, like religious faiths, persist despite abundant evidence that things are not the way they are claimed to be.

Support for this new religion varies across cultures. Thus Inkeles^{8.9} has shown that a much higher proportion of the populations of the UK and Germany than of the US both think they do not get the income their work merits and believe that others get an unfair share.

Lane’s data reveal overwhelming support for market mechanisms in the US: There, 82% said that such mechanisms were “fair and wise”, 65% said that they gave everyone a fair chance,

and 63% that they were “fair and efficient”. In contrast 70% believed that “the government is pretty much run by a few big interests looking out for themselves” and 73% that “you cannot trust the government to do what is right most of the time”. One can trust a market to behave impersonally, one cannot trust a public servant to do so. Surveys cited by Lane also document what we have asserted, namely that people tend to exclude collective goods when thinking about their standard of living. Likewise they underestimate the contribution which the quality of their *working* lives makes to their quality of life.

Lane also shows that people prefer market payments to transfer (“welfare, social security”) payments. This stems in part from the demeaning inquisitions that are involved in obtaining one’s rights under welfare legislation, from the association between state handouts and charity, and from a feeling that one *should* be able to contribute to society and be rewarded for so doing. Jobs confer self-esteem - and most people believe that most jobs are provided by the market. (The difference between the status of market-produced non-work and really useful work created through Job Creation programmes in our own society is obvious from a moment’s reflection.)

There is an important asymmetry in beliefs about the market. While the market is felt to be fair in what it does, it is not blamed for what it does not do. Thus the fact that it does not provide employment for the unemployed is not regarded as evidence of its unfairness: Politicians are to blame for that. In survey after survey more than 50% of Americans asserted that “public officials do not care much about what people like me think”. Only 40% think that the procedures used to allocate federal and state benefits are fair. The ultimate ironies are, first, that public servants are regarded as drains on the economy while market mechanisms are thought to be agents of productivity, and, second, because most people believe in the basic justice and fairness of *the system* they tend to blame the victims of the system - and not the managers of the system - for their plight.

Other asymmetries which operate in favour of support for market mechanisms include:

1. People do not know whether others who are similarly placed financially pay the same taxes as themselves and often believe that they do not. Negotiating special favours with the taxman is regarded as unethical. It follows that an impersonal market mechanism is much better than a personal declaration and taxman decision process for collecting and dispersing money. And, indeed, in most people’s minds, the market does have exactly the opposite profile: not only do most people believe that others pay what they pay for goods and services, they also feel that, if they do not, far from having made an unethical deal with the taxman, they are model consumers because they have shopped around or made deals with market traders!
2. Payments to government are compulsory and individuals have no influence on how the money is spent. In contrast, market payments are voluntary and the purchaser can have considerable influence on what those who receive it do with it.
3. Benefits coming from, and contributions to, government are delayed, obscure, and often immoral.
4. The market leads people to accept the contradictory beliefs that while, on the one hand, if they become unemployed it is their own fault, if, on the other, an employer has to make an employee redundant then that was inevitable.
5. People cannot really know what their contribution to society is worth until they see what they get paid for it ... so they reason backwards and conclude that their contributions are worth what they get. The market must be fair!

6. In the market, the pursuit of self-interest is seen as probably contributing to the common good. It is controlled by competition. In the public sector, the pursuit of self-interest is seen as likely to conflict with the common good - and there is no adequate mechanism to constrain it.

In the US surveys, twice as many believed that “if business is allowed to make as much as it can, everyone profits in the long run” as believed “the workers get less”. The making of profits is believed to be just because it is thought they are turned into R&D and re-invested for the future. Thus there seems to be harmony of interest: Both owners and employees gain. The injustice in the difference in the gains is overlooked. If government intervenes in the interests of justice that is perceived as undermining the interests of *both* employers and workers.

The asymmetry in beliefs about market vs. public management has been described by Lindblom^{8,10} as a “fiendishly clever” device which imprisons us in a market society. Further examples abound. For instance, whereas people believe that the high salaries of businessmen in the long run benefit them, they do not believe the same about the high salaries of politicians. Worse still, they note that the high salaries of politicians and public servants, but not those of businessmen, come out of their own pockets.

In a similar vein, as we have noted, the market is perceived as an extremely fruitful device for creating wealth whereas public servants’ contributions to that process are perceived as a drain.

Despite the way in which these beliefs and asymmetries suggest that the mythologies of market economics are unassailable, there is, in fact, considerable cross-cultural variation in the level of support for them. This raises the question of why faith in market processes is so much more pervasive in the US than in other countries.

Possible explanations include the fact that more people in the UK seem to understand that inequalities and changes which are presented as being an effect of market processes are really produced by information-based decisions of accountants and others. This awareness is perhaps both a product of, and contributes to the perpetuation of, class antagonisms. Many more people in the UK appear to be aware of attempts on the part of capitalists to dupe the population - and, may, indeed, have had the experience of having been duped. On the other hand it is entirely possible that American public servants accepting the inevitability of the belief system we have reviewed, *do* behave in a more self-interested and less public-spirited way than the British public servants.

Benton’s work suggests a deeper explanation, however. There may be in the US a more pervasive need to accept and reiterate faiths which have been endorsed by authorities - and this hypothesis is reinforced by the level of support for other religious faiths.

An Emerging Question

We have shown that faith in market processes is based on some persuasive but unfounded beliefs, many of them based on subtle myths, and some very important, but rarely discussed, social processes. Market mechanisms not only create work. If people accept the teachings of market economics, they not only find themselves with ready explanations of otherwise hard to accept inequities and potentially psychologically devastating experiences. They are not

only able to explain these happenings as a product of impersonal forces and neither the capriciousness of nature nor the immorality or ineptitude of human decision-takers, they are also able to interpret these events as part of a *functional* process which *helps* them, both as individuals and as members of a society, to function more effectively.

It emerges that economics is to be understood as a religion and economists as its priests. Economists do not, as they often claim, practice a science whose subject matter has to do with the efficient allocation of scarce resources. No longer do we need a conventional religion to legitimise and explain the wealth of the rich man in his castle and the destitution of the poor man at his door and to alleviate our jealousy of the former and our tendency to do nothing for the latter. Both deserve what they get and their condition is functional in society. And translating the injunctions of economic theory into practice also creates the opium - the work - that is required to prevent idle hands doing the devil's work.

How much of this mythology has been deliberately fabricated and how much of what we observe is a by-product of the operation of unexamined systems processes? Certainly, much of what exists is generated by the operation of unexamined systems processes. It has not been created by Machiavellian people. Politicians, for example, see that privatisation reduces unemployment and budget deficits. This leads them to sell more assets, and to seize of economic mythology to legitimise what they "have" to do. They see that local management of schools cuts current costs as a result of the sale of assets and stifles the criticism of both parents and students. Yet the possibility remains that a group of sharp persons foresaw at least some of these processes and their outcomes and cultivated the requisite mythology. Indeed, this is not beyond the limits of credulity: It is exactly what Roman Emperors did when they seized Christianity as their chosen faith. We will return to the question of how many of our major beliefs result from the operation of hidden systems processes and how many were deliberately engineered by those who would profit from them after we have examined the intent, justification, and effects of the privatisation campaign.

Notes

- 8.1 *The Economist*, October 8th, 1983
- 8.2 Roberts, A.E., 1984
- 8.3 McClelland, 1961
- 8.4 Rogers, 1962/1983
- 8.5 Roberts, A.E., 1984
- 8.6 Inkeles, 1990; Rose, 1980
- 8.7 Lane, 1979, 1986, 1991
- 8.8 Benton, 1986, 1990
- 8.9 Inkeles, 1990
- 8.10 Lindblom, 1982

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.90-106).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 9

Privatisation

Having examined the mismatch between market theory and the needs of modern society, we may now look more specifically at the concept of privatisation. This discussion is particularly important because many people who have come to question the utility of market mechanisms as a means of running society still somehow feel that privatisation has a significant role to play.

The term "privatisation" is applied to a number of different processes and activities about each of which people hold many beliefs. As a result, discussions of one form of privatisation are infused by thoughts and feelings derived from consideration of quite other forms. This is not, however, the main source of confusion. This is that the privatisation process is driven by powerful social and economic forces which are rarely discussed. This chapter will focus on some of the arguments which are openly debated. The next will review the covert functions of privatisation.

The not-entirely-consistent thoughts and impressions provoked by the term "privatisation" include, on the one hand, recognition of the need for public provision and a desire to minimise the kinds of exploitation commonly observed in private enterprises ... and, on the other, awareness of the conspicuous laziness - and obvious incompetence - of some public sector employees. Another pair of contradictory beliefs involves an awareness that there are many outstanding people, undoubtedly devoted to the public interest, in the public service ... and a feeling based on personal experience that bureaucracy contains people who are exclusively concerned with their own advancement and unwilling to take personal responsibility. These feelings are reinforced by having to spend endless time filling in forms and experience of time-wasting inquisitions into easily detected trivial "offences" whilst the more difficult task of pursuing major fraud is neglected.

What is Privatisation?

The different *kinds* of privatisation include:

- i. Sale of government property: this may include sale of public housing to its occupants, sale and leaseback of public buildings, and privatisation of the care of historic buildings with or without sale of the property.

- ii. Transferring services such as hospital cleaning, road maintenance, park keeping, and defence research to the private sector.
- iii. Sale of public monopolies (water boards, telephone utilities, insurance, pensions, and railway companies).
- iv. Sale of more or less profitable manufacturing companies (e.g. steel, electronics).
- v. Putting large contracts out to tender - even though an army of public servants is still needed to generate detailed specifications, check what each contractor plans to do, and later check that the contractor has carried out the work as agreed.

Privatisation can transfer assets and control to owner occupiers, private owners, shareholders, employees, or pension and insurance companies. Purchasers can be local, national, or international concerns.

Justifications Commonly Offered for Privatisation

While the most common justification for privatisation is the observation of mis-management on the part of the public service coupled with the (highly questionable) assumption that “a private firm would not tolerate these failings”, the motives for privatisation are as varied as its forms. Some advocates are concerned to make cost savings, as is often the case with the privatisation of public housing and services. Others are concerned to lay their hands on capital available from liquidating assets like profitable public companies (especially monopolies) and public buildings. The sale of assets enables us, as a society, to live off our capital, thereby helping to conceal true current levels of public expenditure - and thus minimising taxation in the short-term. Others, aware that the world has become dominated by giant TNCs and impressed by the fact that Adam Smith was writing about a very different world of small, lean, and competitive enterprises which would constitute a self-guiding system, seem mainly to hope to re-create (create?) Smith’s market-organised world. Still others seem to be primarily motivated by the “serendipitous” discovery that privatisation somehow creates jobs, not only in the highly lucrative privatisation process itself, but endlessly thereafter. These new employees carry out market research, devise packages, prepare brochures, collect and keep account of payments, advise customers and investors, and act as consultants. Clearly many of the jobs directly created are middle-class ones and their holders are likely to vote for conservative political parties. And the education and training deemed necessary as preparation for these tasks creates still further jobs in “education” and its ancillary publishing, conferencing, and consulting industries.

Demand for privatisation is reinforced by the way in which the problems of Eastern Europe have been presented. It is repeatedly suggested that the conspicuous problems of these societies were due to the absence of market mechanisms. Their true causes are rarely discussed. These include the way in which these societies were established by Stalin with the explicit aim of subjugating and exploiting them. They include the way in which their governmental, and emergent governmental, arrangements were repeatedly destroyed, with tens of millions of people being butchered in the process. They include their failure to create the monitoring and feedback mechanisms necessary to ensure that a socialised regime dedicated to serving the public interest functioned effectively - crucial arrangements which we also failed to establish in the socialised sectors of our own economy (like the health service). And they include the absence of a Third World to exploit for below-cost food, minerals, and labour.

We may now examine some of the arguments for privatisation in more detail.

The Claimed Benefits of Privatisation

1) *The belief that private ownership leads people to care for property.*

There are several variants on this theme. It is claimed that people are more likely to look after property if they own it, that they are more likely to care for others' property if they have property of their own, and that, regardless of whether or not they possess property of their own, they are more likely to treat property with respect if it is privately owned. To the best of my knowledge, none of these hypotheses has been carefully tested while holding other things constant. In emphasising that, in seeking to test these beliefs, it is necessary to hold other things constant I have in mind that one reason (which has nothing to do with the private ownership thesis) why vandalism may be more likely to be directed at public rather than private property may be that governments have been unwilling to spend money creating and maintaining attractive public buildings because those buildings are intended for the "undeserving poor" and not for the middle-class. If their owners (the government) do not care about, and for, them, why should others? Beyond that, the "tattiness" of such buildings conveys the message that those who have to depend on the State are worthy of, at best, second-rate provision. Demeaning and degrading treatment of this kind may well evoke a negative reaction especially when it is accompanied by inquisitorial means-testing, denial of good will and responsibility, and detailed dictation of social and personal behaviour.

There are other variants of the ownership thesis, particularly that people who "own" their houses are much more likely to care for them than those who do not. The notion that maintenance costs will go down and the general quality of the housing areas will improve if the property is sold gains currency. The question of inequity toward people who need to be mobile and those who cannot afford mortgages, somehow gets overlooked. So, too, does the fact that it is, given the current system of taxation, from the individual's point of view, much more cost-effective for private property owners to maintain their property themselves instead of hiring someone else to do it and, to cap it all, reap untaxed capital gains in the end. DIY maintenance deprives the community of the tax revenues which would have been obtained if the maintenance had been conducted through the formal economy and so raises the question of whether it is equitable for the less well off, who live in rented public housing, to have to pay tax on the costs of having their maintenance done for them while property owners avoid paying such taxes by doing the maintenance themselves and then profit from untaxed capital gains. It follows from these observations that the most common justifications put forward for the sale ("privatisation") of public housing do not stand up to examination.

Another problem with the generalisation that "you cannot expect people to care for property unless they own it" is that people *cannot* own most of the property on which the quality of their lives is most dependent: They cannot own their hospitals, workplaces, schools, cities, trains, buses, or leisure haunts. Of course it can still be argued that they may be more likely to treat it with respect if it is privately owned. But to establish the truth of this proposition one would have to examine the situation more carefully. Privatisation of hospitals may lead their owners to spend more of their clients' money on their maintenance or on private guards. This may force those who cannot pay such high fees to get what care they can in much poorer provision which they may be still more tempted to vandalise.

In summary, therefore, the attractive thesis that the privatisation of property leads to a greater tendency to care for it needs much more careful examination before it is accepted.

2) *The belief that privatisation induces greater effort and responsibility.*

One reason offered for promoting the privatisation of enterprises is to reduce the levels of laziness, irresponsibility, and indifference to customers' or clients' needs. It is said that people will be less likely to cheat private employers than the state. This will arise partly because they will recognise that there is no bottomless pit from which money can be drawn - that the company has to earn whatever is paid out - and partly because their superiors will be more likely to stamp out such behaviour.

Be that as it may, what frequently happens when firms are privatised is that a new set of problems is substituted for the old: The employees of privatised companies frequently get exploited. All too often, companies taking over services from the state agree to employ the existing staff. However, immediately they acquire them, they create conditions of employment which lead most of those staff to leave - and without the redundancy payments and pension rights which the state (as their previous employer) would have had to provide. The new owner's lawyers simply point out to those concerned that they have been employed by them for only a few days - not the 30 or 40 years they have served the state. They therefore have *no* such rights. Those who remain are forced to work longer hours, and may be deprived of paid holidays, insurance, and pensions. Not infrequently, they are forced to use dilapidated and unsafe equipment. Under these circumstances, the goods and services provided *are* cheaper and people *do* work harder - but the cost is considerable.

If the a state or authority lets a contract to a *small*, local business, the owners typically find themselves underbid and out-smarted next time round by more unscrupulous, larger firms which can survive without profits from that particular activity until they have cornered the market. In the meantime, the owners of small firms end up working long hours compiling VAT and other returns and, in the end, frequently lose the life savings they have invested in their businesses. In the longer term, as before, the process leads to an *increase* in the direct costs of the service, to exploitation and overwork of employees, to huge increases in the costs of monitoring the operations of service providers, and to enormous increases in the cost of maintaining those rendered unemployed in idleness (and thus to either increases in taxation or cuts in other services).

3) *The belief that the market mechanism - and thus privatisation - provides a self-regulating system which precludes the need to take explicit steps to guard against patronage, nepotism, and bureaucratic corruption.*

In modern society, there is a fundamental problem with the notion that privatisation will create Smith's marketplace - a marketplace in which people can base their purchasing decisions on their feelings in such a way that these non-verbalised insights cumulate to affect the overall direction of development. The problem is that most customers are not now purchasing on their own behalf but on behalf of government departments, corporate giants, and consortia of governments (like NATO). The purchaser thus has little personal interest in the quality or cost of the goods or services being acquired. He or she is not spending his or her own money. That is why a bribe may well lead to the spending of vast amounts of employers' money in ways which are not in the latter's - and often society's - financial interest: Witness the success of gas-station gifts and "frequent flyer" programmes. Thus, contrary to expectation, a privatised system is in some ways *more* open to corruption and mis-application of funds than a wholehearted state system. Procedures which exactly parallel

those needed to guard against patronage, nepotism, and corruption in state (committee) administered scarcity need to be introduced to monitor the workings of the privatised system.

Beyond that, the firms which are created through the privatisation process are typically very different from the small entrepreneurial units which lie at the heart of Smith's image of capitalist, market-based, economies. Owners of hostels for the aged, suppliers of services to hospitals, and suppliers to Marks & Spencer or Mitsubishi are dependent for their profitability on the arrangements they are able to make with their patrons. As such, they are dependent on the non-economic criteria that patrons apply to their work. They are also extremely vulnerable. Many use their knowledge of this vulnerability to force their employees to accept demeaning - and often illegal - terms of employment which would not be tolerated in other sections of the economy.

If the costs of monitoring both small and large firms and enforcing compliance with regulations are included in the calculations of the economic benefits of privatisation, the apparent increase in efficiency disappears. To force large privatised utilities - such as water and electricity boards, hospitals, telephone companies, and bus companies - to act in the public interest it would be necessary to:

- i. Create procedures to debate the standards to be achieved in such areas as the prevention of pollution and improvement of public health and amenity;
- ii. Develop the tools and procedures required to monitor the organisations' performance in relation to multiple goals of this sort;
- iii. Monitor the internal workings of the organisations to find out what is going on and alert the public to activities that are not in the public interest. Such activities may involve deliberate failure to meet social welfare goals that have been publicly espoused, the manipulation of social indicators, and the generation of disinformation. But they may also include previously unanticipated activities like dumping polluting waste, selling city centre sites, reducing the maintenance of buses, and cutting cross-connecting bus routes, thereby forcing people to use cars;
- iv. Develop the procedures needed to find out whether the organisations are acting in innovative ways to achieve their wider and ill-defined environmental and social goals - such as conserving energy (as distinct from producing electricity as cheaply as possible) or promoting the use of the countryside they own;
- v. Develop procedures to force the organisations to attend to environmental and social goals when these conflict with the organisation's interest in short-term profitability.

Note that, although the costs of these procedures and requisite monitoring arrangements will often be considerable, they will not be any higher than the same procedures in a publicly-owned organisation. Indeed, had these monitoring procedures been properly carried out when the organisations were publicly owned, many of the problems of public provision which have fuelled the demand for privatisation - waste, unresponsiveness to client needs, lack of innovation, concern with the provider rather than the patient - would never have arisen.

If privatised government services and procurement are not to be dependent on patronage, whim, and favourable legislation one needs both a huge bureaucracy of experts to evaluate paper proposals for future developments (paper proposals, which, almost by definition cannot be innovative *or focus on creating the climate needed for innovation*) and an army of *peripatetic Peeping Toms* with unprecedented powers of investigation - and then a system for holding *the inquisitors* accountable to the public. One of the remarkable features of privatisation is that, in at least one of its variants, it tends to make firms dependent for their

contracts on the goodwill and patronage of civil servants ... who, while they call the tune, are not themselves subject to any effective form of public scrutiny.

4) *The belief that privatised firms offer greater variety and are more responsive to customers' or clients' needs.*

One of the most common reasons for pressing for privatisation is experience of the lack of variety in, and the inadequacy of, public provision and the unresponsiveness of bureaucrats.

We will explore some of the reasons for this - and the steps needed to counteract it - in a later chapter. Here it is more important to ask whether market provision does much better. Of course, in the market, the well-off have more choice of commodities, but the price is high. Even then, there is little market-provided choice in the domains which most importantly determine the quality of life - a satisfying job, security, a satisfying family life, and a livable environment. Under the market system, choice of living and working arrangements, the satisfactions available in work, the *kind* of health care programme (e.g. community support vs. holistic medicine) available, and the *kind* of educational programme available to one's children (including, for example, programmes which will identify and develop the children's idiosyncratic talents) are all very restricted. The opportunity to choose to live in a sustainable society virtually does not exist.

Even choice of consumer goods and television programmes is, on the whole, restricted to a few main variants, with minority tastes being poorly catered for. As is particularly notable in television programmes, the market tends to the proliferation of choice on a particular theme, while other options - like programmes presenting alternative scenarios for society - are virtually unavailable. The less well to do, those in poor health, those with poor family circumstances, and those who work long hours tend to be very poorly catered for.

In the context of the current enthusiasm for privatisation, it is instructive to examine the case for privatising education in more detail. Despite what is argued, the conspicuous problems of the educational system cannot be solved by "returning" the activity to the marketplace. This is because:

- a) If our society is to develop, many attitudes and skills (which it is the responsibility of the educational system to identify and nurture) need to be widely shared by many members of society and not just possessed by an elite.
- b) We need a wide variety of people who possess different combinations of specialist information the need for which cannot become clear until after the event and which people are unlikely to see the need to purchase as individuals for their personal advancement.
- c) Many people are in no position to pay for their children's education.
- d) The main benefits are not going to be derived by people *as individuals* but by them as members of a society which develops *as a whole*. If *everyone* is going to benefit (even those who have no children), everyone should pay for education. As individuals, people would be most willing to pay for those "educational" programmes which lead to credentials which would in turn buy entry to protected occupations. But those credentials neither testify to the development of important competencies nor lead those who provide the courses to nurture such competencies. What is more, those who could pay and expect to recover the costs from increased personal income would be those who were most concerned about their own advancement and most willing to use the educational system to achieve it. Hope^{9.1}, Jencks^{9.2}, Chomsky^{9.3}, and Nuttgens^{9.4} have

all discussed this problem in more detail and Hogan^{9.5} has provided a useful demonstration of the destruction which these self-interested people cause in the organisations which employ them.

- e) If different schools are to offer programmes which foster very different qualities, it will be necessary to change the criteria which are used to assess pupils at the point of interface between schools and society. To influence the assessment procedure, privatised schools would need to band together to fund the necessary - fairly fundamental - research and development. Similar collaboration would be required to evolve the new curriculum specifications that are required and the tools needed to translate them into practice. In other words, in order to offer the very variety and choice the market claims to offer, *communal* action would be necessary.
- f) Choice of school provides no mechanism to enable parents and pupils to influence what happens *in* schools. Because of constraints on geographical mobility and income, most people will always have little effective choice between different types of school if provision of that variety is left to the marketplace. Some areas will have good schools and others poor ones. Even when there is a choice, schools tend to offer educational *packages*, most of the elements of which fail to meet a particular child's or parent's needs. To get what they need, parents and pupils must be able to influence what goes on *within* schools.
- g) Some minority groups (most notably the handicapped and the poor) need special provision. Unfortunately, in society as it is currently organised, those in greatest need are also those least able to meet the greater financial costs of special provision.
- h) Market mechanisms provide no way of tackling sociological causes of demand. The "demand" for "education" is primarily a demand for certificates which allocate position and status or, more strongly, in Jencks' terms "legitimise the rationing of privilege". This demand is accordingly met on the same terms: what people are offered does not merit the name education but it does offer the opportunity to scramble for credentials. Tackling the problems of the educational system has centrally to do with finding a way of handling this conflict between its educational and vocational goals on the one hand and the sociological functions it performs for society on the other. The market mechanism provides no way of doing this.

5) *The belief that privatisation leads to efficiency and cost reduction.*

The apparent efficiency of private firms is often misleading. Not only is their seeming profitability often illusory (the appearance arising, for example, from cycling property around at higher and higher values, creative accounting, and similar practices), it is also often dependent on hidden subsidies and on political intervention to drive competitors out of business. Thus Mercedes, which is known for its high quality cars, makes virtually all of its profits from government defence contracts. Indeed, much of the money required to fund the development of the advanced equipment which eventually finds its way into its cars comes from military contracts. In the longer term, such companies use their size to lower their prices in order to put competitors out of business and then greatly increase prices. The point may be illustrated by the American airlines' reactions to de-regulation. At first, this created a swathe of small companies. But, within 3 years, it led, not only to the conspiracy which destroyed Laker and People's Airlines, but also to the collapse of Continental and then Eastern Airlines. 80% of the business moved into the hands of just 4 companies. Immediately after the collapse of People's, fares were increased by 20%, Western and Continental sacked most their staff, and the employees of other airlines were required to both take wage cuts of 25% and work longer hours. Similarly, US telephone charges went up by 300% as a result of disbanding

AT&T and the introduction of “competition”. Large businesses did end up spending less on their phone bills, but this was achieved at the expense of their *customers* - who had to spend more on their phone calls to them.

It is often argued that the goods and services required to meet public requirements can be provided more efficiently by private firms. However, the cost savings which sometimes follow privatisation are usually achieved by paying lower wages, sacking longer-serving employees, foreclosing on pension agreements, and evading social security and safety legislation. Even then, many of the apparent cost reductions are illusory. They arise from such things as failing to count the greatly increased costs of managing the tendering and quality control arrangements that are required in a privatised service as well as the cost to the taxpayer of having to care for the unemployed and the injured.

There is no doubt that the privatisation of previously state owned firms often increases their profitability. But the inference that this derives from their increased efficiency is rarely justified. As we have seen, the increase in profitability often arises from lowered costs arising from evasion of employment conventions and laws and moving production abroad. But there are other ways in which it is achieved. Privatised companies can play the stock market, they can invest (both directly and via their pension funds) in Third World companies in order to make greater profits abroad than they can at home; they can force those companies to trade on disadvantageous terms; they can transfer work from home to less developed countries with lower standards for pollution control, safety, and pensions; and they can arrange things in ways which evade taxes at least at home and often abroad as well. Doing any of these things as a publicly owned enterprise would almost certainly lead to a public outcry. As a private firm what they do is regarded as their own business, and, indeed, one of the objectives of the laws of incorporation which corporations did so much to promote was to *make* it their private business for which they could not be held responsible and for which they were not required to give an account.

Holding other things constant, privately produced goods and services are actually *more* expensive than publicly produced ones. Privatisation creates more highly paid jobs within the firms themselves, in their marketing agencies, in their consulting companies, and in public monitoring agencies. It creates jobs in education to provide personnel required to carry out these tasks. And it creates greater externalised costs: Costs externalised to the Third World, to the community as a whole, and to the future.

We have seen that, empirically, the cost of market processes is enormous. Miller^{9,6} has shown that this is not due to any particular fault of our market system. It arises *inevitably* from reliance on the market mechanism. Transaction costs pose a particular problem. The time and costs involved in assigning values to, and prioritising, personal preferences, negotiating with others to set one's own time-and-value costings against theirs, drawing up contracts, and enforcing those contracts are inevitably enormous. The costs to a purchaser - even a firm - of maintaining quality control across market suppliers, ensuring constant supplies, and preventing suppliers colluding with each other to push up prices or divert their supply to other users are enormous. Miller argues that it is these costs which lead firms to abandon market-based internal and external sub-contracting arrangements and resort to ownership and direct hierarchical management. It is these costs which deny so many people the opportunity to use the market to optimise their purchasing.

Notwithstanding everything that has been said, it is still widely believed that, once the goals of an organisation have been defined, the quest for profits will lead privatised organisations to achieve those goals more effectively than would the public sector. Unfortunately, a focus on profits (like a focus on any other single and simple index - like hospital waiting lists or reading attainment in schools) frequently does not lead to the desired outcomes. Instead it creates opportunities for the unscrupulous to find ways of maximising that outcome without delivering the desired benefits - for example by playing the stock market, evading taxation, cutting the staff required to produce innovations for the future, or using the media to create a misleading image. Transport companies become asset-strippers and property companies, selling off, or developing and then selling, bus stations and railway sidings. Privatisation of water companies leads to the sale of assets to increase short-term profitability.

If, in an attempt to restrain such practices, privatised firms are required to satisfy other criteria assessed by simple indices the overwhelming desire for profits simply provides an added incentive to manipulate the statistics without delivering the benefits. School systems become still more inclined to manipulate test scores and hospital managers to push people off waiting lists.

What these observations mean is that privatisation leads to a change in the *nature* of the service provided. If one looks simply at “economic” indices, one is not comparing like with like. One does not get the same service for the same price from publicly and privately operated refuse-collection systems, parks, hospitals, and research. Since the nature of the service is frequently at issue, it is important to note that there tends to be more debate of performance criteria in the public sector. Hogan, Sutherland, and the Counter Information Service^{9.7} are among the few who have evaluated the effectiveness of private organisations against broader criteria than profitability.

There are other reasons why the typical privatisation process does not lead to the kind of efficient self-governing system envisaged by Smith. For example, it is typically impossible to privatise a whole field of activity. Yet, if one omits only one bit, it prevents the *whole* field working according to market principles. For example, one cannot run a private theatre very effectively when others are heavily, but indirectly, subsidised. So long as even part of the area is under government control (and we have seen that this is inevitably the case in modern society) it is necessary for anyone who wishes to start up new things to get government support - or at least approval - the very things privatisation was intended to avoid. What this means is that the cost of running mixed - semi-privatised - systems (which most economies are) is typically very much greater than running a wholehearted public system.

6) The belief that private enterprise is less given to making serious blunders than the public service.

This belief is in part based on experience of public sector developments which have been poorly researched and badly planned. However, many of these stem, not so much from errors on the part of public servants as from the imposition of ideologically based “solutions” to conspicuous problems by politicians. Examples in transport, housing, education, agriculture, and health spring readily to mind. Publications like Chapman’s^{9.8} support this impression of public sector incompetence. But the impression is misleading. It is felt to be more legitimate for the public to enquire into the blunders of the public service than equally serious blunders - and destruction of the environment - by the private sector. Beyond that, the public sector deals with vastly more problems of this sort, the problems they deal with are more complex,

and they bear more directly on the public interest. Serious contributions to the destruction of the environment and errors of judgment by the private sector are excused by arguments like “it was necessary to do this if a profit was to be made” or “it was the investors’ own money which was wasted”.

Such statements are misleading, not only in the sense that money and human and other resources were in these ways diverted by the private sector from potentially more useful activities, but because grants and public sector infrastructural support were usually involved as well ... and the lost profits affected, not so much private investors, as the public who rely on publicly mandated pension companies. They did not come out of the pockets of the pension scheme managers who made the mistake.

Finally, many of the public service “blunders” - like butter mountains and wine lakes - actually represent overshoot on important and successful policies. The fact is that *without* the Common Agricultural Policy - the public investment in the reform of landownership, agricultural research, the agricultural advisory service, and “intervention” - we simply would not have enough food, never mind a surplus.

But perhaps the most fundamental reason why the myth that the public sector is more given to making blunders persists is that few attempts are made to assess the effectiveness of private provision: The only question asked is whether the activity is profitable.

In summary, then, the belief that the private sector is less likely to make the kind of blunder associated in many people’s minds with public provision arises from the fact that one is not comparing like with like. In this context it is vital to note that, under current forms of privatisation, politicians and public servants will continue to make the most important decisions. Thus the *only* way of avoiding the kind of blunder of which we are all too familiar is to find ways of improving the quality of public sector decisions.

7) The belief that a quest for private profit will lead to high quality provision.

Profitability and quality are often in conflict. While examples abound, an interesting example of quality being sacrificed for supposed profitability will be found in the privatisation of the media. Contrary to what might be expected, this actually leads to both a decline in quality and an *increase* in government control. Funds for investigative journalism and programmes which provoke thought about social issues can be withdrawn on grounds of inefficiency, to be replaced by soap operas and game shows. Privatisation creates more advertising, leaving less time for programmes. The programmes become less serious because the producers have to worry more about the size of the audience and its make up. This has two sets of consequences. First, and most importantly, producers cannot risk producing serious programmes about the workings of society because these might offend the well-off people who are the most likely to purchase advertised products. If they switched off, advertisers would lose their custom and producers would lose their jobs. Second, producers have to target more programmes at the less serious-minded and more gullible members of the population who will be more likely to purchase the junk foods and junk products that are advertised.

It is of interest to note that in a system funded from advertising, much the same revenue is collected from much the same population as in a state funded system, but the costs of collecting the money and the accounting processes through which it has to pass are vastly

increased. The result is that the funds available for programme production are greatly reduced.

8) *The belief that private enterprise stimulates innovation.*

The provision of pensions and insurance through the marketplace has led to the creation of giant financial corporations. These corporations now own most other companies (whether manufacturing or service) and, in Britain at least, most land^{9.9}. Because their main concern is maximising profit, they specialise in moving assets from company to company. They have little interest in the long-term development of the individual firms they own. From their point of view, the development of new products and provision for the long-term welfare of their workforce are unnecessary drains on resources ... they can always sell declining firms with major pensions commitments and buy rising stars who have survived the risks of bankruptcy so common among those who undertake development work. These enterprise-owning corporations have little feel for new ideas which will pay off in the future if they are provided with the necessary time, effort, and encouragement. "Market" provision of the most important commodities in modern society (pensions, insurance) therefore stifles the development of the very climate of innovation that market processes are currently believed to encourage and they do this every bit as much as does direct government ownership.

Even in a more limited sense, market management does not in fact stimulate the levels of innovation with which it is often associated. The explicit management of the market through taxes, grants, and levies, together with investment in non-market driven R&D (including military R&D), has contributed to virtually all the major improvements in efficiency (e.g. in agriculture, communications technology, and transportation) that have been introduced in the past half century^{9.10}. Indeed, despite the widespread belief that privatisation will promote innovation, it is widely recognised (for example in the Alvey Report^{9.11} on developments in computer technology and the subsequent ESPRIT programme^{9.12}) that the long lead times and the risk involved demand public funding of innovatory activity. Perhaps ironically, perhaps self-interestedly, while recognising the need for public funding, these committees believe that the required public funds should flow into private research! Priorities for research are determined by large companies which lack a track record of effective research and development. It emerges that their main concern is to divert public funding into private pockets. They are able to ensure that no independent innovator gets access to the funds because they are able to devote much more substantial resources to the preparation of proposals and ensure that they satisfy what lies behind the opaque criteria which their own board members have generated. They have the right contacts and know the "hot" topics, keywords, and the deadlines for the submission of "proposals" ahead of time.

It is important to note that economic development in the US has been innovation-led rather than investment-driven. The crucial developments were in science and technology, but these were later picked up and backed by public- and private-sector finance. Only rarely did innovation come from commercial firms knowing what they could sell and commissioning R&D to find ways of meeting the need. Rather, well-positioned researchers would become aware of a need which could be met by the further development of something on which they were already working. They then had to sell the idea that there was a market for the product. Well known examples include 3M "Post-Its" and micro-computers.

Smith and Hayek have nurtured the belief that the desire for money leads to innovation. A series of studies^{9.13} have shown this to be false: Innovations mainly come from people who

possess a particular kind of temperament, who are sufficiently insulated from the pressures of earning a living to have time to pursue ideas and conduct experiments which “fail”, and who have a network of contacts with others working on similar topics. Most of those who contribute the ideas on which innovation depends, and most of those who do things “first”, make nothing from their inventions. The people who make money are those who know how to work legal, patents, and marketing systems. As the potential of innovations to yield profits becomes appreciated, they get taken up by large firms. This then forces producers with fewer resources to either follow suit or go out of business. In modern societies (other than Japan), in which most people work for large bureaucratic organisations, people advance themselves by ingratiating themselves with their superiors and not by inventing better ways of meeting clients’ or society’s needs. They are able to do this because there is no effective staff appraisal system to give them credit for engaging in one or other of the different types of activity that are required for innovation or condemn them for destroying the innovatory potential of their organisations. This is how it comes about that the base rate for incompetence among American managers is 60%. Many managers who come across as intelligent, socially skilled, and extraverted are able to give the impression of having created efficient workplaces by getting rid of anyone who expresses views conflicting with their own, by cutting out the time required to engage in the “parallel organisation” activity required for innovation, and by getting rid of research and development staff^{9,14}. In fact, the desire to make money has all sorts of perverse effects: It leads to sharp business practices which breed distrust, to asset-stripping, to the destruction of organisations, and to tax evasion.

McClelland demonstrated more than 30 years ago that the question of whether an organisation is publicly or privately owned is, as far as innovation is concerned, a red herring. Some publicly owned organisations are both innovative and profitable. Cable and Wireless Ltd. was an innovative and profitable state-owned company. Indeed it was the most innovative and profitable company in the UK. AT&T was a private monopoly which, prior to deregulation, had one of the few really worthwhile research and development laboratories in the US private sector. These laboratories were destroyed by deregulation. What is important is the organisation’s commitment to research, innovation, and customer feedback. It is extremely difficult to create this in a highly competitive setting - witness what has now happened to AT&T laboratories, the way the Japanese fund R&D through MITI, and the way the US and other countries fund R&D through defence contracts. With the growth of internationalism it has become even more difficult to recover the costs of extensive R&D from sales: It takes only 3 weeks for a new product introduced onto the American market to be shipped to Asia, copied, and shipped in bulk back to the US.

But the argument does not stop here. Even when it is recognised that the research must be publicly funded, it is often argued that privatisation of the research activity and competitive bidding for research contracts will lead to more innovative research! In fact as Roberts^{9,15} has shown, it leads to the creation of a *facade* of competition - the winners are largely known beforehand and are chosen either through personal contact or for their personal qualities (like the ability to pull off an adventure). The central problem with the review process was that “the proposed technical approaches to the solution of advanced problems are only the subject of speculation ... only opinions”. In other words, in deciding which proposals to fund, one is in fact relying on the judgments and innovativeness of *people*. “The best person to decide what shall be done is the man doing the research”. Unfortunately, the pressures for privatisation have resulted in more paper proposals and more depersonalisation of the process since Roberts did his work. The result is the trivialisation of research. Public servants know less and less about whether those submitting the proposals have the personal capacities

required to carry out innovative research. The demand to demonstrate “results” in a privatised system means that researchers have to publish well before any substantial programme of research could have been completed. The whole process is extremely expensive and results in the manufacture of useless work. Thus the cost of simply photocopying the proposals - never mind the cost of the time taken to write them, the cost of the time of the thousands of reviewers who read them, and the cost of photocopying and reviewing their comments - often exceeds the amount of money available for distribution as research grants.

Although Roberts’ research might not be replicable today, it still has something to tell us about how research *ought* to be organised. In the small number of cases in which a decision had actually to be taken as to who would get the money, the criteria which were used included “the contractor’s trustworthiness ... his flexibility, his willingness to work out unexpected problems amicably, the sharpness of his technical staff”. The winners were much more likely than the losers to have worked previously with the government agency concerned and to be known to them. Not only did the emphasis on formal procedures waste vast resources, they undermined morale (and, eventually, the whole enterprise) by teaching people that efficiency does not matter: That it is more important to play games in order to satisfy “the machine” than to do worthwhile work.

Finally, the study shows that making the contractors’ profits depend on the accuracy of their estimates or performance did *not* yield improved performance over cost-plus-fixed-fee contracts. The “profit motive” did *not* work in this situation - even in America. Instead it induced harmful short-cutting and work-stoppage threats. Formal review procedures and competitive bidding do not, therefore, improve performance. Indeed they have the opposite effect. The costs of implementing the system are vast, demoralising, counterproductive, and de-stabilising.

In connection with the justification for, and supposed effects of, differential reward for innovation, it is important to note that the success of an innovation is always dependent on the presence of a number of other innovations, many of them an outcome of a chain of largely unrecognised developments in the past, and on the assistance of many other people with skills in a wide range of different areas - both technical and social. Most of those who have contributed are dead, and many of those who are still alive - particularly those who are responsible for social innovations - never make a penny from their activities. Disproportionate reward for those who happen to be in the right place at the right time to bring relevant material together is, therefore, often hard to justify. The evidence against the view that that they would not do it without the prospect of reward is embedded in what has just been said - for *most of the innovators responsible for a conspicuous innovation did what they did without superior reward and without the prospect of superior reward.*

It is worth concluding this section by noting that the widely held belief that small firms are more innovative than large ones is almost completely untrue. Cannon^{9,16} found that everything we know about bureaucratic resistance to change applied to small firms too: Their directors did not listen to ideas from subordinates or customers, ideas were not utilised, and feedback was neither sought nor used. But the most ironical finding disconfirming belief in the superior innovativeness of small firms was that, if they did innovate, they became large!

The Inability of Private Provision to Meet Social Needs

If further evidence is required to show that privately owned and operated systems do not necessarily lead to efficiency, innovation, responsiveness to client needs, and meeting society's needs, one has only to ask oneself whether the legal system offers these claimed benefits.

But perhaps the most glaring example of the foolishness of relying on private provision for services which impact the whole population can be found in the United States of America, where, despite leading the world in the proportion of GNP devoted to health care (18%), about one fifth of the population have virtually no access to health care and 37 million people are not covered by any form of health insurance^{9.17}. Medical practitioners typically call for numerous specialist reports on their patients. This is not only to make business for their friends, but also to protect themselves against the hazards of litigation - which has reached epidemic proportions. The process results in the provision of cosmetic dental care and surgery for some while others are deprived of basic health care. Providers have a direct interest in increasing demand: They compete to invent diseases and produce treatments. (In public provision increased demand only makes more work for the providers without earning them more money.) The care of the chronically mentally ill, who are typically least able to pay, is a particular scandal. Many are simply decanted into the community and their hospitals closed. Others are dragooned into mental hospitals which, not atypically, have something like 16,000 patients, 4 psychiatrists, and no psychologists. Such treatment as is performed is carried out by nurses who are ashamed to refer patients to the psychiatrist and who resort to the crudest (not always drugs-based) activities to maintain a semblance of order. These hospitals frequently maintain beautiful research facilities, but these are isolated from, and have virtually no contact with, the hospitals to which they are nominally attached. Contrary to what is typically argued, high pay does not attract people into the profession or lead to high quality provision.

Even MEDICARE and MEDICAID are in imminent danger of collapse. In an attempt to contain the escalating costs of treatment based on free choice of physician funded out of insurance, there has been a rapid and dramatic shift to various forms of *managed care* - that is, care managed by employers with the decisions about which treatments will be provided and by whom being taken by the organisations concerned and not by patients or physicians. In 1984 96% of employers' schemes offered the patient free choice of provider. By 1987 - only 3 years later - the figure had dropped to 40%. By determining the payments to be made for each type of treatment regardless of the needs of individual patients, managing organisations have induced hospitals to discharge their patients, regardless of need and regardless of such things as availability of home support.

State care can be much better than private care. Prior to the change of the regime, Poland had small mental hospitals with perhaps 1,500 patients each staffed by 70 psychiatrists and 40 psychologists offering therapy. Community care was provided by doctors, psychologists, nurses, priests, and voluntary organisations. Although doctors and psychologists were paid less than factory workers and miners, there was no shortage of them.

In a fascinating cross-cultural study of expenditures on health and education Klein^{9.18} has shown that something similar applies when control of government expenditures is decentralised. Especially when, as in Britain, the money comes from central taxation but is released by local government, it is possible for local governments to decide "independently" to do things which have few financial implications for themselves because 80% of the funds required will automatically come from central government. To all intents and purposes, such

local authorities “spend someone else’s money”. Diffusion of responsibility for financial control combined with competition between local authorities to offer the best service results in escalating costs. As the Thatcher government in Britain was forced to recognise despite their espoused philosophy of decentralisation, the way to control this - as had happened for much longer in relation to the Health Service - is to centralise control of budgets so that the total funds available to one service have to be secured in a closed and secret competition with the demands of other services. The debate has to be conducted in secret because public debate would exacerbate demand. One of the main reasons why the funds available for the actual treatment of patients in Britain are falling so dramatically is that the costs of administering the internal market are exorbitant.

In the United Kingdom services for the elderly have largely been privatised, with many N.H.S. nursing homes being sold. This has led to a lowering in standards of care as experienced staff have been replaced by cheaper, less qualified workers who are themselves exploited. The private companies concerned have little interest in improving the quality of *health* by carrying out research or promoting healthier lifestyles.

Notes

- 9.1 Hope, 1984
- 9.2 Jencks et al., 1973
- 9.3 Chomsky, 1987
- 9.4 Nuttgens, 1988
- 9.5 Hogan, 1990, 1991; Hogan, Raskin and Fazzini, 1990
- 9.6 Miller, 1992
- 9.7 Hogan, 1990; Sutherland, 1949; Counter Information Services, 1976-1984
- 9.8 Chapman, 1979
- 9.9 Bellini, 1980
- 9.10 Something which has been noticeable in the UK, but which may not be so characteristic of the USA, is that when large firms get into financial difficulties the State buys them at a low price, sets about modernising them, and when they are viable sells them back into private ownership.
- 9.11 Alvey Committee, 1982
- 9.12 European Strategic Programme for Research and Development in Information Technology (ESPRIT)
- 9.13 McClelland, 1961; Rogers, 1962/83; Taylor and Baron, 1963; MacKinnon, 1962; Torrance, 1965; Crockett, 1966
- 9.14 Hogan, 1990; Raven and Dolphin, 1978
- 9.15 Roberts, E. B., 1967
- 9.16 Cannon, 1991
- 9.17 Zimet, 1989
- 9.18 Klein, 1980

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.107-114). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 10

The Covert Reasons For Privatisation

Given the inadequacies of market theory, the weakness of the arguments for privatisation, and the market's failure to deliver the claimed benefits (except deceptively), one wonders why the pressures for privatisation are so strong. Clearly, personal experiences with the inadequacies of public provision - which result in the feeling that "There must be a better way" - have something to do with it, but they hardly seem sufficient.

There are other sets of pressures. The first come from those who have direct or indirect vested interests in privatisation. The second group is more obscure. It has to do with sociological processes which maintain our society in its present form and on its present course.

These sets of pressures interact: Those who will benefit most significantly from privatisation manipulate both public opinion, and those sociological processes which are vital to the perpetuation of the kind of society we live in and come to be supported by the evolution of myths which guide public opinion and discussion.

In this chapter we will discuss who these groups with a particular interest in privatisation might be and the nature and operation of these more obscure, sociological processes.

1) The Role of the Financial Institutions in Generating Pressure for Privatisation.

The IMF and the banks have a very strong *financial* incentive to create a smokescreen both to legitimise their existence and to create investment opportunities. As we have seen, the banks mainly earn interest by lending purely notional - self-created - "money". If they are to get a return on this money they must lend it to people who have investment opportunities. With reduced opportunities to lend to governments to maintain the machinery of war, newly privatised companies provide an alternative - for both individual capitalists and for pension funds. To legitimise this operation, the banks have a strong interest in perpetuating a mythology about the "efficiency" of privatised operations.

But the privatisation process yields, from the banks' point of view, a perhaps much more important benefit. The sale of shares in newly privatised companies to both middle and working class investors yields a return on the money invested. Although this return is, in reality, very much less than the returns reaped by the banks by lending purely fictional

money, the diffusion of the ownership of shares induces all these people to endorse policies which are, in actuality, much more heavily in the bankers' interest^{10.1}.

Government privatisation of pensions contributes to this process in two vitally important ways. In the first place, it creates investment opportunities for banks. In the second place, these pension companies require a supply of "privately owned" companies in which to invest the money they collect now in order to generate the future profits out of which they are supposed to pay pensions. They then make the paper profits required to attract the investment income they need to pay current pensions by selling these assets to each other at higher and higher prices. It would therefore seem that privatised pension schemes needed for these "investment opportunities" may be one of the most potent forces driving the demand for further privatisation.

2) Privatisation and Government Control.

From the government's point of view, privatisation within the framework of what is in reality a managed economy has one enormous advantage: It is much easier to close organisations down and shift activities around for reasons of short-term political expediency than it would be if those activities were being carried out by the public service. Public servants are so much more powerful and more inclined to take a long-term view of the public interest.

Governments can, ironically, also control directors of privatised research institutes and television companies more easily than they can control permanent civil servants. While civil servants can be silenced, their knowledge of reality continues to grow and they pose an ever-increasing threat. In contrast, "independent" research institutes and television companies can simply be closed down. In a privatised system, all any government who wishes to get rid of a disruptive Institute has to do is claim that the organisation has ceased to be "cost-effective", "viable", or "competitive" or that its services are no longer required.

There is every reason to believe that governments do not *really* want self-managing market economies: They want the kind of society *they* can manage most easily - and "privatisation" provides a convenient smokescreen which enables them to do just that. For example, governments do not even have to take responsibility for seeing that research programmes make sense: Nonsensical and badly executed programmes can simply be blamed on the incompetence of the "contractors" - who can then be changed without taking steps to ensure that the next one is any more satisfactory. The programme can be chopped and changed depending on political whims, thereby ensuring that nothing comes of it: Everything can be blamed on the incompetence of previous administrations and research contractors. Responsibility can be evaded whilst control is maintained. The possibility of anyone else accumulating significant information is minimised.

3) Privatisation and the Maintenance of the Social Order.

In earlier chapters we have seen that privatisation tends to operate in such a way as to create differentials which induce people to participate in the system whether they like it or not. It also strengthens the tendency for senior positions in society to be filled by those least able and willing to challenge the existing system. Both processes perpetuate the social order. A number of other ways in privatisation does this will now be reviewed.

- i. Privatisation increases the gap between “good” and “poor” provision. This creates a stronger incentive for people to invest time and money in insurance schemes and educational activities. The increased demand for that form of “education” (certificates) which buys entry to jobs makes it easier to insist that both teachers and pupils be personally “accountable” only for very limited forms of competitive “success”. This strengthens the illusion that those who do not succeed either lack “the abilities needed to succeed in modern society” or have failed to make use of their abilities. These perceptions reinforce and perpetuate a narrowly-based, competitive system which actually ignores - even denies - people’s most important talents and needs and helps to ensure that only people with limited self-interested preoccupations are advanced into senior positions. This tidies up the whole system and legitimises the differentials within it.
- ii. It leads to a reduction in the number of positions available to those who are concerned to act in the public interest. Under privatisation, promotion is increasingly restricted to those who are either: (a) more willing and anxious to do whatever other people want them to do regardless of its social and long-term consequences, (b) unwilling or unable to question and analyse the workings of our present system and seek to change it, and (c) less concerned with the public interest. Positional influence is in this way increasingly restricted to the sort of person who will advance the vacuous claims of its manufacturers and service providers - including their claim to having produced these goods and services “efficiently”.
- iii. It creates conditions in which people are forced to say, and to pretend to believe, things they know to be untrue, to engage in work which they know to be socially destructive whilst proclaiming that it is beneficial, to accept without challenge - as normal - a world permeated by false claims. In such a climate - and in conditions of an accepted need for personal duplicity - it is not only unlikely that many people will have a strong concern with truth and to act with personal integrity, anyone committed to such values is also unlikely to make much progress.
- iv. It makes it easier for those charged with the management of society - i.e. public servants and politicians - to avoid blame for mis-management of society and instead to lay the blame for social ills at someone else’s door. Instead of having to fulfil politicians’ and bureaucrats’ responsibility to manage society in the public interest, myths to the effect that there are opportunities the poor could have taken if only they had worked harder and made more intelligent choices become more compelling so that blame is diverted to the victims of the system. The myth that business failure is due primarily to a lack of management competence is also strengthened.
- v. It creates the endless frenetic activity required to survive in a competitive system. This eliminates the time that would be needed to study the operation of the system as a whole. This tendency to eliminate critical thought is supported by universalising “higher education” whilst, at the same time, narrowing its manifest objectives and making success depend more and more on performance on multiple-choice tests which force people to behave as if they believed false knowledge and which offer no credit for original thought. The tendency is further supported by requiring lecturers, as a condition of tenure, to devote their time to producing publications which spuriously claim to be saying something new and to generating endless research proposals to compete for trivial funds, then rigidly censoring ideas expressed in the reports arising from those studies. It is strengthened by privatising the media in a way which has the effect of eliminating serious investigative journalism.
- vi. It creates an international ownership network which is very much harder for any national government to change, disband, or replace than the network of national companies which were nationalised in the late 1940s. This ownership network is not

just international. It also consists largely of pension and insurance companies. The future of the most powerful members of the middle-classes in all societies appears to depend on the success of these companies. It would therefore be very much harder to replace the current network of private ownerships than its predecessor by a genuinely socialised system providing worthwhile security and employment.

- vii. It creates a spiralling resistance to paying for public provision. To reduce taxes, we have encouraged those who can to do so to pay for the education of their children, their pensions, their health care, and nursing in their old age. This has led them to feel less inclined to pay taxes: Why should they pay for the provision of such things for the poor? Because tax revenues have fallen, we have let our cities and public services deteriorate. Those services that remain cost more and are less attractive, satisfactory, and efficient. This creates still greater resistance to paying for them and stimulates further attempts to purchase them privately. The rich get *proportionately* less from their taxes because they have to pay more to look after the growing numbers of unemployed. They naturally become still more reluctant to pay.

4) *Public Service Pressure for Privatisation Manufactures Work.*

i) *Market processes and the manufacture of work.*

We have already suggested that privatisation of insurance manufactures work and creates differentials which form an added inducement to participation in the system. Many of the same observations can be made about education. Even without privatisation, the “educational” system creates jobs for teachers, administrators, researchers, publishers, librarians, editors, test agencies, tax-inspectors, and builders. It creates and legitimises apparent differences in the “ability” of individuals whose competence, in reality, differs only slightly and it obscures the most important differences in their talents. Its use of norm-referenced assessments in which apparent “ability” is always *in relation to others* and not in relation to any fixed or objective standard of performance operates in such a way as to require more people to spend more time in the system competing for entry to the same occupational positions. The effect of privatising schools and colleges is to exacerbate these tendencies. It creates even more jobs for programme designers, salespersons, administrators, glossy-brochure designers, building re-modellers, advertisers, advisors, counsellors, and quality-assurance personnel. It leads to more student and parental pressure for “success” on single-talent criteria. It reduces the possibility of concerted pressure from educators for broadening curricula and the basis of assessment. It reinforces acceptance of the single criterion of merit. It leads all to accept the need to work harder at a useless task in order to succeed in competition with others. The system teaches the myths of market economics more powerfully than ever before.

The actual *process* of privatisation of state-owned enterprises - and to a lesser extent education - itself creates a flood of jobs for bankers, accountants, advertisers, share-issue writers, tax-gatherers, computer manufacturers and programmers, assessors, and advisors. Of course this, like the actual assets transferred to governments’ current accounts, is a once-and-for-all “benefit” which ceases once the assets have been sold. But it could be quickly re-activated by putting the privatisation process into reverse, re-nationalising the organisations, re-acquiring their shares, or otherwise re-organising them.

The overall effects of the job-creation process have been dramatic. Schor^{10.2} has shown that Americans individually work harder and longer hours than they did in 1950 and derive fewer

benefits from doing so. Far more wives and children engage in paid work. The net result of all this extra work is a marginal increase in the quality of life for some, and a marked decrease in the quality of life of many^{10.3}. It now requires many more people to do anything than it used to: Far more insurance companies, tax collectors, accountants, food packagers and advertisers, and car salesmen need to be involved. Many more people are “caught up” in the “educational” system with far more people - administrators, advisors, secretaries, psychodiagnosticians, social workers, and counsellors - supporting each one of them. Much of this extra work has been manufactured through an unholy alliance between the public sector and the marketplace. Millions of jobs have been created in services offering benefits which do not - and often, by definition (e.g. because of the norm-referenced nature of the system), cannot - materialise.

Let us look next at food production. The average quality of our food has improved very little. The discrepancy between the haves and the have-nots has greatly increased^{10.4}. What there has been is an enormous increase in the number of centralised warehousemen and stock controllers, lorry drivers, distribution outlet stock controllers, shelf-fillers, and check-out personnel, in the hours spent driving to and from supermarkets, and the hours spent maintaining cars and highways^{10.5}. This increase in the amount of work involved has largely been made possible only by a vast increase in energy consumption and expenditure on highway construction and transportation, but it has been greatly facilitated by market mythology.

Although the process often looks efficient, this has often been achieved by making other people pay many of the costs: Small firms pay for the discounts manufacturers offer to large ones, the community at large pays for the roads used by supermarket trucks and private hauliers, the warehouses get advance-“factory” tax concessions and grants, the property is traded at ever increasing values by pension companies to maintain their apparent profitability so that people will pay them premiums, shelf-fillers and check-out personnel are underpaid and employed on terms which deprive them of benefits. Eventually, as the pattern of shopping at supermarkets is established and takes over, there will be no small outlets to contribute to the costs and supermarket prices will increase disproportionately. But the competition will no longer exist.

What we see, then, is that mythology about the efficiency of the marketplace has facilitated a plunge into inefficiency - and that the system is maintained and advanced by a complex network of feedback loops which result in costs being paid by persons quite other than the purchaser and debts being accumulated for future generations to settle.

ii) Public service contributions to the manufacture of work through market processes.

We have argued that the market mechanism, while ostensibly being concerned with “efficiency”, actually provides the *least* efficient way of doing anything, functioning primarily to *create* work. We also know that public servants also create much useless work, especially paperwork. What we are about to see is that the public service, by seizing on terms like “privatisation”, “efficiency”, “competitiveness”, and “lame ducks” creates still more inefficient organisations which will create jobs but will also prevent those concerned thinking about the operation of society or taking action in relation to it.

The public service emphasises that solutions are needed quickly. This creates short-time horizons which prevent anyone doing anything except shift paper. It claims there is less

money available and asserts that it is therefore necessary to ensure that what money there is is used more efficiently: Shorter projects and more submissions are required. It asserts that to get better proposals one needs more competition and peer review. This not only creates still more work, it also ensures that researchers attack each other, do not have time to think about how the system works, and have no time or inclination to get together to try to influence the system. They have less time to think about the theoretical or social context of what they are doing or about the arrangements needed to do what they should be doing more effectively. Nobody has the time to think about these more general issues, whether scientific or organisational, because they are too busy fighting their own corner.

Then the public servants attack the “feather-bedding” of academe, attacking security of tenure with a view to “motivating” them, and making their continued livelihoods still more dependent on competing in the grant-getting and publication race. The result is that academics generate still more publications which, because there is little time to think or research, say less and less.

In the name of avoiding duplication of effort in publicly funded projects, the public service insists that everyone concerned must review - and preferably go and see - what everyone else is doing before they do anything themselves. This creates lots of conferences involving lots of travel. This creates a demand for airlines and hotels.

Finally, the public service makes sure that those concerned have no job security so that they have to spend most of their time applying for jobs and raising money. This creates employment for still more people advertising the jobs and checking the applications.

Other ploys for job creation include a shift to Value Added Taxes on the grounds that such a system penalises “lame ducks” more than those effectively adding value. The introduction of such taxes means that millions of people will have to spend much of their time keeping accounts of everything and filling up forms to claim back the taxes they have paid! Still more public servants and accountants can be employed to assist in this process and check on whether those concerned have abided by the rules ... and endless lawyers can be employed handling disputes.

In the name of promoting an efficient economy more jobs can be created by making cars and parking available free of charge to “high-level” personnel and those (e.g. salesmen) who are presented as playing a key part in the economy. This arrangement encourages them to live further from work, clutters up the roads, and lengthens the time required to get to work for everyone. It lowers the standard of public transport, and makes sure that there is a demand for road improvement and more cars. This in turn confirms that, as everyone knows, public provision is bad and must be improved by increased competition and tendering. It is then necessary to check on whether the privatised transport companies are acting in the public interest by establishing more QUANGOs - monitoring boards and integrating committees. This creates more and more jobs. The road accidents create a demand for insurance, hospitals, litigation, and more road building and planning.

Then there is international competitiveness and efficiency to be considered: the external threat or enemy. More scientists and engineers (to be produced by the educational system) are required to develop better defences more quickly. By making sure that weapons are outdated before they are commissioned and then producing stockpiles of them, endless work can be created.

Creation of lots of useless work under the banner of “efficiency” depends on a cheap energy policy. Given cheap energy, everyone can spend all day every day rushing around in their cars or transporting almost identical goods in opposite directions. This creates jobs for car manufacturers, road builders, gas station personnel, and car mechanics. By introducing toll roads - in the name of efficiency and making the user pay - still more jobs can be created. By ensuring that the roads are not properly constructed (“because there is no money”) more work can be created for more road-repairers, car manufacturers, and mechanics. Inexpensive transportation creates jobs for planners and for those who build advance warehouse accommodation, out of town shopping arcades, and suburban housing.

Cheap oil also makes for jobs in the “high tech” chemicals and plastics industry. It leads to - largely redundant - plastic packaging. It eliminates “dirty” industries based on mining coal and steel. What happens to its own by-products of manufacture is carefully concealed.

The lesson to be drawn out of these examples is that public servants not only manage the spending of two thirds of GNP, they can also use concepts of efficiency and others derived from market mythology - such as privatisation and competitive tendering - to create endless useless work and, in the process, prevent the public reflecting on the workings of the system in which they are trapped.

Summary

In the previous chapter we saw that the term privatisation has many overlapping meanings, and that, as a result, discussion of the topic is permeated by endless confusion. Some of the most widely touted benefits of privatisation were that it offered efficiency, responsiveness, and innovation. Yet none of these claims stood up to logical or empirical examination. The whole notion of a self-regulating marketplace as a means whereby inarticulate, widely dispersed, and disjunctive bits of information could be collated and enacted turned out to be unfounded.

In this chapter we have suggested something else: The covert, or concealed, functions of privatisation are perhaps even more important. Privatisation *creates* work, manufactures differentials which compel participation in the system, promotes those who are least willing and able to study how society works and take steps to influence it, facilitates the process whereby the leaders and managers of society can abdicate responsibility for their lack of managerial competence and lay the blame at the door of those least able to anything about it, enables the country to live off its capital by selling assets, enables the banks to own still more of the globe, and gives the *government* (as distinct from the client) more control than it ever had over what happens in society.

Notes

- 10.1 One implication of this is that, if Turnbull (1993) is to succeed in his aim of enhancing freedom by diffusing ownership, it will be necessary to introduce procedures to monitor what is happening.
- 10.2 Schor, 1992
- 10.3 In reality, it would be necessary to make separate calculations for: paid work as part of the official workforce, paid, black-economy work, voluntary, formal work, unpaid work around the house, including DIY, by all members of the family, before one could come to valid conclusions about the nature and effects of changes over time.
- 10.4 Raven, H. et al., 1995
- 10.5 Raven, H. et al., 1995

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.115-123).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 11

Has There Been A Conspiracy?

In previous chapters we have argued that public servants and politicians have, wittingly or unwittingly, used concepts from the cults of efficiency and the market - especially privatisation and competitive tendering - to create endless, useless work and prevent the public reflecting on the workings of the system of which they are a part. We also saw that critical thinking has been stifled in other ways, too. These included the encouragement of competitive "higher education" organised around multiple-choice testing, the move toward competitive funding of research in a way which linked security of academic tenure to publication of non-knowledge and insistence on public service control of the publication of research findings. By privatising the media, it has been possible to further discourage reflection on the way society works.

We have also seen that governments, the banks, and the TNCs have good reasons for pressing for privatisation. Some of these are exactly opposite to the public claims of these institutions. Governments and the TNCs need to *manage* the economy. Neither wants a self-managing system. But both can pursue their own goals most effectively by *talking* about the desirability of creating Adam Smith's self-managing system but in reality developing a system which *they* manage. The question of whether, or to what degree, the evolution of the complex web of mutually supportive institutions, activities, and mythologies was propelled by some kind of internal logic or was brought into being deliberately - in effect as a conspiracy - to further the interests of a small group of people became ever more insistent.

We should not just *assume* a conspiracy: Ideologically-motivated action may have led to unanticipated benefits whose value, once recognised, led to reiteration of the ideology and reinforcement of the actions. After all, the actual benefits of privatisation include (i) the way in which it creates jobs (though not of the kind supposed) - and especially middle-class jobs whose holders are likely to support the policies of right-wing governments, and (ii) the way in which overseas investment and the exploitation of the Third World increases the flow of funds into government coffers.

We will first consider some developments in the educational area which look as if they might have been - but were not - deliberately engineered to support the social order.

One of these incidents occurred in 1976, when the Minister for Education in England and Wales set up a committee to bring twenty years' discussion of whether there should be a

common system of examinations to a close. The report^{11.1} of the committee he set up reviewed the available evidence and showed that it all pointed to the need for diversity in the educational system. It concluded that a wide variety of syllabi having different goals and courses taught in different ways, and an equally wide variety of levels and modes of assessment, were required to nurture these diverse qualities and give students and teachers credit for the outcomes. However, the committee then inexplicably negated the effect of these observations in a single sentence which said that the results of the assessments (e.g. of creativity, initiative, ability to work with others, as well as knowledge of academic content) would be expressed on a single scale of 7 points in a subject area. How could a high-level of creativity be expressed on a single scale which also measured knowledge of Latin? It seemed that the sociological need to have a clear and unarguable criterion of “merit” to (in Jencks’^{11.2} phrase) legitimise the rationing of privilege had over-ruled all explicit occupational and educational considerations. A similar outcome was observed in the workings of an earlier Irish education committee^{11.3}.

In this case, there was little doubt about the integrity or goals of those who saw the need for reform and little doubt about the nature of the opposing argument. The former were concerned to ensure that a much wider range of pupils obtained opportunities to develop and gain recognition for their talents. The opposition was expressed in no uncertain terms by one member of the committee who said: “Our task is to get poor boys into good jobs - and we do not want any change that will make that job more difficult”. Note the explicit reference to the sociological, as distinct from the educational, functions of the system. The committee recommended the adoption of a wider range of assessment procedures. However, since it recognised that it did not know how to do what needed to be done, it concluded that the primary need was to create an innovative climate in schools and to establish an appropriate research and development service. A recommendation, which would have an exactly contrary effect to that intended - at least by the majority of the committee - came in prioritising the way forward. Priority was given to “improving” what was already being done. This had the effect of deflecting attention from what needed to be done to tightening up the *status quo*. (Note the similarity to what happened in the Bruntland Committee, discussed in Chapter 2.) There was no plot, only a failure to create the necessary variety and to attach sufficient importance to facilitating experimentation, research, and development. At the heart of the failure was a simple statement from the Ministry of Education to the effect that there were no resources to adventure into the unknown without any certainty that the outcome would be positive. No one on the committee was prepared to argue that funding such activity was, indeed, the most important investment the Ministry could possibly make.

The third area we will look at concerns the introduction of the National Curriculum in England and Wales and its equivalent in Scotland. As one read the documentation of the Scottish recommendations^{11.4} one could not help feeling that it would be wonderful indeed if schools functioned in the manner depicted. The problems were:

- a) There was no possibility of the curriculum processes which were portrayed being introduced into most schools - it would simply be too difficult for most teachers to implement them without new tools, new understandings of developmental processes, and new administrative arrangements to permit them to cater in different ways for students with different talents. Worse still, the assessment programme which was to accompany the new curriculum would not give students credit for these outcomes. This is of the greatest importance because teachers teach and students work toward the goals that are *assessed* - and neglect other more important goals - because it is these - and

only these - attainments which will stand to pupils' credit when the time comes to scramble for a job.

- b) There was to be almost no investment in the basic research needed to develop the understandings and tools required to implement the curricula and give pupils and teachers credit for achieving its goals. Instead, there was to be a vast programme to develop traditional forms of testing.

The result was a huge programme of activity which took time away from the everyday activities of schools and, as Popkewitz^{11.5} has argued, directed attention away from the destructive reality of our educational system. In this way an impression that a problem had been diagnosed and was being forcefully tackled was created and the activity made life more tolerable for teachers.

More fundamentally, despite the high-sounding claims in the brochures, the statements about core curricula, and especially the assessment procedures to be adopted, actually resulted in the goals of education being narrowed because not only were the time and the procedures required to nurture qualities like the ability to lead, to invent, to put others at ease, to exert influence, and to understand and intervene in social systems to be eliminated, the intrusive assessment procedures which were introduced removed all possibility of recognising the achievements of pupils or teachers in these areas^{11.6}. As a result, those who could not achieve in traditional "academic" terms - which actually do not merit the name - were still more seriously denigrated, their talents overlooked, and further deprived of resources. More competition against still narrower criteria was introduced both within and between schools by first restricting the modes of assessment available to certify outcomes and then publishing the results. The contributions which teachers had made to their students' wider development and the adverse conditions under which they worked were in this way made still more invisible. Still more benefits were heaped on those who did well in these terms by increasing the financial differentials between those who entered different kind of jobs (and especially those who became unemployed). By introducing Local Management of Schools and giving parents a greater role in them, publicising narrowly-based, school "performance" data, and introducing an increasingly divided society, parental pressure and social forces were recruited to make sure schools attended to these narrow goals, anything else being disparaged as mere frills. The terms of schools' reports to the community were determined by government and teachers, parents, and schools were actually deprived of the right to insist on the inclusion of more broadly-based evaluative information. Teachers' responsibility for thinking about the talents and abilities of individual students and how to nurture them was removed. Henceforth, they were to attend to the dictates of government. Teachers' energy was diverted into trying to make the prescribed assessment procedures work and making sure their pupils succeeded in these terms. Everyone of good-will found themselves trying to manipulate what was going on in such a way as to minimise the harm being done by the changes which were being introduced instead of addressing the more important issues which called for their attention. More and more people found themselves drawn into double-talk and misrepresentation and, as a result, became less willing to castigate others for such behaviour. All available energy came to be directed toward the government's agenda: there was no time to do anything else and no chance of being listened to anyway. It became increasingly apparent that the agenda was fraudulent: It was not really about improving education but about exaggerating differentials, creating competition, and legitimising laying the blame for the failure of pupils and teachers on themselves instead of on the leaders and managers of society.

It looks as if what happened was a deliberate attempt to mislead the public. And some politicians' statements about the need for pupils to learn their place, often denigrating goals like nurturing investigative skills and the ability to question support this thesis. Yet the suspicion that what happened was not the outcome of a carefully considered plot is supported by the number of Acts of Parliament which were subsequently introduced to streamline the system. Subsequent actions may have been based on the observation of "what worked" - this being defined in sociological, not educational, terms.

As I have shown elsewhere^{11.7}, the educational system's failure to achieve the main goals which have been advocated for more than a century is no plot. For the most part, at least, it results from a lack of understanding of how to achieve these goals and how to assess progress toward them, and from the absence of the arrangements which would be required to cater for variety and handle the values conflicts which are involved. It is therefore primarily due to a failure to implement an appropriate programme of research and development activities. To substantiate a thorough-going conspiracy theory one would have to produce evidence of a systematic attempt to denigrate research and reinforce an authoritarian image of science. While observations consistent with a such a viewpoint abound, it seems more likely that such activities played only a part. Deep-seated, sociological processes, which operate in such a way as to perpetuate the existing social order, were almost certainly of greater importance.

While these examples illustrate the way a system *can* come to function *as if* it had been deliberately designed, there are also a number of examples in which there is more direct evidence of calculated change driven by a hidden agenda.

Before reviewing them it is, however, necessary to say a few words about the nature of evidence, scientific and otherwise. Even in science there are few cases in which what is seen is uncontaminated by preconceptions of the observer. What one sees down a microscope is almost entirely determined by prior beliefs about what one should see, and some of the most important developments in science have come about because someone looked at something familiar and saw it in a new way. In most cases, the evidence is incomplete. One is dependent on putting together scraps of information to form a new picture. One cannot, therefore, expect to find *incontrovertible* evidence of any plot.

When we move into the social area it would seem that any suggestion of a conspiracy has to overcome a very strong, basic, human need to believe in the good-will of authority. Incomplete evidence is met by cries of "paranoid". Indeed an editor who reviewed a previous draft of this book wanted to remove much of the material that follows on the grounds that because the conclusions were not proved beyond reasonable doubt they gave the impression that the author was not only an "extremist" but also paranoid. I can only respond that my own initial reaction to the idea of a conspiracy was exactly the same: individually, the claims were not proven beyond reasonable doubt. Only as evidence accumulated did the probability that there had been one or a number of conspiracies become more convincing.

For our first examples we may return to curriculum development in education. In this case it is *known* to those who were involved in them that a number of curriculum development programmes which would have nurtured students' ability to think about their society and a number of value-laden social issues were deliberately sabotaged. One of these was the Schools Council Integrated Science Project. This was designed to teach science in a way which promoted questioning skepticism, collection of evidence, making of observations, debate, and consideration of the social (moral) consequences of particular developments.

That is, it focussed on the very processes that lie at the heart of scientific endeavour. Those running the project had, unlike those running the Nuffield Science projects, taken steps to ensure that the attention of teachers and students would not be deflected from the project's goals by an inability to give students credit for having developed the desired qualities in the examinations which would determine their life chances^{11.8}. Steps having been taken to ensure that this typical source of project failure did not neutralise it, the project was terminated by officials acting on behalf of a small group of people who found the students' enquiries threatening. Its coordinator was forced to leave the country. The Schools Council Humanities project was sidelined for similar reasons. What we have here is, therefore, two cases in which real attempts to achieve educational goals which have been advocated for more than a century (and which are, in fact, not only widely endorsed but of the greatest importance at the present time) were undermined by people who feared for their privileged positions.

This information is known only to those who were directly involved. More thorough documentation of the impact of those with vested interests on educational programmes which strive to nurture these very competencies has been provided by Robinson^{11.9} who used previously classified documents to describe the way in which the American National Association of Manufacturers mounted a deliberate, well orchestrated, and highly successful campaign - involving, among other things, coordinated lying to several congressional committees of enquiry - to discredit one of the most important authors of school textbooks of the late 1930s - Harold Rugg. From their point of view, the threat was not that these books *taught* subversive (communist) beliefs. (The authors of such books were safe from attack because few took them seriously.) It was that they effectively encouraged students to *think* - and especially to make acute observations about society, how it worked, their own role in it, and how it might be changed to function better in the public interest. That is, the threat was precisely that posed by the Schools Council Integrated Science and Humanities Projects in the UK. One is forcefully reminded of the reasons for the persecution of Socrates.

With these insights, we may return to the question of to what extent there was a *deliberate* narrowing educational goals so as to reinforce the existing social order behind the objectives of the British National Curriculum.

The heavy involvement of Public Relations firms in the production of the brochures immediately arouses one's suspicions. Not only are these lavishly produced in colour and printed on good paper, the words and layout have been chosen with great care to conjure up desirable images. When one then finds that there is no connection between the wonderful schools depicted and the steps which are proposed to achieve them one becomes more suspicious. There is no acknowledgment what so ever of the well-established barriers to running educational programmes of the kind described, of the inadequate provision of the resources which would be required to implement the programmes, a complete absence of provision of the resources which would be required to undertake the necessary R&D (the need for which is hardly acknowledged), a total failure to acknowledge the role which conventional forms of assessment play in deflecting educational activity from its goals, and the prescription of unbelievable amounts of "busy work" which would inevitably deflect the attention of teachers from their educational activities.

The suspicion that an outcome exactly contrary to that which was proclaimed was actually *intended* is further confirmed in a number of Ministerial pronouncements - such as comments on the need to eliminate "play schools" (i.e. progressive education) and what the next prime minister described as "educational fairy tales".

It has also been much more directly confirmed in a remarkable book by Graham^{11.10}, who describes his appointment as Chairman and Chief Executive of the National Curriculum Council and his subsequent disillusion as all his advice and all outcomes of “consultation” exercises were ignored and the organisation starved of the funds required to do the job it had nominally been set up to do. The unmistakable conclusion is that the consultation exercises he was asked to carry out were fraudulent.

The programme was set up in such a way as to ensure that there was no protest from organisations like the British and Scottish Educational Research Associations. In their own short-term interests, the officials of these organisations argued that proposals for research to address more fundamental questions would not attract funding and reviews of the relevant literature would be unlikely to have much effect - i.e. such activities would not have been “realistic”. In this way professional bodies behaved unprofessionally. Their members were too busy competing for government funds, and, having obtained some, found that they could not even admit that they had conducted a project until the government had approved of their findings - let alone share unacceptable findings or reveal that public servants had changed the actual statistics in their reports prior to publication. They found themselves in even deeper trouble for now they could not tell all for fear of government reprisals.

None of this proves beyond reasonable doubt that the activities were deliberately planned. But, taken together with studies of the way in which power oriented individuals are able to set up social activities in which many people end up exercising extraordinary creativity to discredit each other and carry out anti-social activities, it is apparent that a few people could have set up an overall scheme which would have the desired effect without having to themselves think through the details.

We turn now to more direct evidence of conspiracies on the part of financiers and those who control capital.

It is no secret that those with financial interests not only lobby governments but also deliberately make the economy go sour in order to force governments into actions which suit them. For several years, I myself travelled each day on a train which ran non-stop from London’s stockbroker belt to the City. My fellow travellers deliberately - and successfully - schemed to create conditions which would lead the IMF to intervene in the British economy to force policies which suited the City on the (Labour) government. Roberts and Dodd^{11.11} have documented similar activities in the USA. Roberts has also shown how interest rates and the money supply were deliberately manipulated to create conditions in which large businesses were able to acquire smaller ones and the banks to gain control of small businesses.

There is also little doubt that the Conservative government in Britain during the 1980s deliberately required civil servants to introduce change after change at the same time as cutting their numbers so as to ensure that they were so busy that they had no time to think about anything. It is therefore entirely possible that their privatisation programme was driven at least in part by a similar Machiavellianism. Indeed, there is some evidence that those who promoted the idea that there would be an economic boom based on information technology never believed it, but were, from the beginning clear that it would lead to unemployment, increased differentials which would terrify the workers, and thus to increased corporate profits.

Historically, there is ample evidence from the work of Douglas^{11.12}, Roberts^{11.13}, Rakus and Judge^{11.14}, Bell^{11.15}, Dodd^{11.16}, and Daehnhardt^{11.17} that financiers are not above engineering major social upheavals to their own advantage. These authors document the contribution of bankers and industrialists to the creation of the American Civil War, the Napoleonic Wars, the Russian Revolution, the First and Second World Wars, the Korean War, and the Vietnam War. Among other things, this involved the use of Carnegie Foundation funds to plan how to precipitate the Second World War (including the stage managing of the attack on Pearl Harbour) in such a way that it would not only allow the financiers concerned to make money by selling armaments and oil to both sides but also to gain more control over society, indeed to introduce a world government dominated by the international banking community. It also involved the deliberate incorporation into educational text books of beliefs about history, economics, banking, and society which were known to be false.

Daehnhardt^{11.18} has thoroughly documented the way in which US TNCs, indifferent to destruction of human life, financed the rise of Hitler. Lest it be thought that such activities are a thing of the past, both he and Bell go on to cite similar processes at work in the Vietnam and Gulf Wars.

The banks have also deliberately sabotaged attempts to create local currencies^{11.19} and it is alleged that they conspired to have President Lincoln shot because he had discovered that governments could print their own money without going through the intermediary of banks and thus avoid interest payments. Thereafter, as Douglas^{11.20}, Adelman^{11.21}, and Roberts^{11.22} document, the international banks conspired to misrepresent the nature of the Federal Reserve Bank and keep information on its ownership and operation forever secret.

Adelman^{11.23} claims that income tax was deliberately introduced to stop the printing of government money becoming too obvious: It is not in fact necessary for governments to tax anyone. As we have seen, they could simply print the money they need. But that would lead to a crisis of confidence. Taxation prevents people noticing that the bulk of the money spent by governments is simply being printed, that most of it goes on interest payments to bankers for the loan of fictitious money, and that inflation is one of the results.

There are also several studies suggesting that there might have been a deliberate plot to use market mythology to further powerful people's own ends in the same way that some late Roman emperors cynically used the Christian religion to advance and maintain their position^{11.24}.

Roberts^{11.25}, du Berrier^{11.26}, and Eringer^{11.27} present (not entirely convincing) accounts of the way in which a small group of bankers and industrialists concerned with one-world government appear to have been able to manipulate the governments of the US and Europe. The material comes across as the views of a rather paranoid group of authors, with many links filled in without substantiation. However, Pacheco^{11.28} has provided an extraordinarily well documented account of a conspiracy by the US and Brazilian governments, the CIA, the FBI, and several firms (who turned out to be front organisations for drug smuggling and arms dealing) around Keppe - who had initially started out simply writing a book^{11.29} to draw the appalling state of America to the attention of its rulers (in the [mistaken] belief that they were well-intentioned people who were genuinely concerned to do something about it). In addition, our own research into motivation shows that the activities attributed to the Bilderberg Group and the Trilateral Commission are entirely plausible. People often find it virtually impossible

to believe that anyone should have concerns and pre-occupations which differ markedly from their own, yet even relatively minor functionaries in both public and private sector organisations often devote enormous - regularly devious, underhand, and unscrupulous - effort to empire building so that they can have the feeling of power which such effort produces^{11.30}.

Wolf's^{11.31} writings amply document a carefully orchestrated conspiracy on the part of Japan to present itself to the world as something quite other than it is.

The Conservative Government's dismantling of the British National Health Service shows many signs of having been carefully planned. Perhaps one of the most significant was the way in which the network of committees which had previously existed was destroyed very early on. This prevented people comparing notes and finding out what was happening. Overwork, stress, and burn-out induced by trying to keep up with continuously changing policies and directives, varying dramatically from area to area, were widely reported. As in education, glossy brochures to provide reassurance and convince readers that the government had the public interest at heart were widely disseminated. They were accompanied by "consultation" exercises which projected an image of goodwill and interest in public and professional suggestions and responses, but which actually deflected all effective opposition into black holes. In the end, funds flowed into private hands and the average quality of care was dramatically reduced. Those at the receiving end were deprived of the arrangements needed to make their voices heard.

We are left with three major questions about modern times: First, did the banks deliberately create the conditions in which interest rates were initially lowered to bring about sales of armaments to Third World countries thus boosting the American economy, and then raised so as to both lead to the acquisition of enterprises in Third World countries and to the policies of the IMF which resulted in the export of below cost agricultural products, minerals, and educated people to the West? Second, did the bankers conspire to create conditions for the imposition of IMF's destructive policies on Eastern Europe? And, third, has there been a conspiracy to generate and promote an economic mythology which obfuscates reality and furthers bankers' and other capitalists' interests, and, if so, how has this been disseminated through the selection of puppet politicians?

Answers to these questions would greatly influence views on the steps which need to be taken to move us out of our current crisis.

Meantime, it is abundantly clear that we cannot afford to have blind faith in the goodwill and public spiritedness of politicians. For whatever reason, a sufficient proportion do not justify our tendency to assume that they are well-intentioned until proved otherwise. We need to make arrangements which, while not denying the possibility of integrity and public spiritedness, will work effectively in their absence.

Notes

11.1 Waddell, 1978

11.2 Jencks et al., 1973

11.3 I.C.E. Report, 1975

11.4 Scottish Education Department, 1989

11.5 Popkewitz et al., 1982

11.6 The importance of these qualities, the procedures required to nurture them, and the assessment methods required to give students credit for having developed them are described in Raven (1994).

- 11.7 Raven, 1994
- 11.8 Working toward goals which do not show up in examinations would take time away from mastering material which would determine one's life chances. As a result, students and teachers generally decline to work toward goals which are not assessed - however important those goals may be from a personal development or societal point of view.
- 11.9 Robinson, 1983
- 11.10 Graham and Tyler, 1993
- 11.11 Roberts, A.E., 1984; Dodd, 1976/94
- 11.12 Douglas, 1924/79, 1934, 1935/78a&b, 1936
- 11.13 Roberts, A.E., 1984
- 11.14 Rackus and Judge, 1993, 1994
- 11.15 Bell, 1984
- 11.16 Dodd, 1976/94
- 11.17 Daehnhardt, 1994
- 11.18 Daehnhardt, 1994
- 11.19 Roberts, A.E., 1984
- 11.20 Douglas, 1924/79, 1934, 1935/78a&b, 1936
- 11.21 Adelman, 1989
- 11.22 Roberts, A.E., 1984
- 11.23 Adelman, 1989
- 11.24 Romer, 1988
- 11.25 Roberts, A.E., 1984
- 11.26 du Berrier, 1994
- 11.27 Eringer (undated).
- 11.28 Pacheco, 1994
- 11.29 Keppe, 1985
- 11.30 Raven and Dolphin, 1978; Hogan, 1990; Winter, 1973
- 11.31 Wolf, 1983

Critique of Market Theory and Practice: Conclusion

Adam Smith and Friedrich Hayek proposed the market mechanism as an organic societal learning and management system which incorporated almost endless evaluation and feedback loops and which could therefore coordinate widely dispersed and mutually interacting bits of incomplete information.

As Hayek^{12.1} put it:

"The peculiar character of the problem of rational economic order is determined precisely by the fact that the knowledge of which we must make use never exists in concentrated or integrated form but solely in the dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess.

Practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can only be made if the decisions depending on it are left to him or are made with his active cooperation.

If we can agree that the economic problem of society is mainly one of rapid adaption to changes in the particular circumstances of time and place, it would seem to follow that the ultimate decisions must be left to the people who are familiar with those circumstances, who know directly of the relevant changes and of the resources immediately available to meet them. We cannot expect that this problem will be solved by first communicating all this knowledge to a central board which, after integrating all knowledge, issues its orders. We must solve it by some form of decentralisation".

It is clear from this quotation that the economic marketplace was envisaged as a means of coordinating and empowering dispersed information, weighting it according to its merit, and making it possible for multiple contradictory developments to emerge and be sifted through what was essentially a Darwinian evolutionary process.

The economic market place has no intrinsic merit apart from this.

What we have seen so far in this book is that the economic marketplace neither does, nor could, perform the functions Smith and Hayek assigned to it. It never did - and never could - engage with the problems of greatest concern for society. For this reason, among others, we have created a society which bears little resemblance to that envisaged by Smith and Hayek. In the first place, it is a heavily managed economy. Costs and prices are mainly determined by public servants. Which costs are to be paid by producers and individual customers and which spread over the whole community is determined by public servants. Economic 'realities' depend almost entirely on such decisions. The most important costs are externalised to be dealt with by the future. The most important contributions to quality of life get scant recognition. 'Customers' are not individuals expressing personal preferences but agents purchasing on behalf of corporate clients. Money is a much more nebulous quantity than most of us even suspected. And so on and so on.

Under these circumstances, we are faced squarely with the need to find an alternative solution to the problem which Smith and Hayek so clearly identified - and which became known as the

'wise men' problem. Part III of this book will explore the problems involved in trying to solve it via our existing public management system - i.e. using our current forms of bureaucracy and democracy. Part IV will sketch a way forward.

Some of the material we have reviewed seemed to suggest that the sociological function of market mythology and the market mechanism is almost the opposite of what is most widely claimed. Instead of providing a way of determining goals and orchestrating the efficient allocation of labour, the main function of the market mechanism seems to be to create work for idle hands. At the same time, market mythology emerges as a device which facilitates the exploitation of the poor and the Third World.

It eventually seemed clear that the discipline of economics is, at heart, some kind of word game which has little connection to reality - that the terms in which its discourse is conducted have few counterparts in the external world. From the point of view of finding and introducing a way forward, the question of whether, behind those who proselytise for economics, there lurks a group, like the emperors of the late Roman empire^{12.2}, who have cynically harnessed the belief system of Smith and Hayek to advance and maintain their own position, became ever more intrusive. We uncovered more evidence to support this position than most of us would like to acknowledge.

Notes

12.1 Hayek, 1948

12.2 Romer, 1988

Perceptions of Public-Sector Management

In Chapter 3 we introduced the - perhaps surprising - idea that we now live in what amounts to a managed world economy. This managed society came into being, at least in part, for the best of reasons. These included the fact that the economic marketplace gives us little control over the forces which have most influence on the quality of our lives and the fact that it is necessary to orchestrate communal action for the common good. We saw that public servants, by creating institutional machinery to harness and control economic and social forces, can, and do, enhance the quality of life. We saw that this enhanced quality of life is correctly understood as wealth. And we concluded that public servants create wealth every bit as surely as aeroplane manufacturers and blacksmiths.

In Part II, we saw that faith in the workings of the economic marketplace, and the financial system more generally, is even more misplaced than we had previously imagined. Market mythology emerged as a kind of facade operating to conceal and legitimise massive military and financial intervention, and, perhaps more importantly, to perpetuate the kind of society in which we are living. Given the huge deficiencies of the market and the present need for urgent change, it became clear that the problems which face us can only be tackled through improved societal management.

In this chapter, we will review some of the reasons for resistance to increased public provision and management.

Reasons for Resistance to Public Provision

Some insights into the problems with public sector management come from some Quality of Life surveys carried out by Flanagan and his colleagues in the US and replicated in the UK (by ourselves) a number of years ago^{13.1}. What emerged was that many people are dissatisfied with the quality of their consumer goods - their cars, television sets, washing machines, and - even more so - their housing. But there is even more dissatisfaction with public provision - the quality of the general environment, road systems, public transport, health services, crime control, and the educational system. People are particularly dissatisfied with the workings of the social services - not only with the arrangements made to deliver unemployment benefit and income support, but also the care available to the sick, the elderly, the isolated, and the depressed. What is striking, though, is that they are most dissatisfied with their relationships with politicians and bureaucrats: With their own ability to influence what happens in their society, their ability to obtain treatment which takes account of their own particular circumstances, and the demeaning and offhand way in which they are often treated by officials, social workers, doctors, and teachers.

People regularly find that things have to be referred to higher authorities and committees, and that this takes an inordinate amount of time. Rules, which in any case seem to vary in

interpretation from one public servant to the next without right of appeal, are applied rigidly, and information which bears on what should logically be done in particular circumstances is ignored. The rules and committees seem more designed to provide cover for public servants who do not want to take personal responsibility for their actions than to help the public. There is frequently a frustrating lack of co-operation even between departments and agencies who are supposed to be working on the same problem. Public servants, more frequently than sales personnel in the private sector, are brusque and high-handed, behaving as if their primary roles were, first, to protect themselves, and, second, to guard the public purse. To the person in the street, it seems virtually impossible to find ways of modifying what are obviously outmoded and inefficient practices.

When it comes to direct involvement with the public service, most people have also had at least one of the following experiences:

- Being treated as if their time was of no consequence. This is a symptom of a much more serious and pervasive problem in the public service - its tendency to externalise, and then ignore, costs like those involved in administering VAT, the legal system, tendering systems, and the 'internal' markets of the health service and Local Management of Schools as well as such things as queuing in hospitals or for the dole.
- Extreme difficulty in getting public servants to try out new ideas. Proposed experiments are often dismissed on the grounds that they would put public money at risk. (In this context we may note that there is no punishment for public servants who commit sins of omission - for playing safe and omitting to try things which might, if successful, yield great benefits, while sins of commission - doing something which fails - incur severe penalties.)
- Public sector developments which have been poorly researched and badly planned. The public service is almost daily accused of having introduced 'developments' in education, health care, welfare support, transportation and so on which do not work, building buildings which are out of character with their environments and unsuited to their purposes, and funding commercial projects which collapse and never become profitable. (This experience is often used to justify calls for privatisation but, as we saw earlier, the impression that the public service is worse in this respect than the private sector is by no means necessarily well founded.)

In addition to these almost universal experiences, there is:

- a) Growing awareness that one cannot usually get rid of incompetent teachers, doctors, park workers, administrators etc. It is not just that one cannot actually get rid of them ... one has the impression that it is not even seemly to complain about them. In the private sector one feels that it is legitimate to complain, even if one does not do so. In the public sector one often does not even know to whom to complain - and, if one does, one somehow feels one is engaging in some underhand and disreputable act akin to 'grassing' on one's neighbours^{13.2}.
- b) Increasing suspicion that committee management functions in such a way as to prevent anyone ever being held accountable for anything. If no one is accountable for anything it is not only difficult to apportion blame when things go wrong, there is no way in which people who have made a success of new activities can get credit for having done so.
- c) Growing awareness of the disparity between the conditions of employment which public

servants have quietly acquired and those available to others. This has been coupled with a recognition that, whilst obtaining these benefits for themselves, public servants have not pressed for their extension to others. On the contrary, they have been more than willing to sit on committees which have imposed on others - partly through sub-contracting and privatisation conditions of employment which would strike terror into their souls if it were suggested that they work under them. While public servants enjoy a high quality of working life - involving opportunities to work in the public interest and opportunities to exercise judgment and discretion, inflation-proofed pensions, short and well-conditioned hours of service, good holidays, and flexitime - they have been willing to enact (or at least to connive in the enactment of) legislation which imposes on others insecure employment with low pay, long hours, and few pension rights on the grounds that such demeaning conditions are necessary either to motivate those concerned to work or to obtain 'competitively priced' results.

More Fundamental, Widely Sensed, but Less Clearly Articulated

Problems

Beyond these problems lies a vaguer awareness of still more fundamental problems. These include:

- i) A growing awareness of the inadequacy of much governmental decision-taking. At the same time as the public has gradually become aware that governmental action is the key to the solution to many of the problems confronting society, it has become apparent that many governmental decisions are poorly thought-through. The decisions often fail to take account of key aspects of the problem, key consequences of alternative decisions, and local circumstances. Yet it has become increasingly difficult to draw attention to these oversights in such a way as to actually get something done about them. This has led to demands for 'devolution' on the one hand and criticism of all attempts at societal management - and therefore cries for 'privatisation' - on the other. Yet many people sense that neither of these solutions is realistic. Devolution has a hollow ring about it because it is only too apparent that local government decision-taking is no more complete or well conceived than the distant decision-taking of central governments. Indeed, it is often necessary to invoke more distant governments and their agencies like the European Court to get local councils and governments to behave responsibly. And privatisation, as we have seen, is no solution.
- ii) An increasing awareness that government decisions are determined by powerful lobbies and pressure groups with particular interests. These lobbies are able to devote vast resources to getting compliant people elected, to making the right connections, and to presenting a case - indeed creating a climate of opinion and controlling the terms of a debate - in such a way as to induce desired actions. Contrary to what many believe, the problem does not lie in the existence of these pressure groups themselves. The huge growth in public management means that we need to find ways of enabling many more groups with different interests to press their case effectively. The problems are to distinguish between the legitimate and the illegitimate use of these processes and to enable other interested groups to influence what any firms (and trade unions) recognise the importance of government and political activity from

the point of view of creating and obtaining markets and maintaining market shares. Appropriate legislation can be used to curb the entry of new firms, create the conditions necessary for profitability (monopoly, captive markets, obtaining capital at below market rates, cheap labour through public-sector-financed 'training' programmes, exemption from minimum wage legislation, and so on). Studies demonstrating the extent and deviousness of such activities - together with their importance - have been reviewed by Etzioni^{13.3}. Political power emerges as being the ability of non-governmental organisations to guide the actions of government. Some firms can control government activity - and thus, for example, the entry of competitors - without being economically large or dominant. Through this process, politically active firms then achieve effects which are often attributed to the concentration of economic power. It emerges from Etzioni's work that political power does not merely, or even largely, reflect economic power. He might also have noted the ways in which the Japanese have, by astute political intervention, been able to engineer dominance in many of the markets they control. But the point here is that increasing awareness of these problems,, and failure of the public service to act sufficiently decisively in the public interest, has led many people to despair of government and the public service.

- iii) An increasing awareness that perceptions of society's difficulties and the routes to their solution are almost entirely dependent on the way in which public servants, pressure groups, and the media determine the issues which are discussed, structure the way they are presented, and determine the terms and framework of the debate. One of the key developments we need is therefore a mechanism whereby: people themselves can get alternative viewpoints researched and presented.
- iv) The difficulty of getting the public service to act in the public interest: Some members of the public have become aware that it is, for example, actually harder to get the public service to build buildings which are in character with their surroundings than it is to use planning legislation to get private firms 'to do so. It is harder to stop the public service perpetuating a food hazard than it is to stop private firms doing so. It is virtually impossible to stop major misguided projects - such as building dams - once they have acquired momentum.
- v) The tendency to squander resources on petty accounting procedures: 25,000 people - equivalent to a medium sized town - were, for fifty years; employed to do nothing else but decide which of two Department of Health and Social Security Funds claimants would be paid out of. Many QUANGOs spend more of their funds creating an impression of public accountability than they do on providing the services they nominally exist to offer. The 'internal market' recently created in the National Health Service is a case in point. It has cost so much to administer that it has resulted in a dramatic reduction in the funds available for treatment.
- vi) Awareness that it has proved extremely difficult for the public service to control wage demands in the public sector - and particularly in the nationalised industries - and to stop certain groups of workers (miners, public sector companies) holding the country to ransom. There is more than a conflict of interest here; there is a conflict of ideology. Industries were nationalised in the interests of the public and employees. But what to do when the public interest and employees' interests conflict? Workers are not so much harming capitalists as harming their fellow citizens. AS Heald^{13.4} has shown, it has, in the end, somewhat ironically, turned out that the most powerful unions have been those which have represented vast

industries supposedly nationalised in the public interest and these have held the country to ransom by making demands for wages and conditions of employment which go far beyond the legitimate. This is not to say that such workers have not been badly treated in the past or to deny that society, like other large employers, has a responsibility to find ways of continuing to employ such workers as conditions change - a responsibility on which it has, on the whole, reneged. It is to say that such unions have exceeded their proper role, introducing unjustifiable restrictive practices and securing the continued employment of irresponsible employees. What has escaped notice is that such behaviour has not been characteristic of many other public sector employees - such as health care workers, social workers, and teachers (though there are undoubtedly many employed in these occupations who contribute little to society). Once these contrasts within the public service have been highlighted it becomes clear that the problem does not stem from public employment per se but has to do with history, the nature of the work, and the conditions of employment. That said, it should not be too difficult to find a way forward.

- vii) A gradual awareness that the failure of public provision occurs at a much more fundamental level than is typically assumed to be the case. For example, it has long been widely recognised that there is something seriously wrong with the educational system, and governments have, for the past 40 years, tried to do something about it. It is now coming to be recognised that the problems are not what they seem to be. It is not, on the whole, that teachers are not doing a good job within the constraints which face them. The problems are that the system as a whole has failed to deliver the benefits which were claimed for it (economic development, jobs for all, equality) and that secondary schools in particular are, in general, not meeting students' needs: They do not help children to identify, develop, and get credit for their talents or enable them to get jobs. More people recognise that the solution to these problems is much more difficult than has been assumed, but they are not at all clear about the way forward ... for that actually involves fundamental research and development - yet the institutional arrangements which purport to be for that purpose are themselves suspect.
- viii) Gradual recognition that there is a serious problem with current arrangements for monitoring and improving the quality of public provision. Some people have realised, for example, that the continuous cycle of well-publicised 'reforms' in education - such as the introduction of comprehensive schools, mixed ability teaching, and curriculum and examination reform - have not only not worked as promised, but have simply been replaced by other poorly considered reforms without any proper attempt to learn from what went wrong the last time.
- ix) Gradual awareness that what happens in the public sector may be driven neither by a genuine desire to meet its proclaimed goals nor by vested interests but by some hidden processes which perform sociological functions. Thus there are suspicions that the 'developments' introduced into education are not really about education at all but about such things as creating a more competitive and divided society, legitimising the belief that such division and competition is necessary, justified, and socially functional, and thus perpetuating the kind of society we have.
- x) A growing awareness of the fact that, while the number of highly paid, office-bound bureaucrats and consultants has greatly increased, the number of lowly paid people

responsible for delivering the goods and services we so badly need - maintaining roads, sidewalks, parks, garbage disposal systems, public toilets, and sewers - has declined and been followed by a decline in the quality of these provisions. This impression that the increase of highly paid personnel has not been accompanied by an improvement in the quality of the service is amply confirmed in studies like those of Walberg^{13.5} in the United States. Walberg's work shows that, at constant prices, the annual per-capita cost of educating a pupil of compulsory schooling age (i.e. excluding the extra expenditure needed to treat 'new' students - nursery students, post-15 high school students, college students, and adult students) rose from \$490 in 1945 to \$2,500 in 1984 with no discernible improvement in 16 year olds' ability to read, write, do mathematics, or undertake any of the other activities that educational researchers are able to measure. The inflation-adjusted per capita cost of high school education rose from \$900 to \$4,500 with no change in SAT scores. In other words, the employment of huge numbers of advisors, teaching assistants, secretaries, and administrative bureaucrats produced no discernable change in the quality of the product.

- xi) Growing awareness of the public service's tendency toward cover-ups, the deliberate creation of dis-information and mis-information, and its tendency to curb those^{13.6} who reveal the truth. Although it is widely believed that such obstructive action is the exception rather than the rule, its existence creates pervasive alienation and a disinclination to believe any public servants. This is reinforced by people's personal experience of public servants' reluctance to supply information. This is not so trivial as may appear: If the public service is not going to generate and disseminate information which is in the public interest, it raises basic questions about why have the public service at all. More fundamentally, such behaviour points to a failure of our democratic arrangements themselves. Not only do our politicians fail adequately to monitor the workings of the public service, they even use it to present issues and generate dis-information in a way which serves their own ends. Although the public service was initially established to serve government ends, public support for its activities is heavily dependent on the expectation that it will act in the public interest. Compliance with the short-term interests of the government of the day seriously undermines this support. Of course, the public itself is partly to blame, having not protested vigorously enough at the Thatcher government's swathe of changes in the law to deny the public access to information - and perhaps especially at their removal - as a result of the Ponting case - of a 'public interest' defence for public servants who spoke out against government policy.

Summary

In this chapter we have explored some of the sources of public resistance to public provision. Obvious reasons for scepticism included people's dissatisfaction with their ability to obtain provision geared to their needs and priorities, their dissatisfaction with their relationships with public, servants and politicians, their inability get something done about glaring deficiencies in public provision, and their alarm at the growth of 'bureaucracy' - by which they meant a growth in the number of officials (who are perceived as contributing little) and a tendency to use bureaucratic rules to justify actions which are inappropriate in the circumstances.

More important, though less well articulated, reasons for concern included, first, the feeling that public provision frequently does not achieve its espoused goals - worse, that its main beneficiaries

are often not the public in general. And, second, the fact that it is too easy for those who control public provision to structure debate about what should be done in ways which will lead to the conclusions they desire. The opportunities to research and debate alternative perspectives are too restricted. In fact, increased public provision is, in many people's minds, associated with increased restrictions on the flow of information and with the proliferation of the worst features of bureaucracy.

Notes

- 13.1 Flanagan, 1978, 1983; Flanagan and Russ-Eft, 1975; Raven, 1980
- 13.2 The notion that the private sector gets rid of the incompetent more quickly is vastly over-played. In most large organisations people are able to survive for years without pulling their weight, and Hogan (1990, 1991) has demonstrated that the base rate for serious managerial incompetence among American managers is no less than 60. His findings in some ways confirm the operation of the Peter Principle (whereby people are promoted to, and then remain at, their level of incompetence) in both the private and public sectors. More importantly, they point to the absence of effective ways of assessing and deploying competence effectively in all organisations.
- 13.3 Etzioni, 1985
- 13.4 Heald, 1983
- 13.5 Walberg, 1984
- 13.6 Ponting was prosecuted for having revealed what all the world - who, unlike the British, had seen the Falklands War on their television screens - knew about the sinking of the Belgrano despite Mrs. Thatcher's denial. The law was subsequently changed to prevent any public servant ever again speaking out in the public interest. Ponting's own account of the affair will be found in his book, published in 1985. Hancock (1991) has described the ways in which his efforts to expose the World Bank were deliberately frustrated.

Case Studies of Public Provision

We have reviewed some of the problems of which the public has become aware in connection with the public service. This chapter will expose deeper, and often unsuspected, problems - as well as pointers toward what needs to be done to overcome them - from a number of case studies. Because most of the author's research has been in the areas of urban planning and education many of the case studies come from these fields. The objective is, however, to use these particular studies to achieve more general insights.

Housing Research

The first case study illustrating the importance of finding ways of getting public servants to act on information in the public interest arises from some research which my colleagues and I conducted at the British Building Research Station between 1959 and 1963.

What we found^{14.1} was that high-rise family housing:

- Was unacceptable to most of its occupants: It imposed a sedentary way of life (because being active would disturb neighbours); it bred isolation (residents had difficulty getting to know their neighbours because they could not see them from their living rooms" and therefore did not recognise them when they met); it was unadaptable to particular needs (because residents could not alter it in the way that - as the growth of DIY has since demonstrated - many owners of two-storey housing do as a matter of course); it led to a deterioration of family relationships (because parents were unable from their kitchens to supervise children at play outside and the noise children made was disturbing inside); and access was often difficult (because the lifts failed or were vandalised).
- Symbolised for its occupants the local authority's control over their lives, regimentation, and uniformity. It expressed in steel and concrete public servants' disdain for the wishes of their paymasters and the fact that there was no effective way in which the public could ensure that their servants complied with their wishes.
- Was more costly to build than equivalent two-storey housing.
- Was more costly to maintain than two-storey housing.
- Accommodated fewer people per acre than two-storey housing - which also had the advantage, if properly developed at the same density, of providing garages, gardens, and access to public open space.

Despite this careful and fully-documented research carried out in-house by a government research unit, little action was taken. The building of high-rise housing continued into the 1980s. The disaster is now recognised for what it is and these expensive blocks are being demolished.

One of the reasons for inaction was that the tenants looked to authority rather than their peers for assistance in dealing with their problems. Another was that public servants felt that they had much more control over large building contractors than they would have had over the multiple

builders of two storey housing. They felt, for example, that builders of two storey housing might evade detection in cutting corners and some might make more than 'acceptable' - institutionalised - levels of profit. The administrative costs of overseeing the work of a single contractor were very much less than those of overseeing the work of numerous small builders and their subcontractors. The process of managing two storey development would be much more difficult than managing the building of tall blocks through a single contractor. Equally more difficult would be the task of managing the lives of the tenants - who knows what they might do! It would be much easier to constrain them within bounds of steel and concrete. The question of 'entitlement' was also important. Many people, - and especially those who administered public housing - felt that public housing was some kind of charity and that the tenants ought to be grateful for whatever they got. It was felt that the tenants should have made the effort to get jobs which paid enough to enable them to purchase their housing. One would really be pandering to the undeserving if one offered them too much choice. The tenants in a sense shared this perception: many felt they had no right to protest and believed that they would have no housing at all if they rejected what they were offered.

Public provision of housing raises many other issues of central importance to this book - such as why have public provision at all? And what steps need to be taken to introduce, administer, and evaluate choice? I have discussed these issues specifically in relation to housing in other articles^{14.2}. In this book they are embedded in more general discussions of these issues. The importance of the housing example here is that it shows (i) that one cannot simply expect public servants to take action on the basis of excellent information which indicates what needs to be done and (ii) that failure to act on information is not perfidious but multiply determined. If we want public servants to act on information in the long-term public interest - as is even more emphatically the case in relation to the bio-physical environment than to housing - then we need to understand the systems processes which constrain their actions and to develop additional management processes which will lead them first to seek to understand such systems processes and thereafter act on the total constellation of information in an innovative way in the long-term public interest.

The Educational System

Despite - or perhaps because - education is more obviously a public good, public servants' management of education has been even worse than that of housing. Much of the evidence of state failure has been omitted here so that we can concentrate on the reasons for failure.

For decades, there has been continuous chopping and changing of priorities and development plans in education. Time after time, one 'development' programme has been declared a failure and replaced by another even before it had been fully implemented. Insufficient resources have been allocated to development. The development plans were poorly thought through and little attention was paid to studying the workings of the developments that were introduced in such a way as to learn from the effects of action with a view to improving provision in the future. There was a persistent failure to anticipate what was required to cope with the effects of new policies (e.g. the raising of the school leaving age). There was a failure to invest adequately in evaluation, research, and development indeed no proper arrangements were made to carry out such activities. There was little attempt to create conditions in which people with different priorities could be catered for in different ways. And there was a failure to introduce appropriate, participative, management practices into schools on the one hand and the administrative structures of local authorities on the

other.

Despite the damning record of state failure in education, it is vital to note that, at least in some areas, the public servants concerned did at least try to do things more sensibly and, in doing so, adopted the best practice known to them. Thus they at first established committees of enquiry - such as those chaired by Newsom^{14.3}, Plowden^{14.4}, Munn^{14.5}, Dunning^{14.6} and Sneddon^{14.7}. When it emerged that these procedures did not work very well, more continuous and flexible arrangements were introduced. To this end, for example, they set up the Schools Council for Curriculum and Examinations in England and Wales to initiate research and development and monitor its effectiveness on a continuous basis. The effectiveness of the arrangements they made were, however, undermined by a number of processes. Newly appointed ministers (never mind new governments with alternative political persuasions), wishing to make their mark and not thinking much of what their predecessors had done, simply swept aside action plans even before they had been completed.

Vested interests also played a part. It was, for example, the teachers' unions, who first lobbied for a greater and greater role on the committees of the Schools Council and, once they got control over it, prevented it tackling issues which, while important from the point of view of children's education and the future of the country, were not in the short-term interests of the teaching profession. But the impression conveyed by this example is too facile. In Scotland, the Scottish Council for Research in Education, established by the teachers unions, remained a remarkably innovative body until its funding was taken over by the Scottish Office and its researchers subjected to contractual arrangements which served the short-term interests of the government of the day and stifled the kind of research which would have been required to introduce an educational system which was genuinely effective in educational, rather than sociological, terms. It follows that the question is not whether vested interests are important, but whose vested interests will win. The important question then emerges as being: 'What arrangements will permit people with competing vested interests to work together for survival?'

But public servants' failure to think about, identify, and tackle systems processes which prevented new developments functioning effectively was of greater importance than any of the processes already mentioned.

To illustrate the point we may consider the forces which lead to 'academic drift' and the steps needed avoid it. 'Academic drift' has been widely noted. The reasons for it have been most fully studied by Schon^{14.8}, but they have also been noted in institutions such as the School of Independent Studies at the North East London Polytechnic^{14.9}.

The term refers to the tendency of teachers and lecturers to, instead of nurturing useful competencies among students, drift toward providing courses which are academic in the worst sense of the word. Lecturers air their hard-won, disciplinary knowledge regardless of its relevance to students' needs, and their research becomes literature-driven and publication-oriented instead of advancing understanding or contributing to the solution of applied problems^{14.10}.

The reasons for this academic drift are deep-seated. They include a lack of understanding of high-level competence, how its components are to be nurtured, and how students are to get credit for having developed a range of high-level competencies in the social allocation process which primarily determines what happens in educational institutions. Other reasons include the way in which the career structures of lecturers are locked into disciplinary and departmental arrangements, and the impossibility of getting credit for having implemented more genuinely developmental

educational programmes^{14.11}.

Failure to examine - and deal with - these deep-seated, sociological systems processes^{14.12} contributes to the perpetuation of some of the most serious failures of the educational system. Merely examining them would have provided the impetus for much needed reform.

Even the research commissioned by the public service suffered from academic drift. Once again, there are several reasons for this. Instead of encouraging researchers to cross disciplinary boundaries and establish multi-disciplinary teams as some problems require, the funding agencies established single-discipline committees and demanded that evidence of the quality of the outcome be demonstrable through publication in peer-reviewed academic journals. A funding application which had to go to the committees of several disciplines had little chance of success. Researchers had to publish in ways which would advance their careers within disciplines. Instead of accepting that work in new areas would necessarily be controversial and that science advances through public debate between different, even antagonistic, positions, the public service interpreted controversy to mean that the researchers concerned had not done a thorough job of work. As a result, researchers learned to focus on topics which were small-scale, capable of yielding unarguable answers, and discipline-bound. What was really needed was open-ended, inventive, problem-driven research which provoked the kind of controversy which advances understanding. Even when the research had been done, researchers could not easily follow through into action (thereby learning more about the nature of the problem), partly because the enactment of research results requires enormous dedication, but, more importantly, because such dedication is felt to call the impartiality of a researcher into question. Finally, most research was constrained by the time and other limitations characteristic of academe. Even in the 1960s and 1970s these permitted most research staff to devote only one third of their time to 'research', and this was typically eroded by 'teaching' and administrative duties. Researchers' performance was also constrained by expectations concerning the quantity, nature, and quality ('academic') of the publications they should produce^{14.13}.

At least of equal importance in restricting the range of projects undertaken was, however, the range of questions thought to be respectable, meriting research, even capable of being researched. Proposals to undertake the kind of research required to examine the systems constraints this book shows to be so important would typically have been unacceptable. Answers to questions such as why teachers did not do the things which had been advocated for more than a century - if they were asked at all - were almost entirely sought within disciplines. Yet, as Schwarz^{14.14} has emphasised, the answers typically have little to do with education per se. They stem from such things as teachers' inability to handle conflicts between the values espoused by different clients, the unavailability of insurance to cover out-of-school visits, and the inability of either teachers or students to obtain credit for having engaged in relevant work.

As we have suggested in earlier chapters, however, the most important systems constraints on what the educational system can do stem from the sociological - non-educational - functions it performs for society. These may involve such things as legitimising divisions within society and thus perpetuating the current social order. Yet anyone who had in the past even suggested that such latent functions of the educational system might actually determine what happens in schools more strongly than the manifest - educational - functions of the system would have found it hard enough to get a serious hearing. It would have been almost impossible for them to attract research funds, partly because the methodology required for such investigations would have been denigrated as

'unscientific', but mainly because the very idea was unthinkable - with the inevitable consequence that even entertaining it was discreditable. The further idea that it was crucial to examine these sociological processes and thereafter to invent ways of harnessing them so that they would push educators in the direction in which they wanted to go - rather than in another direction - was inconceivable.

But perhaps at the most basic level there was a failure to appreciate that research is crucial to finding a way forward and to budget adequately for research and development. The money lost in two peak loss-making years by the British Steel Corporation could have funded the main organisation concerned with educational research and development in Scotland since Stonehenge was built. This contrasts with the fact that, as a society we spend far more on education than steel. There has been a persistent tendency to believe that in areas of public policy we know what needs to be done and all that has to be done is to do it. No one questions the myths that underlie education, privatisation, and so on. In reality the truth is much closer to the view that no one knows what is to be done, let alone how to do it, and the barriers which prevent people doing anything are pervasive, deep-seated, and intractable.

The Effectiveness of Committees of Enquiry Followed by Pilot Projects: A Case Study in Teacher Education

More of the problems inherent in the procedures currently utilised for societal management - and what needs to be done to overcome them - can be illustrated by exploring the origins, workings, and results of a committee of enquiry into teacher education in Scotland^{14,15}.

It had long been widely recognised that there was something seriously wrong with teacher training in Scotland. Accordingly, the Scottish Education Department (Ministry of Education) set up a committee - the Sneddon Committee - to enquire into it and make recommendations for reform. In fact, a whole series of such committees had been established since the Second World War. Each believed it had carried out an adequate enquiry, diagnosed the source of the malady, and made appropriate recommendations. But the problems persisted. Even today further attempts are being made to remedy the problem ... but, in line with the Conservative Government's philosophy, the solution is seen as lying in the central prescription of goals and how to reach them followed by checking to ensure that the designated procedures have been adopted. Such an approach prevents teacher training colleges exercising initiative and discretion. The assumption is that messiness is bad. The claim is that at least some colleges and college staff have proved themselves to be lazy and incompetent and have espoused 'fairy'-tale^{14,16} goals in education.

The most important source of the desire to reform teacher education is dissatisfaction with what goes on in schools: At a most basic level, standards in the 3Rs have not improved in 50 years. Pupils still leave school 'unable to get a job'. (This last is, of course, inevitable given that schools mainly legitimise the allocation of the jobs that are available rather than creating more jobs ... but the schools - and 'poorly performing' pupils [rather than those who will become the leaders and managers of our society] - are nevertheless blamed for that fact that many school leavers still do not get jobs.) But beyond these things, dissatisfaction with the educational system stems from a much more widespread, but less well articulated problem: Secondary education fails to engage the motives of many students and fails to help them to identify, develop, and gain recognition for their talents. More generally, it does not nurture the qualities required for societal development.

However, concern to reform teacher education also stems from widespread recognition that teacher training colleges - colleges of education - are dreary places. Experienced teachers say they learnt to teach on the job and did not get much out of college - and, in particular, that they received no experience of classroom management. There are complaints about the assessment of student-teacher performance and especially about assessment against tutors' invisible, personal, criteria of 'quality of teaching' in a single, stage-managed, lesson which typically diverges sharply from the normal work of the class with whom the student is working. There is no appreciation of the wide variety of different things teachers have to do in schools - such as meet parents, deal with 'discipline' problems, participate in the management of their schools, and work with other teachers outside their schools on curriculum development projects. As a result there is little training in how to do these things.

The first action of the Sneddon Committee was to commission research. This provided good documentation of all the problems - mentioned above - of which people were already vaguely aware. Having shown that teacher education was of little value, the Committee astoundingly came to the conclusion that there should be more of it: Although more time was indeed to be spent in schools, the length of the course should be doubled! (This is a fairly typical conclusion drawn by committees of enquiry, both in education and in other areas: If what is being done does not work, one clearly needs to spend more time on it!) However, the Committee did say that trainee teachers should spend more time actually working in schools. Unfortunately, they failed to specify what students should practice doing when they were there or what the experienced teachers with whom they were placed should do to promote their development. Most importantly, they failed to say anything about how the role of college tutors should change so as, among other things, to provide more support for master teachers. The Committee never addressed the question of how - given that one of the main complaints about the colleges was that they did not teach the 'modern methods' which, it was said, would enable schools to do better if only they adopted them - students were to practise these methods in schools if their master teachers were not using them.

The Committee set up a pilot programme to implement its recommendations on a trial basis. Unfortunately, instead of setting it up in such a way that it would be possible to learn from its difficulties and modify what was being done accordingly, the many problems that were actually encountered were attributed to such things as the 'personality' of the researcher or 'clashes' between the researcher and other members of staff. In fact the difficulties encountered by the pilot project suggest that there was something wrong with the Committee's original conclusions. And indeed there was. They were very seriously flawed, ambiguous, and inadequate. One of the basic problems was that those who were invited to serve on the Committee - like those who were invited onto the Brundtland Commission on the environment - basically accepted the existing system and felt that it could be made to work with a little tinkering.

It is important to note that the 'correct' procedure had been followed: A committee composed of the best available experts had been set up to consider a chronic problem. They had collected evidence, considered its implications, and made recommendations. A 'pilot' project had been set up to assess the feasibility of what had been suggested. And an evaluator had been called in to set down what had been learned from the exercise.

Three things were seriously wrong:

- (1) The nature of action research - indeed the scientific process itself - was poorly understood by most of those involved. In scientific terms, the object of the exercise was to use the difficulties

encountered by the pilot project to learn more about the nature of the problem and the means proposed for its solution. It was not (as some said) to 'get the bugs out of the system' or (as others thought) to 'test' some of the Committee's beliefs through something like the kind of (classical) 'experiment' they had learned about at school. Nevertheless it was rightly (by some) expected to include investigation of such questions as whether classroom teachers could (and would) do all the things which it would be necessary for them to do if the Committee's proposals were to be implemented effectively. Unfortunately, 'all the things which it would be necessary for teachers to do' had been left unstated and unanalysed by the Committee. 'Testing the hypothesis' thus called for the adoption of 'illuminative' methods which most of those who came into contact with the project - and not least most members of the committee - would not have recognised as 'science'.

- (2) The statement that the difficulties encountered by the pilot project were to was 'personalities' generally accepted - although significantly, and in all fairness, not by the public servants most directly concerned - when they were, in fact, attributable to basic deficiencies in the Committee's understanding of the nature of problems the proposed solution to which the Project was supposed to test. In part because the problems were attributed to personal incompetence and interpersonal tensions, and in part because of the poor understanding of science, there was little scope for those involved in the project to experiment, in a flexible, adventurous, manner, in order to find ways of tackling problems which were not anticipated when the project was set up. Such experimentation would have required many of the participants to behave in ways which had not been anticipated. Worse, since many of the deficiencies in the Committee's recommendations stemmed from systems constraints it had not considered, attempts by the project manager to engage with them were said to be 'outside the Project's terms of reference', thus confirming the suspicion of delusions of grandeur.
- (3) Policy monitoring, review, and development was not viewed as calling for a continuous process the conduct of which should indeed be part of the *raison d'être* of the colleges.

Ambiguity played a particularly important part in stifling action and the advance of understanding. Enquiry revealed that the ambiguity in the recommendations had been deliberately introduced to conceal disagreements and thus make it possible to produce a report. Indeed, the phrases used had been carefully chosen to mean different things to different people. This ambiguity meant that it was always possible for people to agree that the action project was not tackling the most important problems the Committee had identified because everyone thought the words meant different things. Consensus that the project was doing the wrong thing - and therefore ought to be terminated - was therefore achieved in much the same way as the consensus in the original report.

From this case study - and many others - it would appear that committees are not at all well suited to the task of investigating and solving problems or supervising research - let alone action research. Some other management process is required.

In reality, solution of the problems identified by the committee called for insights which it would have taken years of research to generate. These included understanding the nature of the competencies needed by a wide variety of teachers who would be able to contribute in very different ways to the evolution of a more effective educational system, how these competencies

are to be nurtured, and how their attainment is to be assessed. They included a better understanding of the nature of the wide variety of competencies teachers need to develop in students, and how they are to be nurtured and assessed. Most importantly, it called for a better understanding of the systems constraints which determine what happens in schools on what could be done to influence them.

If it is a mistake to rely on government by consensus and committee management what are the parameters within which an alternative might be sought?

The key seems to be delegation of responsibility in the context of new procedures of accountability. It is on the specification of these procedures of accountability that we need to focus. These should somehow help to ensure that those concerned: (i) initiate the collection of forward-looking information, (ii) sift it for good ideas, (iii) use it to initiate action designed to be in the long-term, public interest, (iv) introduce monitoring procedures which make it possible to learn from the effects of the action, and (v) use that new information to improve the quality of provision in the future.

Besides delegation of responsibility in the context of new procedures of accountability it will be necessary to create a pervasive climate of concern with evaluated experimentation and improvement; a ferment of innovation. We will discuss how this is to be done after we have, through further case studies, highlighted other inadequacies in the management of public provision.

Another Committee of Enquiry in Education

It might be thought that the workings of the Sneddon Committee were atypical. But other committees have done much the same thing. One was the Irish Examinations Committee mentioned in Chapter 11, where its work was used to illustrate how the operation of obscure social processes can result in an appearance of conspiracy^{14.17}.

Also briefly discussed were the workings of a similar committee - the Waddell Committee^{14.18} - in England and Wales. For 20 years, a series of committees associated with the Schools Council for Curriculum and Examinations in England and Wales discussed the possibility of introducing a common system of examinations. These committees never reached a conclusion. Unfortunately, they did not make the reasons why they failed to do so explicit. Had they attempted to do this, it might have led them to recognise the need for a major programme of research to develop the tools required to give pupils get cred~ for a wider range of talents and the administrative arrangements required to handle the problems which the assessment of such talents poses for society. Their failure to analyse a key - apparently procedural - problem which would have led them to new insights arose in part from the kind of deficits in scientific competence mentioned earlier. But the failure to recommend crucial research also had a number of other causes. It arose in part from the committee members' unwillingness to admit the hold which examinations have over what schools do. But also relevant was the fact that they themselves did not know how to do the radical research required to find new directions and were unable to envisage what it might contribute'. But even if they had been able to articulate the need, they would not, collectively, have been prepared to trust anyone they knew with the money required to adventure into the unknown in such a way as to conduct the necessary Research and Development. Indeed, the only organisation they knew which might have been asked to do it would not in fact have done it because it was not set up and managed in a way which would facilitate the execution of innovative research. This was itself - at

least in part - attributable to the way in which its funding was handled by the Ministry concerned - arrangements which themselves stemmed from beliefs about how scientific research 'should' be conducted and managed.

In any event, a new Minister ordained that a conclusion was required within six months and a new committee - the Waddell Committee - was established to produce it. Given a very restricted brief - simply to answer the question of whether there should be a common system of examinations - this committee rehearsed all the educational, psychological, and occupational arguments pointing to the need for diversity in education. It concluded that, to cater for this diversity (actually hardly at all encouraged by the current educational system) it would be necessary to retain a variety of courses at different levels, syllabi which would cover different content areas within subjects and levels, and, most importantly, to retain different modes of assessment. Only the latter would make it possible for students to get credit for having developed high-level competencies like initiative and leadership.

However, the committee also endorsed the idea of a common system of examinations and, most importantly from our point of view, advised that 'the results should be expressed on a single scale of 7 points in a subject area'. This had the effect of negating everything else the committee had said - for how does one express assessments of 'leadership' on a single scale which also measures knowledge of 17th century history? The result was that, whereas the overall impression given by the report was that the committee had considered and addressed the really important issues, the 'solution' it offered was even more limiting than a recommendation to do 'more of the same'. This might have been produced by a confidence trick or conspiracy. And in the context of what we know about the causes of other 'developments' in education, there may well have been elements of such a conspiracy. But, in reality, the sociological need to have a single, clear, and unarguable criterion of 'quality' to use to legitimise the rationing of privilege (which was never even mentioned in the report - and which makes people uneasy whenever it is mentioned) - combined with other barriers to doing what needed to be done to produce an effect which was exactly contrary to what those members of the committee who were most aware of the educational and social issues intended^{14.19}.

The most significant, if not the most conspicuous, recommendation of the committee - i.e. that all assessments should be reduced to a single scale - was one which no rational person could have supported. As we will see later, this is a phenomenon which Arrow^{14.20} and Miller^{14.21} have shown to be characteristic of majority and consensus decision taking in situations in which different sub-groups have divergent interests. It arises from the fact that a series of coalitions have to be formed before any formulation which will command overall support can be attained.

This case study strongly reinforces impressions formed earlier: we urgently need to find alternatives to committees of enquiry composed of the great and the good; more attention needs to be paid to the - almost undiscussable - systems processes which undermine the effectiveness of common-sense action; and finding a way forward is heavily dependent on adventurous research of a kind which many people would not even accept as meriting description as scientific.

Headstart

Another example of the way in which activities motivated by concerns not directly related to the goals of the policies being considered and the needs of groups other than those being targeted can deflect public policy from its goals is to be found in the American Headstart programme^{14.22}. This

was initially a programme of the US Office of Economic Opportunity. Its aim was to nurture the qualities disadvantaged adults needed to improve the quality of life. It became a programme of the Department of Education, under whose auspices its goals became to raise IQ, improve school performance, and keep children out of trouble with the police.

The adult competencies Headstart initially sought to nurture included those required to improve the quality of community life (initiative, ability to work with others, ability to understand and influence bureaucratic and political systems), those required to establish mutual help and support groups which would get things done (and, in particular, obtain welfare entitlements), and the knowledge and motivational dispositions required to care effectively for children (with a particular focus on health and nutrition).

It turned out to be remarkably easy to release people's energy into gaining control over their lives when working with others to get their welfare entitlements and directly improve their communities. Unfortunately, as with the Community Development Programmes in Scotland^{14.23}, those concerned started pressing for their rights under the law and for changes in the way society was organised ...and found that they could do so reasonably easily^{14.24}. In the end, however, this turned out to be their undoing - because they were not skilled enough to anticipate (and avoid) the backlash that would come from politicians and administrators.

The use of non-institutional channels to press effectively for entitlements naturally threatened existing politicians and bureaucrats and raised more general fears of the movement threatening the social order. Politicians and public servants became concerned about loss of personal power and ability to move things in the direction they wanted. Actually paying out the benefits people were entitled to threatened to produce budget deficits which would in turn lead to tax increases.

As a result of this unease, public servants were directed to re-orient the project toward a goal which would be laudable but unattainable. This produced the idea of focusing on raising the IQ of children and enhancing their educational achievements. These objectives had many attractive features. In the first place, the target to be achieved was shifted to the next generation. This threatened no immediate change of the current social order. Second, the main goal - raising IQ - was unlikely to be achieved in the absolute sense and was absolutely unachievable in the relative sense. This was because (i) all the evidence indicated that variation in IQ was largely inherited and (ii) the goal was norm-referenced anyway - that is, it dealt with relative position only, so that, however hard everyone worked and however high children scored, there would still be winners and losers. There can be only one Olympic gold medalist, no matter how many beat the world record of 25 years ago. Third, if an increase were achieved, more teachers would then be required to maintain the increase. Still more professionals providing more services would be required to help everyone run faster to stay in the same relative place. The programme would be an excellent way of creating jobs for middle-class people. Most of the funds would go into the pockets of those who were already voting for the government and participating in the system. More importantly, it would increase the number of people voting to perpetuate the present system. The money would not go to the members of groups whose collective economic power was to be feared and whose impoverished individual existence helped to terrify others into participating in the system. Fourth, only professional educators - whose claims to efficacy are actually vacuous, and whose activities were therefore incapable of threatening the social order - would get funding. Theirs was not a self-help, network-based, activity which led to, and reinforced, the growth of competence of ordinary people. Fifth, still more professionals would be required to measure the outcome to show

that the programme 'worked'. Achievement of the goals was neither self-evident nor easily measurable through indices like the take-up of welfare entitlements.

To ensure that the programme would focus only on hard-to-achieve outcomes which conferred few benefits on those concerned, the evaluation contract with the Stanford Research Institute was withdrawn when its researchers started to take seriously the question of whether some variants of the programme were achieving the wider goals which many of those concerned with its implementation on the ground still - despite central government re-orientation - claimed they wished to achieve. These wider goals - now applied to children - included such things as nurturing initiative, self-confidence, the ability to communicate effectively, and the abilities required to understand and influence society.

The re-designed evaluations were not only sufficiently narrow to prevent such outcomes showing up. They were also such that no demonstration of the effectiveness of the programme could coincidentally reveal that it was actually not working in the more important sense that - although scores had gone up - everyone had retained much the same relative position in the hierarchy ... and with the 'target' groups still at the bottom of the heap.

In actual fact, the evaluations which were conducted were extremely bad, by any standard. It was extremely difficult to find out whether any effect had been achieved, still less what had produced it. This was attributable in part to the Federal Government bureaucrats' intervention to change the contractor and limit the responsiveness of the research design mid-stream - an intervention which may itself have been deliberate sabotage. The only evaluations of any merit were carried out by people who had been working in the field for decades, not by those who received the bulk of the 200 million dollar evaluation contracts. The results of these small studies were brought together retrospectively^{14.25}. Unfortunately, the differences in the methodologies employed make it extremely difficult to draw any secure conclusion. Of the individual studies, one organised by Weikart^{14.26} was the most substantive. It showed that at least one variant of the project - Weikart's own High-Scope Program - did result in raising certain types of IQ and educational performance. It also had the effect of keeping the children concerned out of trouble with the police. Weikart proclaimed it as a great success, arguing that it saved the US treasury billions of dollars a year. Unfortunately, he did not allow for the norm-referenced nature of the programme: the seats of those who had been moved out of special education classes and into regular classes (where they were taught the standard curriculum and thus scored higher on achievement tests), were filled by others who were effectively relegated from their positions at the bottom of the regular classrooms. In other words what happened in this norm-referenced system was that there was a marginal rotation in the people occupying positions at the borderline^{14.27}. There were no dramatic improvements and, overall, as a group, the clients of the programme did not benefit. The true beneficiaries were the professionals who catered for them, administrators, and teachers - and the politicians for whom these support groups voted.

What does this case study tell us?

First, like the case study of the British National Curriculum, it tells us that a policy which is presented as being about one thing may well have been deliberately designed - or deliberately manipulated - to be about another.

Second, it shows how processes which are not directly related to the policies and outcomes being considered can have a dramatic effect on the target activities: Thus we saw how unintended social and political consequences of what began as a programme designed to enhance the

competence and quality of life of disadvantaged people resulted in a dramatic revision of the programme's goals and procedures. Likewise, we have seen that the unanticipated threats to the social order which were posed by curriculum development programmes which took seriously the widely endorsed educational goal of encouraging children to think about their society led to the elimination of those programmes. Put like that, the observation seems trite. But it has enormous implications for role of public servants and the way people envisage and go about policy evaluation. It shows that the public servants who designed these programmes failed to consider systems constraints of the greatest importance. Also of moment are the implications for the design of evaluations because a commitment to studying such 'extraneous' causes and consequences is typically missing from such designs. Yet what we have seen is that such processes can entirely nullify the educational effects of educational programmes, and that this can lead to the conclusion that the activities yield no benefits and should therefore be terminated.

Not only do evaluation proposals typically fail to mention the importance of looking at such processes, their discovery by an educational researcher would jeopardise his or her career because it would not be an 'educational' finding which would advance understanding in his or her 'discipline'. It would therefore not be publishable and would invite accusations of unsoundness for crossing disciplinary boundaries. This has major implications for the design of career structures for researchers and evaluators and the criteria which should be applied to their work.

Third, it again illustrates the importance of deep-seated sociological processes. While there was deliberate calculated intervention on the part of politicians and public servants to neutralise the original Headstart programme, most of the change resulted from the operation of much more obscure sociological feedback processes. These forces stifled criticism and calls for change. They operated to maintain and heighten differentials which induced more people to participate in the system. They maintained the perception of poor people as an incompetent group who needed to have things done to and for them by professionals. They therefore operated to enhance the belief in professionalism and thus created more jobs and higher salaries for professionals.

All this should prompt us to think carefully about the new societal management arrangements which are required to run our society in a way which will achieve the manifest or overt goals of policy, about the kinds of evaluation and feedback systems that are required, and about the arrangements that must be made to gain the insights and understandings which are most important in finding a way forward.

Mismanagement by International 'Aid' Agencies

Numerous authors^{14.28} have written and spoken about the chronology of disastrous projects funded by international aid agencies and the way in which the funding - augmented by additional funds from the Third World - finds its way back to the West. The most thorough and comprehensive documentation has perhaps been provided by Hancock^{14.29}. His account amounts to a damning indictment of the activities of the World Bank, the UK Overseas Development Agency, other similar agencies based in other 'developed' countries, and a number of private Foundations. His conclusions will be summarised in the paragraphs which follow.

All of these agencies have, over the years, persistently obstructed enquiry into their affairs, carefully maintaining a cloak of secrecy while engaging in extensive propaganda and hiring outstanding political 'double-talkers' to represent their organisations. These spokespersons, who carefully craft appropriate images, do such things as appear to accept important problems

highlighted by others, imply that something is being done about them, and not only reassure the public that everything is all-right but actually portray their organisations as doing the opposite of what they are in fact doing. In Britain information about Aid projects is covered by the Official Secrets Act and therefore confidential. Unsurprisingly, given the outcomes, the World Bank took specific steps to stop Hancock's enquiry - whose conclusions explain a personal experience which has long puzzled me. A couple of decades ago we were involved in an evaluation of a World Bank-financed primary education project in Pakistan. The Bank having apparently insisted on the evaluation, seemed not the least interested in taking steps to ensure that it was carried out effectively. In the light of the information now available, this ceases to be a cause for wonder. We had been taken in by a carefully crafted public image.

In fact, across countries, only about 1% of the tax money officially voted for 'aid' is spent in the country of the 'recipient'. Instead, it goes into the pockets of Aid agency staff (who spend their time globetrotting to make 'assessments'), consultants, Western firms supplying equipment and other materials, and Western staff to maintain the equipment.

Although Government aid agencies are the worst offenders, and while some charities, like Oxfam and the Save the Children Fund, have low overheads, some others consume 90% of the money raised, not even sending consultants, foodstuffs, medicines, or equipment.

But let us be clear about this. We are not simply talking about Western countries spending 'their own' (Western) money in the West. The 'recipients' of most government grants of 'aid' are required to 'match' at least part of the money they are 'given' or lent with funds of their own 'in order to demonstrate that they really want' to do whatever it is that is to be done. It is most of this total sum - up to twice the grant - that is spent in the West. In this way, funds are sucked out of poor countries. If loans, instead of grants, are involved, the recipient is often required to both make some contribution to the capital costs of the project and pay 'interest'~ on the money 'borrowed'. The interest, of course, far exceeds the capital 'borrowed'. This drain of money out of the Third World is then exacerbated when, as is usually the case, the materials, equipment, and services the rich countries sell to the poor under 'aid' budgets are not discounted but sold at their full list prices. This means that the recipients have to pay up to 50% more for the goods and services they get than they would have done had they purchased them on the open market. In this context Pratt and Burgess's^{14,30} remark that 'it is not only more blessed to give than receive but also cheaper' appears as a gross understatement.

Nor is this the end: Equipment supplied as aid is often known to be substandard or incapable of meeting the regulations applied in Western countries. It is therefore of no actual value on world markets. Likewise, it is often known to be unsuited to the conditions in which it is to be used. These products injure their users and incur unusually heavy maintenance and repair charges. Consultants often know nothing about the problems about which they profess expertise and less about the country in which they will be working. Aid programmes are a means of off-loading the useless at the expense of the poor.

Multilateral aid organisations suck funds from poor to rich countries in an astonishing profusion of ways. All the countries of the UN contribute to its budget - but the West draws out the largest share in salaries, accommodation, and consultancy charges. Britain contributes to the funds of multilateral aid agencies... but the contracts it gets for supplying goods and services are worth several times what it pays in. (As might be expected, Japan obtains the highest return on its membership dues.)

The specifications for the projects to be funded are usually drawn up on the slenderest of evidence based on very brief 'field' visits by a number of, continuously changing, jet-lagged, personnel whose contacts are mainly with their opposite numbers in the public service of the recipient country - not with the public the programme is intended to serve (and we have already seen that public servants' first concern is, despite their words, not always with the welfare of their clients). There is rarely any study of the context in which the project will be situated. Most projects are based on expatriates' 'solutions' grounded in conventional wisdom and often with virtually no knowledge of local conditions or local situations.

The litany of absurd aid projects itemised by Hancock is long. It includes:

- Highway construction in Brazil. The main beneficiaries were the logging, mining, and ranching companies who obtained rapid transportation. The World Bank also supplied huge sums of money to move thousands of poor people from Brazil's cities to carve 'farms' - by slash and burn - out of the rain forest, which was destroyed at a rate of 3.6 million acres a year. But the land turned out to be unfit for agriculture and the soil cover rapidly disintegrated.
- The movement of 10 million people to outlying islands of the archipelago in Indonesia. This land was simply taken from its traditional owners, and horrific military reprisals were vented on resisters. 150,000 people were, in the process, slaughtered in East Timor (which had itself been acquired by military force) alone. 2.3 million hectares of tropical forest were destroyed. The migrants were dumped on deforested land without tools. Many thousands flocked back to the cities.
- Cattle and sheep ranching in the western Kalahari. In the early 1970s the World Bank paid \$10 million to fund this project. It was subsequently found to have conferred no economic benefits. Undeterred, in 1977 a further \$13 million was approved for more of the same. And then another \$11 million.
- Worldwide, the Bank spent \$1 billion in 15 years on ill-conceived projects in the livestock sector alone.
- Poorly-conceived construction of dams for electricity generation and irrigation. These have cost vastly more than the livestock schemes. Many met with the fate Foster^{14,31} had described in the early 60s. Local peoples were unable to maintain the technology; the canals silted up and became clogged with algae; the land became saline. No lessons appear to have been learnt from such public-sector mistakes, well documented over a quarter of a century ago. One dam in Ghana alone displaced 1% of the entire population of the country and led to the river-blindness of 100,000 people - yet it did not lead to any sale of local commodities, all the ore smelted using the electricity generated having to be shipped in from abroad. Nearly all large dams have a similar effect. In Pakistan more than half the Indus basin canal system command area - some 12 million hectares - is waterlogged and 40% saline. Half the world's irrigated land is salinised. Many of the huge reservoirs that are constructed quickly silt up, some after only 4 years. India constructed more than 1000 dams in the space of 10 years. One dam alone displaced 70,000 people without compensation. They moved uphill, destroying forests and groundcover. The flooded area consisted of agricultural land and 12,000 acres of pristine rain forest. The water brought malaria, cholera, and other waterborne diseases to millions of people. The total number of people displaced by the schemes on a single river

amounted to 1.5 million, mostly tribal, people. In one area canals fed water to areas earmarked for tobacco growing. But no tobacco was ever grown. Officially at least, the Bank is, above all, concerned to promote international, currency-earning activities so that the economies concerned can become part of the world trade system. The Bank never seriously considers alternatives to big dams.

- The Kenana sugar project in the Sudan. The initial cost estimate was \$150 million; the final bill \$613 million. The project involved the construction of a huge power station, irrigation canals (a number 20 miles long), and a huge water pumping station. It was meant to export sugar ... but the nearest port was a thousand miles away. And, as should have been known, there is a huge surplus of sugar on the world market. The sugar was unsaleable. The beneficiaries of the project are the 400 expatriates who run the entire enterprise.

There is very little evaluation of Bank funded projects. Such studies as exist reveal a horrifying picture: Out of a representative sample of 189 Bank projects worldwide, 60% had serious shortcomings or were complete failures. Only 50% of the 'successes' were sustainable on completion! In really poor countries 75% of all agricultural projects fail. Other government 'aid' agencies turn in a similar performance.

Even small-scale projects reveal a chronology of disasters. 'Small-scale' solar electricity generating plants require high-tech equipment - such as computers to control them. They require continual maintenance by highly qualified technicians. Naturally, both the equipment and the technicians come from the West. And the resulting electricity is too expensive for poor rural consumers. \$4.5 million was devoted to a project to produce gas from dung in Mali. It turned out that dung was scarce, the work required to fill and clean the plant exhausting, and the gas produced too expensive for potential consumers.

Objective evidence of such blunders is, in the absence of a series of independent investigative evaluations, hard to come by. But the material Hancock summarises strongly suggests blunders are the rule, not the exception. The chronology goes on and on: Project after project; donor country after donor country; agency after agency.

The causes of this horrific situation are not far to seek: Bank merit awards and promotions go exclusively to those who have been able to lend the most money in the shortest period of time. Nothing else counts. Under such circumstances, who would undertake careful assessments of need or viability? Who would undertake careful evaluations? Who would be interested in small, useful, projects? It becomes clear that the objective is to help the West, not the Third World. Helping the Third World is convenient, tear-jerking, advertising copy.

Once again, then, we find every reason to be sceptical of the good intentions of authority, a need to insist that whatever we are looking at is unlikely to be what it seems or claims to be, a need for access to public and private sector organisations to find out what they are really doing, a need for thoroughly questioning, comprehensive, investigative evaluation of the effects of the activities that are undertaken, and a need for media which will disseminate counter-information and alternative viewpoints and promote discussion of what is in the public interest. We see a need to question the claims of economists and 'development' 'specialists'. More specifically, we see a need to invent fiscal arrangements and societal management arrangements which will in fact deliver benefits for the poor.

A Particular Inability to Handle Problems Deriving from the Combined Effects of Scale and Systems

One of the most important reasons for the very existence of the public service is the need to manage large-scale, socio-economic-physical systems. Unfortunately, the application of current understandings of the management process to such problems is particularly likely to lead to inappropriate outcomes.

The difficulties can be illustrated by considering the management of the Himalaya, discussed by Thompson^{14,32}. In the Himalaya, one has a host of problems having to do with management of mineral and forest resources, a wide range of people from different tribes owing allegiance to different countries, and management of power and water supplies affecting not only people far away downstream but even, through the effects of the area's vast forests on the atmosphere, people on the other side of the globe. Thus there is not just one problem - such as power - but multiple, interrelated, physical, social, economic, and political problems. Conditions vary dramatically from place to place. There is a gross lack of information on most of the relevant economic, ecological, and social processes. Most of the people involved are simultaneously part of the problem and part of any solution. Only one thing is certain: Distant decision taking which ignores this complexity and which focuses on one issue at a time cannot be other than disastrous. Equally inadequate will be the effects of a series of small-scale changes if the long-term, distal, and cumulative effects produced in reciprocal interaction with other changes are not properly monitored. There are numerous short and long feedback loops which result in actions which are, in the short-term, to a one community's advantage rebounding over the longer term, often via their destructive effects on other communities.

The problem of managing the Himalaya poses in stark form many of the problems involved in the management of modern society and we will discuss the way forward in greater detail later. But clearly, the need is for sophisticated information-based management. What is not at all clear is what this actually implies in such huge and messy contexts which are actually typical of the problems which will have to be tackled to create a sustainable society.

One must be wary of thinking that all problems can be anticipated and avoided. Many problems only arise as others are successfully tackled. Thus the population problem currently facing the globe is, in part, a product of the very success of developments in medicine and agriculture. Europe's butter mountains and wine lakes are the product of extremely successful agricultural policies which have resulted in too much food rather than too little. What these problems point to is the need for a mechanism for continuously monitoring what is going on across outcomes that few people even think important, an ability to change direction accordingly, and to then diagnose and set about tackling new problems caused by the developments.

The kind of process required may be illustrated in connection with grain storage: As one set of problems was solved by increasing the scale of the silos, other problems - created by density and the ability of previously unimportant fungi to create heat - emerged. These problems were not only unanticipated, they were largely unanticipatable. They were systems problems. To detect and find ways of dealing with them it was necessary to appoint people with specific responsibility for them and with authority to engage appropriate professionals to make them explicit and then analyse them. A whole new creative process was consequently required. Common sense would not do. High-level, specialist, up-to-date, technical knowledge - not general knowledge - was required and,

as scale increased, new kinds of professional expertise.

Developments which did not pose serious problems when they were small-scale and diffused can pose major threats when they are generalised. Examples include:

- Degradation of the biosphere by post-industrial scale emissions of CO₂ and CFCs.
- Cumulative degradation of the seas by dumping of wastes including industrial chemicals and industrial and domestic sewage.
- The vast increase in the reach and scale of the global market - one of the most disastrous oversights in Adam Smith's market theory. (When traders were multiple and small many of the market's defects were insignificant - and could in any case be corrected by such things as injunctions to act in the interests of the local community rather than solely for financial gain. Now that the actors are huge, international, and impersonal the system's flaws are extremely serious and cannot be corrected by such things as appeal to people's better nature.)

There was no way of anticipating problems like the ozone-depleting effects of CFCs. They were inherently unpredictable. The questions are therefore: What arrangements can be established to look out for potential new problems that no one has previously thought of, and, once they have been noticed ensure that they are properly investigated? How can awareness of the problems be integrated with recognition of the importance of the problem the solution to which created the problem on which attention is currently focused? How can networks of problems be connected one with another and with the underlying processes of which they are a symptom? The quest for answers to such questions has led us to the suggestions made later in this book.

Reason^{14.33} has suggested that the Chernobyl accident is an example of a problem of this sort. While it was, in a sense, anticipatable, there were many ways in which it was not. There was a society committed to getting something it wanted (energy) no matter how perilous and how large-scale the operations had to be. There was a system which was hazardous, complex, tightly coupled, opaque, and operating outside 'normal' conditions. There was a management structure which was monolithic, remote, and slow to respond. There were operators who possessed only a limited understanding of the system they were controlling and who, in any case, were set a task that made violations of rules and guidelines inevitable. Many of these features are present in most public-sector operations. At Chernobyl, as in some aircraft disasters, operatives over-rode built-in safety reactions when they seemed counter-intuitive. The Chernobyl reactor went out of control when it was shut down too far. But the disaster was mainly due to an interaction of minor infringements and irregularities each of which had been made with impunity many times before but which, in this particular combination, led to an unforeseen, and largely unforeseeable, pattern of events.

It is in fact extremely difficult to design fail-safe systems because it is almost impossible to know what those concerned are liable to do with the system. When vital components of fail-safe systems for power stations were removed from designs and the emasculated designs circulated to design experts, very few noticed the absence of the crucial components.

These observations mean that many more people - and, in particular, critics, 'cranks', mavericks, and heretics - need to be encouraged to participate in the design of systems and their comments need to be taken seriously rather than dismissed as the views of the 'uninformed'.

One reason why public projects tend toward large-scale is that monitoring one small project

requires almost as much central office time to approve, monitor, and review as a large one. Unfortunately, off-loading these monitoring costs on to large-scale contractors (who are supposed to have the architects, accountants, etc. required to do it efficiently) often results in higher costs in the end because these quality control personnel take short cuts and accept sub-standard work to maximize the profits of their employers. The cost of correcting defects arising from inadequate monitoring of large-scale construction projects is much higher than the cost of repairing the deficiencies of one or two small builders.

Large-scale public projects are also much more difficult to stop than small ones, no matter how misguided they turn out to be - and even if, like Headstart, they are introduced as 'experiments'. The reasons why they are so hard to terminate include:

- (i) The fact that the administrators who initiated the projects are still around and cannot admit to having made a mistake.
- (ii) Public budgets have been committed and the money would have to be 'given back' to the Treasury if the projects were terminated. This would not only cause embarrassment. Accountants are not used to re-absorbing money and find it difficult to do so. Worse, the sum given back would be deducted from the departmental budget for future years so that equivalent money would not be available for other uses.
- (iii) A great deal of effort has to go into getting approval to release the money. As a result, public servants are extremely reluctant to relinquish their hold on any money they have secured.
- (iv) Numerous articulate professionals depend on the programme for their income and would protest loudly, publicly, and vigorously (claiming that they were acting in the interests of the programme's clients) if serious consideration were given to closing it down without creating another. What is more, since they would have all sorts of redundancy rights, it would be argued that one might as well get something for the money.

The solution to problems reviewed in this chapter does not, therefore, only involve more systematic monitoring and evaluation. It will also be necessary to provide security for those whose livelihoods are at stake if public debate and sophisticated evaluation shows that the programmes to which they have become attached are, in reality, of little value.

Summary

We can say that the way forward involves a major investment in professional evaluation. It involves systems analysis to make explicit the distal effects of what is going on and to identify unsuspected feedback loops and pressures perpetuating a particular system. It involves finding ways of surfacing multiple definitions of the problem and initiating numerous monitored experiments based on those definitions. It involves the development of ways of encouraging those who have made counter observations to articulate them. It involves the development of better ways of learning from the effects of action. Above all it involves the development of mechanisms to compel action on the basis of information and a means of checking that the actions taken are not corrupted by other forces within the system. Eternal vigilance is required: New ways of exposing the behaviour of public-servants to the public gaze are needed. This means that we need new definitions of citizenship. This prompts the realisation that we have as yet said little about the role of the citizen in the context of the enormous role played by government management in modern

society. How are citizens to cope with the fact that there are so many decisions to which they should contribute? How are they to know which are the most important, who to contact, and who is responsible for taking what action? In the 19th century people, could get a great deal done as individuals, but the kind of problems to be tackled in modern society requires group activity.

Nevertheless it is already clear that we need to look to fellow citizens, rather than authority, for the services we require to maintain the quality of our lives, the help we need to monitor what is going on in our society, and take the actions that are needed. We need to find ways of holding our politicians, managers, and other public servants accountable to the public rather than to those above them for acting in an innovative way in the long-term public interest.

In the next chapter we will examine some of the forms of organisation are needed to do this.

Notes

- 14.1 Raven, 1967; Stone, 1961a&b
- 14.2 Raven, 1988, 1989
- 14.3 Newsom (1963) which was a particularly illogical report.
- 14.4 Plowden Report, 1966. Bernstein (1975) has charged that the words in which this were couched were particularly obscurantist and deceptive.
- 14.5 Munn Report, see SED, 1977b.
- 14.6 Dunning Report, see SED, 1977a.
- 14.7 Sneddon Report, 1978
- 14.8 Schon, 1983
- 14.9 Adams, Robbins and Stephenson, 1981
- 14.10 The reasons for this have been discussed by Raven (1985) and Schon (1983).
- 14.11 Raven, 1985; Schon, 1983
- 14.12 What is implied by the term 'systems processes' may be biological or physical. These are nicely captured by the way Gaia maintains herself as a living organism~ But they may also be sociological. For example, a network of feedback - fueled among other things by the sociological imperative that the educational system legitimise the hierarchical allocation of jobs and rewards - maintaining the current system in being. Heavy and 'jargonistic' though it is, it has therefore been found necessary to continue to use the phrase 'sociological systems processes'.
- 14.13 For a fuller discussion see Searle (1985) and Raven (1994).
- 14.14 Schwarz, P.A., 1985
- 14.15 For a fuller account of this enquiry and an evaluation of one attempt to follow through on its recommendations, see Raven (1987a&b).
- 14.16 John Major, 11 January 1993
- 14.17 Although the workings of the Inter-Cert Committee were described in a previous chapter, some readers may appreciate the following fuller account. In Ireland, the Intermediate Certificate examination is taken at around age 15. Some schools and their representatives and some members of the Department (Ministry) of Education were aware of the serious constrictions which the examination had on the ability of secondary schools to meet pupils' needs. Unfortunately (a) those who recognised the importance of certifying other outcomes did not know how to assess progress toward them, (b) some members of the Committee were utterly opposed to a change toward certifying higher level outcomes either because they would have to work harder to achieve them or because they recognised that changing the assessments would interfere with the way in which the educational system contributed to the maintenance and perpetuation of the social order, and (c) there was considerable unease about certifying qualities like 'initiative' because it was apparent that these were somehow linked to values and there was no way of handling the moral dilemmas which this posed. The net result was that all members of the Committee recognised that it would

take a long time to do anything, and some hoped that nothing would ever happen.

The more progressive members of the Committee then developed an action plan to deal with the more reactionary. The latter were approached in the bar and plied with alcohol by the others who arrived in a pre-determined sequence. What was to be achieved was agreement on the establishment of a Moderation and Educational Assessment Service which would have a staff of researchers and others concerned with curriculum development and be empowered to establish a network of collaborating teachers to develop new curricula and ways of assessing them. But then came a twist that resulted in an exactly contrary outcome. The Department (Ministry) of Education declined to make any substantial funding available for the wider work. It was therefore agreed by the Committee that the unit would 'initially' focus on 'improving' what was already being done. This, of course, meant that the fundamental work which was required to find ways of achieving and assessing the broader goals would get no attention at all, and that all attention would focus on improving the reliability and 'academic' predictive validity - but not the construct validity - of the assessments which were already being made. No provision was even made for schools to insist on something that had been at the heart of the proposals - namely the development of tools which would make it possible for them to have their pupils' certificates based on what they were good at.

The final report faithfully acknowledged the major problems inherent in the current system of examinations, was replete with phrases alluding to vitally important educational and assessment issues, gave the impression of being forward-looking and thorough but, at the same time realistic and reasonable, recognising the need to proceed in a step-wise rather than revolutionary manner, but in practice made recommendations which could, and did, have the opposite effect to that intended by the more progressive members of the Committee. While it is true to say that the reactionaries won, it would not be true to say that they did so by employing Machiavellian tactics. The progressives were defeated by systems processes which the public servants concerned failed to understand and tackle. But it was a senior public servant who tried to get the Committee to consider the social functions of education and how to come to terms with them. At the end of the day it was we who failed him. In a sense, this book is a very real attempt to compensate for this.

14.18 Waddell Report (1978)

14.19 Almost exactly parallel observations to those we have made about the Irish and English examinations committees could be made about the Munn and Dunning Committees (SED, 1977a&b) which dealt with much the same topics in Scotland. Their reports are in some ways more coherent and forward-looking than the English and Irish ones, but they are seriously flawed in that they perpetuate the divide the Schools Council for Curriculum and Examinations in England and Wales was set up to bridge (but had never in fact succeeded in bridging) between curriculum and assessment. While the Munn Report, like both the Waddell Report in England and Wales and the Irish Intercert Report, acknowledged the developments needed in assessment to facilitate essential developments in curricula, it neither recommended the range of research and development activities, nor the developments in managerial arrangements, which would be required to move forward.

14.20 Arrow, 1963

14.21 Miller, 1992

- 14.22 For a selective review of the vast literature dealing with Headstart, Homestart, and Follow Through, see Raven (1981).
- 14.23 Graham and Tyler, 1993
- 14.24 See Marris and Rein, 1972.
- 14.25 Lazar, 1979
- 14.26 Schweinhart and Weikart, 1977; Weikart et al., 1978; Love et al., 1976
- 14.27 See also Hope (1984) and Raven (1980).
- 14.28 e.g. Ekins, 1986; George, 1988; Ghandi, 1991.
- 14.29 Hancock, 1991
- 14.30 Burgess and Pratt, 1970
- 14.31 Foster, 1967
- 14.32 Thompson and Warburton, 1985
- 14.33 Reason, 1987

Obstacles to the Effectiveness of the Public Services

We have just analysed a number of cases in which there had been a gross failure of the public service to act in the public interest. In this chapter we will discuss some of the deficiencies in our current institutional and organizational arrangements which contribute to these failures.

The Difficulty of Attributing Responsibility

Day and Klein^{15.1} have published one of the few empirical studies of the problem of accountability in the public service. (We will discuss what they have to say about the interface between the public service and the public as an aspect of democracy in the next chapter). They suggest that the main objective of representative governmental assemblies is to compel full disclosure and justification of all government acts - so that those concerned can, if necessary, be dismissed - and that this idea can be traced back through Mill to Aristotle. They further argue that the existence of such a mechanism is the key difference between a democracy and an elected dictatorship and they suggest that the central problem in modern societies is to operationalise this ideal in complex, service-delivery-oriented, managed economies. They see that the difficulties which are inevitable given the scale of modern governmental enterprises and the complexity of the functions which service-oriented bureaucracies perform are exacerbated by other developments.

The first is the currently-accepted definition of the role of the professional. Professionals - whether they are doctors, teachers, planners, or social workers - are inclined to claim that they are accountable only to their peers - and not to their clients, never mind the public in general. Day and Klein quote Simey^{15.2} to the effect that 'the administration of public services now amounts to a system of workers' control by those employed in them so far-reaching as to be beyond the dreams of the most idealistic of revolutionaries. Selection and entry, training and qualifications, conditions of employment, and deployment of manpower and resources - all of these are to a large extent controlled by those who are themselves employed by the service. Less evidently, but even more effectively, it is in reality they who decide what sort of facilities would best meet the needs of the community the service is intended to benefit'.

The second is that we have created a situation in which the public can sack neither ministers nor public servants. Thus it is widely accepted that public servants cannot be sacked because it is their Minister who is responsible for their actions. Yet, as a result of the growth of government, and the consequent sheer impossibility of ministers knowing anything about everything that is going on, it has come to be accepted that, while ministers are indeed responsible for the doings of their civil servants and must explain serious failures in parliament, they too cannot be sacked. What remains of the doctrine of responsibility to an Assembly has therefore become but a pale shadow of what Aristotle and Mill had in mind.

A third development which makes it difficult to operationalise any meaningful concept of accountability is that services have become very complex. Any one service has multiple, overlapping, and, often, long-term objectives. Failure to achieve one objective in the short-term does not mean that others may not be achieved in the long-term. For this reason, no one can really decide whether or not departments (or even policies) are achieving their goals. Furthermore,

achievement of the goals is often determined in part by processes which the relevant department cannot influence. Thus, health could be greatly improved by redesigning work, urban layout, and patterns of food production. But all of these are outside the control of the Department of Health, which can therefore explain away any failure to achieve dramatic improvements in health.

The problems of accountability are exacerbated by the situation in which many professionals - doctors, teachers, administrators - find themselves both individually and collectively. What they are supposed to do, the resources available to them to do it, and the techniques they are to use are all laid down - with scant thought and evaluation - by some central authority. How can one reasonably be held accountable for providing a service under these circumstances?

These developments make it extremely difficult to assess the effectiveness of policies or the efficiency with which services are provided. They therefore make it very difficult for any managing organisation to meaningfully control the public sector.

Day and Klein selected five professional services for detailed study - health, police, water, education, and the social services. By comparing one profession with another they nicely demonstrate that the problems involved in bringing the medical profession to book are not, as is often asserted, due to either the profession's expertise or its status. They first note that the profound problems of accountability in education and medicine do not arise in the other professions they examined. This suggests that the problems in education and medicine may be due to the way in which their members have been able to make their activities invisible: They take place behind closed doors. Attempts to make these activities visible are greeted by protestations of confidentiality. Invisibility is in part achieved by establishing a professional hold on the language used to discuss the activities in question. In this book we argue that one of the key developments needed to ensure that public servants seek out, and act on, information in an innovative way in the long-term public interest is indeed to make their behaviour more visible. But we go on to suggest that what needs to be visible is, not individual relationships between practitioner and client, but (i) professionally collected evaluation data on the effectiveness of the individual, his or her section in the organisation, and the organisation as a whole, and (ii) professionally collected information on whether the organisation is characterised by a climate of innovation and a tendency to engage in the kind of activities that are known to lead to effectiveness and the invention of more effective procedures. To develop the tools needed to do this it will be necessary to follow what are actually the most important - but rarely highlighted - procedures of science: It will be necessary to find ways of making the intangible and non-discussable explicit, tangible, and assessable.

Given that this statement may seem unexceptional in the context of the current concern with accountability, it is vital to note that Day and Klein show that demands for the production and publication of self-accounts by schools, hospitals, etc. has, over the past decades, actually reduced accountability. Giving an organizationally-based account to the general public has - as a result of the ambiguities of language (or possibly deliberate verbal sleight-of-hand) - come to be presented and accepted as synonymous with being called to account. Professional public servants have been left in control of the language of evaluation.

The Difficulty of Giving Effect to Clients' Feelings

Repeated references have been made to people having become 'vaguely aware' of things that are wrong with public provision. One of the most fundamental problems with public provision is the

difficulty of getting something done about things that are sensed to be wrong but which are not fully articulated. One of the great merits of the marketplace is that it is easy to deal with this problem: People do not have to make the reasons for their likes, dislikes, and behaviour explicit - they can simply take their custom elsewhere. To capitalise on these advantages, market researchers devote enormous amounts of energy to making the basis of feelings explicit, to inventing ways of giving people what they 'want', and to finding ways of influencing their feelings - not their knowledge - in order to determine their behaviour. Much less effort is put into conducting the equivalent of market research in the public sector. If public provision is to be improved, it is vital to employ scientists to: (i) Help people make their feelings explicit; (ii) Find ways of indexing them so that they can be more easily assessed in evaluation studies; (iii) Develop the mechanisms that are needed to ensure that the information so gained is taken into account when decisions are being taken; and (iv) Generate and evaluate variety. In this context it is important once again to emphasise that the history of science is a story of making that which is vaguely felt explicit and measurable. Unfortunately, because this is so rarely recognised, it is extremely difficult to obtain funding for the kind of research just mentioned.

This discussion highlights another reason for the resistance to public provision. This is that middle-class people are on the whole better able than those from lower socio-economic groups to articulate their feelings and get public providers to attend to them. They therefore get a better deal from the public service. This is vaguely sensed by those who are less well treated and it both creates jealousy and exacerbates the feeling that the system is not working as it should. It creates a feeling that the system is unfair in ways which are attributable to human failings - whereas the inequities of the marketplace are felt to be outside human control - and therefore fair.

The Absence of Measures of Outcomes

A major problem with public provision is the dearth of information on outcomes or benefits: We do not know how much a day's work of a teacher benefits his or her pupils, how much a day's work of a planner benefits the community, how much the activities of a team of doctors and nurses keeping a geriatric patient alive benefits the individual concerned or the society in which he or she lives, or how much an extra (or new) missile strengthens our defence.

Without information on outcomes to set alongside the investments required to achieve them one cannot speak meaningfully of effectiveness, let alone efficiency.

Unfortunately, the information needed to assess inputs is equally unavailable: As we have also seen, what are most commonly presented as costs are nebulous in the extreme, depending entirely on accounting conventions.

The problem is exacerbated by the fact that many of the figures which are presented as indices of output are, in reality, measures of input. Thus, the effectiveness of educational, welfare, and health care policies is commonly discussed in terms of the numbers enrolled - i.e. as if the desired end was to have the maximum number of people dependent on these services rather than able to act independently of them. Defence policies are discussed as if the object was to add to the potential overkill of our arsenal of weapons and increase the probability that we will exterminate both ourselves and life on earth.

Day and Klein found an almost complete absence of concern with outcomes among the members of the professions they studied. They even reported a lack of interest in trying to find

better ways of doing whatever the system was meant to be doing. This lack of concern with systems, outcomes, effectiveness, and innovation is evident from the dearth of evaluation studies in education and health care. The concern tends to be with inputs only. Despite the fact that one would have expected any National Health Service to have given priority to the evaluation of the practices and procedures they were adopting, the effectiveness of only 15% or so of medical treatments has been systematically evaluated. Information on the relative cost-effectiveness of alternative treatments is even less widely available. Still fewer attempts have been made to compare the effectiveness of medical solutions to health problems with non-medical solutions such as redesigning living and travelling arrangements. There is an almost complete lack of concern with effectiveness in education: It is just assumed that more education is a good thing.

In summary, then, what we see is an almost complete failure of those charged with the management of public provision to take their management functions seriously. In this respect the state of affairs is only marginally better than that which prevailed in Eastern Europe where, as the business editor of *The Sunday Times* noted well before the demise of the so-called communist regimes^{15,3}, no attention was paid to the very things one would have expected to characterize societies ostensibly devoted to enhancing the quality of life of ordinary people and the effective use of resources.

In fact, there is not merely indifference to evaluation: Day and Klein found a wariness of statistical information. We found the same thing in education. To some extent this is justified: There is an awareness that incomplete evaluation and reliance on easily obtained and easily manipulated indices can be extremely misleading and result in disastrous policies. But the real conclusion to be drawn is not that good comprehensive indicators should not be sought and used. It is that such indices need to be used in a context of (i) institutional arrangements which permit all concerned to observe what is going on, debate the value of the measures, and influence their construction, and (ii) a better understanding of the nature of the scientific process - i.e. in the context of an appreciation that 'facts' in all areas depend on drawing inferences from soft data - and an understanding of the amount of work needed to move from unreliable indices to better ones.

The need is to shift to information-based accounting of costs and benefits. As we have seen, there are multiple costs. It is extremely unlikely that it will be possible to reduce these to a single index. Much more important is to consider the trade-off between the differential patterns of cost of alternative outcomes offering different benefits. It has been the difficulty of handling so much information which has, in the past, lent so much credibility to Smith's and Hayek's market solution to the 'wise men' problem on the one hand and to the confidence trick of reducing all costs to a 'single' monetary index on the other. Today, computer systems (Intelligent Knowledge-Based Systems - IKBS) may provide a way of taking multiple factors occurring in particular circumstances into account.

One can envisage ways of assessing the confidence and competence of a population, the livability of cities, and the quality of life. But what of unintended benefits which may well not show up for many years and will not, in any case, be reaped unless they are paralleled by a whole series of supporting developments? And what of costs which may take equally long to show up? As Smith argued, the balance is hard to anticipate. Thus, although the disbenefits of our 'defence' system are enormous, the benefits of miniaturisation arising from defence R&D may in the end be considerable. Conversely the disbenefits of the development of death viruses (even AIDS?) and

recombinant DNA through military research may in the end be much greater than the benefits. The problem of weighting short and long-term, personal and social, benefits and disbenefits is therefore enormous.

The Problem of Multiple, Incompatible, and Changing Priorities and Outcomes

Attempts to develop single-figure indices of the quality of public provision are typically extremely unsatisfactory. Some of the problems can be illustrated from the Oregon health care project^{15.4}. By introducing a single priority order in the services to be provided, the project's aim was to ensure that there was a direct link between the amount of money voted by politicians and the treatments offered. The intention was to highlight exactly which treatments would be withdrawn if funding were denied.

As a basis on which to establish priorities, a public information campaign was first mounted through the media. This was followed by a series of social surveys. These showed that respondents thought that priority should be assigned to the treatment of more widespread diseases, to less expensive treatments, and to treatments which were more likely to be successful. The researchers claimed to show that these criteria could be combined and that they led to an agreed set of treatment priorities. Although this conclusion was essential to the success of the project it was, as we shall see, more than a little debatable.

The single priority list was initially drawn up 'subjectively' by 'focus groups'. These groups were asked to consider the trade-offs between the improvement in life expectancy and resultant quality of life if the treatment were successful on the one hand and the efficiency, equity, and cost of the service on the other.

This 'subjective' method was later replaced by a supposedly more 'objective', utility-cost approach. Utility was assessed by the improvement in the quality of life likely to result and the number of years it was likely to last. To obtain the information needed to assess improvement in the quality of life, members of the public were asked how satisfied they would be with a variety of disability states - such as otherwise having to be taken everywhere in a wheelchair but having no serious health problems. They were also asked what value they placed on nine broad classes of service, such as a treatment which would delay the death of a patient who had a fatal condition for not more than 5 years.

The main advantage of the scheme was felt to be that it resulted in an explicit public debate about the issues and policies.

It also had some effect in helping to ensure that the decisions which were taken reflected the formal or overt aims of the service instead of either political considerations (like 'which actions will get us re-elected?') or the wishes of administrators and individual physicians. Decisions about which patients and ailments should be treated were taken formally rather than, as in the NHS, by individual physicians behind closed doors and in such a way as to result in great variation between physicians and patients.

Despite these apparent benefits, closer examination raises serious doubts about the true value of the scheme. Here we have a crudely constructed, and inadequate, index of quality of health care being used uncritically to regiment decisions which were once widely dispersed among managers, clinicians, and patients - even if somewhat capricious and varying between localities. This reflects an oppressive pre-occupation with consistency in decision taking at the expense of consideration

of multiple factors, the requirements of particular circumstances, and the possibility of evolution. In one sense it is a further example of managers usurping professional decision-taking and attempting to prescribe what others should do. It reduces people's involvement in running their own lives - or at least requires them to re-direct their energies to trying to influence processes which have a less obvious and direct connection to the services they can get.

But the most disturbing facts exposed by the experiment remain the dearth of data required to take any sensible decisions about health care and the absence of a framework which would make it possible to give effect to such information. It revealed that there was an almost complete lack of good data at the most basic levels like 'What does this treatment cost?' and 'How well does it work?' One would naively have expected public health programmes in the US, and, perhaps even more so, the National Health Service in the UK, not only to have the necessary data to hand, but also to have made numerous attempts to find ways of answering the more fundamental questions which were raised. One would also have expected the furore the Oregon study has caused to have resulted in a call for the more basic work required to do something sensible rather than a call for the introduction of the same - inadequate - administrative procedures into other localities. It is alarming indeed to find such extensive reference to such a small-scale, hasty, and isolated study being used as a basis on which to build large-scale administrative arrangements. The process is reminiscent of the way in which the vast American Headstart programme - and its replication elsewhere - was based on a single study of 18 children. Equally disturbing is the fact that a study dealing with access to basic health care at the level achieved by the NHS in Britain in 1948 is being used as a model, not just for the administration of health care more generally, but as a model for 'public involvement' in policy determination. It is, in short, being used as pretext for the introduction of yet another form of pseudo-democracy.

The belated, isolated, and incomplete nature of this experiment, taken together with earlier observations, prompts the unwelcome thought that public sector decision-taking may well - as Smith and Hayek suggested - be less complete and informed than the flawed market processes it seeks to replace.

So far we have discussed only the implications of the absence of basic data revealed by the project's attempt to prioritise treatments and the way in which the study was seized upon as a basis for generalisable policy.

But there are other features of the project which merit our attention. One of these is that there was not, in reality, an agreed order of priorities. This came to light only incidentally. The exercise assigned low priority to the treatment of certain types of leukaemia. Almost inevitably the parents of a child with one of them organised a public protest. The case appeared to call the whole system of priorities into question. If the authorities agreed to the treatment, it would open the floodgates to numerous demands on the part of the more articulate to subvert the system. However, looked at more dispassionately, what the incident really did was raise questions which had not been considered in the earlier debate - in particular, the system's ability to take account of individual priorities. If these were respected these would, of course, find some people who wanted expensive and probably unsuccessful treatments. But one would also find people who would embrace euthanasia for cases which were entitled to treatment, thus saving, the community money. (Despite the claims of the Oregon study, the work of Price, Taylor et al.^{15.5} shows that people do in fact have widely divergent priorities concerning health care.) Further, it is actually important to encourage some people to opt for treatments that are currently unlikely to be successful^{15.6}. Only

in this way will it be possible to carry out the experiments that are needed to develop more successful treatments.

The leukaemia protest underlines arguments to the effect that both the public debate of goals and the deliberate provision and monitoring of variety are essential to both the acceptance of public provision and finding a way forward in managing society. Most courses of action have a range of consequences, some of which are desirable and some of which are not, and these consequences cannot be amalgamated onto any single-scale.

One of the central themes of this book is that the creation, evaluation, and administration of variety and innovation in public provision requires sophisticated R&D, going well beyond anything envisaged in the Oregon project.

Lack of Responsiveness and Innovativeness

Some of the problems of the public service may be captured by saying that, on the one hand, it is too responsive to short-term political pressure while, on the other, it is not responsive enough to clients' needs. More fundamentally, there is little concern with effectiveness and innovation, and in particular, insufficient systematic search for feedback and desire to learn from the effects of the changes that are introduced. Ideas dreamt up by individual politicians or in the course of a discussion in a club are pushed through with little provision to learn from their effects.

In the course of an exploratory study^{15.7} of the ability of several public service departments to tap the know-how, creativity, and initiative of public servants at all levels, those we interviewed gave us many reasons for not trying to introduce developments they thought desirable - or even suggesting that something be done about problems they had noticed.

One explanation given was that they felt that their boss would interpret any suggestion as a personal criticism and would remove their privileges - such as free personal telephone calls and extended tea and lunch breaks. In the longer term, their promotion prospects could be threatened.

Perhaps more important was the fear of disrupting a smooth working relationship. People were not particularly friendly with their bosses, but there seemed to be an overwhelming pre-occupation with avoiding inter-personal tension. It seemed that this should be avoided at all costs, by both subordinates and superiors. Making a suggestion which could be - and in practice was likely to be - interpreted as a personal criticism was therefore to be avoided.

One also ran the risk of falling foul of one's colleagues. Any change might involve them in more work, or work which they were anxious to avoid. Colleagues were felt to be profoundly suspicious of any apparently altruistic interest in improving the organisation or providing a better service to clients. They would set about looking for personal benefits and hidden motives for one's behaviour - and, having 'discovered' them, would they try to discredit one's actions and undermine their effectiveness. People who had made use of suggestion schemes had in fact been subjected to precisely this sort of treatment.

In summary, it seemed that our informants were pre-occupied with avoiding poor inter-personal relationships and with trying to gain promotion on an individual basis. They were not particularly concerned with improving the service which they rendered to society. In this context the following quotation from Drucker^{15.8} seems apposite:

'An organisation belongs on the sick list when promotion becomes more important to its people

than accomplishment in the job they are in. It is sick when it is concerned more with avoiding mistakes than with taking the right risks, with counteracting the weaknesses of its members rather than with building on their strengths. It is sick when good human relations becomes more important than performance and development'.

Quite apart from all the foregoing considerations there was the likelihood that, if one did seek to introduce a change, it would involve a great deal of effort. It would take up time that one would prefer to spend on other things. It would take up spare time. One would have to be manipulative - an activity most were reluctant to undertake.

We may now turn to our informants' role expectations. They felt that suggestions for new ways of doing things should come from people higher up in the organisation. It was not the accepted role of juniors to have anything to say. If one did suggest changes which the boss had not already advocated one would, therefore, de facto, be telling the boss he was not doing his job properly. There was no widely shared understanding that subordinates might be able to make useful suggestions, let alone a belief that this was actually to be expected simply because they were in much closer contact with the material and human situations. There seemed to be a clear understanding of what was appropriate to one's station in life, defining juniors' jobs as merely doing that which is in front of them. Stepping beyond that would provoke, not commendation, but labelling as a troublemaker bent on discrediting the boss or the organisation.

On the question of changes to organisational structures themselves, respondents noted that in order to get any sort of movement one would have to get the help and support of other people. This was something which one almost certainly could not do unless one was already in a position of authority.

There was no point in making suggestions to one's boss either, because he was not likely to follow them up. At best he would listen politely and take no action (one senior civil servant confirmed this impression saying: 'You just listen, and try to put them off'). Other bosses would not have time to listen because they would be too busy with other things. They would feel that they should not have to waste their time listening to subordinates. Their role expectations were that it was not their job to do this but to issue orders and make sure that work was done correctly.

Other people said that one would be wasting one's breath anyway. The boss would have no experience of one's work. As a result he would not be able to understand that there was a problem. Likewise he would not know enough about a particular situation to appreciate the practicality or value of the suggestions.

As if all the reasons already mentioned were not sufficient to deter the boss from acting on a suggestion, there was no incentive for him to do so. Why should he tackle problems which someone above him had not asked him to tackle? He would get no credit - and might, for the reasons already discussed, be criticised - for doing so, whereas he could not be criticised for not initiating activity. Worse, he would fear that if he admitted that the problem existed or that the change would be desirable it would reflect on his own behaviour - because why had he not noticed the problem when he was in the subordinate position? Far from standing to his credit, then, bringing the problem to the attention of his superiors would detract from their impression of his ability. He would be admitting to imperfections which would count against him when the time came for promotion.

Attending to a problem a subordinate has brought up may cut across the superior's career plans

in other ways too. Not only may he or she prefer to attend to activities of a kind which will bring more personal kudos, but to admit that an idea came from someone lower down in the organisation lays one open to the charge of wasting time chatting to subordinates. If the boss's superiors decide that the activity was misguided, or if, after trial, it turns out to have been misguided, there will be blame which would have been avoided if nothing had been done.

A major anxiety was that making suggestions for organisational improvements might force the boss to raise basic and disturbing questions about the Service and the way in which it carried out its activities. This would threaten everyone concerned, even politicians. Neither public servants nor politicians were thought to be particularly keen to face such issues. Politicians, particularly, were viewed as having very short time horizons and as being very unwilling to rethink their policies in any basic way.

The cumulative effect of all these barriers to innovation is serious indeed. Our study revealed, for example, that there was little chance of introducing a major change into the public service even through a number of small incremental changes. The effort required to initiate a small change was out of all proportion to its size since it meant forcing the wheels of a vast and sluggish machine into motion. As a result, there was no possibility of trying out new ideas on a pilot scale to see whether they would be applicable on a system-wide basis. There was little possibility of questioning the desirability of accepted ways of doing things. Subordinates could not question them for the reasons given above, and their superiors were too far removed from the situation to do so.

Eventually it became clear that there were two very basic reasons for the lack of innovative activity and fear of criticism which are so widely associated with the civil service. One of these is the concept which results in an extraordinary number of issues being defined as 'policy' and thus outside the discretion of civil servants. The other is that, contrary to common assumption, civil servants are anything but secure and assured of promotion and the goodwill of others. The fear of what might happen to them as a result of taking any initiative is oppressive. If they do anything unusual it has repercussions which they cannot predict and which they are often completely unable to control, but which may have a decidedly unfortunate effect on their lives. We therefore cannot at all agree that the lack of 'motivation' which is so conspicuous in the civil service is due to 'promotion by seniority'. It is due to very many aspects of the 'Climate of the Service'. And the competition to secure promotion leads to a wide variety of highly dysfunctional behaviours ranging from spending an inordinate amount of time trying to create a favourable impression on superiors by agreeing with their every statement and failing to draw conflicting indications to their attention, to blocking all communication - upward and downward - and claiming that all the ideas and work involved were one's own. The repercussions of these systems dynamics reverberate throughout the Service to the detriment of society.

Poor Arrangements to Develop High-Level Competencies Within the Public Service

Although some senior staff did say that, at promotion boards, they tried to assess such qualities as flexibility, initiative, leadership, and commitment, their accounts of how these qualities might manifest themselves did not leave us with the impression that they had thought in any depth about the meaning of such terms. Neither they nor their subordinates seemed to have any very explicit conceptual framework for thinking about how such qualities might be fostered, progress toward

them assessed, or how they might best be utilised. Indeed, it was widely believed that all jobs in the civil service at the same level required the same abilities. According to this view, it is not true that different jobs require people with different abilities and interests. Civil servants should be generalists.

Junior staff were, in fact, rarely called on to take initiative, and were not expected to try to define their own jobs. Indeed there was no strong feeling that they needed to understand the reasons for decisions which affected them. However, on promotion, they found that they were suddenly expected to take initiative, exercise discretion, and make good decisions without ever having had any experience of these activities. (One might also ask how, when it does not give its junior staff an opportunity to display these qualities, the Service can make reliable assessments of staff abilities in these areas.)

As we have seen, there was little recognition that those in direct contact with a situation could be expected to know a great deal about it and are therefore in a strong position to contribute to discussions about ways in which practice could be improved. Not only was there little encouragement for junior staff to develop problem-noticing and question-asking abilities, there was scant recognition of the need for junior staff to build up their own idiosyncratic store of information about their area of work. In such a vacuum, how could they be expected to assess the quality of their superior's decisions or to practise making decisions and exercising discretion?

More generally, there was little recognition of the complexity of decision-taking in modern society. There was still less recognition of the costs of mistaken decisions in terms of money wasted pursuing activities which were later abandoned or even reversed. In other words, there was little recognition of the importance of consulting as many people as possible who have something to offer when making decisions in the first place. Such discussions were felt to be a waste of time, and not in the best interests of efficiency. The more long-term concept of efficiency which includes an assessment of the costs of mistakes did not figure in respondents' thinking. Similarly, there was little recognition of the importance of continuously assessing whether the decision had in fact been a good one. Decisions, once taken, should be binding. Had the need to monitor the quality of decisions been accepted, the importance of encouraging junior staff to monitor what was happening and make suggestions for ways in which it could be improved might also have been recognised.

The whole emphasis seemed to be on detachment and rule-following, rather than commitment, discretion, responsibility, and flexibility arising from a deep understanding of the goals of policy and how to achieve them.

Inadequate Consideration of the Role of the Public Service in Society Within the Service

Most of the civil servants we spoke to did not consider that it was their job to think about policy or to evaluate its effectiveness. As far as they were concerned, responsibility for doing this rested with the Minister, or at the very least with the Permanent Secretary of the department for which they were working. Few were aware of their potential role in improving policy or the efficiency with which it was executed. Likewise few were aware of how burdened down with administrative work (and therefore unable to engage in policy development) were their superiors.

Still fewer seemed to be aware of the central role which the Service now plays in the management of modern society. They were aware that the situation had changed dramatically

since they had joined the Service, but they were not very explicit about how it had done so. Few recognised that they were not in fact doing the 'same' jobs now .as they had been doing in the past or that the role of the civil service in society was now totally different. They were therefore in no position to challenge the claim that 'the system has served us well in the past and does not need to be changed'. Had they understood the nature of the changes better they might have been more willing to try to clarify the goals of policy to assess how effectively the policy was working, to make explicit new problems which ought to be tackled, and to generate and research alternative policies to those currently in favour. Only when a variety of such policies have been fully researched would it become possible to make a rational choice between them. Likewise few were willing to discuss their work with the public. The fact that it is virtually impossible to channel through the Minister all policy decisions across the wide range of activities now under government control escaped most of them. As a result, they were opposed to the development of open government in which their activities would be much more directly under public scrutiny. (This reluctance was not, of course, divorced from their fears of being exposed as 'incompetent' when measured against the unrealistic standards which they thought the Service set for them.) They were satisfied that there was already enough public surveillance via Parliament. Few supported moves to develop policy formulation units.

However, while few believed it was their role to think about policy and alternative means of administering it, many were aware that something was seriously wrong. They could see that existing policies and procedures were misguided and inefficient, and often not meeting the needs of their clients. But they kept this information to themselves and did not try to do anything about it. Several civil servants also spoke of the tendency of the Service to focus on short-term issues. But they attributed this to the problems already mentioned and opposed the establishment of relatively independent policy review units feeling that these might lead to dirty washing being paraded in public. And, indeed, for reasons we have already discussed, any mistakes and errors so revealed would be blamed on individuals rather than traced to inadequacies in the organizational arrangements.

If we are to have more open government and more policy review bodies, these will have to be established as a result of the kind of public activity which could be unleashed by this book.

Inadequate Systems for Staff Appraisal, Deployment, and Recognition

In the course of our work we met very few public servants who were inclined to enquire into the objectives, efficiency, or effectiveness of the enterprise in which they worked. Rather they asked only whether the activities in which they were engaged conformed to the rules. If we want them to take initiative, display creativity, or engage in systems analysis, we will have to apply very different criteria to their work.

The reward system linked to rule-following needs to be carefully reviewed. At present the whole system of rewards and penalties is set up to favour those who follow the rules. It is virtually impossible to bring any serious pressure to bear on a public servant for sins of omission - like failing to turn off the heat in an unused building or not stopping a checking, procedure which wastefully consumes hundreds of man-hours detecting one or two small mistakes. On the other hand, there are severe penalties for sins of commission - like turning up late for work, letting through an illegitimate claim, or starting something which did not work.

Public servants need to be able to get recognition for behaving in ways which will help us to:

- Create a climate of innovation in society.
- Cater for diversity.
- Conduct a public debate about the goals of policy and how they are to be achieved.
- Assess needs, effectiveness, and efficiency from a societal point of View.

More generally, the public service needs to find ways of developing, utilising, and rewarding all the human resources available to it. We found few attempts to assess the strengths of members of staff or to put them into positions in which their motives and strengths could be utilised. The discovery of talent and personnel development was largely a matter of accident. As one might expect under these circumstances, it had not crossed anyone's mind that it would be possible to reward people for outstanding performance by creating more opportunities for them to do the things they were committed to doing and good at doing. Promotion was the only reward that could be given. But promotion not only moved people onto other work which they might not like nor be good at, it also tended to go to good and faithful servants rather than those who had made some special contribution^{15.9}. The more senior members of staff we spoke to had all come up through the service, and we were left wondering whether an influx of people with wider experience might not serve to bring with it the knowledge that things could be done in different ways.

Failure to Undertake Systems Analysis and Intervention

Public servants' failure to study the ramifications of their actions and the causes of their problems deserves special discussion. In our work we found almost no inclination on the part of the public servants we interviewed to build up their own understanding of how the wider systems into which the policies they were concerned with worked, how to intervene in such systems processes, how to initiate small-scale experiments grounded in a tentative understanding of systems processes, or how to monitor the effectiveness of such experiments and learn from their effects.

Examples of the failures of the public service in this area are as diverse as the following:

- Failure to study the effects of privatising bus services. (These include a diminution in cross-country links and rural services, with the consequent further stimulus to car ownership.)
- Failure to study the effects of requiring what were previously public employees (such as post office workers and miners) with pensions funded out of current taxation to establish pension funds; (As we have seen, the effects include the growth of organisations to manage the funds, the stimulation of unreal increases in property values, the movement of capital abroad to exploit Third World workers, and the creation of financial burdens for future generations.)
- Failure to study the reasons why there has been no change in the effectiveness of primary education despite a huge growth in manpower^{15.10} and why secondary education fails to help most pupils to develop the qualities required to contribute to society. 'The problem' is perceived as merely getting teachers to do their jobs properly - hence the move to specify curricula and use threats to motivate them. The public servants concerned have not stood back far enough to discover the need for radical reform - the need for new tools to help teachers nurture and assess the desired qualities, the need to devise ways of handling the values conflicts which arise as soon as teachers try to nurture important qualities, and the

need to appraise teachers' very different contributions to the process of innovation. The most popular 'solutions' propounded by public servants are predicated on an inappropriate definition of the problem and on inadequate, technico-rational, hierarchical-management-based, beliefs about how it is to be solved.

What these examples point to is that one of the key abilities public servants need is the ability to understand and intervene in sociological processes. What happens is that people see the results of certain actions - such as the job-creating effects of privatisation and education - like what they see, and look for ways of giving the activity intellectual respectability.

Interestingly, Broadbent and Aston^{15.11} have shown that some people are very much better than others at managing complex situations with many positive and negative feedback loops - but are unable to explain how they do it. Formal instruction, while it has a marked effect on behaviour, does not enable people to improve their performance.

Public servants generally do not know what to do when experts disagree, when only bits of the picture are known to any individual, and when the need is for systemic, but not system-wide, experimentation and change.

When one group of experts says that what is recommended by another group will not work it is necessary to experiment with both sets of recommendations. But public servants have been taught to avoid being associated with certain failure - which one of the experiments is bound to be unless one defines any experiment from which one has learned important new things as a 'success'. One of the most important reasons why they have qualms about bringing themselves to encourage contradictory experiments based on divergent understandings is that they have been misled by an authoritarian image of science which tells them that science is about certainty rather than the process of arriving at understanding.

When the need is for systemic intervention based on partial understanding, public servants are generally at a loss. The range of carefully evaluated experiments that are needed does not merely have to be conducted in the context of partial understanding, they have to be grounded in an emergent theoretical understanding of systems processes. Yet the idea of a small-scale experiment with systems processes seems to most public servants to be a contradiction in terms. Confronted with evidence of the importance of systems processes, they are tempted to introduce system-wide changes based on their current - almost certainly incorrect - beliefs. Instead, what is required is a systematic analysis of the operation of the system followed by (a) identification of the multiple interventions which are required to influence different aspects of the system and counteract its predictable reactions, (b) identification of the multiple effects likely to be directly and indirectly produced, and (c) the invention of ways of illuminating what is going on in such a way as to identify systems processes and effects which had not previously been noticed or considered. Those concerned have, in particular, to understand how to monitor what happens in response to an intervention in such a way as to learn more about the operation of the systems processes. Unfortunately, the idea of an experiment which yields these kinds of insights appears to many public servants to be a self-contradictory concept.

Thompson^{15.12} has emphasised the importance of distinguishing between different types of disagreement - disagreements about inherently unknowable information (such as the extent of oil reserves), unknown but knowable, and disagreements based on information from different studies of the 'same' problem from different perspectives or in different conditions, it illustrates the last of

these by reference to the problems of the Himalayan jungle. Here there is great variation in what is actually happening from one site to another over a vast region, great variation in the quality of the information collected at similar sites, and great variation in the perspectives which guided researchers' definitions of the problem and their decisions about the data to be collected and the way in which it was to be collected.

Everything we have said so far underlines the importance of information collection and debate. It points to the need for that information to be collected from a variety of perspectives involving different definitions of the problem and the kind of information that is likely to be of value to different practitioners. There is a clear need for public debate and no case at all for seeking to retain control within the public service.

There is also a clear need for those involved in research - whether in civil service research units or in the universities - to try to apply the results of their research in order to learn from the effects more about the nature of the problem. In the past, too sharp a distinction has been made between research and application ...and experimentation with applications has very rarely been seen as a component of the research. The relationships to be established between researchers and the users of research^{15.13} - especially in the context of the kind of network-based, parallel organisation activity required to create a climate of innovation - have not been thought through. Still less have the appropriate organisational arrangements and career structures been clarified. There has been an almost complete lack of clarity about how to establish a proper learning system - how to introduce a series of minor, but theoretically-based and interconnected, changes which take explicit steps to influence processes, in the context of an evaluation system which will make it possible to learn more about the system one is dealing with from the effects that are produced.

Inappropriate Arrangements for Public Accountability

Over the past two decades thousands of bodies - known in the UK as Quasi-Autonomous, Non-Governmental Organisations or QUANGOS - have been set up to oversee the workings of public and privatised bodies and create a semblance of accountability. Unfortunately, their members are generally appointed by central government and their meetings are held behind closed doors. The need is to have a much more open system. It will be necessary to penetrate the organisations to find out what is really going on. It will be necessary to find ways of collecting good, positive and negative, data on the outcomes of their work. It will be necessary to stimulate a concern with effectiveness and innovation. It will be necessary to find ways of debating goals and encouraging employees to share their concerns and suggest innovations. The use of professionally developed social accounting tools to collect data at both organisational and individual levels is essential.

It is important to note that the fact that these Boards and QUANGOs have been established in such profusion indicates that it is, in some sense, accepted that market processes will not, by themselves, lead the organisations concerned to act in the public interest. Nevertheless, to perpetuate the myth that the market can and should work, we have not only hived off vast sectors of government activity to agencies, local government departments, nationalised industries and services and QUANGOs, we have forced 'private' firms to undertake numerous activities on behalf of the state and we have created a plethora of boards and councils to oversee - in detail - the workings of these agencies, boards, councils and QUANGOs. These Boards and Councils, made

up of highly paid officials who do nothing else but sit on such committees, inquire into all sorts of matters of which they are essentially ignorant and in relation to which their, necessarily, subjective judgments are therefore unlikely to be correct. It is these Boards and Councils - and vast interpolated layers of transient and peripatetic civil servants - and not the absence of economic incentives - which are stifling the initiative, innovation, and development of the management and staffs of these organisations. We are told that we cannot let those responsible for running these organisations take risks with public money. We therefore try to be certain that they are doing the right thing before they begin, and question, at great length, every decision they try to take. They therefore have no opportunity to take responsibility, to exercise judgment, or, in particular, to embark on adventures the outcomes of which they cannot be certain, learn from the effects of their actions, and capitalise on what has been learned.

Summary and Conclusion

Despite the obvious fact that appropriate societal management could transform our society, what we have seen is that there are enormous problems with public-sector management as we know it. This is true even if we consider the management of compartmentalised public domains (like education, health, finance, transportation, or defence). It is still more true when the overall picture is considered.

We have seen that societal management can be done significantly better - as in Japan or in the agricultural sector in Britain and Europe - or significantly worse - as in Eastern Europe and in education in the UK and US^{15,14}. It can be abdicated, but not avoided. The challenge we face is to explicate how to do it dramatically better - and then to find better ways of ensuring that it actually gets done.

The public service has generally proved itself incapable of initiating the collection of information which challenges the status quo and promoting the development of alternative viewpoints. It has failed to promote public debate, facilitate collection of information to support unconventional views, and seek out, fund, and support those who would generate different definitions of pressing problems. It has failed to acknowledge the need for variety, choice, experimentation and evaluation, and it has failed to initiate the development of the methods and tools needed to cater for the variance in people's priorities.

Most public servants fail to understand the true nature of the scientific process, and lack the capacity to apply science to the management of society. They lack familiarity with the process of piloting and innovation, and especially an understanding of the pervasive climates which are required to promote continuous innovation. They cannot discriminate between small-scale evaluated experiments grounded in a tentative understanding of systems processes and system-wide change.

In sum, public servants, as a group, do not know how to manage and improve society. They are unwilling to take on a managerial role - to sound out opinions, collect information, make judgements about what should be done, initiate action, monitor the results, learn from the effects, take corrective action, and be held accountable for the outcome. Above all, they fail to recognise the responsibility they shoulder for contributing to the creation of a pervasive climate of innovation which will lead to radical transformation in our society. In short, they are failing to do their jobs effectively. Behind these failings lie major organisational problems, particularly the

difficulty of knowing who is accountable, or responsible, for what. There are just too many interdependencies. We lack the means of giving public servants credit for creativity, initiative, or acting in the public interest.

Notes

- 15.1 Day and Klein, 1987
- 15.2 Simey, 1985
- 15.3 Raven, 1974
- 15.4 Dixon and Welch, 1991; Klein, 1992; Hunter, 1993
- 15.5 Price, Taylor, Nelson et al., 1971
- 15.6 This would not have been the issue in Oregon where the whole scheme applied only to a small sector of the population, but it is of major importance in other countries and in other areas of policy.
- 15.7 Raven and Dolphin, 1978
- 15.8 Drucker, 1959
- 15.9 Seashore and Taber, 1976
- 15.10 Walberg, 1974
- 15.11 Broadbent and Aston, 1978
- 15.12 Thompson and Warburton, 1985
- 15.13 See Raven, 1985; Donnison, 1972; Cherns, 1970.
- 15.14 It is of some interest to compare the different approaches which have been adopted in public management, UK education and agriculture. In the educational system there has been no recognition of the need to create a pervasive climate of innovation involving multiple changes, systemic intervention, and sophisticated evaluation. By contrast, the management of European agriculture depends to a much greater extent on the creation of such a climate. There are huge research and development institutes, and networks to seek out, sift, and disseminate information (such as the Agricultural Advisory Service). But beyond that there are feedback mechanisms and multiple providers of alternative services. Central authorities systematically manipulate prices, taxes, grants, and levies - and buy into intervention - to achieve desired ends. Land reform is imposed or induced. Networks of suppliers are set up to get tools, seeds, and information to firms and marketing arrangements are made to get products to the customers. Nevertheless considerable local discretion is retained: The networks reveal the mountains to be climbed, release energy and imagination, but leave the final decision to the agent.

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.177-195).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 16

Adequacy Of Democracy

As shown in earlier chapters, the role which governments (whether “democratic” or totalitarian) and their associated bureaucracies play in the management of society has changed dramatically since the first modern states claiming to be democratic were established. This chapter will examine the adequacy of current forms of “democracy” in the modern world.

What is meant and understood by the word “democracy” varies markedly from place to place and from person to person. In some societies - such as those which proclaimed themselves to be “communist” or “socialist” - people may be able to participate in determining policies yet still have no effective way of removing leaders. In others, such as the UK, attention focuses on the ability to remove governments which incur public displeasure.

A moment’s reflection reveals a major problem with the “able to remove leaders who have incurred public displeasure” standpoint. Bankers, industrialists, or trades unionists who do not like the policies being pursued by a particular government may set about creating intolerable conditions in such a way that the government, and not they, are blamed for them. It follows that the arrangements which are made to enable members of the public, who do not have access to financial resources, to build up and disseminate information to counter images crafted by the powerful are every bit as important as voting arrangements.

Popular understandings of “democracy” also involve the idea that the will of the majority is sovereign. While exceptions to this notion are recognised - in Western, but not Communist, “democracies” - it would not now be acceptable for a majority to impose religious beliefs and practices on minorities - the boundary between the areas in which a majority may compel a minority to think and do what it pleases and those in which this is unacceptable is not at all clear.

These observations suggest that we need to think more carefully about what we mean by “democracy”.

Jaques^{16.1} has highlighted the surprising fact that philosophers and psychologists have thought much less deeply about the organisational arrangements required when leaders are to be accountable to their followers than they have about the structures, expectations, and

practices appropriate when subordinates are to be accountable to those above them. Because the function of the latter is usually to achieve targets (such as making profits) which have already been established, he argues that they should be described as *Achievement Hierarchies*. The arrangements needed to establish goals and hold those charged with achieving them accountable for so-doing he designates as *Associations*.

In practice, the two interact. For example, at a societal level, two tasks which our societal management *Associations* should set our societal achievement hierarchies are (i) to find ways whereby social goals can be reached with the minimum of unpleasant work, and (ii) to create the maximum amount of satisfying activity for the members of society - recognising that this mainly means creating useful work.

The importance of the first of these tasks can hardly be exaggerated. Jaques has shown that most private and public-sector organisations are very badly organised from the point of view of carrying out work effectively. Most importantly, however, few members of either type of organisation think it is important even to think about the arrangements that are needed if they are to perform their functions effectively. One reason for this is that they think that natural selection in the marketplace will ensure that the organisations which survive carry out their work effectively. Unfortunately, as we have seen, this belief is not only ill-founded: The market actually has the opposite effect.

If, therefore, the public is to set its achievement hierarchies the task of ensuring that they carry out their work both effectively and in satisfying ways, the public will have to understand something of what we have seen of the functioning of the marketplace and why it behaves as it does.

In other words, the public cannot, as Douglas^{16.2} and others would have us believe, use their *Associations* to set goals without understanding the issues involved. Furthermore, they cannot even obtain the information they need to understand the issues unless they set their bureaucrats the task of accumulating information the importance of which they do not recognise. Since the public cannot understand everything, this points to a need to re-examine the interface to be established between the public and the public service in fundamental ways.

Jaques has also exposed the way in which sloppy thinking about democracy has contaminated thinking about the design of employment hierarchies. One of the most potent sources of confusion is the concept of “democratic management”.

It is necessary to say something more about this here because a clear understanding of the issues is central to what will later be said about the role of public servants and the arrangements which need to be made for their supervision.

The task of a manager is to consult widely, seek out relevant information, and then come to good discretionary judgments about what should be done, initiate action, monitor the results, and take corrective action. *It is primarily for performing this role effectively that he or she should be held accountable.* “Democratic”, committee management virtually eliminates opportunities to perform this role. It thus eliminates any meaningful form of accountability.

Control of Leaders

One of the claims of proponents of Western democratic institutions is that they make it possible to remove incompetent or socially destructive leaders. Yet it is clear that the existence of formal, democratic, voting arrangements has enabled neither parliament nor populace to prevent such unscrupulous leaders as Hitler, Stalin, Hussein, Amin, or Marcos seizing power and thereafter changing the rules to secure their positions.

If we are to develop more effective ways of ensuring that public figures act in the public interest, we need to better understand how such figures - and any puppeteers who may stand behind them - gain and maintain their positions. In the paragraphs which follow we will explore this question from a number of different angles.

Individualistic Power Strategies

Guides to the strategies which can be, and have been, effectively pursued by individuals can be found in the works of Machiavelli (e.g. *The Prince*) and Hitler (*Mein Kampf*). Further insights are available in the works of McClelland^{16.3}.

McClelland's (and our own) work shows that people who are not primarily concerned with power (instead, valuing such things as advancing understanding or making people feel comfortable) find it almost impossible to believe that power-oriented individuals think and behave as they do. Indeed, many people refuse to recognise that numerous others *do* think and behave in these ways. They persist in believing in the public-spiritedness of human nature. They are therefore unwilling to spend time thinking about the arrangements which are required to control anti-social power-oriented individuals. They are shocked by exposures of behaviour motivated by values which differ so markedly from their own. But they think in terms of individual morality and condemn it at an *individual* level. They condemn individual colleagues, bosses, politicians, or national leaders. What is really needed is a *system* for capitalising on the strengths of certain types of power-oriented individuals and constraining others.

Hitler's *Mein Kampf* - in which his policy of blaming and persecuting the Jews is openly advocated as merely a strategy to unite the country behind him and in which his intentions to tell different lies to different subsections of the population to gain their support is made quite clear - does more than give us insight into Machiavellian strategies. The fact that it was required reading for all Germans tells us something very important about the inadequacy of widely proposed strategies for counteracting power-oriented and Machiavellian individuals. *Even when people know what their leaders are going to do, they either do not really believe it or are unable to organise to prevent it.* (This phenomenon has also been evident in Britain during the Thatcher years.)

The need is clearly to develop organisational arrangements - at the level of both non-governmental organisations and local, national and international government organisations - which do not assume and depend on the goodwill and social commitment of authority^{16.4}.

Concerted Use of the Media, Mythology, Control of Information and Military Might

Chomsky^{16.5} has provided remarkable documentation of the inability of the institutions of Western democracy (including the press) to control power-oriented individuals and groups, whether they are to be found in governments or among those who lie behind them, and some insights into the way in which this control is achieved. Despite the appearance of ample

opportunities to dismiss unsatisfactory leaders and the free press, the destructive, even genocidal, tendencies of many of our leaders remain largely invisible .. and certain unstoppable. Chomsky argues that all American presidents would have been convicted by the Nuremberg Tribunal as a result of their contribution to genocidal activities, not only in Cambodia and Vietnam, but in East Timor, South America, and elsewhere in the Third World. For example, in East Timor 750,000 people have been massacred by the Indonesian government with the specific encouragement of, and with arms supplied by, the American government. In South America, the CIA and direct US military intervention first established corrupt and murderous dictators and then maintained them in power. In many other Third World countries the CIA and the American military directly supported barbarous regimes.

It is not clear to what extent these interventions were stimulated by the planned interventions of bankers and armament and other manufacturers or by governments' feeling that the social order of which it formed a part was under threat. There is no doubt that these activities did promote American prosperity by creating a market for armaments and bank lending (thereby creating work in America) and a flow of cheap agricultural products and commodities into the US. But, equally, there is no doubt that the interventions were largely legitimised by reference to real and fictitious antagonisms the countries concerned had towards the US, "democracy", or even capitalism as a system.

It is important here to underline that the formal, democratic institutions of the West failed to serve the American public every bit as badly as the "democratic" Party institutions of the Soviet Union failed to serve the Soviet public. That having been said, in our quest for a better understanding of the processes that are needed if we are to evolve societal management arrangements which function effectively in the public interest, it is of interest to compare both the record of the US and USSR and the methods they used.

Whereas Moscow actually poured money into its satellites - those in Warsaw always lived better than Muscovites - the US sucked money, materials, and labour out of other countries. Whereas dissidents and reformers in Czechoslovakia and Hungary were persecuted and imprisoned, in the countries of South America they were shot dead in the thousand ... with not only the knowledge, but at the specific behest, of US presidents. In the satellites of the United States, there was complete and effective control of free speech and elimination of opposition. In stark contrast to the USSR, the US government refused, and continues to refuse, to tolerate any foreign government which channels resources to its own poor. Chomsky has adduced strong evidence suggesting that this is because such actions reveal the failure of the governments in question to understand the US government's priorities. These are, as the East Europeans are now being forcefully taught, to keep the poor in their place and to promote the interests of the wealthy. And there is no doubt that, without overt and clandestine military intervention from the US, there would be many more democratically elected communist regimes^{16.6}.

Whereas the leaders of the Soviet Union sought to control their own population by brute force and restriction of information, control within the West has been achieved by more subtle means. These included, first, the creation of relative prosperity, busy-work, and the appearance of progress through the use of under-priced energy and cheap food and materials from the Third World. This supply was achieved by the application of military might and financial pressure *outside* the country. Secondly, it was achieved by deploying market mythology in appropriate ways. This is much harder to appreciate than the propaganda of a party machine run by known politicians and bureaucrats who can be seen to be acting in their

own interests. Third, subtle use was made of the media - especially television. This was used to trivialise, entertain, and create a climate of toleration of iniquity and inequity. People learned to tolerate, indeed laud, urban ugliness and squalor, police brutality, inhumane conditions of unemployment, vast inequities in wealth, ruthless personal ambition, political deception, and, perhaps more importantly, a climate in which people vie to make false claims and promises about their products, policies, and political objectives without expecting to be called to account. All of these are accepted as “normal” - as inevitabilities of nature and life - and have ceased to evoke moral outrage.

In short, the control of the flow of information - and the dissemination of mis-information and propaganda - has been much more subtle and effective in the West than in the USSR. There is, in the West, a well-trained press which, as a result of being embedded in a web of interlocking constraints stemming from owners, those who control the advertising on which the press is dependent, and the way in which that advertising functions to sell junk foods, junk toys (including cars), and simplistic misrepresentations of social reality which are designed reinforce the world-view of powerful and wealthy people, fails to seek out or publicise insights which would upset capitalist owners, advertisers, or consumers. Given the previously mentioned network of beliefs, the absence of investigative journalism, and the neutering of academic enquiry by a carefully cultivated authoritarian view of science and the linking of academic promotion to the generation of safe, non-controversial, trivial publications, it has been easy for the US governmental-military-industrial machinery to mislead, bypass, and flout the US Congress, other governments, and its citizenry.

As Chomsky^{16,7} has emphasised, the military-industrial and banking complex, government, and the press are part of a single system. As a result, the most common responses to exposures of the inadequacies of formal democracy and the press - a shrug of the shoulders and a dismissive comment along the lines of “That is politics” or “The press should be more independent” - is entirely inadequate. Given their role in the system we have described, neither government nor the press could behave very differently. Given the apparent obviousness of this conclusion, what is surprising is how few people have considered its implications. We have been taken in by appearances, resorting to outraged moral expressions when particular instances of “failure” indicate that things are not as we believe they “should” be.

It emerges, then, that one of the most remarkable achievements of the Western capitalist system, *qua* system, has been to obscure the link between power, the Party, and *Pravda* that was so evident in Eastern Europe. Public pronouncements and beliefs are even more out of kilter with reality in the West than they were in the so-called Communist regimes - *yet even fewer people notice*.

It is clear from Chomsky’s work that it is the way issues are framed and presented, what is put in - fabricated or not - and what is left out, and the implicit assumptions (e.g. that a country offers a breeding ground for ideas which threaten the American way of life - Capitalism) that are of fundamental importance in determining what happens. It is therefore on public surveillance of the processes which contribute to these kinds of activities - and not on formal voting mechanisms - that we need to focus if we are to evolve more effective forms of democracy.

To move forward, we need a more productive, independent, information-generation and dissemination system which is free to think the unthinkable, investigate the sacrosanct,

generate radical and heretical perspectives, collect evidence to substantiate such perspectives, mount the kind of heated controversial public debate on the basis of insecure evidence that is required to advance understanding, and disseminate the results without fear of reprisal. *Yet - despite widely held beliefs about the efficacy of “democracy” - we cannot expect our present governments to establish such a system.*

The Use of Symbols and Imagery

In seeking ways of controlling dominators - whether in public or private sector organisations, whether conspicuous or hidden - our main problem will not be to deal with “rational” arguments. This is because perhaps the most frightening component in the repertoire of those leaders who are able to secure widespread popular acclaim for their actions while in fact pursuing self-interested and otherwise destructive activities is their use of slogans, sound-bites, images, flags, and symbols to release emotions and evoke action. Unfortunately, the processes involved are poorly understood even - or perhaps particularly - by psychologists. They in fact merit thorough investigation and, most importantly, the invention of social arrangements through which they can be curbed.

The only suggestions we can currently make about how this is to be done follow very much along the lines which have already been suggested. We must somehow arrange for widespread public penetration of both the offices of governmental officials and leaders and those who run the other organisations of our society - as well as societies on the other side of the globe. These arrangements need to offer absolute security to those who become involved in them. Legal enshrinement of an inalienable right to opt out of government-decreed action - indeed to take direct action to undermine the activities of dominators - is also essential.

Control of Public Perceptions and the Flow of Information

It is perhaps not surprising that the US government has been able, as Chomsky has shown, to control public perceptions of international and economic issues. But governments’ control of perceptions of apparently more domestic issues to achieve ulterior purposes is in a sense more disturbing. Examination of the Thatcher governments’ activities in this area have much to teach us.

The use of the ideology of privatisation to control social research has already been discussed. The privatisation of research gives government tight control over the topics that are studied and the results that are reported. Institutes and academics who produce embarrassing findings are deprived of further funding on the pretext of inefficiency. Timescales are shortened and linked to urgent and pressing problems in such a way that the research cannot be other than trivial. Researchers are led to focus on securing their own bread and butter instead of furthering the interests of society. They are incited to attack each other’s work instead of joining forces to promote either their joint interests or the public interest.

Similar mechanisms have been used to achieve control over the civil service.

Civil servants were first discredited in the eyes of the public. They were presented as lazy, inefficient, and feather-bedded - bent on pursuing their own interests instead of those of society. They were paid too much, had enviable conditions of service, and excessive pensions. They were a drain on the “real” producers of wealth. Bureaucratic regulation was killing the country. It was necessary to “roll back the frontiers of the state” and “destroy the

last vestiges of socialism”. The Public Sector Borrowing Requirement had to be cut. The number of public servants had to be reduced and those who remained were to pursue the government’s goals more wholeheartedly.

It is vital to note that the public largely swallowed this propaganda and thus accepted the terms of the debate. Even the Liberal Democrats and the Labour party found themselves talking about efficiency and accepting the “need” - ideologically rather than rationally based - to reduce the number of public servants, instead of about *assessing* effectiveness and finding ways of improving the quality of provision. It was *because* they accepted this image of the public service that the public neither appreciated the seriousness of the attack being made nor protested vigorously about what happened as a result.

Huge chunks of the public service were privatised and civil servants were dismissed. Those who remained were overloaded with supervising administrative re-organisations and the generation of glossy brochures making false claims for the effectiveness of the latest round of reforms. One re-organisation followed another without respite, and long before the previous one had been fully implemented. Priorities were continually changed and the staff moved around. Resources were cut and responsibilities multiplied. Increased public responsibilities without the resources needed to deliver the outcomes created still more opposition to public provision. Competition to acquire resources within the service increased. This not only took up still more time, it resulted in a marked decrease in the willingness of one department to cooperate with another. Tendering procedures were continuously changed. Public servants were forced to introduce changes which they knew to be ill-conceived, yet they were not allowed to say what they thought. The right to speak out in the public interest was quashed. Departments which had previously been relatively independent of government interference and thus able to speak against government in the public interest - such as the Government Social Survey Department, Her Majesty’s Inspectors of Schools, the Government Research Laboratories, and the BBC - were brought under government control. It was proclaimed that the information available to the civil service was the property *of the government*, not the public who paid for it, and might not be released without specific government approval. Public servants were debarred from running for local government office. Political vetting for positions in the public service was introduced. The gentleman’s agreement whereby public servants who supported the other main political party were quietly moved into back offices to generate alternative policies was terminated.

A similar attack was mounted on local government. It was made illegal for any Local Authority to use public funds to promote any view which was counter to government policy. The result is, in effect, that while people who know nothing can say what they like, no one who knows anything can tell. Worse, by restricting the views which can be aired *and supported by evidence*, the viewpoints which run counter to those of the government have been rendered even more suspect because only those who have no access to evidence are able to speak.

The Thatcher government also intervened both directly and indirectly in the BBC to prevent it making the kind of well-researched and well-informed programmes it had made in the past. In some cases, inquisitions (couched in terms of efficiency or bias) were instigated against programmes reporting information which ran counter to government policy. More often it was oblique attacks which were mounted. These questioned the cost-effectiveness of programmes, the size of the audience they attracted, or the “60’s thinking” of their producers.

More generally in broadcasting there was a move not only to insist that all programmes must be both popular and cheap ... but also that they gain advertising. To do this, producers had to beware of offending those who sponsored the programmes and those who might buy the sponsor's products. They must promote sales by conveying a fraudulent image of the nature of modern society - the impression that cosmetics, cars, fashions, and junk foods buy happiness; the impression that the market provides choice; the impression that private companies care for the environment; the impression that private insurance companies care for the customer.

It is not known whether these attacks on the public service in general and the information services in particular were deliberately and systematically engineered or whether they just happened as the benefits became apparent of pursuing what was at first an ideological line. Likewise, it is not known whether the Thatcher government actually had *advice* on how to undermine the educational system and make it function in a way which would legitimise and reinforce societal changes which would secure the position of those who stood behind the government. What *is* known is that the government's attack on the trades unions *was* deliberately engineered. They were advised to take on the strongest union - the National Union of Mine-workers - by deliberately creating a situation in which the government could pick a battle which it was almost certain not to lose. The government was advised to - and did - agree, over a period of years, to almost anything the miners wanted. This policy was maintained until huge stockpiles of coal - sufficient to serve public needs for at least a year - had been accumulated. Only then should - and did - the government pick a quarrel with the Union - a quarrel which they chose on their own terms and in the context of a carefully prepared portrayal in the media. Availability of the stockpile of coal would ensure that there was little public opposition to a long strike. The government should stay in the background and make it look as if the argument was between the National Coal Board and the miners, but the activities of the police should be carefully coordinated, focussed on such things as flying pickets, and presented in a way which supported government. Thus, for example, TV news coverage was in one instance deliberately re-arranged so that a police charge on the miners appeared to follow, instead of - as in reality - preceding, miners stoning the police.

The way in which the Thatcher government got control of the terms of the debate and defused public opposition to its policies in education, health care, and the environment is equally interesting.

The carefully-chosen words, layout, and coloured print in consultation documents (if it did not make one suspicious) created the impression that the government really cared about the *quality* of the educational service, the environment or the health service. The documents asked readers to send suggestions to the civil service. However, since it was obvious that no radical change of heart could be expected, thousands of people were trapped into spending their time making "realistic and reasonable" suggestions for minor improvements which would, if implemented, ameliorate the worst effects of the proposals instead of thinking about the more fundamental issues which were involved. In this way the government captured the agenda. But since the time scales were inadequate, the civil servants available to analyse the comments too few, and, as Graham's remarkable book^{16.8} shows, the government was entirely indifferent to the results, no effective change could emerge.

But perhaps the cleverest aspect of this strategy was that, by having comments and criticisms sent to the public service and, at the same time, making it clear that only the most trivial suggestions were likely to be implemented, the government not only diverted criticism from

itself, it also stifled public debate, and prevented the development of a coherent opposition. Had it not provided the bogus consultation exercises people might have written to the newspapers or otherwise developed an effective counter position.

And, of course, by making academic tenure depend on the publication of “research” and at the same time making the funding for that research depend to a much greater extent on the submission of proposals for applied research which related to the government’s agenda, the government gained a much firmer hold on academics who might otherwise have been inclined to question their agenda. Even debate within professional associations had to focus on issues which it was “realistic and reasonable” to discuss in the climate which had been created.

Once again, we do not know how much of this was deliberately planned and how much evolved through successful experience. The Thatcher government did not rest content with controlling the generation and flow of information. It introduced legislation curtailing civil rights, enabling the police to arrest and search homes more or less at will, legitimising the investigation of communications, and generally giving the government the right to assume more powers than any government before it. Once again, it introduced these developments by stealth, often tabling the legislation on quite other pretexts.

The UK legislation introduced during the 1980s represents a previously inconceivable blow to the most fundamental claims of democracy - the right to freedom of thought, speech, and association. But Parliament did not - indeed could not - resist it. Because of the way the issues were presented, the “consultation” process, and the government’s control of the media, there was little public resistance and no *concerted* protest. By and large, people had little idea of what was going on and no idea of the seriousness or pervasiveness of the attack. Further, most of those who did realise the gravity of the situation accepted that a “democratically” elected government - albeit a government elected by a minority of the population - had been given the right to do whatever it wished. It would be wrong to take direct action to counteract it: That would undermine the whole democratic framework. One should wait for the next election and hope to undo the damage.

The examples used so far in this section - all from the UK - illustrate that the way in which issues are framed and presented controls the debate and results in policies which can confer benefits or impose burdens on apparently untargeted sectors of the population.

Giroux^{16.9} has provided an illuminating account of the way in which the American government framed educational issues to exclude discussion of crucially important topics - such as the need to break the cycle of poverty and tackle low achievement stemming from homelessness, and the way in which the educational system is locked into the production of rampant individualism. In the public debate there was - as in Britain - no discussion of the need for the educational system to nurture high-level competencies and especially the qualities required to transform society. As a result, the so-called “debates” about testing and choice failed to engage with the main goals of education or with the main factors (such as coping with poverty) which determine performance - even when this is narrowly defined. The assumption that these are external to the educational system makes them invisible and thus facilitates their neglect in policies that are supposedly designed to remedy the problems of the educational system. The debate fails to engage with the need to offer multiple courses to nurture multiple talents instead of arranging everyone on a single-scale of “ability”. By hijacking the terms of debate and structuring issues in particular ways it has been possible to

preclude discussion of other issues. These include the norm-referenced nature of the system and the way this results in large numbers of “failures”, whatever is done. They include discussion of the role of schools in society, what really makes for success as currently defined, and what might make for alternative forms of success. They include discussion of the educational system as a system and as part of a wider system - and hence of the need to intervene in that system of systems, by, for example, finding ways of recognising and utilising all the talents available in society.

But most important of all, the way the debate was structured undermined belief in the responsibility of public servants and teachers - who were, as in Britain, presented as incompetent and irresponsible and, as a result, needing to be given much more specific directives and subject to more rigorous inspections. Their role was also, as in Britain, presented as involving no responsibility for wider social intervention - such as finding ways of tackling the real problems of the educational system or enabling it to nurture the qualities students require to tackle the real problems of society.

Although Giroux does not say so explicitly, what emerges is a picture of an entirely fraudulent debate. The real issues have to do with the sociological - not the educational - functions of the educational system. The covert, or latent, as distinct from the manifest, goals of the changes which were introduced have to do with narrowing the criteria of “excellence” applied in education. They have to do with enlisting the support of parents to press for “developments” which will ensure their children’s success in terms of that criterion alone, and thus eliminating an emphasis on the development of thinking skills, the ability to understand or influence society, or multiple talents. They have to do with cementing the belief that the “best” rise to the top and thus faith in the social order. They have to do with strengthening the incentives for pupils and parents to act in their own short-term interest rather than in their longer-term interests, the interests of others, or the interests of society. They have to do with strengthening the tendency of the educational system to ensure that those who rise to the top are the most gullible, most concerned with their own advancement, and most willing to echo received opinion. They have to do with creating a steeper differential of rewards between those who trouble themselves to do well in a fraudulent system and those who do not. They have to do with finding ways of transferring the blame for school failure from the politicians and public servants responsible for the *system* to those with least power to introduce systems changes - i.e. pupils and their teachers.

To have a genuine debate about these issues or the genuinely educational functions of the educational system it would be necessary to create a structure which would make it possible to get the wider issues on the agenda. To do this it would be necessary to back people who persist in being “unrealistic” and “unreasonable” and get them into positions in which they can both be heard and conduct the research needed to support their positions.

While, as we have seen in the previous chapter, there are very strong pressures to be make only recommendations which are likely to be accepted because they “work with the system” ... to do what one can within the existing arrangements ... to do so is, in fact, highly unethical. It allows those who control the terms of the so-called “debate” to manipulate what gets discussed in ways which are very much to their advantage and it helps to keep invisible the very things that are most important and which in fact require the *greatest* discussion and research.

Such apparently marginal issues as the practical arrangements for resourcing, researching, and publicising unacceptable points of view thus turn out to be central to the development of a more functional concept of democracy.

Control of Public and Private Institutions

The Public Sector

The institutions of democracy are meant to enable us to subordinate our public service, our manufacturers, and the other institutions of our society to the public interest. The extent to which they have enabled us to do these things will now be examined.

As we have seen, the ability of elected Assemblies to direct and oversee the work of the public service, whether at a national or local level, has been greatly eroded as the role of government in society has expanded and the issues have grown in complexity. Members of neither parliaments and councils on the one hand, nor government or council office bearers on the other, can be well informed about all of the huge range of issues over which they have dominion. This results in government by people who have little direct interest in, little experience of, and little in-depth knowledge of the problems they are tackling - still less a full understanding of the implications of the decisions they are taking.

Decentralisation to multi-purpose assemblies in no way resolves this problem. Nor does the creation of QUANGOS (whose members tend to be appointed rather than elected, and who tend to be peripatetic public servants). This is because the members of both tend to have little contact with, or deep understanding of, the issues with which they are dealing.

Day and Klein^{16.10} have contributed an important study which helps to advance understanding and indicate a way forward. They record that the belief that the main function of representative governmental assemblies is to compel a full justification of all government acts and to make apparent to all who did everything (so that those concerned can, if necessary, be dismissed) goes back through Mill to Aristotle.

Mill argued that:

“Instead of the function of governing, for which it is radically unfit, the proper office of a representative assembly is to watch and control the government; to throw the light of publicity on its acts; to compel a full exposition and justification of all of them which any one considers questionable; to censure them if found condemnable, and if the men who compose the government abuse their trust, or fulfil it in a manner which conflicts with the deliberate sense of the nation, to expel them from office”.

As we saw in the last chapter (where the reasons for it were discussed), modern democracies fall far short of this ideal.

The Private Sector

Further evidence of the inability of our existing democratic institutions to manage the institutions of modern society in the public interest comes from the work of Janicke^{16.11}, who showed that, throughout its entire existence, the government of the Federal Republic of Germany was unable to control its TNCs. Instead, in instance after instance, the latter manipulated laws passed ostensibly in the public interest to suit their own ends.

George^{16.12} has documented many of the strategies the TNCs use to do this. They threaten to move, and actually do move, employment to other countries, they evade national taxes and welfare and safety regulations, they manipulate prices, and they engineer the introduction of non-tariff barriers to constrain the operations of potential competitors. An example of the latter is European chocolate. The TNCs lobbied for a high tax on imported manufactured chocolate, they lobbied for the setting of “standards” for the purity and ingredients of chocolate, and they restricted the supply of patented machinery available to non EC countries. In this way they forced non-member countries to supply only raw materials.

Etzioni^{16.13} cites many studies, from several countries, reporting results similar to Janicke’s. Governments are outwitted by companies aware that political manipulation is essential to build and maintain monopolies and oligopolies, to capture and hold market shares, and to curb the entry of new firms. Their interests are also promoted by manipulating economic conditions and public opinion - the latter being achieved by controlling the flow of information and promoting simplistic economic notions. Galbraith^{16.14} likewise noted that the military-industrial complex controls the democratic system which is supposed to control it.

We have already seen that Douglas^{16.15}, Roberts^{16.16}, Adelman^{16.17}, Daehnhardt^{16.18}, and Sorensen^{16.19} have documented the international banking community’s conspiracies to manipulate governments; their deliberate use of their power to precipitate panics and cycles of boom and bust to influence government action; their systematic intervention in educational systems nominally under the control of national or local governments; their deliberate use of financial intervention in the affairs of nominally independent companies to achieve their own ends; and their deliberate precipitation of armed conflict, both within and between countries, to their own advantage.

Korten^{16.20}, relying on *The Greenpeace Guide to Anti-environmental Organisations*, identifies 36 front organisations created by corporations to deceive public and government alike. Thus *Consumer Alert* actually fights government regulation of product safety. *Keep America Beautiful*, has as its objective to convince the public that litter is the responsibility of consumers and not the packaging industry and campaigns against recycling legislation. He also identifies the corporate sponsors behind think-tanks like the Heritage Foundation and the Institute for Educational Affairs. Every one of the members of USA/NAFTA, which claims to be a representative forum to promote free-trade, represents a corporation. While assuring Americans of the benefits of free trade the corporations concerned had moved 180,000 jobs to Mexico. In the US alone, 170,000 public relations employees - in comparison with 40,000 news reporters, are engaged in manipulating news, public opinion, and public policy. The Council on Foreign Relations was set up, and still operates, to assure US manufacturers of a “Grand Area” of the globe from which they can suck in agricultural products and raw materials and to whom they can export goods and services.

It would appear from the various studies we have reviewed that the most vociferous proponents of democracy are not genuinely interested in openness, but in creating a facade which will conceal the activities of the banks, the TNCs, and the doings of the public service. The arrangements which have resulted seem to have been developed - perhaps explicitly - to conceal rather than disseminate information, to present it in particular ways, to control information flows, and to prevent people collecting and publicising information about the behaviours of both governments and the TNCs.

Some Dilemmas

The problems we now face were anticipated, and set in their historical and social context by the Scottish social and moral philosopher, John MacMurray^{16,21}, in 1943. He first noted that the structures and concepts of democracy with which we are currently operating were introduced to deny governments the right to determine the thoughts, beliefs, and consciences of their subjects - or to limit their rights of association. The specific reason for introducing these constraints was the desire to prevent governments from seeking to determine religious beliefs and practices and from limiting their subject's rights of association in this respect. We therefore find that establishing religious freedom - which lies at the heart of democracy - also establishes the principle of the limitation of political authority. The right to religious freedom asserts the general principle that there are departments of social life in which it is not legitimate for political authority to intervene: people who have different values and priorities should be permitted to lead their lives in their own way. Democratic governments, no matter how large their majorities, have no right to impose values and thoughtways on minorities.

However, MacMurray argued, problems began to arise as soon as this principle was extended to the economic sphere. The philosophy that government had no right to limit the behaviour of one group for the benefit of another was extended to assert that government had no right to intervene in economic processes. This had two consequences: First, governments were perceived as having no role in orchestrating the use of the resources of a community for the benefit of that community. They could thus have no rights to own or control resources. Their task was to maintain people's freedom of choice and action. Somewhat paradoxically, this meant that democracy had no way of controlling the economic activity of a community in such a way as to promote poorer people's opportunity to exercise the very freedom of thought and action democracy was established to make possible. Second, it resulted in the concentration of the ownership and control of resources in the hands of fewer and fewer people - who then used their economic power to control the thoughts and behaviour of others - including governments and such institutions as churches and universities. It thus resulted in the control of culture - which was explicitly denied to political authority - being exercised by economic powers which were - and are - themselves exempt from political control.

MacMurray sought to specify the steps needed to introduce what he called the positive, or *constructive*, democracy required to overcome these difficulties. He recognised the danger that if governments were given the right to control the use of resources they might - almost certainly would - exercise even more control over people's thoughts and behaviour than the capitalist class. There would be no way of stopping them because it would now be impossible for parliament to deny government the resources needed to enact undesirable policies. But if governments themselves did not directly control the ownership and use of resources, they would find that it was virtually impossible to pursue policies which were contrary to the wishes of dominant economic groups. The two would tend to become indistinguishable. How could this dilemma be resolved? How were the people to control their governments if they could no longer deny them the resources they needed to pursue irresponsible policies whether of their own or capitalists' making?

MacMurray also raised the question of how government could be supervised and controlled if it arrogated to itself responsibility for orchestrating the use of the resources of a community for the good of that community. Government control of activities like education, social work, and health care seriously courts the danger that governments will impose beliefs, values, behaviours, and rights of association on their subjects. In modern societies (in which, as we

have seen, governments play a major role), the assumption by government of responsibility for such activities tends inevitably toward government by ignoramuses. Worse, given the widespread assumption that the will of the majority is sovereign, it tends to result in the imposition of the will of an *uninformed* majority on those who have a particular interest in the issues in question, that is to say on minorities who have different problems and priorities to the majority.

MacMurray's answers to these questions were, first, to develop an active citizenry who would examine, protest, and play an active, participative, role in running society; and, second, to recruit and train public servants who would have the strongest possible commitment to promoting the public interest and a strong tendency to resist other pressures, whether these arose directly from government or from economically dominant groups. Unfortunately, he did not focus on *the social context* which is required to reinforce such behaviours.

In the light of MacMurray's observations, it is ironic that the management of the economy should now be the *main* thing for which governments are held accountable despite the widely held, but contradictory, belief that the economy should be left to work on its own.

Majority Voting

At this point we may return to the problems which stem from the fact that "democracy" is most commonly understood as involving little more than voting and the associated idea that a majority vote is binding on all. The view is rampant despite MacMurray's demonstration that what was at issue when democracies were established was precisely the right of minorities to act as their consciences directed.

Miller^{16.22}, citing Arrow^{16.23} and a number of examples as clear as Hardin's *Commons Dilemma*, shows that, where there are a variety of interested parties whose demands are mutually incompatible, and where what one group gets influences what others can get, the series of coalitions and compromises which have to be formed as sub-groups conspire to coalesce to yield a majority block vote leads to outcomes which suit no one group and typically to decisions which no rational person - and none of the individual participants - would support. Furthermore, very different decisions emerge depending on the *order* in which the motions are debated and voted upon so that whoever determines the agenda largely determines the outcome. Since issues can be re-opened with a different agenda which will lead to a different outcome, "the instability of majority rule makes it unacceptable as a mode of decision-taking in most organisations".

Three vital questions do not appear to have been carefully addressed in the extensive literature on this subject. These concern:

- i. Who should be *entitled* to vote when issues are being decided by referenda (e.g. everybody; only those directly affected; all who will be affected in the long run; only the informed)?
- ii. Under what conditions is it legitimate to seek to make a majority decision which is binding on all (e.g. only when it is impossible for different groups to go their own way, only when a minority will damage the welfare of the majority)?
- iii. How can marginal groups be helped to get their opinions researched and presented in a way which commands respect?

Toffler^{16,24} has emphasised the value of using the media to create an informed public debate and of using Internet and similar technologies which allow people to register their opinions from their living rooms, to provide feedback from a broadly based and informed constituency. Unfortunately Toffler does not discuss some of the most important issues. For example, he does not discuss how the presentation of issues is to be determined, how the range of options to be considered is to be chosen, how experimentation with possible new options is to be initiated and monitored, or how it is to be decided to collect which information on which benefits, short and long-term, personal and social, for which groups of the population are to be considered. People cannot vote for things they do not know are feasible and practical. For example, at the most fundamental level, given the current state of politico-economic philosophy (let alone of extant, documented systems), there is at present no alternative to capitalism which can be presented as a realistic alternative that people can vote *for* in their efforts to translate their desire for an alternative economic and social order into effect. They cannot vote for experiments unless they know that it is *possible* to do things differently or to collect information that they did not know it was *possible* to collect. Nor does Toffler discuss the arrangements needed to conduct social surveys which will yield information which is more useful than the typical *Gallup Poll*. Who is to determine the questions that are asked, the assumptions they make, and thus what the public's opinions appear to be? How best can those with unusual views make their views known, generate relevant questions, collect data, and contribute to the ensuing debate?

It is obvious from this discussion that, while general public debate and understanding of the issues is often very important, it is no more possible to have a public which knows everything about everything than it is to have a government which does so. The processes we have been describing are anything but simple but here it is sufficient to note that the way in which time and resources are to be allocated for these things needs the most careful consideration. On the whole, the audiences will be small and widely dispersed, but the presentation needs to be both engaging and responsible. The link to previously discussed responsibilities of the public service could not therefore be more apparent. Far from pointing to Toffler's image of mass participation, these reflections again suggest that the key problem is to find ways of holding public servants accountable for collecting and sifting information and acting in the public interest.

The range and complexity of the issues to be discussed and the lack of significant thought about voting explains the public's apparent "apathy" about elections - an apathy which is often interpreted as a lack of enthusiasm for "democracy". A single omnibus vote every five years provides very little feedback to government and does not enable one to have much influence on the decisions of most concern, particularly as one may wish to vote in favour of one party's policies in connection with 50 issues and for another's in connection with the other 50. What is more, there is no point in voting at all if one is anyway going to have one's priorities over-ruled by the tyranny of the majority. In such conditions, one can have very little influence. One cannot even influence the choices and options the bureaucracy provides. And, of course, one can do very little to influence the powers and systems processes which, as we have seen, so much control what governments do. Given an opportunity to exert genuine *influence*, however, it would not be unreasonable to anticipate a much greater readiness to "participate".

At this point we may note the flimsiness of the case for Regional Assemblies as a means of tackling the "unresponsiveness" of central government and reversing policies which do not take account of local needs and priorities. There is no way in which *any* multi-purpose

assembly can today represent the scope of opinions which need to be considered on the wide range of issues to be dealt with.

In fact, there *is* no evidence that the quality of Local Authority decision-taking is any better than the quality of that of central government, that their decisions are better thought-through and evaluated, that their actions are more effective, that local elected representatives have more awareness of the doings of, or control over, their public servants, or that they are more responsive to people with a wide range of different priorities. Local Assemblies are no better supplied with research information, they have fewer “think tanks”, they have fewer links with outside organisations which control the quality of life in their communities, and their members are equally prone to rush from meeting to meeting to take decisions about issues they know nothing about and within constraints they are forced to accept because they come from outside the community. Indeed, they are more likely to be doing what they know to be wrong because they are unable to influence those external constraints.

We may note that the election of “representatives” does *not* lead to the election of a range of people who represent the spectrum of public opinion because only certain types of people put themselves forward and are thought to possess appropriate characteristics. If one *really* wants to ensure that the views of all groups are represented in a discussion (and any subsequent decision taking process) one must choose those representatives at random^{16.25}.

The way to deal with the difficulties raised in this section is for democracy - structures of participation - to focus on *supervising a public service charged with handling the problems* in a differentiated and innovative way. In Jaques’ terms, it is to restore managerial responsibility in the context of appropriate supervisory arrangements.

Supervision of “Devolved” Public Services

In theory, our “democratic” structures are meant to provide us with means of monitoring and improving the way we run our society *as a whole*. In what is presented as an attempt to achieve this objective more effectively (but which, on closer examination, turns out to be quite the opposite), numerous QUANGOS have been established in recent years - most notably to give a semblance of public accountability in newly privatised sectors of the public service. In a sense, what we need to do now is to make these QUANGOs more open, accountable, and effective and to equip them with the tools that are needed to do their jobs properly, and, especially, to initiate the further activities which are required to promote systems monitoring and systems innovation.

The legal system may be used to highlight the nature of the need. Its *raison d’etre* is to administer laws generated by the state. Yet the effectiveness of those laws from the point of view of achieving their original objectives is often inadequate. As the work of the National Council for Civil Liberties (now Liberty) has shown over the years, miscarriages of justice abound. Parris^{16.26} brings together an interesting collection of them. His conclusion is that it is fruitless to rely either on our current forms of democracy or on our legal system. It is more important to have widespread public scepticism and - a remarkable conclusion for a judge - a willingness to take the law into one’s own hands. He also argues that it is vitally important to have a responsible press - although he does not discuss how this can be achieved without independence or how, given the need for funding from government or advertising, independence can be achieved. It emerges that the price of liberty is, indeed, eternal vigilance.

But while, time and again, we find that those who have thought deeply about these issues - like Chomsky and Parris - have come to the conclusion that personal integrity and action lie at the heart of the requisite developments, one cannot help feeling that, given the scale of public management, of our environmental problems, and of organised crime and fraud, an emphasis on personal responsibility, integrity, and action on its own is inadequate. We need some more formal arrangements to encourage participation in the management of society and to enable resources to be devoted to the investigation of scandal and the invention of better ways of thinking about and doing things.

“Participative democracy” should perhaps build on the work of Schon^{16.27}, Kanter^{16.28}, and Revans^{16.29}. Schon has outlined the kind of “networking” arrangements which are required for innovation, Kanter the “parallel organisation” arrangements which are required to enable all concerned to participate in innovation, and Revans has experimented with “action learning”.

Notes

16.1 Jaques, 1976

16.2 Douglas, 1934

16.3 McClelland et al., 1958; Winter and McClelland, 1963; Winter, 1973; McClelland, 1975

16.4 The Noberto Keppe Foundation, recognising the centrality of this problem, has carried out some extremely important experimentation with alternative management arrangements in small, and not so small, organisations and promoted Forums to clarify the alternative organisational arrangements required at national and international levels. They also produce Newsletters with a view to promoting more widespread recognition of the behaviour of some business and political leaders and encouraging people to act on their consciences in relation to a wide range of political and social issues.

16.5 Chomsky, 1991

16.6 Although we have now seen endless problems with democracy, it may still be argued that Western “democratic” institutions are the best of the available options. Actually this is not the case. Delight at the demise of “communism” is unwarranted for two reasons:

a) It takes no account of the reigns of terror, death, extermination, suppression of free speech, denial of human rights, exploitation of resources, and poverty and disease which Western capitalist states forced on their network of satellites - which is far larger than that of the USSR. These satellites were subject not only to “economic” pressure (e.g. through the IMF and the World Bank) but, as Chomsky (1987, 1991) has shown, to military force directly and openly applied with the aid of propaganda and deception (as in Vietnam and the Persian Gulf), directly but clandestinely inflicted (as in Cambodia), directly orchestrated but inflicted through puppet regimes in the countries concerned (as in Nicaragua, Grenada, and Honduras) and directly inflicted through adjacent local governments (as in East Timor). The regimes of Eastern Europe were, at least in the post-Stalin era, a great deal more humanistic than those of the West. They imprisoned dissidents instead of shooting them - and then, utterly remarkable from a Western perspective, *gave them back their jobs* when they were released as the regime changed. Thus, while the deadliness and destructiveness of Stalin’s regime can hardly be over-estimated, there is little doubt that the post-Stalinist regimes were, *taken as a whole*, a great deal *less* destructive of human life than the Western capitalist system.

b) The poor people who formed part of that system were a great deal better off than the poor in America - never mind the poor in the beleaguered countries which form part of the Western capitalist system. Environmental destruction there was too ... but it was “at home” and not on the other side of the globe and it was more visible and less carefully concealed with less attention being directed toward what are, in comparison with fuel emissions, social disintegration, etc. more peripheral issues like cigarette smoking.

16.7 Chomsky (1989, 1991) has shown how the combined forces of “democratic” government and a “free” investigative press failed to compel exposure of crimes and conspiracies against humanity by the US governmental/military/industrial complex. He has also provided detailed accounts of the way in which they failed to prevent the media promoting the correct political line, without examination, to support the wars in Vietnam and the Persian Gulf. They failed to prevent the media from accepting and promoting myths, indeed actually working up hysteria, which helped to destroy democratically elected governments which were inclined to act in the interest of their general population instead of capitalists - and which could therefore be portrayed as leaning toward communism and thus automatically a “threat to America”. They

proved unable to prevent the media encouraging such feelings of despair and impotence on the one hand, and belief that only government action could solve the problems facing the globe on the other, that people do not even try to do anything about serious problems.

He has shown that abuses of civil rights and campaigns of death and oppression in other countries were systematically engineered by US governments, and supported to promote arms sales and the subsequent flow of below-cost minerals and agricultural products. Oppression was ignored altogether if it posed no threat to, or intervention posed no advantage to, the United States.

16.8 Graham and Tyler, 1993

16.9 Giroux, 1992

16.10 Day and Klein, 1987

16.11 Janicke, 1990

16.12 George, 1988

16.13 Etzioni, 1985

16.14 Galbraith, 1991

16.15 Douglas, 1935/78a

16.16 Roberts, A.E., 1984

16.17 Adelman, 1989

16.18 Daehnhardt, 1994

16.19 Sorensen, 1994

16.20 Korten, 1995

16.21 MacMurray, 1943

16.22 Miller, 1992

16.23 Arrow, 1963

16.24 Toffler, 1980

16.25 See e.g. Goldsmith (1992) and Emery (1974). Emery has laid particular stress on the use of sortition - choosing representatives at random as distinct from through election. Elections inevitably result in the election of people who have very different concerns and priorities from those who elect them. Inevitably they are more power hungry people, who are adept at manipulating human systems and who act in socially dysfunctional ways when they gain positions of power. Sortition offers a better way of obtaining decisions which reflect the concerns of the general population.

16.26 Parris, 1961

16.27 Schon, 1973

16.28 Kanter, 1985

16.29 Revans, 1971, 1980

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.199-212). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 [“Some Observations on Money”], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

NEW WEALTH OF NATIONS Summary of Parts I-III and Overview of Part IV

Chapter 17

The Critique Summarised and an Introduction to, and Overview of, Part IV: The Way Forward

This chapter first summarises some of the key issues discussed earlier. Thereafter it considers some surveys which show that, at least in the UK, there is a fairly widespread, if not too articulate, awareness of some of the problems. This finds expression in the endorsement of what have been called the “New Values” - a cluster of values having to do with conservation, decentralised production, dramatic reductions in transportation, an emphasis on offering satisfying inter-personal services rather than personal advancement at work, an emphasis on quality of life rather than material progress, and concern with an equitable distribution of incomes both within the West and between the North and the South. Unfortunately, just how serious are the environmental and social problems which confront us and just how inadequate are our economic and social institutions to the task of dealing with them is less widely recognised. Most seriously, those who embrace the New Values are generally silent on what is to be done about the societal management problems which have been highlighted.

It would seem at least arguable that it has been this inability to say how, exactly, the New Values are to be translated into effect that has prevented the “third force” which has entered the political arena of many countries - as Solidarnosc in Poland, as articulated by Dubcek in Czechoslovakia, the Greens in Germany, and as the Social Democratic Party in Britain - from attracting sufficient electoral support to command a significant say in government. There is widespread support for the aims of these movements. That the requisite policies are neither Right nor Left but radically different along a third “dimension” is also widely recognised. What is missing is clarity about, first, the institutional arrangements required to run the radically different kind of society which is required to give effect to the New Values and, second, how the huge international, capitalistic, military-industrial-banking complex is to be brought under control. The necessary arrangements

include new structures of democracy and bureaucracy, new mechanisms for the exchange of goods and services, and new procedures to obtain feedback, evaluate the short and long-term effects of what is being done, and thereafter to take appropriate action. The aim of the remainder of this book is to help to clarify what those arrangements are. Only when this has been done will it be possible to think realistically about how to get them into place.

One interpretation of recent history is that it was dissatisfaction with the ability of either old party to meet the need which combined with a recognition that the new Third party did not yet have a viable alternative to create in Britain the vacuum in which the minority government of the Conservative party - with its lowest-ever proportion of the vote - was able to enact policies which eroded the very forms of democracy, open government, access to information, civic participation, personal and financial security, and freedom to think and publish that are necessary to find a way forward. Thus it has been the inability of Third Way politicians to articulate the arrangements needed to run the necessary new social and economic order that has allowed the mythology of Neo-classical economics, first to gain a foothold, and then to sweep the globe in such a way as to legitimise policies which are ecologically and socially disastrous.

Summary of Parts I - III

Readers who have recently read the book from the beginning will find this summary redundant and may skip to the next main heading: "The Way Forward: The New Values".

We have reviewed evidence showing that, despite its appearance of prosperity, our society is quite conceivably on the verge of collapse: Our biosphere, food base, soils, seas, atmosphere, industrial base, and financial system are all being seriously degraded or actually disintegrating. We have reiterated the dangers of destruction of the planet as we know it from global warming on the one hand and a nuclear winter on the other.

The question we face is whether we can take the steps needed to avoid this fearful trajectory. Anticipating future trends of this sort and taking effective action on the basis of forecasts is not something humankind has been very successful in doing in the past.

Contrary to the belief of most of our colleagues in the *New Economics Foundation* (whose attention is focused on money and the marketplace with a view to finding ways of making them work better), the evidence we have reviewed shows that there is little hope of making significant progress by tinkering with market mechanisms. Prices are social constructions which (i) bear little relationship to costs of any kind, (ii) are incapable of providing meaningful feedback concerning the merits and demerits of alternative forms of provision, and (iii) are incapable of recognising or encouraging worthwhile contributions from members of society.

Market mythology has merely legitimised the creation of almost unlimited busy-work based on inordinate consumption of energy. The products resulting from the consumption of this energy are endlessly destructive. Societies, like the USA, which are lauded as "efficient", are, in reality, the most *inefficient* and destructive societies the world has ever known. Their apparent efficiency depends on exploiting the stored riches - and especially the energy - of the Earth, the peoples of other lands, and future generations in ways which cannot continue, let alone be generalised to other countries.

The situation in which money, the marketplace, and efficiency are not what they seem to be is supported by a web of mythologies perpetuated by an “educational” system which, on the one hand, inculcates the most important myths associated with them and, on the other, lauds and promotes those who are *least* able and willing to challenge and question them and develop alternatives (whilst, as part of the system, both generally claiming - and being generally thought - to do the opposite).

Although many valuable suggestions have been made for using human, biological, and physical resources less wastefully, little action has been taken. This is mainly because there is currently no effective way of ensuring that politicians and public servants initiate the collection of information which is likely to have implications for the future, sift it for good ideas, and act on it in an innovative way in the long-term public interest. The expansion of the role of government has grossly overloaded our public management structures which are inadequate to the task of stimulating and encouraging innovation. Put another way, our central problem is not an economic one. It has to do with the way we run - manage - our society. What we need to do is re-structure democracy and bureaucracy and adjust our expectations of public employees. We need better control over the three quarters of our national income which is, in some sense, spent by the government and the public service. We need better means of monitoring and controlling the so-called “private” organisations (which do so much damage to society) and especially the TNCs and the international banking, insurance, and pensions system.

Fortunately, many of the mechanisms needed to run society more effectively already exist. We have public service departments specialising in the evaluation of public provision, numerous committees to oversee the workings of public and private sector activities, and we have debates in the media. All of these need to be improved.

A central problem has to do with stimulating innovation in public provision and, in particular, legitimising and further developing our mechanisms for creating, providing, administering, and evaluating *variety* in public provision. The false belief that the market provides the only viable means of doing these things has been cultivated and strengthened by ill-founded assertions about the sources of the problems of Eastern Europe. We have also seen that most innovation, even in the so-called private sector, has in fact been initiated and introduced by the public sector. More significantly still, both the improvement in the overall quality of provision in health care, education, urban planning, and the provision, administration, and evaluation of variety in these areas has functioned - and must function - without reliance on money-based market mechanisms. Our task must be to improve these mechanisms and then generalise them to areas where nothing has worked in the past.

We have seen that one *cannot avoid* managed economies: One can only manage them better or worse. Governments manage their national economies and their relationship with the rest of the world. A government can abdicate responsibility for management, but it cannot avoid it. It will, rightly, still be seen as responsible for the quality of its management. This is one reason why governments attach so much importance to controlling the way they are presented, and why they seek to prevent others from presenting alternative views. This is why the Thatcher government took unprecedented powers to control research, information, debate, and the media.

It should be noted that - whereas Friedman and Seldon fail to acknowledge the gross defects in the operation of the marketplace they so strongly promote - we acknowledge that effective public management poses severe problems. Our view is that money and markets have become such chimeras that we can see *no* way of reforming them to make them “work”^{17.1}. On the other hand we can - along with such authors as Sampson^{17.2}, Ekins^{17.3}, Bellini^{17.4}, and Thurow^{17.5} - see ways of reforming public management to make it work better.

Far from denying the problems of public management, we are aware of even more serious defects than are Seldon and Friedman. Public sector activity often fails to deliver the desired benefits; it fails to make the required connections between different areas of policy; it does not pay sufficient attention to long-term effects or effects in areas of provision far from the centre of attention - and, most importantly, it does not pay sufficient attention to the ecological and the social. The public sector has not done enough to jettison the remnants of expensive accounting procedures derived from faith in the market economy; it is not sufficiently innovative; it does not do enough to gain control over the international forces which so much constrain what can be done within individual societies; it has not done enough to generate alternative voting mechanisms to replace market mechanisms - to diversify the political feedback mechanism; it is insufficiently responsive to public opinion and the results of surveys that are carried out.

Perhaps one of the most striking things we have noted is the frequency with which image does not conform to reality. The modern world is neither the kind of world in which Adam Smith lived or that which he hoped to create. His ideal was a world in which economic transactions took place in the context of enforceable moral and ethical codes - in which people did what was right despite what purely economic considerations indicated. It was a world of small competitive traders, of individual customers, and decentralised production. It was a world in which prices reflected the cost of land, labour, and capital, where the same accounting conventions were applied to the costing of different producers' products. The world in which he lived was one where costs externalised to the environment and the future were, if not negligible, much less than they are today. It was a world in which it was still expensive to extract energy from the soil and in which the movement of goods was therefore still costly. It was a world in which money was (with a few conspicuous exceptions) made from producing goods and services rather than from playing the stock market, a world in which most borrowed money was obtained from someone who had an alternative use for it instead of being conjured up out of thin air, a world in which there was much less information about the consequences of actions and much less capability, with the aid of computers, of managing that information. It was a world in which companies were not as wealthy as all but the largest countries and a world in which the well-being of old people was still dependent on support from their children instead of commercialised insurance.

In the modern world, the quality of life is primarily dependent on public management - on what public servants do - and not on the marketplace. Furthermore, current mechanisms for social and economic accounting fail to recognise the contribution which vast numbers of people make to the quality of life. Indeed, they tend to eliminate such activities.

We have seen that our present economic system is sustained by three great systems of myths:

1. The myths of the market place. These lead us to employ numerous people to carry out simple transactions - especially in transportation, banking, and insurance - and help us to create differentials which have the effect of inducing participation in the system.
2. The myths surrounding “defence”. These lead us to generate endless employment inventing and producing rapidly obsolescent goods and in international finance.
3. The myths of the “educational” system. This system occupies the time of countless students and lecturers, authors, printers, publishers, and bus drivers, and creates differentials which compel participation in the system.

Clearly it would be *possible* to re-direct human energies into less energy-intensive and destructive and more quality-of-life-enhancing activities, but doing so involves undermining the myths which most importantly bind society into a system.

The basis for the claim that work could be re-directed into more quality-of-life enhancing activities merits fuller discussion. In the first place, the way in which most work in modern society is organised fails to contribute directly to the quality of life of those who perform it^{17.6}. Next, the products and services which are produced do little to enhance the quality of life of those who receive them^{17.7}. This means that the money people earn does not usually enable them to purchase important life satisfactions^{17.8}. In other words, the market process - to the administration of which so much work is directed - does not - and is unable to - engage with the main determinants of life satisfaction and dissatisfaction^{17.9}. Put another way, the “wealth” produced by the market - which provides the basis for the most widely used economic indices - does little to enhance the quality of life of the community.

Stated even more baldly: Much of the work which is currently being undertaken is entirely useless from a human - as distinct from sociological or institutional - point of view. It follows that, were it not for the systems processes with which we would have to engage, it would be easy to dramatically reduce our consumption of natural resources and energy without seriously reducing our quality life.

We have seen that there would really be no difficulty finding alternative jobs for those who would become “unemployed” if we disbanded our present system. Work is required in energy-positive agriculture, in community support networks, in the provision of genuine health care and security - such as assistance in time of need (insurance), in alternative accounting systems, and in public management.

The greatest difficulties we face arise from that fact that it is almost impossible to conduct a rational discussion about the most serious issues we face because the sources of those difficulties are not the most obvious ones and the words in which the discussion has to be conducted do not stand for what they seem to stand for.

Because the referents of many of the words we use are other than what they are thought to be, developing an understanding of the persistent tendency of humankind to develop such misrepresentations of reality is - very surprisingly - one of the priorities for research if a way forward is to be found.

Because those who advance such misrepresentations tend (as in the mediaeval church) to gain positions of personal prestige and wealth, finding a way forward also involves developing ways of handling the powerful - magicians skilled in wordcraft. Although the most likely explanation of the growth of such things as market activity, the “educational” system, and media depiction of a false reality is that politicians found that all these developments reduced unemployment and increased short-term “prosperity”, the question still remains: “How were the *myths* which supported them generated?” Why have these beliefs so rarely been questioned? And why were other possibilities - such as community projects - scorned? The myths and arrangements seem to have a “life of their own” - an organism-like tendency to grow and develop without outside intervention. Answers to all of these questions are pre-requisites to the introduction of obviously desirable and entirely feasible changes in our society.

What are these desirable changes? What prevents us introducing them? And how can we overcome the problems?

The Way Forward: The New Values

Despite the continuing strength of reactionary, conservative forces in the world today, there is now surprising agreement about how society needs to change. The constellation of new ideas and goals is often referred to collectively as the “New Values”, although this term is sometimes also used to refer to their antithesis - to a new-found faith (often grounded in despair) in blind market processes.

The “New” values are actually ancient ones, remarkably similar to those espoused by American native peoples, and involve recycling, conservation, respect for, and harmony with, nature, and community care.

More specifically, the New Values involve:

- A desire to exchange goods and services in the context of personal relationships instead of an impersonal market.
- A concern with the re-design of living arrangements, particularly decentralising production and creating short journeys to work. This finds expression in a commitment to moving jobs to people instead of moving people and materials to jobs. Such developments would dramatically reduce the energy consumed (and pollution created) in transportation, and simultaneously lead to an increase in the quality of life.
- An awareness that the quality of life could be greatly enhanced by making more use of community support networks, Local Exchange Trading Systems (LETS) and skills exchanges which recognise the importance of many more types of contribution than are rewarded through the market place. This awareness sometimes encompasses a desire to replace both drugs-based health care and commercialised insurance by networks of mutual support.
- A desire to replace GNP, as the main goal and criterion of community success, by Quality of Life indices.

- A desire to have a fair, equitable, distribution of incomes and access to the other good things in life (including satisfying work and leisure) within societies. This is often associated with a particular commitment to end the inequitable exposure of the weakest members of society (and many of those who actually contribute most to it) to the greatest hazards of income discontinuity and poor standards of health care and insurance.
- A desire to end the exploitative nature of most current trade with the Third World.
- An emphasis on choosing work because it is personally satisfying and because it makes a directly-experienced positive contribution to the community rather than because it offers a good salary and career prospects. (Robertson^{17,10} has characterised this emphasis as a concern with “Own-work” ... but when one looks at the kind of work that lies at the heart of his discussion, one finds that it would be better characterised as “Commune-work”.)
- A commitment to the idea that the problems which confront society are most likely to be solved if people choose their work and voluntary activities for the personal satisfactions to be gained from beneficial human relationships, and a rejection of the idea that they are mostly to be solved through the creation of organisationally based - and especially government-promoted - arrangements.
- A desire to retrain the unemployed to undertake the myriad activities which are necessary to improve the quality of life instead of designating them as “unemployable” and treating them in degrading and de-humanising ways.
- A commitment (related to the above) to developing and utilising *all* the human resources available to society instead of assigning some people to affluent life styles and others to lives of degradation and humiliation.
- A desire to conserve and replace (partly through re-cycling) both non-renewable and renewable energy as well as minerals, food, and timber (with a particular concern with the rain forests in the latter area). . A concern to introduce much more effective measures to control pollution, to halt the destruction of habitat, and to stem the destruction of the soils, seas, and atmosphere.
- Recognition of the need to repair the damage already done to the seas, soils, waterways, and atmosphere - and especially the ozone layer.
- Recognition of the need for sustainable agriculture, forestry, and fishing. The need to reduce the use of fertilizers and pesticides is widely recognised. The need to move from energy-intensive tractors and other machines to renewable energy is less widely recognised. Still less widely recognised is the need to reduce levels of transportation of agricultural products to huge energy-intensive processing and centralised distribution plants.
- A desire to dismantle the “Defence” system - including the entire international industry that lies behind the overt military enterprise.
- An emphasis on the importance of taking personal responsibility for ensuring that one’s life style matches the planet’s needs rather than relying on institutional arrangements and the process of law.

Many of these values are captured by the term “sustainability”. We should not live in a way which the planet cannot sustain, heap burdens on our children, destroy the resources of the planet faster than we replace them, or set in train irreversible processes (such as global warming). Nor, while it may be sustainable for us, should we externalise our economic and political problems to the other side of the globe.

Other values can be subsumed in the wider notion of “Emphasising Quality of Life rather than GNP”. Such a reformulation of goals leads to a new concept of *wealth*. Wealth inheres in such things as the quality of human relations; the aesthetics and liveability of built environments; stress-free journeys to work; non-stressful working arrangements; freedom from the threat of crime or fear of arbitrary prosecution for trivial “offences”; the sense of being able to rely on being cared for in a humane way if one happens on misfortune (something which can only be effectively provided through community support networks); security to plan for the future; the absence of the discomfort which stems from an awareness of gross disparities in quality of life in one’s own community; ability to influence what happens in society or the future - to feel that one has made a difference; satisfying work - which means opportunities to exercise discretion and judgment and have a satisfying relationship with others; opportunities for leisure and the chance to use it in satisfying ways; opportunities to develop, use, and gain recognition for, one’s talents; and opportunities to contribute meaningfully to society.

Still others are captured by the notion of “seeing through economics”. Although most people are not aware of much of what has been said in earlier chapters, there is growing awareness of the absence of real economic advantages in large-scale production and distribution and an awareness of the disbenefits. There is an increasing sense that economics, by addressing itself to GNP rather than Quality of Life, does not deal with what really matters. And there is increasing recognition that the policies of the IMF do not improve the quality of life in the Third World.

Not only is there direct evidence of support for the New Values in the work of the Taylor Nelson Monitor^{17.11} and that of Yankelovitch and his collaborators^{17.12}, indirect evidence of the extent of recognition of the need for change comes from the fact that, in the last three elections in the UK, both the Conservative and Labour parties obtained the support of the lowest-ever proportions of the electorate. Other evidence of the extent of this recognition is to be found in the low-level of support for privatisation and the enterprise culture among the bulk of the population^{17.13}.

Beyond The New Values

Despite the fact that New Values are clearly a step in the right direction, what we have seen in this book is that, on their own, they are insufficient. Although the previously mentioned surveys provide some grounds for optimism, they also show, less positively, that few people realise just how serious is our predicament. Few realise how entrapped we are in what Milbrath^{17.14} has termed “dominator” thoughtways and a “dominator” society - a pervasive climate in which social and economic processes collude with scientific assumptions to ensure that power orientations dominate over an orientation to peace, co-operation, and peaceful co-existence with each other and with nature. No one is free to choose peace, but anyone can impose on all the necessity for power. A society that exploits nature quickly acquires more power than one which exploits it more slowly. Power over nature also means power over people.

We have suggested in this book that we need to completely re-design our way of life. The changes that are needed include:

- *Dramatically reducing energy consumption.* This logically means dramatically reducing the number of (indeed to all intents and purposes, getting rid of) our motor cars and all the industries associated with them - car maintenance, highway planning and construction agencies, fuel delivery systems, car insurance companies, many legal practices, and hospital accident care facilities. It means dramatically reducing the amount of centralised production and associated distributive arrangements such as multi-purpose out-of-town shopping centres, the associated transportation of workers, and the panoply of accounting systems (and all that goes with them) that are required to support them. It therefore means getting rid of most trade. It means getting rid of much of our legal, policing, and “criminal” incarceration system. Conserving energy also means abandoning our current forms of central heating and air conditioning. It therefore means abandoning our attempts to live in some of the hottest and coldest regions of the world (or, at least, dramatically changing the way we attempt to do it), not to mention outer space.
- *Dramatically reducing the consumption of non-renewable resources.* This means ceasing to consume fossil fuels and dramatically limiting our consumption of minerals including metals and sulphates.
- *Dramatically reducing the production of waste.* This includes sewerage, packaging, refuse, and books and newspapers. Reducing it means re-using (and not merely re-cycling) packaging. It means re-cycling paper and other materials. But it also means phasing out many of the industrial processes which rely on, and produce, the vast array of toxic chemicals used by modern industry. These are typically dumped at sea or buried in the ground. (In this context it is important to note that the production of many apparently “clean” electronic gadgets creates huge amounts of toxic waste which both pollute water systems and are hard to dispose of.)
- *Dismantling the “Defence” Industry* (whilst finding alternative ways of investing in the research, currently funded through the “defence” budget, which is so urgently needed to find new ways of doing things).
- *Dismantling the nuclear industry,* including nuclear electricity-generating plants.
- *Largely dismantling the banking, financial, insurance, and pension system as we know it.* This system contributes enormously to the problems faced by the Third World, the poor, and future generations, and it “requires” for its continued operation vast, useless industries and endless, useless work - which in turn make enormous demands for power, paper, and transport.
- *Disbanding most centralised manufacturing* and the marketing and distribution networks based upon it, not only because of the energy consumed, but also because it demands so many non-renewable resources and creates such enormous burdens of pollution and personal stress.
- *Radically reforming agriculture, forestry, and fishing* into sustainable, energy-positive industries which neither over-exploit and erode the soils nor generate intense pollution of the soils, the waterways, and the seas.
- *Developing and introducing social-science based Quality of Life Indicators* in place of GNP, and initiating the mechanisms that are needed to collect, sift, and take action on the basis of, the information so generated.
- *Introducing much better arrangements to evaluate policy and take action:* To assess the effects and effectiveness of activities undertaken in all areas, to develop a better understanding

of the issues involved, to sift this information for good ideas, and to take action on incomplete and tentative information in an innovative way in the long-term public interest.

- *Introducing information-based “pricing” of options* based on calculations of the human and natural resources consumed or destroyed in producing (or replacing) them.
- *Introducing community support networks* in place of drugs-based health care, commercial insurance, and pensions.
- *Introducing mechanisms of exchange* based on explicit information in place of market transactions.
- *Introducing information-based management of world economic processes* (but not “world government”).

In summary, introducing a sustainable way of life means largely abandoning the great engines of our economy - engines which provide employment and give meaning and purpose to most people’s lives - and finding new ways of organising things and giving new meaning to people’s lives. Only drastic measures will lead to improvement in the quality of life, both for ourselves and for other species.

The most important developments that are required are alternative societal management arrangements which will result in much more innovative information-based action being taken to enhance the common good; arrangements which will bring the dominator society to an end.

Giving Effect to the New Values

If there is so much agreement about where we need to get to, what stops us introducing the desired changes and what steps do we need to take in order to do so?

We have seen that there are no grounds for the belief that the invisible hand of the market will somehow help us to deal with these problems. We have seen that we cannot rely on our existing public management arrangements to get us there. But we have also seen that there are a whole series of entirely unsuspected systems processes which prevent progress. These range from the Machiavellian activities of our “leaders” and those who stand behind them, through the kind of feedback which leads politicians to engage in certain sorts of activity in order to secure re-election and the determination of behaviour by some rather remarkable myths and mystifying processes, to the kind of process hypothesised by Robb^{17.15}. All of these call for non-obvious kinds of intervention, the effectiveness of each of which will depend on the adequacy of the understanding on which they are based.

There are other difficulties. Even if the nature of the problems we face and the steps needed to deal with them were apparent, we have no clear image of what a sustainable society would look like, no clear understanding of the arrangements that are needed to run any society in such a way as to translate human values into effect, and still less understanding of the steps that are required to transform the kind of society we have into that which would be needed.

Worse, the available evidence suggests that there is much less public support for the kind of activities which the material reviewed in this book shows to be at least relevant than there is for

the values that are to be enacted. While the work of the Taylor Nelson Monitor^{17.16} shows that the inhabitants of Britain, Holland, Norway, and Austria are much more likely than those of other nations to endorse the “new values”, that work and the work of the Aspen Institute^{17.17} also shows that the route which at least the British and the Americans espouse in seeking to translate those values into effect is highly individualistic. Those who endorse the new values tend to seek personally satisfying, creative, autonomous work in which they can express themselves. They reject bureaucratically organised work. They reject authority (because authority interferes with autonomy). They pursue occupations (including scientific and entrepreneurial careers) for excitement and adventure, for personal satisfaction, or because of the benefits it confers on society. They want to do what is right rather than what will buy advancement in their organisations. They devote themselves to single-issue rather than party politics. They see the solution to global problems (if indeed they think in terms of a solution at all - for many of them think only of their own behaviour and not a system) in what may be thought of as the typically British way canonised by Adam Smith: as arising out of the cumulation of individually responsible decisions and actions rather than through systematic, organised, action to influence systems processes.

In our own work^{17.18} we have documented some other problems. While a much higher percentage of the population of the UK than of Japan or the US endorses the New Values, far fewer in the UK are anxious to seek out new information and sift it for good ideas, far fewer are interested in understanding and influencing the workings of social systems, far fewer are interested in thinking about the talents of subordinates and how to place and develop them, far fewer are interested in developing better ways of thinking about things, and far fewer are interested in finding new ways to do things or new things to do.

Given what we have seen about the steps needed to give effect to the New Values, these findings help to explain the plight in which Britain finds itself. They indicate why it has been so difficult for the Third Party in the UK to become a significant force in politics. While many people would indeed like to see the introduction of a very different kind of society, they want it to emerge from a cumulation of personal, value-based action, not from organised action to change society. Few want to do the things it would be necessary to do to work out how to introduce and run a sustainable society. Few even think it is important to support those who would wish to do so.

At this point it is important to say something about interpretations which are often placed on the failure of individuals or society to enact the New Values.

At an individual level, failure to act in accordance with espoused values does not necessarily mean that those concerned do not “really” believe in these values. Actual behaviour is not only determined by values. It is also influenced by outside pressures and other considerations. For example, the personal costs of doing without one’s car in a car-based society are often enormous. To translate what one “really” feels about cars into effect would require system-wide change - but the problems facing those who seek to introduce such systems changes in the context we have documented are enormous. Likewise, failure to re-cycle one’s aluminium beer cans - despite the importance one attaches to recycling - may be an entirely logical decision: Even the pollution caused by the energy consumed in taking beer cans to collection points, thence to re-cycling

plants, and then reprocessing them exceeds the pollution caused by smelting more aluminium. Thus, failure to recycle beer cans does not mean that one would not support necessary developments introduced as part of a system on a communal basis.

These examples illustrate one of the most important dilemmas facing many of those who endorse the New Values: Individualistic action is futile, but what is really needed - the initiation of collective action - is frustrating and difficult and thus is in conflict with other New Values, such as the desire for a less frustrating life style. As Lane and ourselves have shown, initiating effective communal, civic, action is widely recognised as involving the most difficult and thankless of activities - such as thinking about how systems processes work and how to intervene in them, setting up politicians and business managers to get them to act in the public interest, and getting people to work together effectively for the long-term good of society.

It is the paralysis created by precisely this conflict that has allowed the remnants of right-wing economics to flourish: In the kind of conditions described, there is no articulated and viable alternative (or even realistic opposition) to right-wing views. People cannot vote for something they do not know how to do. In practice, those they might have voted for did not even get as far as saying that, precisely because they did not know how to do it, one of their priorities would be to set up the arrangements needed to find out how to do it. They even allowed the issues to be discussed to be hijacked by the Right “because there is no point in arguing with them” and because it would be seen as inappropriate and pointless - not to mention too demanding - to develop and articulate an alternative from which a new agenda for debate could be derived.

We will review in a later chapter the main suggestions which others have made for dealing with the problems highlighted in the section on “*Beyond the New Values*”. These fall into two main groups. One is for a return to some kind of harmony with nature; the other involves calling on governments to enact a myriad of disconnected environmentalist proposals. As far as we are concerned, the former fails to come to terms with the urgency of the situation and the “developments” which have taken place in society. The latter fails to attach sufficient importance to systems analysis and to recognise that governments are more inclined to act in the interests of the powerful than the general public.

The stance taken in this book is that the key development is to recognise that we already live in a managed economy and that many of the mechanisms we need to manage it more effectively are already in place. The need is to find ways of getting people, especially public servants, to collect, sift, and act on information in an innovative way in the long-term public interest.

The remainder of this book is devoted to spelling out what this involves.

It means creating a pervasive climate of innovation in which everyone attempts to do what they are doing in new ways and sets aside part of the day to work in a network arrangement concerned with innovation. It means giving a high priority to the establishment of policy evaluation and development units and to running them in such a way that they will collect and disseminate more forward-looking information. To have more effective information-based management we need better information on: What is happening in the environment; the quality of life and what

contributes to it; the interconnections between seemingly independent processes; the long-term consequences of alternatives; and the effectiveness of the various agencies which are charged with managing society in the public interest.

More importantly, we need a better understanding of *systems*. We need the kind of information which will help us to ensure that actions taken in one part of the system will not be neutralised by the reactions of other parts of the system. We need means of debating the implications of the information and giving teeth to the decisions that are taken. It is argued that the achievement of these goals has primarily to do with exposing more of the workings of the public service to the public gaze. This in turn involves the evolution of professionally developed tools to assess the workings of organisations on the one hand and the structures required to publicise what is going happening on the other.

To create a ferment of innovation in the public interest we need to develop new expectations of public servants, a structure which will promote innovation and evaluated experimentation, and a new staff appraisal system which will reward them for acting in an innovative way in the long-term public interest instead of in the short-term interest of politicians who need to be re-elected.

Though the central need is for fundamental change in our societal management arrangements, it is necessary to be clear that, in using the word “management”, we do *not* mean to identify ourselves with concepts of management which are widely embraced but which are not, and never were, appropriate to the management of viable enterprises. Management is *not* about making centralised decisions for individuals and issuing orders and instructions. It is about creating situations in which people’s *own* problem-solving behaviour leads them forward. The way forward lies in a changed understanding of what is meant by the terms “planning” and “management”: Both refer to the creation of vision, the release of adventurous activity, and the release of the ability to monitor, observe, and learn. These are no arm-chair prescriptions: The enactment of such concepts is exactly what distinguishes more from less effective management within individual enterprises.

Given the fact that ours is a highly managed economy (and society), we are unavoidably faced with Adam Smith’s and Fred Hayek’s “wise men” problem. We have seen that their solution does not, and cannot, work. Yet the question remains: How are we to ensure that decisions *are* wise - i.e. that they do not overlook crucial consequences, implications, and considerations? How are we to ensure that the effectiveness of what we are doing is continuously monitored and that decisions are changed as the effects of actions become clear? How are we to give effect to wise decisions? Or, as Bertrand Russell put it after he had noted that change is inevitable while progress is problematic, how are we to ensure that change means progress? The problem is how to achieve a *desirable* world, a desirable future, a sustainable future, indeed *any* future, for *Homo Sapiens*.

Notes

- 17.1 We *can* see ways of further reforming money to yield a set of ticket systems which work within very much more delimited areas of the economy, but this is a more radical re-formulation than has been envisaged by any of those who advocate reform of money and market processes.
- 17.2 Sampson, 1989
- 17.3 Ekins, 1986
- 17.4 Bellini, 1980
- 17.5 Thurow, 1983
- 17.6 See especially, Lane, 1979, 1986.
- 17.7 See especially, Lane, 1979, 1986.
- 17.8 If further evidence on this point is required see Easterlin (1973).
- 17.9 See especially, Lane, 1979, 1986.
- 17.10 Robertson, 1985
- 17.11 Taylor Nelson Monitor, see Large, 1986.
- 17.12 Yankelovitch et al., 1983a&b
- 17.13 e.g. see Jowell and Topf, 1988.
- 17.14 Milbrath, 1989
- 17.15 Robb, 1989, 1991
- 17.16 Taylor Nelson Monitor, see Large, 1986.
- 17.17 Yankelovitch et al., 1983a&b
- 17.18 Graham and Raven, 1987

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CHAPTER 18

Alternative Scenarios for the Way Forward

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.199-212). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

The subsequent chapters of this book describe a number of developments, the importance of which we initially became aware from our research into the management of the educational system, but which seem to be necessary if we are to create a sustainable society.

In part to indicate how necessary it is to develop an entirely new perspective and in part to enable us to learn from, and build upon, them the present chapter will briefly summarise alternative suggestions for a way forward.

Buddhism/Restriction of Desires

It has been widely argued, perhaps most coherently by Bahro^{18.1}, that we are most likely to find a way forward by adopting the tenets of Buddhism and learning to limit and control our desires. In theory, this has great appeal. But it is difficult to see many people choosing it. Perhaps more importantly, it is difficult to see how Buddhism could cope with the problem Milbrath^{18.2} so clearly highlights - the way dominators always win in the short-term. Finding a way forward through Buddhism also involves a fundamental internal contradiction: Pursuit of an otherworldly way of life by some depends on others doing the worldly things that are required for survival of the flesh. In Buddhism itself this contradiction is resolved by a neat device which decrees that those who labour to support life will, at precisely the right time, see the light and give up their worldly concerns. As a result, all will arrive at nirvana together. This hardly seems a recipe for survival of the species, although it may well help to extend the life of Gaia.

Return to a Celtic, American Indian, or Similar Way of Life

Like those who argue that 'we need to restrict our desires and embrace Buddhism', advocates of a return to certain types of 'primitive' (or - less perjoratively - 'vernacular') society - who include Sale^{18.3} and Goldsmith^{18.4} - have a great deal of importance to say. Many of the cultures described have much to teach us. The so-called 'New Values' discussed earlier have much in common with ancient Navajo values: recycling, conservation, returning the things we use to nature, rights to the use of land rather than ownership, responsibility for husbanding water, soil, plants, and animals, and

living in harmony with nature. Many of the unscientific beliefs of these societies like 'life comes from death' and 'since all comes from nature it is to nature that all must be returned' - have much to commend them in ecological terms.

The problem with looking to these other cultures as models for the future is that, to develop, from our present situation, societies which have much in common with the more sustainable of these vernacular societies, we would have to understand their life philosophies and functioning and take deliberate ('scientific') steps to adopt them. The difficulty is that, in the process of trying to understand - i.e. cast the ideas of these societies in a Western framework - we are almost certain to corrupt and destroy them. Our ends are not their ends. We will misuse what we learn. The outcome will be distortion and destruction.

The problems involved in moving toward anything which connects with a vernacular society run deep. Goldsmith has brought together a number of anthropological studies illustrating the ways in which vernacular societies are held together by myths which have the effect of regulating the depletion of resources, population growth, and so on. McClelland^{18.5}, following Weber, has shown how the myths of Calvinism promoted economic development. For example the belief in predestination - which asserted that one could not influence where one was going to end up, but allowed that, since God favoured his elect in this world as well as in the next, one could find out - led to hard work and austere living and thus, perversely, to the wealth it would have been such a sin to strive for. Likewise we have in this book seen how our own society is held together by the myths used to justify education, defence, the marketplace, and finance - all of which generate devil's work for otherwise idle hands and give meaning to people's lives.

What this indicates is that, if we are to create a sustainable society, we will need to study and, somewhat paradoxically, decide to employ such myths. Yet it is not easy to see how we can rationally move ourselves from being a society governed by modern myths back to being a society governed by the kind of myths which were appropriate to vernacular society. If myths are knowingly crafted and adopted, must they, in a sense, cease to be myths? And yet ... and yet ... at the back of one's mind there is always the question of whether the myths of vernacular societies were knowingly created because they had the effect of inducing people to conform to what shrewd observation had shown to be laws of nature. Or did they just evolve in the way in which it is possible some of the myths of modern society (such as those governing education, privatisation, the marketplace) have evolved?

Beyond these philosophical problems there is the fundamental difficulty that the most successful and sustainable of these ways of life have actually been destroyed by exploitative, dominator, societies. Faith in the step-wise re-creation of vernacular societies therefore hardly seems realistic. They would soon be destroyed by a dominator society, a dominator-generated nuclear winter, or dominator-generated pollution. Unless, that is, ways can be found to control the dominators themselves. As we shall see, this has to be one of our central concerns.

Small is Beautiful / The Future in Our Hands

Despite their worldwide acclaim, the 'Small is Beautiful' and 'think globally, act locally' movements of Schumacher^{18.6} and Dammann^{18.7} also seem unrealistic. It is simply illogical to think that we can take control of our destinies so easily. We cannot, for example, create a network of small, sustainable, communities offering high quality of life in Edinburgh or Oslo. Such societies would be destroyed by an army of tax collectors demanding - as they do of subsistence farmers - tribute to support dominators, or by the arrival of an externally-generated nuclear winter, global warming, or pollution. And if, despite all odds, some such communities were, to some extent, successful, they would be quickly destroyed by their own success as immigrants in search of a better life flocked to them. To move forward, one must act in a coordinated fashion, not just locally, but also nationally and internationally. One must intervene in America, China, Japan, India, and Africa.

Once again it is important not to disparage the work of these authors (and apologies must be made for having moved so quickly here) for we have much to learn from them and from attempts to implement their ideas. But we believe that they do not, any more than Bahro's or Goldsmith's writing, actually reveal The Way.

A Phoenix from the Ashes

The fatalistic / optimistic view that, although no one knows how, something worthwhile will arise from the ashes of our 'civilisation' is widely held and has been publicly endorsed by such authors as Robertson and Dauncy^{18.8}. It seems to us that this position is untenable, even irresponsible. Not only does it not sufficiently emphasise the all-pervading devastation which would be caused by such things as global warming or a nuclear winter, it creates a false sense of security by dulling the senses to the evidence that the global warming and probability of nuclear winter trajectories are exponential and virtually unstoppable once they have passed critical points. In fact, these points of no return are, in all probability at levels which appear harmless - and have quite possibly already been passed. Concerted action is urgently required. We cannot afford to sit around - still less continue our frenetic destructive activities - and hope.

Ecological Anarchism

Goldsmith and 'P.M.'^{18.9} have, in very different ways, suggested that The Way is to be found by creating a kind of ecological anarchism (although neither actually uses this phrase).

Goldsmith underlines the importance of attending to our feelings in order to discover whether our actions are in harmony with Gala. Emphasis on this kind of personal responsibility for acting in harmony with God's purposes has a long history not only in organised religion but also in such diverse fields as anarchist philosophy and Jungian psychoanalysis. Goldsmith, like many writers in the areas just mentioned, underlines that the process is not so individualistic as might appear because the

reactions of other people and the environment exert a marked effect on an individual, just as the wider cellular 'environment' controls what chromosomes can do. Thus, if individual actions are not in accord with the needs of Gaia, they will be met by reactions which will constrain, even eliminate, the individual.

It is important to note that Goldsmith is not putting this view forward as an ideal. What he demonstrates in his book - which has revolutionary implications - is that the analytic/reductionist image of science, the individualistic image of society, and the rape of the planet are part of the same destructive complex of thoughtways. If we are to survive as a species, we have no option but to change our focus and pay more attention to contexts. Otherwise the context (Gaia) - that we so persistently choose to ignore - will eliminate us.

There is no doubt that we have become increasingly distanced from our feelings. Morgan^{18,10} brings together the writings of a number of authors who have suggested that modern organisations function in such a way as to distance us from awareness of the consequences of our actions. We would not maim and destroy the peoples of other countries as we do through our trade and 'defence' systems if we could personally see and feel the effects of our actions. Many of the processes and devices of modern society lead us to ignore our feelings. City life and modern agricultural production systems distance us from contact with nature. Our use of contraceptives distances us from an awareness of bodily rhythms. Everything is increasingly distant. We are alienated both from ourselves and our environment.

But is it sufficient to rely on our feelings? How are we to study the context other than with the aid of some variant of our reductionist scientific methodology? How are we to study the systems processes which govern our actions other than by using our traditional science? How are we to intervene in the system of myths which governs our society except by developing a theoretically-based understanding of invisible processes and mounting evaluated experiments?

But actually, the idea of 'Working with Gaia' may have more to commend it than at first sight appears - for it leads us to change our image of science. Goldsmith demonstrates the vacuousness of many scientific 'explanations' because they do not take account of the way in which a whole organises and replenishes its parts and succeeds in surviving long after each of the parts has been replaced. This underscores the need to provide explanations in terms of purposes, rather than in terms of the origins of processes. At the same time it illustrates the poverty of much current thinking about social processes and thus provides a basis for alternative ways of thought. More specifically, it underlines the neglect of the teleological components of evolution ... and the tendency of traditional scientists to ignore the evidence for them and thus render them invisible - because they do not fit into their thoughtways. The tendency to perceive science as being concerned with hard objects and to develop theories based on 'hard' elements is quintessentially human. Typically, only mankind and geological forces create things out of the inanimate, the inorganic. Nature mostly conjures up 'hard' things out of thin air. The trees, the plants, the animals are mostly composed of carbon, oxygen, and hydrogen which the plants extract from the air - not the soil - and transform into hard material with the aid of sunlight. Only humankind,

with the aid of vast quantities of stored energy, quarries stone and mines minerals from the bowels of the earth and chisels, smelts, and beats them into shape. Most engineering and science has been concerned with forcing stone, minerals, wood, plants, and animals to comply with the wishes of humankind. To work with nature we would need to focus on and understand organisational processes. Science would need to see itself as dealing with principles of organisation instead of with seeking to understand and describe the supposedly 'hard' 'building blocks' of which substances are currently said to be composed. It is the organisation which plants impose on the carbon, hydrogen, and oxygen they extract from the air which transforms their character. Much of what scientists regard as hard is purely Organisational. What distinguishes one animal or plant from another is not the substances of which they are composed, but the way those substances are organised. The blueprints which determine these differences in organisation - the genes and the cells in which they are embedded - are not, as current science would have us believe - hard and enduring. They are said to be 'laid down at birth'. But what is actually transmitted is a tendency toward a particular pattern of organisation. In due course, our genes revert to carbon dioxide and water, with only the slightest trace of minerals.

In this book we have repeatedly seen that principles of natural organisation - hidden systems processes - regularly over-ride humankind's attempts to impose a concrete, human, order. We have seen that, if we do not quickly learn to work with them rather than against them, these natural organisational forces will eliminate humankind.

We need to reconstruct our image of science to move it away from the notion that it deals with the (hard) building blocks of nature and toward the idea that it deals mainly with organisational arrangements and principles of organisation. That done, it would be immediately obvious that much of what we have been concerned with in this book merits description as 'scientific'. This would legitimize the release of funds to explore the 'soft' issues with which we have been concerned. And it might help to ensure that we do not, as Faust feared, only dig ourselves more quickly into our graves by attempting to solve our problems through the application of (hard) science.

'P.M.'s blueprint of an anarchist society published as Bolo'Bolo, is of a very different character. Having more quickly than we identified work - actually the devil's non-work - as the central evil of modern society, P.M. moves on to describe a network of anarcho-syndacalistic organisations which would make it possible to substitute a meaningful network of communities, activities, and community- network-based health care activities for industrialist-society toil. It is the most complete blueprint of the kind of society which needs to be introduced, why, and how we are to get there, that we have read. It outlines a wide variety of individual actions which, executed in a semi-coordinated way, at least offer the possibility of introducing the desired transformation in society. The recommendations are much more coherent and systems-oriented than most of those made by participants in the Green movement.

However, two major problems remain. The first is how to orchestrate the necessarily universal and co-ordinated activity without provoking devastating reactions from those with vested interests in maintaining our present society and in such a way as to avoid neutralisation by the systems processes which operate to

maintain the status quo. The second is to elicit sufficient self-motivated participation in the network of activities required to develop an alternative. Serious though both these problems are for our own perspective, they seem to pose more serious problems for P.M. because he (she?) relies very little on research conducted by organisational psychologists and does not envisage a major role for organisational psychologists or the procedures of organisational psychology in running the kind of society that is envisaged. The book's thinking and recommendations are either much more directly rooted in, or at least parallel, the thinking of anarchist philosophers. The result is that, while P.M.'s injunction to accept personal responsibility for one's actions and establish network-based working arrangements corresponds to our own recommendations, P.M. outlines no arrangements to allocate responsibility for public action. Nor does he (or she) outline the nature of any feedback and learning system of the kind that seems to us to be so essential. Our blueprint is not a blueprint of how a society should or could work, still less of the particular policies which should be introduced, it is a blueprint of how to find out how society should work, how to discover what the policies should be, and how to ensure that innovative, self-correcting action is initiated on the basis of available information.

Goldsmith's and P.M.'s works forcefully raise a dilemma of which I first became aware when I was sent a copy of an article by Binswanger^{18.11}. Recalling Faust, Binswanger suggested that the more we attempt to solve our problems through the application of science, the more we find ourselves doing the devil's work and dig ourselves deeper and deeper into a hole. But I could see no alternative but to pursue a scientific approach. To my mind, Goldsmith offers the only solution. This involves re-focusing the attention of scientists and other members of society on the context - and especially the context of action. This is particularly appealing because, retrospectively, it is clear that I have, in my own work, come to pay more and more attention to the (sociological) context than the psychology of the individual. Nevertheless I have a sneaking suspicion that, to Binswanger, those who understand the Faustian legend, P.M., and even to my son, I am still doing the kind of science that amounts to the devil's work. Put another way, I am not sure whether Goldsmith would feel that my work was serving Gaia's (God's) purposes, and fear that he might well view it as heterotelic to - i.e. out of kilter with - Gaia.

A Council for Long Range Societal Guidance

Uniquely similar in its orientation to our own among the works we have studied is that of Milbrath. His *Envisioning a Sustainable Society: Learning Our Way* highlights many of the environmental issues discussed in Chapter 2. What it does not do is discuss the defects of our economic and public management systems that have been highlighted. Milbrath's focus on the question of how to establish a learning society and its interlinkage with values coincides exactly with our own.

From our point of view, his critique of existing governmental and management arrangement is sufficiently trenchant and his advocacy of a Council for Long-Range Societal Guidance is altogether too weak. He fails to recognise the problem of

government overload, government dis-interest in the survival of the public, and the role of the public service. He does not sufficiently recognise the need for pervasive innovation in every nook and cranny of society and hence for experimentation, comprehensive evaluation, and new kinds of research.

As a result, while Milbrath, out of all the authors we have reviewed, alone grapples with what we agree to be the most important issues, he has, in our opinion, not engaged sufficiently with the task of providing an alternative answer to the central problem Smith and Hayek sought to address in advocating market mechanisms. This was how to coordinate widely dispersed and mutually interacting bits of information and empower it in such a way that it could stimulate organic growth and development.

Skills Exchanges and Local Currencies

The New Economics Foundation (NEF), especially through the conferences it organised under the rubric of The Other Economic Summit (TOES) (many of the papers from which were brought together and edited by Ekins^{18.12}), has performed a great service by exposing some of the inadequacies and iniquities of traditional economics. Much of what was said earlier in this book stems directly from NEF's work.

When it comes to proposing ways forward, however, NEF authors have been less successful. On the one hand, they have not been short of good ideas – ranging from the construction of wind-powered electricity generating plants in India to the introduction of energy taxes and local currencies everywhere. Their problem has been to get these ideas implemented. As Ekins (more or less) put it, 'there is no shortage of good ideas if only our leaders would listen'. This book is, in a sense, an attempt to address that problem. It aims to shift the focus from a discussion of the need for a new economics to a focus on the need for a new political-economics.

The most thoroughgoing of their suggestions have been those originating with Kennedy (on solid money), Turnbull (on democratising ownership), and suggestions for building on Local Exchange Trading Systems (LETS) (including within that concept the development and use of local currencies like Green Dollars). Douglas^{18.13}, Robertson^{18.14}, and BIRG^{18.15} have forcefully argued the case for a guaranteed basic income.

Local currencies themselves have a long history of re-invention, outstanding success (in terms of traditional economic development), and destruction by the banks. They can be traced back to Owen in the 1830s in the UK, and then onward through the use of a local currency by the town of Worgl in Austria a century later, to the Green Dollars of modern British Columbia^{18.16}. More recently Robertson^{18.17} has presented them as a hierarchy for European use. However, much of the information, and many of the ideas, now being disseminated by NEF were anticipated by Douglas^{18.18} early this century.

Local Currencies and LETS schemes have much to commend them as means of preventing banks diverting money from poor to rich communities and by way of enabling communities to gain greater control over their own destinies. Despite their

merits, as Bookchin^{18,19} noted, they hardly at all come to terms with the problems which were highlighted earlier or help us to understand what a complete sustainable 'economy' would look like.

An example illustrates some of the problems. While there is no doubt that the practicalities involved in making skills exchanges work will make us think about the steps needed to demonetarise the economy, they hardly at all jolt us into thinking about how the vast sectors of the economy which have been socialised - and are thus outside any effective market control - could be run more effectively.

To illustrate what is meant by this, let us consider the care of elderly people. Professionalisation of such care through social welfare and health care agencies is extremely expensive and fails to address some of the most fundamental issues - such as the need for companionship on the one hand and the need to have a meaning and purpose in life on the other. Mutual support networks have three great advantages. They lead to:

- (i) Higher quality of life for those who are being cared for because the carers attend to the important, rather than the only superficially relevant, determinants of quality of life (note the connection with our earlier observation that economic indices, and market processes generally, fail to engage with the really important determinants of quality of life);
- (ii) More satisfying work (ownwork) for the carers, who are able to obtain the satisfactions which come from providing a service which is appreciated by the client and not merely those they can purchase using the money they would be paid for the job, and
- (iii) Cost less.

In all these ways mutual support networks overcome some of the limitations of services provided through market processes. But what would happen if one tried to formalise the exchange of these services and benefits in a skills exchange system?

So long as one looks at a network of only two, three - or perhaps half a dozen-people, one could conceive of a way of keeping track of such things as the emotional costs and benefits of a network of interactions. But it is hard to believe that, if this network of mutual services were incorporated into a system of recording exchanges in a whole community, the tracking system would not as again fail to take account of the key gains which are achieved by a mutual-support system.

The pursuit of LETS schemes as a way forward has another important limitation. We have seen that our monetary system is really irrelevant to the operation of the vast sectors of the economy which have necessarily been socialised. It is difficult to see how the proliferation of LETS schemes would lead to this realisation or help us to tackle the problems which this development poses. It would seem that a way forward is more likely to be found if we try to find ways of embedding health care, insurance, education, and so on in the community without linking them to LETS schemes. Likewise, it is extremely difficult to see how choice between dramatically different types of educational programme, health care arrangements (including, for example,

the re-design of living and working arrangements), or mutual support can be facilitated by any form of token system. Such developments are much more likely to stem from improved arrangements for information-based decision taking and the creation of choice between options the personal and environmental costs and benefits of each of which are known but not tokenised.

Having used the development of LETS schemes as a basis on which to introduce the idea of demonetarising the economy, we may now highlight some of the problems posed by any kind of ticket or token system which purports to facilitate the expression of individual priorities and preferences. In the first place, discretionary spending and market processes have very little influence on the main quality-of-life-enhancing activities of modern society - the execution of R&D, the production of healthy foodstuffs by sustainable agriculture, the introduction of means whereby people can influence what happens in society, people's ability to develop and utilise their talents, the quality of the urban environment, freedom from crime, and so on. Provision in all of these areas has been virtually withdrawn from the market and so does not have to be funded from taxation. Where there is a need to be able to exercise discretionary spending, it could be handled by pocket money or tokens.

But, even in this, seemingly non-problematical, area, the range of decisions which can legitimately be left to personal choice is much less than may be imagined. Should one be able to choose between spending one's tokens on a car or a good meal? Or even between different types of car? As we have seen, the market price of a car (a) depends on a host of government interventions (R&D, robots, marketing practices) and (b) fails to reflect many of its most important costs (pollutants produced in manufacture and use, the costs of treating those injured in accidents, etc.). The same applies to food production. It follows that the whole notion that the appropriate mechanism to enable people to exercise choice and thus influence the direction of development through some kind of token system is off-beam. Much more careful decision-taking, based on explicit consideration of a much wider range of issues, is required.

More specific problems with skills exchanges and local currencies include: How is the time of a doctor to be set against the time of a someone looking after children or a Parkinson's patient? How is a doctor's time to be set against that of a decorator, artist, or someone who 'merely' soothes frayed tempers?

Behind such problems lie fundamental questions concerning the relative value of, and relationships between, different types of work. These include:

1. Unpaid work ... often on behalf of family, relatives, or community, but including work not categorised as work - such as relieving family tension;
2. Paid work - employment.

Considering the huge amount Of unnecessary - even destructive - but (often highly) paid work in our society and comparing it with the contributions of many people who get scant reward for their efforts leads one to question the legitimacy of the idea that paid work represents the only entitlement to an income - i.e. the only entitlement to

opportunities to share in the good things of society.

The link between paid work and money first takes one back into the discussion of the role of money in modern society which was presented in previous chapters. What kind of work enables people to (i) create the kind of money society requires for its operation, (ii) accumulate a store of money which will give one an entitlement to purchase, or share in, wealth, and (iii) enhance one's own quality of life or contribute to the enhancement of the quality of life of others?

As one considers such questions the links to be established between different kinds of work and reward become highly problematical. If those promoting LETS schemes are to justify many of their hopes for them they will need to consider such issues and show how their schemes engage with them.

The question of how citizenship activity is to be encouraged and recognised - even in skills-exchanges - merits serious attention. Paying for such work without extending payment to all sorts of vital, but currently unpaid, work would further trivialise and marginalise some of the most important and most satisfying types of work in our society such as caring for children, the sick, and the elderly and contributing to community life. Yet not recognising the importance and value of such work is one of the fundamental problems of the monetary economy. Recognising them means the establishment and maintenance of a huge apparatus to keep track of exchanges.

It is worth reiterating that the transaction costs - i.e. the time required to weigh up the costs and benefits of each and every action taken during the day and to express the result as a price indicating 'what's it worth to me' - of any kind of market based mechanism for orchestrating the contributions made (and to be made) to an organisation or society are enormous. So, too, are the costs of monitoring and enforcing the 'deals' which have been struck.

In sum: while local currencies have proved themselves of value from the point of view of orchestrating local, economic development and stemming the drain of finance, people, and resources to distal communities, they offer no panacea.

Beyond LETS lie proposals for guaranteed incomes - perhaps going well beyond guaranteed basic incomes.

The most thoroughgoing rationale for a high, guaranteed, basic income was provided by Douglas who noted that: (1) One cannot tell where innovation is going to come from or which activities are going to turn out to be most useful; (2) The basis of most important innovations came from the activities of those who had the security and the time to find new ways of thinking about things and try out new ways of doing them - and that, if we want innovation, we will need to provide people with more security; (3) Most of the work and the innovations on which the prosperity of modern society is dependent came from the labours of untold millions of people in the past (and as many in the present) who got (or get) no special reward for their efforts, and not from the few 'innovators' who know how to work the institutional machinery - and especially the patents and legal machinery - of modern society to secure disproportionate reward; (4) The activities of many of the most highly paid people in modern society are much more destructive of the social fabric and the future than the free riders who incur so much opprobrium; (5) By applying what we know about the

origins of money and the (unrelated) causes of inflation it would be possible to inject the cash necessary to offer a high basic income into the system without causing inflation.

Conclusion

While there are important things to be learned from each of the suggestions for ways forward that have been examined in this chapter, none come to terms with many of the problems highlighted in this book. A radical new perspective is, indeed, required.

Notes

- 18.1 Bahro, 1986
- 18.2 Milbrath, 1989
- 18.3 Sale, 1991
- 18.4 Goldsmith, 1992
- 18.5 McClelland, 1961
- 18.6 Schumacher, 1974. See also McRobie, 1982. Despite worldwide endorsement, the writings of some authors (for example Janicke, 1990), seem to amount to little more than grasping at a straw for the lack of any articulate alternative.
- 18.7 Dammann, 1979, 1984
- 18.8 Robertson, 1985; Dauncey, 1988
- 18.9 P.M., 1985
- 18.10 Morgan, 1986
- 18.11 Binswanger, Faber and Manstetten, 1990
- 18.12 Ekins, 1986
- 18.13 Douglas, 1935/78b
- 18.14 Robertson, 1985
- 18.15 Basic Income Research Group
- 18.16 See especially, Chapter 8 of Ekins (1986).
- 18.17 Robertson, 1985
- 18.18 Douglas, 1935/78b. Douglas knew all about the nebulous nature of money, control of the financial system by international bankers, the generation and dissemination of mis-information by that community in order to manipulate both public and governments, the lack of connection between money wealth, and quality of life, and the possibilities of intervening in the system without generating inflation by injecting newly created money in an appropriate way and/or moving toward systems of exchange explicitly based on tickets instead of a system misleadingly presented as 'money'. He developed a more fundamental argument to legitimise a high, guaranteed, basic income than any put forward by modern authors. The emphasis in his writing does, however, differ from them in that the seriousness of the environmental problems which the energy-consumptive machine age has generated were not then apparent. As a result, he is much more inclined to advocate wider use of machines. Likewise, there is more unquestioned acceptance of the importance of eliminating work (or acceptance that work is a curse) and a failure to acknowledge the contribution that working life makes to quality of life.
- 18.19 Bookchin, 1992

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.224-244).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 19

Running Modern Society Effectively: An Overview

We have seen that our society faces enormous problems. We have seen that most proposed solutions to these problems recognise neither how serious they are, their deeper origins in the way society is organised, nor their interconnectedness. It follows that most people do not recognise how extensive are the changes that are actually required if our society - or even the planet in its present form - is to survive.

We have also seen that, contrary to popular belief, we live in a managed economy and that this managed economy has come into being at least in part for the best of reasons. We have seen that our public service is not vigorously tackling the most important problems that confront us, that it has persistently failed to orchestrate communal action in the public interest, and that it has neglected the hidden forces which prevent the vast areas of the economy that are already within the public domain functioning very effectively. These shortcomings have many causes, but they lead to a lack of appreciation of the need to invest heavily in fundamental research to identify the deep-seated connections which result in the causes of problems being far removed from their symptoms, to understand the processes through which the way things are done comes to be supported by a network of mythologies, and to develop the tools and administrative arrangements which are actually required to run public provision effectively.

We have seen that the market mechanism - which was justified as a means of handling and coordinating diffuse, incomplete, interdependent, and contradictory information - has failed to provide, and cannot possibly provide, effective societal management. The attempt to reduce mis-management of the economy by privatisation is utterly misguided. By privatising, we are not turning the management of our society over to some benign invisible hand, but to the managers of our gigantic, managed, Transnational Corporations. It is not a question of whether we will live in a managed economy or not. The questions are: "Who is going to do the managing?" and "In whose interests will society be managed?"

Finally, we have seen that those proposed solutions to our problems which do acknowledge their seriousness are unlikely to have much effect because they do not recognise their depth and ramifications. They do not, in particular, recognise the extent to which our problems are embedded in a system which reacts in ways which cancel the effects of piecemeal interventions. It is these *systems* processes which it is most important to influence. It is

ironical that, although, as Deming^{19.1} and the author^{19.2} have shown, influencing such systems processes is crucial to the effective performance of most people's jobs if evaluated against their job descriptions, those job descriptions almost never highlight the need to engage in systems analysis. Systems processes are hard to identify and still harder to influence. Worse still, examining them is liable to incur denigration as a crank because it involves challenging the "obvious" truths - which actually turn out to be myths which operate to perpetuate the system, particularly by offering a rationale for the "reasonable and realistic" actions of most well-meaning people.

We will now set down what we have been able to discern of the developments that are required to overcome the problems which have been described. Our proposals will be based on two propositions which conflict sharply with the most vociferously advocated economic theories. The first is that it is vital to better utilise, and to refine, the *public management* structures and processes we already have. The second is that what happens in a society is primarily determined by widely shared values and not by such things as the arrangements made to administer financial rewards for "appropriate" behaviour. The way forward will be found by many people striving hard to find new ways of translating the "new values" into effect in their own domains of activity. We will only succeed if many people put a lot of effort into thinking out how an alternative society is to be run, finding new ways of doing things, introducing changes grounded in tentative understandings of systems processes, monitoring and learning from their effects, and introducing the modifications that are indicated.

Effective Management

At the same time as advocating more, and better, societal *management*, it is vital to underline that what is needed differs sharply from the image most often conjured up by that term.

As has been established in a series of studies^{19.3}, effective management within organisations involves:

- a) Managing *organisational arrangements* in such a way as to release the energy, competence, and enthusiasm of all concerned. This involves guiding action by varying organisational arrangements, processes, and climates - not by issuing orders and instructions. The notion that managers can have such superior knowledge of every detail of every necessary action to be able to issue detailed instructions is an illusion.
- b) Creating *learning systems*^{19.4} in which people and organisations monitor the effects of their actions in order to learn more about the operation of the systems with which they are dealing, the problems they are trying to tackle, and the effectiveness of their strategies, and then initiate appropriate further action in the light of what they have learnt, monitor its effects, learn more about the problem and the solution, and take corrective action. Once again it is important to be clear that what is envisaged is something very different from what people generally imagine when they hear the word "learning". As used here, the term "learning society" or "learning organisation" does *not* imply the traditional educational activities which those who advocate such things as "lifelong learning" and "education for life" tend to envisage. Rather, the term is intended to evoke an image of formal arrangements to learn from experience and find new ways of doing things.
- c) Holding managers accountable for *the quality of the discretionary judgments they make on the basis of incomplete and tentative information*. It is the task of a manager to

canvass opinion among those above and below him (or her), to decide what shall be done, and to initiate appropriate action. It is on the quality of such managerial decision taking that the future of the organisation depends. Responsibility for it cannot be delegated to committees - for then no one is responsible for ensuring that the activities which have been initiated work.

In terms of effective *public* management, our task is to evolve new structures whereby the public can supervise the management of society and ensure that its managers act in the public interest. This applies whether those managers are officially public sector managers or managers of so-called "private" organisations (the costs of which are mostly borne directly by the general public [and not just their "customers"] and which make most of their money by selling, directly or indirectly, to the public sector). In other words, our central task must be none other than to evolve new concepts of, and structures and procedures for, democratic management.

The practices and procedures that are to be introduced if we are to create a learning society must:

1. Contribute to the clarification of policy goals. This means introducing better means of stimulating explication of alternatives, collecting information on the consequences of each, feeding that information into public debate, and bringing such debates to meaningful conclusions. Since, in coming to a meaningful conclusion it will be necessary to give due weight to such things as what is in the long-term public interest (as distinct from the short-term benefit of vested interests), the priorities and needs of minorities, and those who are most affected by the policies, it will be necessary to develop alternatives to the majority vote. It is not a question of laying down policy goals for all time: such goals can only be tentative, dependent on the arrival of further information and especially information on the effects of the policies that are introduced. To get the necessary further information it will be necessary to: (i) ask how a number of mavericks can be involved in policy development and evaluation so that attention will be paid to processes and outcomes which would otherwise have been overlooked, (ii) initiate experiments grounded in a tentative understanding of systems processes and which aim to do things which no one had previously thought it might be possible to do, (iii) subject those experiments to *comprehensive* evaluation procedures which examine outcomes which few people had thought it was even possible, never mind important, to consider, and (iv) initiate a further round of more general discussion. This is no tidy, single-targeted approach. Many contradictory experiments with conflicting criteria of evaluation need to be tried. A messy, evolutionary, approach is needed.
2. Facilitate: (i) collection of information on the effects and effectiveness of policies currently in operation and on the forces - including systems constraints perhaps supported by widely accepted mythology - which prevent them functioning as effectively as they might; (ii) sifting the information so obtained for insights and good ideas; (iii) initiating action on the basis of the information collected; and (iv) monitoring the effects of that action in order to learn more about the operation of the system and re-starting the cycle of innovation.
3. Facilitate widespread public participation in the process of defining problems, seeking solutions, translating the results into action, evaluating experiments and developments, and re-defining the issues.

4. Make it possible to monitor the activities of the public service in a professional way and reduce the conspicuous overload of government by arranging for the responsibility for monitoring the quality of provision and the actions of public servants to be exercised by interest groups and a wider cross-section of the public^{19.5}.
5. Establish network-based working arrangements - both within the public service and outside it - so that cells dealing with single issues can share their learning, make observations about the working of the overall system, and tackle worldwide, interconnected problems.
6. Lead managers (and, in particular, public servants) to behave in ways which are appropriate to the running of - and the stimulation of innovation in - the vast organisations they control. Required behaviours include the release of energy and enthusiasm in subordinates, sifting information for good ideas and initiating appropriately monitored experiments.
7. Lead public servants, managers, employees, and citizens to develop the competencies, expectations, and understandings which are required if they are to play their part in running modern society effectively.
8. Incorporate ways of promoting adequate accountability, on both an individual and group basis, for both personal and organisational effectiveness.

The need is, above all, to create a *pervasive climate* of innovation. What happens in a society is not determined by the actions of one or two political leaders or researchers. It depends on a network of parallel and interlinked developments in areas which often seem to have little to do with each other. A design for a steam-engine would be of little value without parallel developments in steel making, financial services, and means of collecting the fares needed to recover the capital.

The above specifications for the developments which are needed if we are to have a learning society interact. It is therefore not possible to understand the developments needed in one area without simultaneously understanding the developments needed in the others. To introduce an understanding of them it will therefore be necessary to adopt a cyclical, or iterative, course. In the next few paragraphs we will briefly sketch out the developments that are needed in each area. We will then enlarge - and to some extent coalesce - the discussion of each area. Having, in this way, built up an understanding of the inter-related whole, the developments needed in each area will be discussed separately, but at greater length.

1. Generating better information about, a wider range of perspectives on, and more creative solutions to, the problems which confront us.

It is said that ours is an information society. But we are still surprisingly ignorant about the complex, social and biological processes with which modern development is interfacing so drastically. Among other things, we need much better information on the human and biophysical, short and long-term, consequences of alternative courses of action. As we have seen, what is in individuals short-term interest often conflicts with what is in their own and the communities long-term interests. To run society more effectively public servants need to explicitly set out to create and separately evaluate multiple options with a view to meeting the divergent needs and priorities of a cross-section of the public and disseminate that information to the public so that they can make more informed choices between them.

Although the need to develop better ways of thinking about our problems and the compilation of better information is fundamental to finding a way forward, we will defer discussion of the

arrangements needed to advance understanding until last. Instead priority will be given to the question of how it might be possible to ensure that information which is likely to open up new understandings and vistas is first collected and sifted, and then acted upon in an appropriately innovative, forward-looking, way.

2. Creating a climate of innovation in society as a whole, and in the public service in particular.

As noted above, *pervasive* change that will lead to *radical transformation* of society is required. *Everyone* needs to be involved in noticing necessary developments and in working with others to translate them into effect. The creation of a pervasive climate of innovation means allocating part of *everyone's* day-to-day activities of the kind Kanter grouped under the heading of "parallel organisation activity concerned with innovation" - that is, to finding better ways of thinking about and doing things. Equally importantly, however, it means recognising the importance of a wider range of roles in the workplace and re-allocating responsibilities so that people who can contribute importantly in one of the many ways necessary to innovation can devote their time more wholeheartedly to doing so.

While the observations we have just made apply to everyone in their diverse jobs and various types of citizenship activity, it is on the innovativeness and ingenuity of our public servants that our future is most dependent. Public servants have a double responsibility: Their task is not merely to display high levels of innovation and ingenuity themselves but also to release energy and creativity in others. If public servants are to do these things, it will be necessary to change our expectations of them, the structures in which they work, and the criteria which are applied when evaluating their work. Their task is to create an innovative, learning society.

3. Mechanisms to increase public participation in defining problems and seeking and testing solutions.

We need ways of enabling many more people to participate in "the planning process" and "public management". One aspect of this process which needs to be singled out for special attention has to do with clarifying the nature of possible experiments grounded in a tentative and incomplete understanding of systems processes, initiating such experiments, and monitoring them in a comprehensive way in order to learn more about the problem and the strategies required to tackle it, its implications for the goals of policy and the long-term public interest, and the systems processes which it will be necessary to make greater efforts to influence.

To find a way forward we need to systematically involve those - often marginalised - people with unusual definitions of "the problem" in the process of defining and tackling our problems. The planning process has, in the past, tended to admit the "informed" public but to exclude those with plebian, unusual, or "radical" ideas^{19.6}. It has tended to focus on what Thompson^{19.7} has called "gainly" institutions and tidy, single-criteria and single-issue, problems and solutions. It has tended to exclude - even dismiss as ill-informed and ignorant - the views of many of those on whom the policies actually impinge.

4. Mechanisms which ensure that public servants seek out, sift, and act on information in an innovative way in the long-term public interest.

The first thing to be done if we are to induce our public servants to seek out and act on information in a more innovative way is to change the criteria and tools adopted in staff appraisal exercises. If this is to be done it will be necessary to disseminate what we have learnt about the *importance* of public servants performing a *managerial* role (defining that in terms of the activities which have emerged from research as being important) and acting in an innovative way. It will also be necessary to disseminate the idea that the way to promote innovation is by creating a *climate* conducive to innovation. Also essential is more widespread recognition of the role which public visibility could play in inducing public servants to act on information in the public interest. If any of these mechanisms are to be introduced it will need to be more widely recognised that we need much more citizen participation in the process of supervising the activities of the public service.

5. Ways of initiating worldwide action.

Worldwide intervention is to be achieved by extending the network-based working arrangements that are required, both within the public service itself and in its interface with the public, to solve “local” problems.

The solution is *not* “world government”. Powerful governments have a tendency to act in their own interests (or at least of those who are behind them). The heavy-handed enforcement of sanctions tends to misfire. People should be made part of the kind of network of relationships which leads to responsible behaviour. They are typically deterred from crime, not so much by the threat of imprisonment as by the thought of neighbours and friends finding out. Public servants and politicians are most likely to be induced to act in the public interest if their behaviour is exposed to the public gaze. We do not have to wait for legislation and central decree to begin this process.

We will, in the remainder of this chapter, merge some of these topics and discuss them a little more fully. Although the central problem we face remains Adam Smith’s and Fred Hayek’s one of finding a way of collating and giving effect to diffuse information, it has proved easier to come at the task of clarifying the way forward by starting with a discussion of the arrangements needed to create an innovative public service, move on to a discussion of public participation, and leave the discussion of the crucial (but rather boring) business of clarifying the nature of the information needed, how it is to be collected, and how it is to be translated into effect, until last.

Creating A Pervasive Climate of Innovation

If we are to stimulate more experimentation with ways of running society, we will have to set aside time for such activity and create a structure, and a set of expectations, which promote it.

Not only do we try to run our existing public provision as “efficiently” as possible by cutting any surplus money not required for the execution of already-defined activities, but our existing hierarchical administrative structures tend to stifle innovation. The process of passing information upward and downward through many bureaucratic levels filters out new and risky ideas the value of which is often only apparent to those who, as a result of their position and temperament, are (i) aware of particular problems (ii) aware of new possibilities, and (iii) have access to idiosyncratic combinations of new knowledge. Messages get distorted to fit what it is thought the recipient wants to hear. Job descriptions rarely highlight the need

for innovative activity and staff appraisal systems rarely record staff competence to contribute in one of the wide variety of ways that are necessary if innovation is to occur.

Research into the process of innovation^{19.8} shows that, for it actually to succeed, one needs both someone with “fire in their belly” and a supportive context. Successful innovation usually comes from small “teams” of people. These typically include someone who has become aware from his or her day-to-day activities of the possibility of doing, or the need to do, something new, or of a new way of doing something. They include someone who has learnt (usually through a network of contacts with people involved in related developments) of new information and new ways of doing things. They include someone who is able to persuade others to fund a trial of the idea on a pilot basis. They include someone who knows how to use his or her feelings or hunches to embark on a course of activity without being very clear how it is to be done or what the outcome will be, monitor the effects of that action to learn more about the problem and the effectiveness of the strategy, and take appropriate corrective action. They include someone who knows how to persuade other people to assist. They include someone who knows how to mount a crusade to get the idea adopted: Better ways of doing things do *not* automatically sell themselves. They include someone who can translate abstract ideas into a practical prototype. They include someone who can pour oil on troubled waters and get people to work together effectively. Staff appraisal systems need to be able to recognise this wide variety of different types of contribution to “team” activity.

Instead of nurturing such network-based “teams”, there is, in our society, a tendency to wish for, and depend on, “champions” of innovation who individually possess many of the qualities mentioned above. Unfortunately, many of these qualities are psychologically incompatible. People who are good at finding new ways of thinking about things are not usually good at generating proposals which will attract funds. People who are good at acting on their hunches to initiate new courses of action are unlikely to be good at “setting up” politicians and bureaucrats in such a way to release money into the activities. As a result, there is a need for structures of working groups containing people with a number of such talents who will persist for the time that is needed to accomplish something worthwhile, and then disband. The membership of such groups needs to be flexible so that different people with different talents are involved at different stages. That is to say, the people who generate ideas may not in the end be the people who implement them: The innovators may move on to other things, leaving others who have different priorities and motives to translate them into effect and still others to sell the product. The activity cannot be funded from paper plans, but only on the basis of assessments of such things as who is able to notice important, practical, new things to do, find ways of getting important things done, and able to turn “chance” observations and discoveries to advantage, and whether a *group* as a whole is likely to be able to venture into the unknown and accomplish something worthwhile. The “teams” required to pull off innovation need different balances of talents to those required to carry out the day-to-day operations of the organisation.

If we are to create a climate of innovation, it will be necessary to set aside part of everyone’s day to work in what Kanter^{19.9} has termed “parallel organisation activity concerned with innovation”. During this time the goals, pattern of activities, and working relationships are all very different from those required for routine day-to-day tasks. Nevertheless, it is important to note that it is *the same people* who need to be involved: Innovation is not a task for some separate cadre of innovators and managers, although there is a need for at least some of those concerned to have links with specialists in information-generation and research, and for all concerned to have access to researchers who may be able to help them with their problems.

During this time a number of things - previously spelt out - are necessary. Chief among them are (a) different patterns of working relationships and, especially, deliberate strategies for the recognition and utilisation of multiple talents, and (b) network working.

To illustrate the idea of network working, let us consider what is needed for innovation in the educational system. Each school needs to have some teachers who contribute to the development of new curriculum theories, some who work on the development of the tools required to administer individualised, competency-oriented programmes of education and monitor their effects, some who generate apparatus, some who contribute to the evolution of new administrative arrangements within the school, some who set out to influence the systems constraints (such as the tests which are used to evaluate performance) on what the school can do, and some who contribute to the development of a new interface with, and new expectations from, parents. None of these teachers can be expected to work on their own. They need to be part of a network of teachers dealing with similar issues in other schools. Within each of these networks, different teachers will need to function as fund-raiser, ideas-person, technician, link-person, publicist, etc.

It is obvious that the criteria used to evaluate teachers' performance in these activities need to be very different from those applied to their performance in classroom teaching (although the evaluation of the latter, like the evaluation of the performance of most public servants and employees, is in itself highly problematic). The task they are to be expected to perform needs to *evolve*. One cannot specify the job to be performed or its outcome in advance.

The external supervisory structure to which the teaching profession needs to be accountable - i.e. to whom the results of personnel and organisational appraisal exercises needs to be reported - needs to parallel that required for carrying out innovation: Not only do the current clients of the service need to be involved, so do other people who are providing other aspects of the service from other Departments - and perhaps from other parts of the world - and the media.

Having seen something of the structure and process that is required to create a climate of innovation, the next problem is one of realisation. The first task must, of course, be to create a *value* for innovation. At the present time, this is very much lacking in the UK: Only 10 or 12% of those we interviewed^{19,10} thought it was important to do such things as find better ways of thinking about things, better ways of doing things, or new things to do - compared with about 40% in Japan. Simply disseminating and debating these results, especially in the context the research we reviewed earlier that showed that the UK has one of the highest proportions wishing to live in what amounts to a new social and economic order which would give effect to the "new values", and a discussion of the probable consequences of these values, might in itself contribute to the necessary change in value priorities.

A second task is to bring both the public and the public service itself to recognise that the first duty of a public servant is to contribute to the management of society. We have shown that this viewpoint receives scant endorsement. As a result, very few public servants asked themselves whether their organisations were contributing as effectively as they might to society or how the value of that contribution might be enhanced.

But public servants are not only more responsible than anyone else for the quality of life in our society as a whole, they are also responsible for the quality of life of *individual* clients of their services. Thus, although they do not usually recognise it, they have a responsibility for

inventing better ways of meeting individual client's requirements. If they are to exercise such responsibilities effectively, they need to be expected to exercise discretion to relate provision to individual needs. Again, we found very few members of the public who thought that public servants should vary what they offered to suit the needs of their clients. They believed that public service clients should get *equal* treatment. The public's expectations of public servants corresponded to public servants' view of their own role.

As we have shown earlier very few of the public servants interviewed by Day and Klein or ourselves were inclined to ask what they could do to enhance the value of their services to those they were serving. Fewer were prepared to take on themselves responsibility for doing something about improving the quality of those services. Fewer still were prepared to take responsibility for individual discretionary decisions about what was in the best interests of their clients in particular circumstances. And fewer still set about studying, and trying to influence, the systems processes which so heavily determined what they could do.

To overcome these problems it will be necessary to first redefine the roles of government, public servant, and citizen and then monitor what happens to see if the staff concerned are applying themselves to all of the new tasks. Not only will new staff appraisal systems be required, new organisational structures will be required to give teeth to the results of the appraisals. These will reject the traditional notion that public servants are responsible through a long hierarchy of command to distant elected representatives. Instead staff-appraisal and organisational-appraisal information should be fed directly to the public through open, network-based, structures of the kind discussed above - i.e. networks made up of colleagues, members of the public, researchers, and media personnel.

However, it is not just *individual* appraisal that is needed. As we have seen, innovation is a cultural process rather than an individualistic activity. An individual innovator can achieve little in a culture which does not provide support or encourage parallel developments on which he or she can build. To take stock of the quality of such *climates for innovation*, individual organisations, communities, and society as a whole will need to undertake "climate" surveys. These lead to the assessment of such things as collective possession of the qualities mentioned above plus such things as levels of dedication to innovation, commitment to monitoring and learning from the effects of any changes which are introduced, and their emphasis on high standards and finding ways of meeting clients' needs. The results of surveys allow the members of an organisation or community to, in a sense, look at themselves in a mirror, ask themselves whether they like what they see, and, if not, decide to change their beliefs or behaviour and subsequently to monitor the effects. By feeding data of this sort to monitoring groups composed of colleagues, the general public, researchers, and the media, Howard^{19.11}, Walberg^{19.12} and others have shown that it is possible to provoke discussions which lead to actions which greatly enhance the quality of the climates of the organisations concerned.

Public Participation

Several kinds of public participation must be discussed: Participation in value-clarification; in the definition and solution of societal problems; and in monitoring the activities of the public service.

Participation in Value-Clarification

What happens in a society is very much determined by the extent to which there is general agreement about three sets of values: *end* values; *life-style* values; and the importance of (or value for) applying high-level competencies to undertaking personally valued activities effectively^{19,13}. An example of an “end value” would be thinking it is important to create a sustainable society. An example of a life-style value might be the desire for a comfortable, non-demanding life-style. Examples of competencies to which people may be committed as a means of translating values of either kind into effect are creativity and initiative.

If the members of a society in general are not personally plagued by value conflicts within or between these domains, and if there are few value conflicts between the members of a society, a variety of different kinds of development may occur. Examples include technological progress, progress toward a society characterised by warm, supportive, human relationships, or progress toward domination of other people or nations. If the members of a society, individually or collectively, suffer from serious value conflicts - as is the case in UK - the distribution of values and competencies in these areas still determines what happens, but the outcome is liable to suit no one.

Fundamental disagreement about the end goals that are to be achieved obviously has serious implications. Less obvious is the possibility that there can be - as there is in the UK - general agreement about the kinds of development that are required in society but little valuation, motivation, or desire to undertake the kinds of activity that would be required to bring the wished for developments into being. While recognising the need for urgent change and acknowledging the importance of many of the features which need to be possessed by an alternative society, people may personally value activities - such as an easy life, or authority over others, or spending their time socialising - which are unlikely to lead to the desired end. To generalise: the pursuit of personally valued activities which are not appropriately coupled to end goals may result in the development of a society in which *no one* is able to do the things they would like to do. This can easily occur even though everyone concerned can foresee it.

Although values are important, what people will do is also determined by institutional arrangements. These may prevent people doing things they would like to do or make them choose the options which are anything but the most desirable. For example, many academics would like to advance fundamental understanding, but the fact that doing so is a difficult and frustrating activity is not usually the only deterrent to relevant activity. The institutional framework in which they work not only provides little support and encouragement to engage in such activities, it also makes it very much easier for them to obtain satisfactions which they actually value much less highly - such as promotion into an administrative position with a higher salary.

It follows from this discussion that we need to promote public participation, not only in activities which result in clarification of end goals and personal values - and forging greater coherence between the two, but also in activities which will lead to the clarification and introduction of institutional arrangements which will allow those values to be realised.

A serious research question we face is, therefore, how best to institutionalise this participation on an on-going basis? Once again, we immediately see the need for the kind of experimentation and evaluation we have so often advocated in this book.

Beyond that lies a need for research to promote the clarification of values in the three domains we have discussed. How best are we to think about these domains? What are the short and long-term, personal, social, and planetary consequences of alternatives? How are relevant experiments to be initiated and evaluated? How is public debate best to be promoted?

The question of how relevant research is to be initiated, conducted, evaluated, and debated is vitally important. Among other things, it will be necessary for us to, in a sense, find ways of funding mavericks who draw attention to issues which have not previously been considered and unconventional researchers who can invent ways of exploring and documenting those issues. The initiation and conduct of the required experiments requires network-based activity in which a large number of people contribute in very different ways to getting the experiments off the ground and making them work. These experiments will need to engage with systems processes of a kind which it is currently not even respectable to mention. It will involve trying to do things which no one has ever considered trying to do because only one or two people had any idea that it could be done and which no committee would ever support. Debate of the results requires a network of action-learning groups with good linkages to the media.

The orchestration of such a cyclical ferment of innovation and information-based goal and institutional clarification is clearly a task for the public service. But that only points to a serious “chicken and egg” problem. Without a widespread change in priorities, beliefs, expectations, and institutional arrangements, the public service will not initiate the required participation, experimentation, documentation, and debate. Yet without them, there will be no agreement on new priorities and institutional arrangements for the public service.

Participation in Defining and Solving Problems

We have seen that there has, in the past, been a tendency to over-simplify societal problems and to apply simplistic solutions. In reality, we are not confronted by isolated problems with single solutions, but multiple, inter-related, complex problems the solutions to which are often in conflict with the solutions to other problems. Frequently the problems have a *systems* basis involving both hidden connections and deeper causes in sociological, economic, biological, and physical processes. Equally seriously, there may be important myths which legitimise and maintain the system. Unless these myths are exposed for what they are, most people will dismiss relevant information and valuable suggestions for reform.

Yet, while it is obvious that we need to find ways of bringing to the fore multiple, alternative, definitions of problems, how are we then to make progress? The answer to that question involves insisting that the fundamental task of the public servant is to act as a manager and that this involves sifting diffuse information for good ideas and acting on them in an innovative way in the long-term public interest. That is, their role involves initiating, and learning from, further experiments (defining the word “experiment” in a much broader way than usual). Getting public servants to perform that role involves finding some way of holding them accountable for doing so. This in turn means finding some way of exposing their behaviour to the public gaze. And *this* means inventing new forms of public participation in the management of society.

Participation in Monitoring the Public Service

One way to reduce bureaucratic inertia is, as philosophers from Aristotle, through Mill, to MacMurray have argued, to extend the concept of open government. Public servants are more likely to act in the public interest if their behaviour is exposed to the public gaze. For public surveillance to work, people other than elected representatives need to be able to monitor what is going on and relay their observations to a wider audience. This monitoring system might consist of a network of groups having overlapping membership and with links to the mass media. But it is not (mainly) the actual day-to-day work of individual public servants or public service departments which needs to be exposed to the public gaze. What needs to be exposed is professionally-collected evaluation data relating to such questions as whether individual public servants have been behaving in ways which are *likely* to create a ferment of innovation and result in actions which are in the long-term public interest, and whether they have made serious attempts to identify the needs of their individual clients and society more generally and invent ways of achieving them. Also needed are a range of professional evaluations of the ways in which the policies they are pursuing are working and not working.

The need for better arrangements to monitor the work of the public service can also be underlined by approaching the topic from another direction. We have seen that most of the policies to be implemented by the public service have some goals and objectives which are universal. But they will also have to meet the needs of differing sub-groups of the population. Besides, since current information on the long-term consequences of pursuing certain policies is limited, and since the effects will change as other developments are introduced, the goals cannot be laid down once and for all, but must emerge and change as a result of a cyclical process of debate, experimentation, and evaluation. It follows from these observations that most goals and policies cannot be determined by majority vote. Instead, public servants must shoulder responsibility for generating variety, evaluating the options, feeding that information to the public, creating the ferment of innovation which is required to find a way forward - a ferment of innovation in which everyone is involved both within their jobs and in their lives out of work - and deciding what to do to better meet the needs and priorities of particular sub-groups within the population as well as the overall long-term public interest.

In addition to promoting network-based structures of participative democracy, much more attention will have to be paid to the structures and procedures which are used to encourage and inform media-based public debate. We need to find ways of making it easier for citizens with unusual views to make their voices heard. To do this, it will be necessary to provide them with the structures which enable them, as of right, to commission research which will investigate those issues from their point of view and on the basis of their assumptions. Properly organised, however, this collection of developments holds out the potential to ensure that everyone's views (and not just those of the vocal few) are taken into account when coming to decisions. It also offers an important way of subjecting the effects of those decisions to public scrutiny from a much wider range of informed points of view than is the case at present.

We have described the way in which Japan has used information-technology to collect and co-ordinate information from all round the world, to conduct extensive discussions through a network of discussion groups linked to the mass media and a wider public debate to sift it for good ideas, and to initiate action on the basis of the conclusions emerging from that debate. This process has been applied to everything from clarifying the industrial goals which the country came to espouse, finding out about and adopting new industrial techniques based on incipient developments throughout the world, identifying, sifting and acting on research dealing with new management and staff development arrangements which might be utilised

within companies, studying the workings of, and adapting, economic management techniques like the adoption of non-tariff barriers to protect home markets, and studying the workings of every political economy on the globe and inventing non-market based ways of penetrating them. It was a *comprehensive*, information-based, management system utilising every available means to clarify goals and achieve them. (That the range of potentially pursuable values and the information on the probable consequences of pursuing each was limited only serves to underline many of the points made elsewhere in this book about the activities that are required if the information on which we base our decisions is to be as comprehensive as possible and if we are to have genuinely broadly based debate.)

Equality, Equity, and Diversity

There are many important reasons for emphasising diversity than those already discussed. Diversity is not only necessary if the needs of different sectors of the population are to be met: Is also an essential pre-requisite to developing the diverse talents which people possess and to harnessing those talents. Most importantly, it is needed to provide a basis for finding a way forward. We need to encourage diversity so that forward-looking people can try out things which no one else thinks it will be possible to do. We need it if we are to be able to initiate multiple experiments and collect the information on the consequences of the different options that is required to clarify which activities *are* in the overall public interest and in the interests of the publics of which it is composed.

It is not simply a question of bringing the public to accept the need for equity in diversity. Jaques^{19.14} has shown that certain patterns of inequality in incomes are felt to be *fair*. Klein^{19.15} has shown that the most important factor determining levels of support for public provision is not the overall quality of the provision, but whether it is felt to have been *fairly* distributed. And, as we have seen, Lane^{19.16} has shown that one of the triumphs of market mythology is that it results in many people feeling that the vast inequalities which are produced are *fair*. In this connection Rawls^{19.17} has argued that inequalities are arbitrary unless it is reasonable to expect that they will result in activities which are to *everyone's* advantage. Certain types of inequality - like the profits of businesses in America - are felt to increase the *overall* quality of life. The question which needs to be addressed is then: "What kinds of diversity and inequality are, in what circumstances, felt to be acceptable, equitable, fair, and desirable?" Clearly there is a need for a public debate linked to the work of a cluster of researchers with different orientations investigating in the area.

Information-Generation

We come now to the question of how the required information, ideas, and ways of thinking are to be generated.

We should look at some of the reasons why policy research has not delivered the hoped-for benefits in the past. Despite the periodically encountered belief that "there is a whole research industry out there", expectations for the outcomes of social research have typically, as Rothschild^{19.18} noted, been wildly unrealistic. Whereas, in sciences like chemistry and physics, there are thousands of well-funded public and private research and development institutes, the tendency in the social sciences has been to expect a single researcher, often working in an academic setting making other demands, to produce, in a short period, solutions to complex, social problems which hundreds of administrators have been unable to solve in half a century.

Although unrealistic funding has been a problem, more fundamental barriers to the delivery of the desired outcomes stem from inappropriate beliefs about how research and development are to be conducted, and, more specifically, how the universities are to be organised and held accountable.

We need to consider the following: (i) some of the developments which research is needed to bring about; (ii) policy research units that need to analyse and evaluate the *goals* of policy as well as the delivery mechanisms; (iii) the importance of scientists going well beyond their data to make inferences which illuminate hidden sociological and systems processes; and (iv) how the necessary enquiries are to be initiated, how the debate that is required to advance understanding is to be conducted, and how that debate is to be linked to the planning process. Boring though it is, this discussion is of the greatest importance.

The Tools and Procedures to be Developed Through Social Research.

Looking at some specific needs first, we need research to:

1. Develop tools to assess quality of life so that progress - and its opposite - can be measured in a more appropriate and differentiated way than through GNP. We need social accounting tools so that human and biological costs can be set against benefits - so that, for example, the isolation, stress, disease, and atmospheric pollution caused by centralised production units can be set against their advantages.
2. Develop the tools needed to run the skills exchanges and local currencies that are required to disengage local wealth-creating activity from international markets and thus enable people to find ways of genuinely helping to improve the quality of life.
3. Develop the means to evaluate and administer diversity in public provision - e.g. housing, education, health care, etc. As we have seen, most people can have little effective choice of these things. We need to provide in each geographical area a range of options suited to people with different needs and priorities. Information on the short and long-term consequences of each option must be made available so that people can make meaningful choices between them. And, since it is not possible for people to have the most desirable and most costly provision in all areas of life, we need tools which will enable us to administer the system in a way which forces people - as would a perfect marketplace - to prioritise their desires and consider the costs. (As has been indicated, in connection with education, the latter are not about choice between different options. They are, at best, about choice between alternative providers offering a *greatly restricted* range of programmes. To create genuine choice and variety it would be necessary to undertake research - into curricula, alternative arrangements for selecting and deploying human resources in society, and the consequences of alternatives. Yet governments have been conspicuously unwilling to initiate such research.)
4. Develop staff appraisal systems so that public servants who have engaged in any of the difficult and demanding activities that are necessary to the effective operation and improvement of modern society can get credit for their contributions.
5. Develop the structures of public debate needed to generate alternative perspectives and implement and monitor a variety of pilot programmes with an eye on the overall operation of the system *qua* system.

The Need to Develop Understanding

At present we have little understanding of what the main characteristics of a sustainable society would look like, how problems of equity could or would be handled in a diversified, information-based, management system, or what arrangements it would be necessary to make to facilitate step-wise, systems-oriented (but not system-wide), experimentation, evaluation, and improvement.

There is still less understanding of how to achieve *systemic* change - that is to say, overall change in systems which operate in such a way as to cancel changes introduced in a piecemeal way into only one or two parts of the system, but in which attempts at system-wide change are also doomed because our understanding of the operation of the overall system is inadequate.

To illustrate why it is so important to have policy evaluation units whose function is to advance understanding, we may return to the example of education. As we have seen, a great deal of the money spent on “education” is wasted so far as the development of human resources is concerned. But the reasons for this have not in the past been at all explicit, and the steps which would need to be taken to overcome the problems have been still less clear.

One of the things which emerges from our work is that the reasons why politicians and parents want more money to be spent on “education” stem from the sociological, not the educational, functions of the system. In the 1950s and 1960s politicians argued that more money should be spent on education on three grounds. First, it was said that, if we invested more money in education, it would result in economic and social development which would enable us to solve some of our conspicuous economic and social problems. Second, if everyone got a good education, everyone would get a good job. And, third, if everyone had more education it would contribute to the creation of a more equal, less divided, society.

Parents wanted more money to be spent on education because of the incontrovertible fact that, if their children did not stay on at school and do well in the system, they were much less likely to get good jobs.

Only the first of the politicians’ arguments had much to do with education *per se* (and even it can now be seen to be false). Their other arguments overlook the fact that we are dealing with a norm-referenced system. In the end, everyone has to work harder to get the jobs they would have had before.

The results of research suggest that the causes of the conspicuous failures of the educational system are quite other than what seem to be. By “the conspicuous failures of the system” is meant pupils’ “lack of motivation”, the failure of the projected economic and social development to materialise, schools’ failure to help pupils to identify, develop, and get recognition for their talents, schools’ failure to help most people develop the qualities needed to lead their lives effectively, do their jobs effectively, and contribute as they would like to society, and the failure of many pupils to get jobs - any jobs, never mind good ones. The causes of these problems include the lack of understanding of how to nurture high-level competencies, the absence of the tools needed to do so, and the absence of means of giving pupils credit for such outcomes in the certification and placement process. But, more fundamentally, they include an unwillingness to address the values problems inherent in catering for variety.

It emerges that solution of the problems of the educational system requires us to develop, not only an understanding of the hidden reality behind the observable defects of the system, but also:

1. An understanding of the educational processes necessary to nurture the qualities pupils actually need and how progress toward them is to be assessed.
2. The tools teachers require to administer multiple-talent, educational programmes and assess the outcomes.
3. Means of giving teachers credit for having contributed to the development of new ways of thinking about educational processes, new curricula, new ways of assessing progress toward the goals of the educational system, and participating in new ways in new arrangements for managing educational institutions.
4. Ways of harnessing sociological forces (like need to legitimise the allocation of privilege) in such a way that they push all concerned toward the goals of the educational system rather than away from them. (This actually means including measures of a wider range of outcomes among those that are employed in the certification process. However, handling the moral dilemmas this poses requires yet another set of developments.)
5. Changed public beliefs about the role of public servants and how public institutions should operate ... indeed, in the end, the introduction of new forms of democracy and bureaucracy.

Our objective in introducing this brief summary of material the presentation of which occupies several other books^{19,19} has been to illustrate that the process of clarifying of the goals of public policy, assessing its effectiveness, identifying why it is not working properly, and finding out what to do about it is (i) heavily dependent on professional research of a more adventurous and problem-oriented nature than that to which we have grown accustomed and (ii) leads to very surprising conclusions which highlight crucially important voids in understanding.

Thinking is not only unacceptable, it is also difficult. So people are inclined to create structures in which they can beat appraisal systems and pass off non-thought as thought. But perhaps more importantly, the human mind cannot cope with too many variables. They also have limited energy. As Etzioni^{19,20} put it: “rationality is *anti-entropic* ... that is, the normal (or base-line) state of human behaviour is ... non-rational; for behaviour to be rational, even in part, forces must be activated to pull it in the rational direction ... The ‘normal’ state is one in which behaviour is not purposive, non-calculative, governed by emotions and values, potentially inconsistent and conflict-ridden, indifferent to evidence, and under the influence of “group-think” (i.e. individuals defer in their thinking to group-defined facts, interpretations, and conclusions even if they diverge significantly from objective reality).” Etzioni does not maintain that rationality is rare: only that it is costly. His conclusion that thinking is anti-entropic and costly is confirmed in the work of psychological researchers like Spearman^{19,21} and Maistriaux^{19,22} who have linked mental ability to “mental energy”. Fortunately, however, a basic feature of life itself is that it is anti-entropic and costly.

The Structures Required to Promote the Debate Needed to Advance Understanding

We have seen that policy research units need to be encouraged to evaluate the *goals* of policy not just the effectiveness of delivery mechanisms. In the case of education this would involve

a great deal of work *outside* the educational system and *comprehensive* evaluation of the effects of different types of educational programme and experiment.

The importance of comprehensive evaluations cannot be over-stressed. Failure to draw attention to an important short or long-term effect of a programme is more important than accuracy in the assessment of an unimportant outcome. It is therefore essential to get a rough index of *all* the short and long-term effects of a particular activity.

Debate which advances understanding and focuses attention on neglected issues is also very important. Social researchers have a responsibility to advance the public interest by promoting public debate and contributing relevant information. The considerations they include in, or omit from, their studies are of the greatest significance. This raises important questions about the orientation and conduct of their research and the content, ownership, and publication of their reports: Such reports are paid for by, and should therefore belong to, the public, and not (as the government in the UK argued and wrote into law) the government of the day.

This raises important questions about the definition of “loyalty” which it is appropriate to apply to public servants - should it be to the public or the government? It also raises questions about the role of the media in informing, facilitating, and conducting public debates. Only through public debate can we surface and challenge the mythologies which lead people to dismiss otherwise sensible suggestions for reform. Nevertheless, challenging mythology is not thought to be the role of the scientist. Indeed it, like pressing for action on the basis of results, is one of the surest ways in which a scientist can undermine his or her credibility.

We have seen that the task of facilitating discussion of goals, clarifying options, and identifying routes to their achievement is no simple matter. The options which can be envisaged and formulated are heavily dependent on a pervasive climate of innovation which promotes multiple changes, on the introduction of numerous small-scale, but carefully evaluated, experiments based on systems understanding, and on fundamental research which will make it possible to evolve new ways of thinking about and doing things. And the choice between alternatives is heavily dependent on the quality and *comprehensiveness* of the information available on their consequences.

Two entirely contradictory viewpoints on how these problems should be addressed have been promoted. On the one hand it has been suggested that, in Thomson’s^{19,23} terms, we need clumsy institutions in which all sorts of people are involved in defining problems and doing things. On the other hand it has been suggested that it will, in the end, be necessary to charge public servants with the duty of acting as managers to come to good, discretionary judgments on the basis of the available information and that a network of supervisory groups is required to get them to perform this role effectively.

Both sets of developments are in fact essential and the tension between them cannot be resolved.

Concluding Comment

What has been shown is that there is no shortage of work to be done to improve the quality of life in (i.e. the real wealth of) and the sustainability of modern society: The quality and variety of public provision, and the delivery system need to be improved. Energy-positive

agriculture and energy-efficient manufacturing will be much more labour intensive than our current agricultural and manufacturing processes. Community care which meets people's most important needs will be more labour intensive than drugs based health care and commoditised medicine. More people will be needed to administer public provision effectively, to contribute to the supervision of the public service, and to evaluate and improve the way society is run.

Although the costs of this activity pale into insignificance when compared with the huge costs of providing and evaluating variety and choice through the marketplace and those of administering the public service as we do, such observations invariably raise the question of how all this work is to be paid for. The reformulation of this question in a way which makes an answer possible is dependent on the evolution of new concepts of political economy and the evolution of new accounting tools. The need for both has already been emphasised. However, the core insight required is acceptance that the key problem to be tackled is that of finding ways of re-deploying the labour available to us to undertake activities which will improve the chances of our society's survival and the quality of life of all. Since it has not been necessary to use the word *money* to make this statement, it follows that the task is primarily a *managerial* not an economic one. One of the key facts we have to hang onto in the tide of confused thinking around this area is that activities which enhance the quality of life contribute *directly* to wealth creation. A society with a high quality of life *is* a wealthy society. One does not have to have wealth *before* one can do the things that are necessary. Fundamental among the inventions we need is, therefore, new, politico-economic theory which recognises this fact and provides us with an appropriate framework for thinking about the issues.

Notes

- 19.1 Deming, 1982, 1993
- 19.2 Raven, 1984
- 19.3 Deming, 1982, 1993; Dore and Sako, 1989; Graham and Raven, 1987; Jaques, 1989; Kanter, 1985; Klemp, Munger and Spencer, 1977; Raven, 1984, 1990
- 19.4 For evidence and a fuller discussion see McClelland (1961), Milbrath (1989), and Revans (1980).
- 19.5 The actual value of such networks in turning round the operation of an irrigation scheme has been documented by Korten and Siy (1989).
- 19.6 Chubb, 1963; Miller, 1992
- 19.7 Thompson, 1979
- 19.8 Kanter, 1985; Roberts, E.B., 1968; Rogers, 1962/83
- 19.9 Kanter, 1985
- 19.10 Graham and Raven, 1987; Raven, 1984
- 19.11 Howard, 1980
- 19.12 Walberg, 1979
- 19.13 Raven, 1984; Graham and Raven, 1987; McClelland et al, 1958; McClelland, 1961
- 19.14 Jaques, 1989
- 19.15 Klein, 1980
- 19.16 Lane, 1979, 1986
- 19.17 Rawls, 1971
- 19.18 Rothschild, 1982
- 19.19 Raven, 1977, 1994
- 19.20 Etzioni, 1985
- 19.21 Spearman, 1927
- 19.22 Maistriaux, 1959
- 19.23 Thompsom, 1979

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.245-258). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

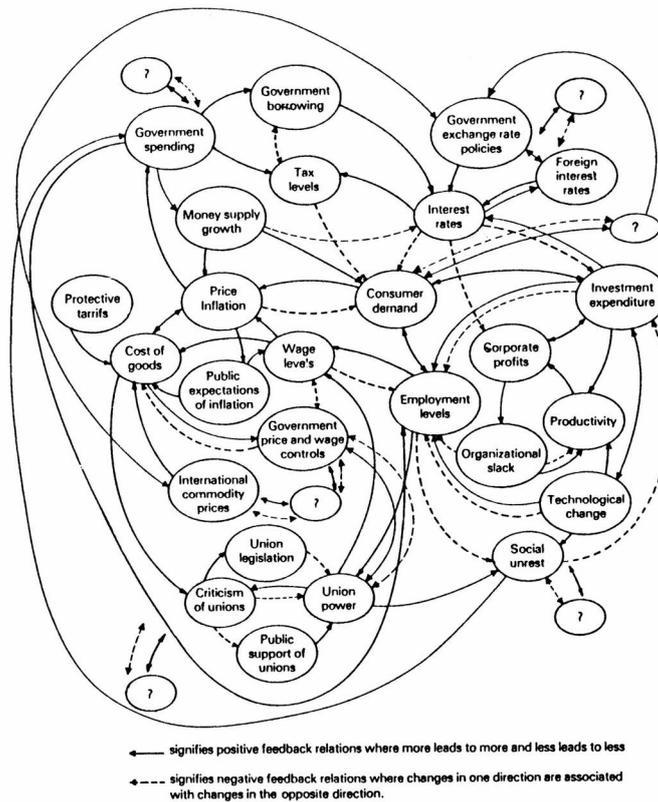
Chapter 20

Using Systems Diagrams to Guide Social Action

This chapter has been written to illustrate the value of condensing thinking about the systems processes which determine social processes into flow diagrams. Most of the actual content of what will be said is not new. What is important is the way in which the information has been summarised so as to facilitate identification of what needs to be done to move forward.

Preparation of the chapter was stimulated by the work of Morgan^{20.1}. Diagram 20.1, which is reproduced from his *Images of Organization*, deals with inflation. Most analyses of this problem, like most of the policy analyses we have discussed, fall into the trap of “thinking in lines”, searching for simple causes that lie at the “root” of the problem. Thus, level of employment, money supply, trade-union power, wage rates, interest rates, and government spending have all at one time or another been identified as the root cause. The diagram focuses attention on how the network of positive feedback loops that amplify prices can be stabilised through negative feedback. One is encouraged to find ways of redefining the total system.

Diagram 20.1 Price inflation as a system of mutual causality



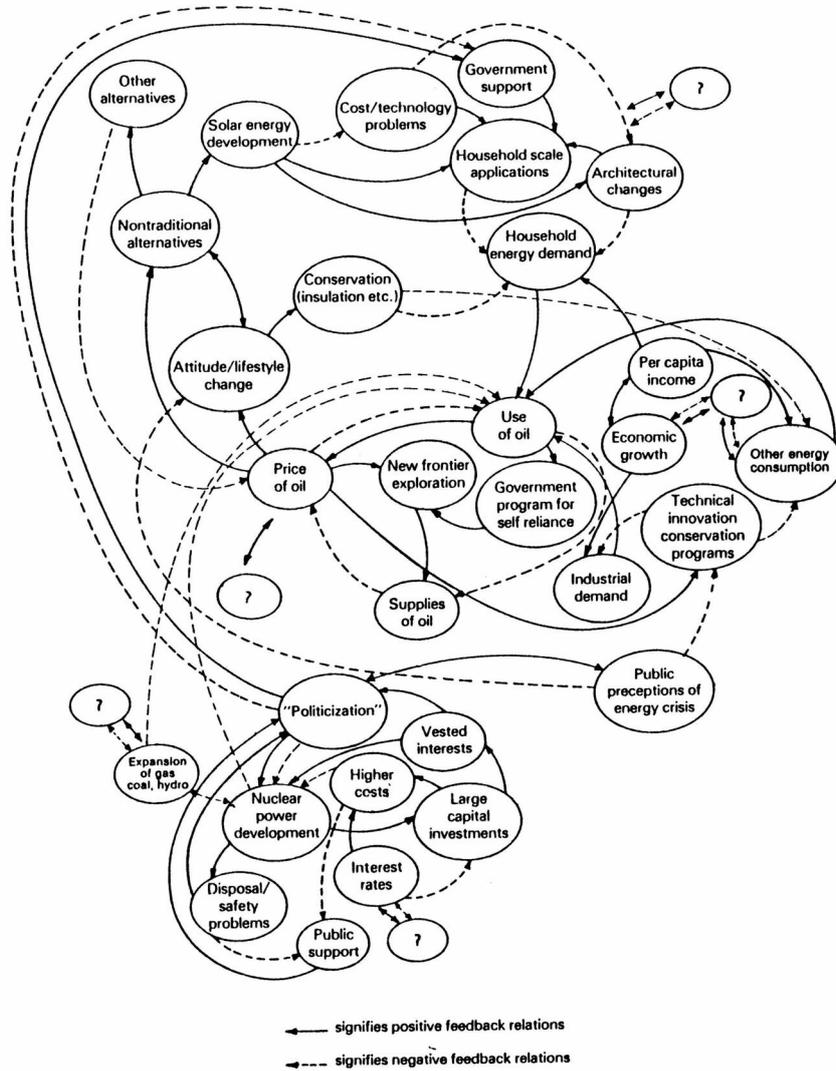
When we understand the problems of price inflation as a system of mutual causality defined by many interacting forces, we are encouraged to think in loops rather than in lines. No single factor is the cause of the problem. Price inflation is enfolded in the nature of the relations that define the total system. Many of the links represented in this diagram are deviation-amplifying (heavy lines); negative –feedback relations (dotted lines) are more sparse. Positive feedback thus gains the upper hand. The system can be stabilized by strengthening existing negative-feedback loops and by creating others. Many government policies implicitly attempt to have this effect. For example, wage and price controls introduce negative-feedback loops that attempt to moderate the wage-price spiral. Government or media criticism of trade unions as unreasonable, greedy “villains” attempts to weaken the positive-feedback loop between public support and union power, in the hope that it will moderate the power of trade unions to negotiate higher wages.

In understanding this kind of mutual causality, we recognize that it is not possible to exert unilateral control over any set of variables. It is thus necessary to adjust interventions to achieve the kind of *system* transformation that one desires.

Reproduced from Morgan (1986), with kind permission

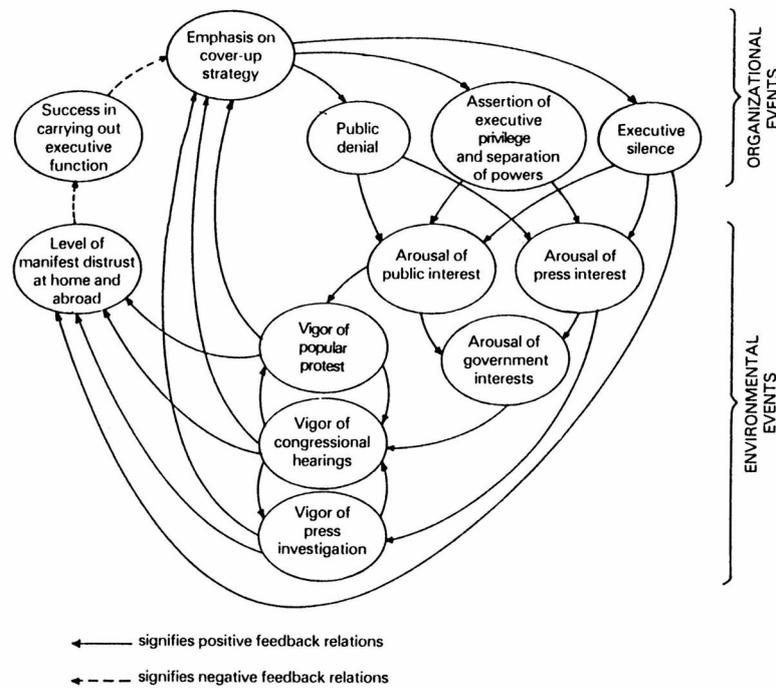
Similar comments could be made in connection with Diagram 20.2, which relates to the power industry.

Diagram 20.2 Positive and negative feedback in the power industry



Reproduced from Morgan (1986), with kind permission

Diagram 20.3 The Watergate Affair: positive and negative feedback in the Nixon White House



Reproduced from Morgan (1986), with kind permission

Diagram 20.3 applies the same kind of analysis to a set of more detailed organisational and inter-organisational relationships. It shows how an initial impetus (in this case the Watergate burglary, not shown in the diagram) can reverberate in a way that transforms a wider context of relations, here the Nixon White House and the whole American political scene.

As Morgan comments:

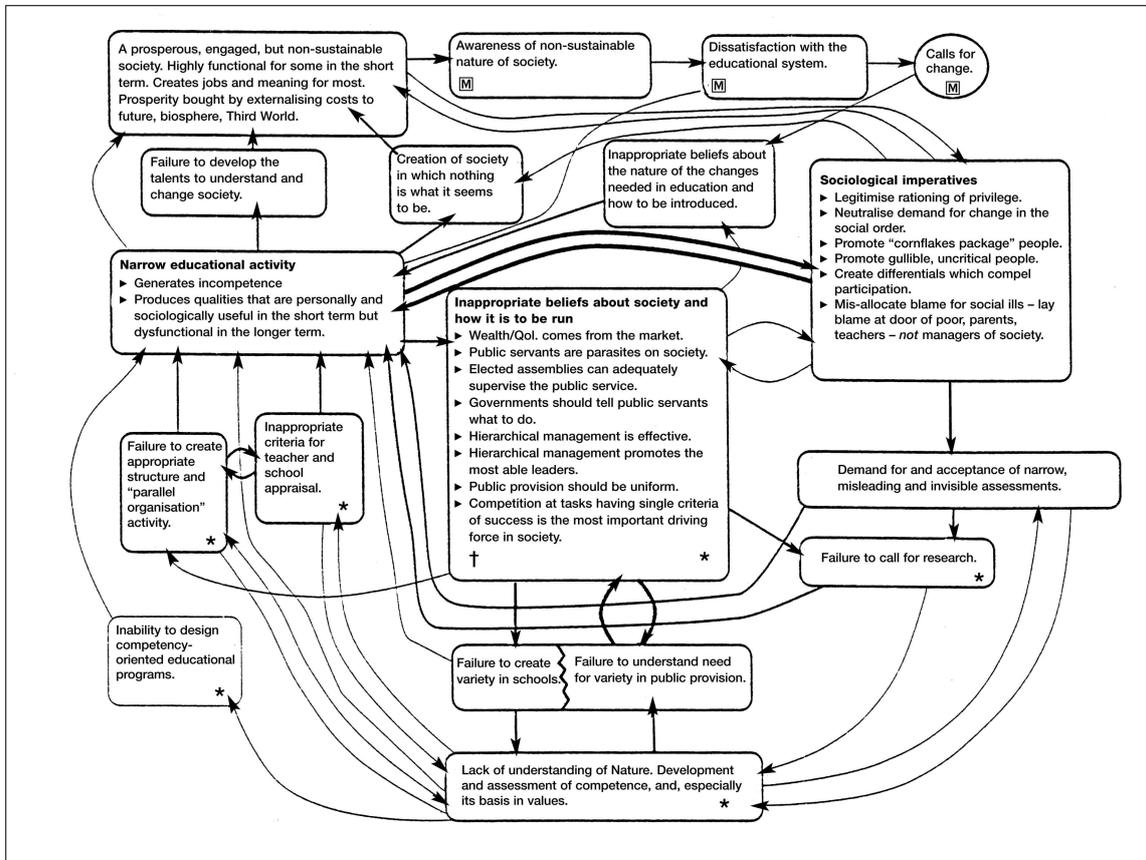
“When we analyse situations as loops rather than lines we invariably arrive at a much richer picture of the system under consideration. There are many levels at which a system can be analysed, and the choice of perspective will very much depend on the nature of the problem with which one is dealing... systems always contain wholes within wholes, and one often finds that the problem with which one starts quickly becomes part of a larger problem requiring a broader focus... This broadening or deepening of the analysis adds to the complexity of the overall picture, but often brings benefits in that it may identify new ways of solving the problems of specific concern...

In conducting this kind of analysis it may not always be possible to map the loops defining a system with the degree of certainty and completeness that one might desire. In complex systems the degree of differentiation is high, and there are usually numerous intervening processes shaping any given set of actions... (Nevertheless this kind of analysis) provides a powerful tool for guiding decisions and interventions”.

The Educational System

We have drawn up and published a similar diagram dealing with the educational system (Diagram 20.4).

Diagram 20.4 Feedback Loops Determining The Nature of Educational Provision



* Intervention in these cells would help change the nature of the qualities nurtured and rewarded in the system. Motives which could be harnessed to do this are marked M.

† These need to be replaced by acceptance of the need to make managed economies work – to find way of giving effect to information concerning the public long-term interest, the need to explicitly create variety and information on the personal and social consequences of the options, and to find ways of holding public servants accountable for, and getting them to act in, the long-term public interest. This means systematic, broadly based, evaluation and participative democracy.

The most important points it illustrates are:

- i. That the key points at which intervention is required are far removed from the symptoms of malaise. The nature of the key problems which must be tackled have not, in the past, been at all obvious to most professionals, let alone politicians;
- ii. That the fundamental sources of the problems of the educational system stem from the *sociological* functions which the system performs for society. Unacceptable though it is to discuss these, one ignores them at one's peril.
- iii. That the most important developments that are needed if the system is to function more effectively involve changes in our beliefs about how society should work and the introduction of research-based arrangements and tools which will enable it to function more effectively.

The diagram shows how the narrow nature of educational provision is heavily over-determined by multiple, interlocking, and self-reinforcing processes - and thus why the system is so difficult to change. It shows how the effects of any single change will be negated by the rest of the system. It shows why “common-sense” reform has not worked in the past and will not work in the future. While indicating the sources of the motives for educational change, it also shows why it is so difficult to harness those motives to the kind of activity that would be required to produce a positive effect.

The diagram encapsulates many observations made earlier. In particular it indicates:

1. That the narrow educational activities which dominate schools are produced by:
 - i. A series of sociological imperatives (e.g. that schools assist in legitimising the rationing of privilege);
 - ii. Inappropriate beliefs about the changes that are needed in education itself, the management of the educational system, and the management of society;
 - iii. Failure to initiate research into such things as (a) the nature of competence, (b) how its components are to be nurtured, and (c) how to manage educational processes in order to nurture generic high-level competencies;
 - iv. Inappropriate beliefs about how society works and about the developments needed to make it work more effectively;
 - v. The absence of systematically generated variety in, and choice between, educational programmes having demonstrably different consequences for the lives of those concerned and the societies in which they live;
 - vi. Failure to implement “parallel organization activity” to generate innovation within schools and the educational system more generally, and
 - vii. Inadequate dissemination of the results of existing research into the nature, development, and assessment of competence, and, especially, the implications of the values basis of competence.
2. That this narrow educational process has a series of knock-on effects which finally contribute to its own perpetuation. The competencies and beliefs that are nurtured in schools reinforce a social order which offers major benefits to “able” people who do what is required of them without questioning the social order or the contributions which the organisations for whom they work make to society. That society creates endless work which gives a structure and psychological meaning to people’s lives, but does not enhance the general quality of life. It creates wealth at the expense of the biosphere, future generations, and the Third World. And it protects its citizens from a knowledge of the basis of their wealth. The educational system helps to teach a host of incorrect beliefs which collectively result in nothing being what it is popularly or authoritatively said to be. The resulting double-talk makes it extremely difficult to conduct any rational discussion of the changes needed in society. The sociological imperative that schools assist in legitimising the rationing of privilege helps to create a demand for, and encourages acceptance of, narrow, invisible, and mis-labelled assessments. Those predisposed to acquire these “qualifications” are not inclined to see the need for, or to commission, genuine, enquiry-oriented, research or notice other talents in their fellows. Teachers who discover the hidden competencies of their “less able” students experience acute distress. The lack of understanding of the nature of competence leads to a failure to underline the need for a variety

of value-based educational programmes and thus to the perpetuation of narrow educational activity.

3. That the main motives for change are a widespread awareness that there is something seriously wrong with society and that the educational system needs to nurture new competencies if that society is to be changed. The educational system fails miserably in its manifest task of identifying, nurturing, recognising, and utilising most people's motives and talents. However the diagram also shows that the most commonly proposed solutions to the failures of the educational system, based as they are on fundamental misunderstandings of the nature of modern society and of the processes required for its effective management, lead into a feedback loop which stresses centralised prescription of goals followed by tight monitoring procedures and thus to exacerbation of the problem.
4. That there are several points at which it should be possible to intervene in the network to create a positive upward spiral. These include:
 - i. Evolving a better *understanding* of the nature of modern society, how it works, and how it could work more effectively - that is to say, attacking the central box in the diagram. This could be done by introducing programmes of adult civic education designed, not to inculcate the received wisdom, but to promote the development of new understandings through action-learning.
 - ii. Promoting wider recognition that it is not possible to get value for human effort in modern society unless better means of monitoring and evaluating the long-term effects of what is being done are introduced and unless better ways are found to give effect to such information. This points to the need to introduce more, and more appropriate, social research and evaluation activity, and to find ways of holding public servants accountable for seeking out and acting on information in an innovative way in the long-term public interest.
 - iii. Introducing the "parallel organization" activities that are required to promote innovation within schools and the educational system more generally.
 - iv. Establishing a greater variety of distinctively different, value-based, educational programmes and providing information on the short and long-term, personal and social, consequences of each.
 - v. Creating public debate about the forms of supervision - the nature of the democracy - needed to ensure that public servants seek out and act on information in an innovative way in the public interest.
 - vi. Disseminating what is already known about the nature, development, and assessment of competence and its implications.

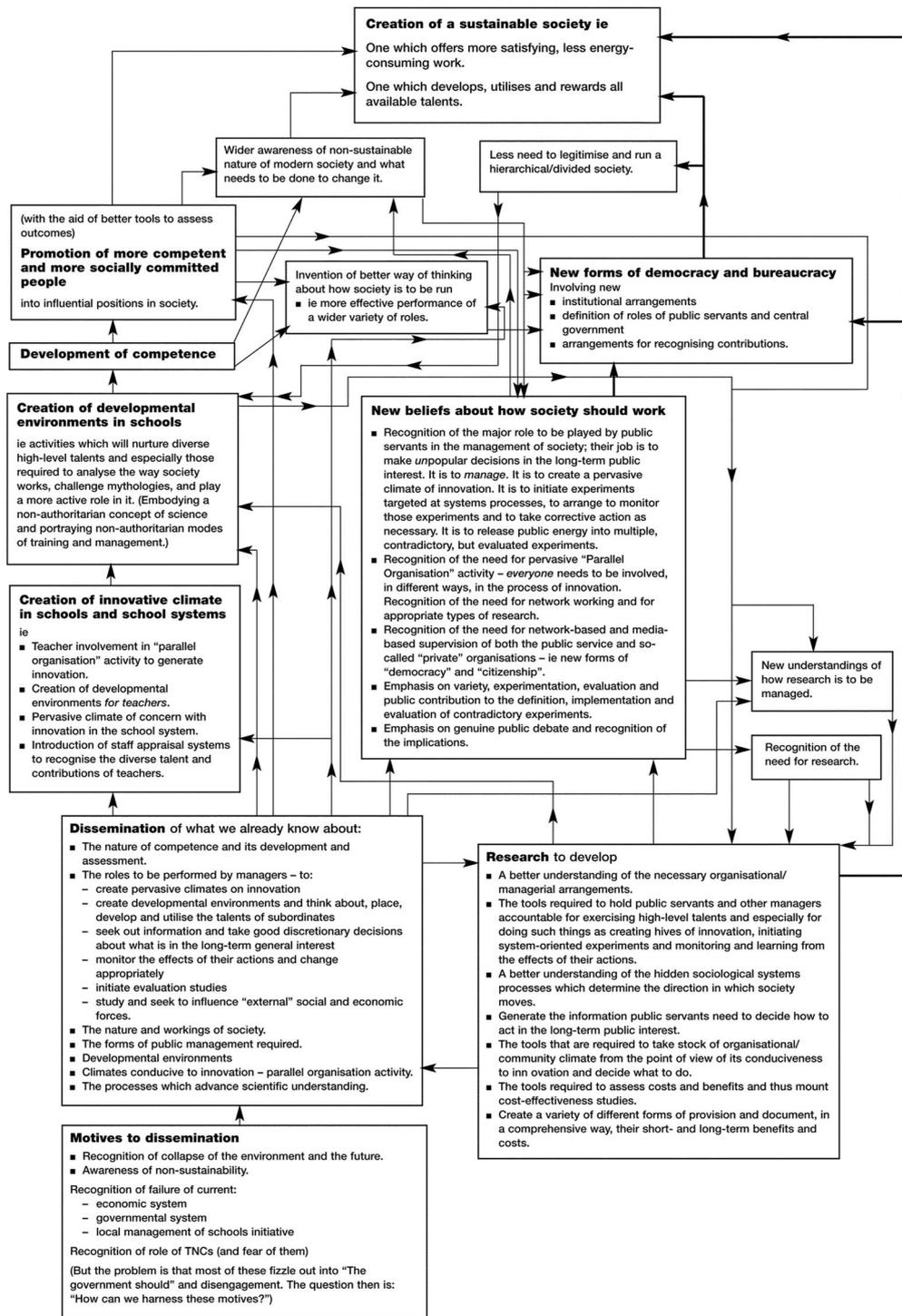
Note how the most crucial points of intervention lie *outside* schools and classrooms and that the most important development from the point of view of finding a way forward is the introduction of an effective experimentation, monitoring, learning, and management *system*.

Although audiences with whom this diagram has been discussed have generally found it helpful, the view has been expressed that it did not indicate how a re-designed system might work.

After numerous false starts, Diagram 20.5 was prepared in an effort to meet this need. It brings together what we have learnt about the developments that are needed if we are to have a more

effective educational system - i.e. one which translates shared values into effect - and shows how the components would reinforce each other to generate change.

Diagram 20.5
New societal management arrangements



Version date: 28 May 2004. John Doctemp/Jean ODDMENTS file: NSMA.***

Dissemination of what is already known about:

- The nature of competence and the ways in which the development of its components are to be assessed.
- The roles to be performed by effective managers, and public servants in particular; and
- The nature and workings of society.

could impact:

- The climate for innovation in schools.
- The quality of the developmental environments available to pupils.
- The level and diversity of talents nurtured and credentialed.
- Awareness of the non-sustainable nature of modern society and the developments needed to impact it.
- Wider recognition of the developments needed to run society more effectively.

These developments would be mutually supportive. What is more, the developments in education would flow round to reinforce changes in society and these in turn would facilitate - rather than inhibit - developments in the educational system.

The diagram clearly shows how both the specific developments required in the educational system and the developments required in the processes which are employed to manage the educational system link to the central aims of this book - to clarifying how to move toward a sustainable society. A sustainable society *will* only be produced if we develop and deploy high-level competence effectively ... but this development itself will only come about if we change the way we manage society. The key developments that are needed are new forms of democracy and bureaucracy. But to get these we need changed beliefs about the topics covered in the central box in Diagrams 20.4 and 20.5. These changed beliefs - the ones this book has been devoted to developing - would both lead directly to new forms of bureaucracy and democracy and to the implementation of the research needed to develop the understandings and tools that are needed to run modern society effectively.

The heaviest feedback loops are those on the right hand side of the diagram, and it is on producing the developments indicated by the contents of the boxes which precede them that attention needs to be focussed.

Perhaps one of the most important lessons to be drawn out of the diagram is that, if we wish to find a way forward, we need to concentrate our minds - not on the TNCs (trans-national companies) and all the other horrors reviewed in previous chapters - but on finding ways of running the sectors of the economy which have already been socialised - i.e. taken outside the market mechanism - more effectively. Once we have done what is necessary to run our educational system more effectively, our health care system more effectively, our welfare system more effectively, our physical planning process more effectively (relocating homes and workplaces in the process), our policies designed to enhance the quality of (working) life more effectively, our socialised insurance and pensions systems more effectively, our transportation policies more effectively, our agricultural systems more effectively, our crime control systems more effectively, and our environmental policies more

effectively, we will have little difficulty extending effective management to the remaining domains of the economy.

Perpetuation of a Non-Sustainable Society

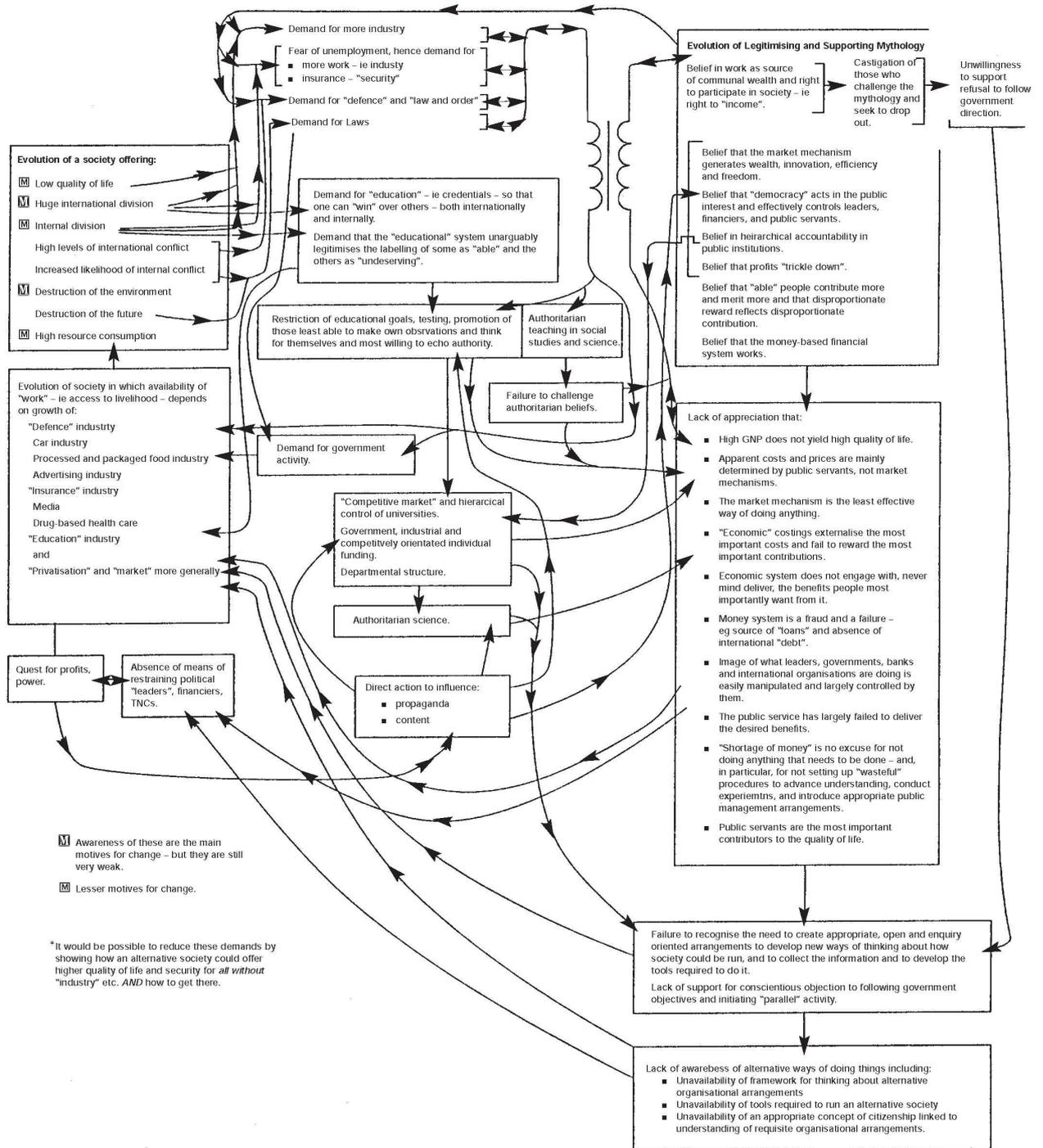
The final diagram to be reviewed in this chapter was prepared to summarise much of what we have learnt in this book and, in this way, highlight the key points at which intervention is required. Diagram 20.6 first indicates that the main engines of modern economies - the defence, transportation, agribusiness, insurance and banking, health care, and educational systems - result in a non sustainable society which offers only a low quality of life to the majority of its inhabitants (and even worse conditions of life for the majority of those who inhabit the planet), creates huge disparities in wealth and well-being both between and within societies, has high levels of international and internal conflict, nurtures endemic fear of the dramatic escalation of such conflict, and, at an ever increasing rate, destroys the environment and the potential of the planet to survive in anything approaching its present form.

These symptoms of malaise - some of them potential motives for change - as they interact with conventional economic, social and political thoughtways, channel felt needs for urgent change into demands for “more of the same”. Thus the development of more industry, transportation, and commerce is typically seen as the only solution to poverty, both nationally and internationally. The spectre of unemployment - and especially its association with lack of access to goods and services, amenities, and health care - leads those who are relatively well-off to make increasing demands for insurance and the educational qualifications which will help to assure continuing employment. The fear of international conflict leads to a demand for ever-greater “national security” systems despite their ever more lethal nature. Fear of the conflicts which are likely to arise from the increasing discrepancy between the “haves” and “have-nots” within society provokes demands to strengthen the power of “law enforcement” agencies and for the introduction of more powerful arrangements to quell protest and potential insurrection. All of these combine with an awareness of the deteriorating environmental situation to fuel demands for more government action.

The apparent viability of these solutions to our problems depends on acceptance of established thoughtways. Consequently, public discussion of the problems and their solution reinforces those thoughtways through constant repetition. And the thoughtways in turn channel thinking into demands for more of the same as the solution to the problems.

Core beliefs in this process include the notion that wealth derives from “work”, with its corollary that those who do not work are not entitled to share in communal wealth. While the work ethic on which this thinking is based may once have been grounded in reality, this is no longer the case. “Work” has changed in character in such a way that much modern work is, at best, useless and, more often, destructive. Despite this fundamental flaw, the persistence of the work ethic legitimises demeaning and degrading treatment of both those who are forced to drop out of the system and those who have chosen to do so in order to engage in more ethical activities designed to promote the long-term public interest.

Diagram 20.6 Feedback Loops Perpetuating Non Sustainable Society



This demeaning treatment of large sections of the population has resulted in fewer calls for revolution than might have been expected. Reinforced by the myth that we live in a democracy in which the will of the majority is sovereign it has led mainly to higher levels of competition to get

back into the system. This has had the effect of strengthening - rather than challenging - the network of supporting beliefs.

The belief that work within the existing framework provides the only legitimate claim on wealth contributes to an unwillingness to support protesters and maveriks. More generally, it leads to a failure to recognise that we need much more actively to support those who are inclined act on the basis of their perceptions of the long-term social interest when this conflicts with their short-term self-interests - i.e. their consciences. Such support could be provided by arguing for the legitimacy - rather than illegitimacy - of refusing to follow government rules and laws. This is particularly important in that willingness to follow the commands of “leaders” and “economic imperatives” and failure to challenge authoritarian social and economic theories (itself a product of acceptance of authoritarian teaching in “science” and social studies) are among the most important sources of our problems. Support for such moral action might take the form of ensuring that it does not mean loss of income were it not for the belief that such failure to “work” *should* carry the penalty of loss of income - because the assumed failure to contribute to society is itself immoral.

The perception that we need “more of the same” to solve our problems is also supported by a swathe of socio-economic beliefs to the effect that market activities are the main source of wealth and the belief that democracy (i) exists and (ii) enables us to control our leaders, financiers, TNCs, and the public service and to run society in the public interest. While the diagram acknowledges that these unfounded beliefs are in part deliberately crafted and propagated by those who profit from them, it also reminds us that they are reinforced by the operation of the system itself.

The acceptance of these beliefs is both a result and a cause of failure to collect and disseminate counter-information and generate and disseminate alternative ways of thinking. The hegemony of the beliefs contributes to a failure to recognise the need to establish more appropriate institutional arrangements to generate a better way of thinking about society and to develop the tools and expectations that are required to run it. In the absence of this understanding and these tools there can be very little effective challenge to orthodoxy.

But the failure to develop alternative ways of thinking is also driven by another process. The conspicuous differentials in economic well-being within and between societies lead - in the absence of any reliable information on how the educational system does and could operate, and in the context of the dominant mythology - to a demand for more “education”, both within and between nations. The provision of this education generates some of the “work” required to keep society going. But, more importantly, the linking of education to the achievement of national and individual competitive advantage results in a demand that educational credentials be seen to unquestionably separate the deserving from the undeserving. This contributes to a narrowing of our concept of merit and a demand for simplistic testing. Fuelled by the dominant economic mythology and pressure from those whose relative position depends on the perpetuation of the existing social order, these pressures strengthen the demand for authoritarian teaching ... both in social studies and the natural sciences. *Non-authoritarian* teaching outwith a well-developed framework for thinking about multiple talents, their development, and their recognition leads to weak and diffused, but nevertheless deeply disturbing, challenges to sociologically vital core beliefs about how society and the educational system should work. It is therefore rapidly - and relatively easily - eliminated. At

the same time, promotion of those least likely to challenge received mythology into influential positions further undermines challenge to the social order.

Authoritarian teaching and forms of assessment which actually pick up both the willingness and the ability to regurgitate (rather than question) received opinion and the willingness to do whatever authority requires for the sake of personal advancement leads to the students at universities being restricted to those least willing to think about society and to act in ways which are not just in their short-term, personal self-interest.

However, the teaching and research of university staff is further constrained by forces flowing from belief in the appropriateness of hierarchical accountability in public institutions. This both prevents staff obtaining external funds to adventure into the unknown and deprives them of ways of getting credit for their work should they decide to do so. The admission of those students who are most concerned only to advance themselves by doing what those in authority want further restricts enquiry-oriented teaching. The effect of these forces operating to restrict the flow of both new ideas and enquiry-oriented individuals from the universities is further reinforced by direct intervention from those with a vested interest in perpetuating the status quo.

The net result of these processes is a widespread failure to recognise key defects in our societal management arrangements. These combine with the previously mentioned authoritarian beliefs to produce both a failure to recognise either the need for new ways of thinking and an unwillingness to accept the kind of messy, open, enquiry-oriented arrangements which would be required to evolve them. The “work ethic” leads directly to castigation of those who cannot “obtain external funding” for their research and those who seek to experiment with alternative lifestyles. The fact that people are in some sense aware that systemic intervention is required if our problems are to be overcome reinforces their disinclination to support those few who are still inclined to act on their own (moral) insights into what would be in the long-term interests of society. And this reluctance turns into active opposition among the vast majority who believe that systemic intervention *requires* - is, indeed, to be *equated with* - authoritative, governmentally-organised and controlled, *system-wide* intervention. As far as they can see, the success of the latter will, by definition, be undermined by any challenge.

From the diagram, it is obvious that the main motives for change are weak and that the loop into which they feed both reinforces, and is informed by, widely held beliefs.

Those who become aware of the need for change are usually in no position to recognise that the developments that are needed lie in the bottom right hand corner of the diagram. Still less are they in a position to press effectively for such developments. The effects of any well-intentioned, individualistic, actions they may be able to initiate are cancelled by the reactions of the rest of the system - and especially as a result of conflict with other people’s beliefs and the need to do such things as retain a job in order to avoid demeaning treatment.

Just as the educational system operates to pull people into line and force them, in their own short-term interest, to behave in ways which are socially dysfunctional, so does the broader social system of which the educational system forms a part.

What the diagram shows is that possible points of intervention include:

. Finding ways of restraining those pre-occupied with profits and power from having so much influence on what happens. This means developing media they do not control and focussing the attention of those media on more important topics. More specifically, it means disseminating awareness of what we have seen of their activities and the writings of authors, like Chomsky, who have written more extensively on the subject. It means developing tools and arrangements to expose more of their behaviour - and its consequences - to the public gaze. It also means each of us taking more active steps as citizens to expose what is going on, personally refusing to submit to pressures, and actively supporting those who refuse to submit to such pressures and suffer the consequences.

- Taking direct action to promote the development of more appropriate societal management arrangements.
- Pressing for the establishment of the institutional arrangements required to advance understanding and develop new administrative tools and arrangements.

Notes

20.1 Morgan, 1986

References

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Chapter 21

Creating a Pervasive Climate of Innovation

The fundamental question with which we are concerned is how to ensure that our society acts in its own long-term interests. What we have seen so far is that neither Smith's nor Hayek's marketplace, current forms of democracy, dictatorship, nor widely held beliefs about management and the role of the public service can ensure that this happens.

Our quest involves nothing less than finding new answers to the question which Smith and Hayek raised so forcefully: How is society to coordinate and give effect to widely dispersed, largely inarticulate and incomplete information of varying quality and the content of which changes as other people pursue their distinctive purposes by acting on such information as they possess? Different bits of information are possessed by people who value doing different things, have different life styles, define the public interest in different ways, and discount the future at different rates. That is to say, the information is embedded in different contexts which result in its having different implications. What these remarks mean is that the information cannot be prioritised, weighted along any single dimension, or combined using any process akin to a mathematical algorithm. What is more, the personal and social consequences of acting on any particular subset of this information will vary enormously depending on developments emerging from actions taken on the basis of other information by other groups of people. Smith and Hayek were therefore right about the need to invent a *learning system* which had many feedback loops, which encourages multiple contradictory developments to emerge and be subjected to the test of ability to survive, and which enables people to give independent effect to what they know and feel about a wide range of unrelated issues. In short, they were right to disparage wise men and hierarchical systems.

It is important to note, first, that Smith and Hayek's question had, and still has, centrally to do with finding ways of handling *information*. Second, that the economic market place was proposed specifically as a solution to this problem. It has no *intrinsic* merit.

What has been demonstrated is that market mechanisms are not only inadequate to this task, they operate in dysfunctional ways themselves and they supply politicians, public servants, and the public alike (all "wise men" taking decisions) with *misinformation*.

Before we can make much progress in trying to discern an alternative, it is necessary to challenge a number of common assumptions. One of these is that “necessity is the mother of invention”, with its corollary that “security will stifle innovation”. In a more extreme form this belief finds expression in the idea that scientists who are not kept on a “tight rein” will pursue ivory-tower trivia.

In fact, research^{21.1} has consistently shown that developments in science and technology come from those who do not have to worry too much about their individual futures or about meeting the demands and expectations of others. This finding does not, of course, imply its converse - that security *breeds* innovation. What it does show is that creativity is inhibited by the need to worry about personal survival.

It is also important to note that, given adequate security, scientific and technical inventiveness depends on such things as a fascination with certain types of scientific or technological activity, a strong personal predisposition to engage in creative and inventive activity in relation to such tasks, a climate of support (including tolerance of the mistakes which inevitably occur), a network of contacts which help to promote such activities, familiarity with the process of developing full-blown activities through piloting (and thus a propensity to learn from experience), and an absence of positive and negative social constraints such as those which stem from the climate of “publish or perish” which has come to characterise the universities.

It is not only scientific innovation that is facilitated by security. Jaques^{21.2} has shown that the invention of insurance and the limited company - both of which insulate people from individual financial ruin in the event of business failure - were crucial to business innovation.

Closely related to the myth that security stifles innovation is the belief that bureaucracy has a similar effect. Yet Jaques has demonstrated that most of the important innovations in modern society have originated in, or been greatly facilitated by, the public sector. Backwaters in bureaucracies, where suitable conditions have apparently occurred by chance, turn out to have been the most fertile breeding grounds for innovation in the modern world. As we have seen when we discussed Roberts’ work, much of what looks like private-sector innovation turns out, on closer examination, to have been elicited by public servants who exercised the necessary discretion to evaluate and support both individual and teams of scientists. These particular public servants funded people who had demonstrated high-level competence rather than those best able to prepare the kind of paper plans which tend to appeal to bureaucrats. Although Rothschild^{21.3} also noted that there was no alternative to public funding for the necessary adventures into the unknown - and, in particular, for the kind of social science that would engage with the urgent and major problems of society - he failed to underline the crucial importance of developing better ways of identifying those who possess the qualities required to adventure effectively, the multiple talents which are required to contribute to the success of such adventures, and the institutional arrangements required to undertake them effectively. As a result, his “customer-contractor” principle has been used to justify exactly the opposite of what he intended - namely the funding of paper plans (and thus the more dysfunctional process of generating and reviewing stacks of paper).

Currently, one of the main barriers to the fundamental change is the high-level of insecurity felt by most of the population. They have to devote enormous amounts of energy to securing their day-to-day livelihood and short-term future. There is no time for public-spirited activity. It would be dangerous to call social institutions into question or to expose the iniquitous

practices of politicians, public servants, or employers. It would be too costly to refuse to work at a socially destructive job.

Serious problems also arise from the fact that the activities which are most crucial to innovation - thinking, reading, experimenting, communicating with others outside the local community - are generally regarded as “not work” by colleagues and managers.

Once again, it cannot be too strongly emphasised that *pervasive* change is required; developments which become possible because of new thinking in one part of a system cannot be translated into effect without a range of related changes. This is most obvious in relation to technical development (compare the earlier discussion on the steam engine). In fact^{21.4} Watt, Priestly, Bolton, Wedgwood, Darwin, and others met regularly as a group of self-styled “lunatics” precisely in order to bring such concerted developments into being. We have forcefully underlined the myriad of developments which are required if either our “educational” system or our society are to function effectively.

But it is not simply a question of “releasing creativity”. People will display their creativity and initiative in the course of undertaking very different kinds of task. Some people will display their creativity and inventiveness when finding ways of bending or evading regulations so that something socially worthwhile can be accomplished. Others will use rules creatively to secure their own personal advancement or to build empires. Other people have a flair for setting up social systems which promote genocide. Still others show great creativity and initiative when putting people at ease or establishing warm, affiliative relationships. Creating a ferment of innovation that is in some sense *useful* therefore poses a fundamental problem for human resource management. How can one help to ensure that something worthwhile emerges from a situation in which millions of people are displaying their creativity in the course of undertaking a wide variety of potentially contradictory activities? How can one help to ensure that destructive activities are discontinued?

Some form of goal clarification to give a sense of direction to the activity is obviously essential. But this is not straightforward, not least because, as so many historians have shown, numerous activities were at first been rejected have turned out to be productive - and *vice versa*.

In fact, a great deal of *information* is required to mount any meaningful goal-clarification exercise. The task of clarifying what people “want” is, in itself, extremely problematical. Making rational choices is very difficult. People have a tendency to get jealous of - and thus, in a sense, “want” - what others who appear more fortunate have. But they often only see the attractive surface features of a particular way of life (e.g. one that appears affluent) and lack information on such things as the amount of work required to secure the position and the personal and social costs and consequences of pursuing a particular lifestyle. Often people do not want to do the very things necessary to achieve a way of life they believe they would like to have. For example, while wanting the material possessions associated with success in business, they often do not want to do such things as manage a network of financial affairs or work day and night to develop and market a new product. Likewise, many of those who espouse the New Values do not want to do the very things necessary if we are to create a society offering sustainable high quality of life.

A *productive* climate of innovation involves a great deal more than “just getting everyone to do their own thing”. It has to involve a cycle of *comprehensive* evaluation and discussion.

The implications of these observations for the role to be performed by public servants are serious. In the first place, to them falls the task of releasing the energy, know-how, creativity, and initiative of the general population to create a hive of innovation. But also to them falls the task of ensuring that the activity results in worthwhile movement. This involves such things as releasing numerous experiments based on tentative understandings of parts of the problem and ensuring that they are comprehensively evaluated and that action is taken on the basis of the results, ensuring that “heretical” viewpoints are expressed and researched, and initiating the collection of relevant information and orchestrating a public debate.

Thompson^{21.5} has suggested that these requirements point to the need for what he terms “clumsy”, as distinct from “gainly”, “streamlined”, or “efficient” institutions. They point to the need for arrangements which will lead to the articulation of a wide range of contradictory viewpoints, which will lead to the initiation of many activities seemingly going in different directions, which will harness the (all too often neglected) expertise of “ordinary” people, and which will promote a balance between step-wise, local, and often contradictory interventions, and systems-oriented, but not usually system-wide, carefully-monitored, experimental interventions based on different understandings of systems processes.

Parallel Organization Activity

In addition to setting out to create, through the public service, a general climate of support for, and encouragement of, innovation we need also to do the same within organisations - and, especially, within the public service.

A widespread climate of innovation in the public service - where public servants also collaborate in order to influence the wider social forces which otherwise limit the effectiveness of their actions - will require fundamental change in the way the service is managed. In addition to changed expectations and changes in the criteria used to appraise performance, it will be necessary to introduce a significant emphasis on what Kanter^{21.6} has termed “parallel organization” activity concerned with innovation.

Kanter’s research - and it is important to note that it was conducted in public sector as well as private sector organisations - our own studies^{21.7}, those of McClelland^{21.8}, Klemp, Munger and Spencer^{21.9}, and Rogers^{21.10} show that most innovative activity is *not* carried out by a separate cadre of R&D specialists, but by those who undertake the day-to-day work of an organisation. Innovations - at least those not directly concerning management arrangements - rarely come from managers. This is because managers have little opportunity to observe the problems which need to be tackled, little contact with others dealing with related processes, and little relevant up-to-date information bearing on developments in technical areas.

The main requirements for effective “parallel organization” activity are that:

1. Time and resources are specifically set aside for activities aimed at innovation and improvement.
2. During the time allocated to innovation, working arrangements are non-hierarchical. For effective innovation to occur it is necessary to;
 - i. establish fluid networks of *ad hoc* working groups which form and disband as needs change and to which people attach themselves for only so long as their particular talents are required,

- ii. bring together people with different talents for different purposes,
- iii. seek out, encourage, and recognise the different types of contributions which are essential to successful innovation. Many of these are neither recognised nor capitalised upon in day-to-day activity. The need is to create climates of enterprise or innovation^{21.11} to which different people contribute in different ways,
- iv. channel resources to those who are capable of initiating, carrying through, and capitalising upon, new activities rather than to those who are only capable of generating paper plans.

“Flat” structures are required for innovation because communication in hierarchical structures filters out novel, potentially risky, ideas so that they never reach those who could release necessary resources. Non-hierarchical arrangements bring those with ideas into direct contact with those who hold the purse-strings. The organisation can then capitalise on the insights of “coal face” workers instead of relying on “management” or “research” to initiate new developments.

3. Managers and staff recognise the value of the wide range of contributions required in any kind of innovative activity, and assemble teams of people who contribute in very different ways to the exercise.
4. Managers and staff identify those best able to undertake effective innovative activity and channel the necessary resources to them.
5. Opportunities exist for people to work with others who are trying to tackle similar problems, both within the organisation and outside it. Such collaboration generates new ideas, strengthens people’s resolve to do new things in new ways, and creates a network of contacts who provide help and support when difficulties arise. Innovative ideas tend^{21.12} to emerge from networks of individuals who are in touch with each other but somewhat isolated in their own communities. Even after ideas have been tested and made useful as a result of pilot activities^{21.13}, networks of communication are important because ideas and ways of doing things tend to disseminate through an informal, “cascade” system. Practices tend to be adopted after they have been observed working effectively for others in conditions which are taken to be similar to one’s own. People dismiss the ideas and activities of those higher in a hierarchy of innovation as being inappropriate to their circumstances.
6. There is encouragement to form “political coalitions” with others outside the individual’s own organisation in order to influence external constraints. (In education, these external constraints include parental expectations, the forces which derive from the sociological functions the educational system performs for society, and the assessment procedures currently in use.)
7. There is access to R&D laboratories to facilitate the development of the concepts, understandings, and tools that are needed. However, these contacts need to be set up in such a way that those concerned - including the clients of the system - are able to initiate and take part in the research and development process itself and influence the perspectives embedded in the research.
8. There is a climate of trust. All who contribute need to know they will share in the benefits. They need to know that management will not simply pocket the profits, that civil servants will not simply use the ideas that are generated to advance themselves and leave others with much poorer terms of employment.

Kanter’s conclusions about how to promote innovation are reflected in the arrangements which Revans^{21.14} developed and evaluated as “Action Learning”. These arrangements involved exchanging senior personnel between firms for several years at a time, supporting

them within the firms by surrounding them by an appropriate network, creating an inter-organisational support group of others who had exchanged positions, and providing them with university contacts. This structure provided the time and support needed to reflect and grow. Those concerned grew in confidence and competence, came to see their organisations and their problems in a new light, and built up an up-to-date pool of specialist information. The arrangements profited those who were directly involved, the firms they came from, and the firms they worked in. Such arrangements are radically different from traditional educational activities and even from most variants of “learning through doing”. In the latter the “learning” that is expected to occur typically involves mastering knowledge of content and not such things as relating to problems and people in new ways, or building up the unique understandings, and developing the strategies, required to tackle particular problems.

Components of Network-Based Working Arrangements

Parallel organisation activity involves network-based working arrangements. These are, in fact, a key component in any “culture of enterprise” or innovation and merit special discussion.

The pervasive and interlocking nature of the developments that are needed in society means that it will not be possible to assign precise goals for most people to achieve. Instead it will be necessary for them to function as members of “teams” whose task is to identify goals and problems, solve the problems, and invent new procedures. Within these teams people will have to perform a wide range of distinctive and complementary roles. Because what any one team can accomplish is dependent on what other teams do, memberships should be overlapping so that all aspects of the problem are tackled and so that information flows between teams. The teams will need to be thoroughly permeated by people who are able to release resources to those who have a talent for finding ways of getting important things done and capitalising on chance discoveries. The teams will need to include researchers. The “other teams” with whom they will need to be connected include other local groups, national groups (because many of the constraints on what any local group can do often arise outside the community), and groups from the other side of the world. Extensive computer-based networks and the media will also be involved in disseminating what they are doing to others.

The membership of such networks cannot be determined in advance but needs to evolve. New groups need to be set up as aspects of the issues they are tackling are identified and dissolve as problems are resolved. People with appropriate competencies should be able to join and leave as their knowledge and skills are required and become redundant. Membership also needs to be open to others who have an interest in the topic or activity, whether because it affects them directly or indirectly.

The importance of such network-based working arrangements stems in part from the interlocking nature of many of our problems. Not only are policies in apparently different domains often interconnected but multiple agencies are typically involved in tackling single problems. Clients and benefactors, not to mention others on whom policies indirectly impinge, have conflicting priorities and interests. Many presenting problems are symptoms of a single, more basic problem and single symptoms often have multiple causes.

The problems of modern society have so many connections that they cannot be solved by establishing vast hierarchical - yet fragmented - organisations like the Department of the

Environment, the European Community, or the United Nations. They can only be ameliorated by networks having many lateral links.

It is useful at this point to recall some aspects of network working which were illustrated in our discussions of aspects of the educational system. If teachers behave in the ways we suggested they will need to define their jobs anew. They will need to spend different parts of their day in very different activities and work with other teachers and other organisations in a range of very different capacities.

We saw, for example, that even if we focus on the task of developing educational programmes which will make it possible to nurture different talents in different pupils a host of diverse kinds of activity will be required. It will be necessary for some teachers to find ways of nurturing high-level competencies in pupils. It will be necessary for others to focus on the diversity issue - on how to foster *different* talents in different pupils. It will be necessary for others to seek to make explicit and formalise what these other two groups have learned so that still others can understand and implement the relevant processes. The network working that is required will involve more than links between teachers. It will also involve links between teachers and parents, politicians, administrators, university personnel, employers, economists, researchers and the media.

The advances and developments that will result cannot be specified in advance. The apparent riskiness of each of the component activities can only be reduced by ensuring that time and effort are devoted to articulating what has been learned from whatever happens so that *something* will *always* be achieved, even if it is “only” an advance in understanding.

Network Working Within Hierarchical, Functionally Differentiated Structures

Network working of the kind just described contrasts markedly with the way things tend to be organised within most of our traditional organisations. According to Schon^{21.15} the introduction of network working is dependent on creating roles like the following: entrepreneur, organiser, advocate, consultant, prophet, artist, and visionary. However, his studies suggest that the following are particularly important:

Young Turk. These are usually bright young people recruited for positions with unusual access to those concerned with policy development. They are exposed to the views of those at the top and have the function of challenging those in authority. This role may be strengthened through the creation of informal networks linking people performing the role in different departments and at different levels in the organisation.

Systems negotiator. These are people who help others find ways through or round a difficult, isolated, or rigid system.

Underground manager. Someone who maintains and operates informal, “underground”, networks of contacts. His or her operations are pursued through personal relationships, often having little to do with the formal arrangements of the organisation.

Manoeuvrer. Operating on a “project” basis, such people are able by applying their human relations skills to persuade or coerce organisations into making the shifts required to realise a project which cuts across institutional lines. (Schon cites as an example someone who is able to get a housing project initiated in cities having a large number of agencies and geographic boundaries.)

Broker. The kind of person who connects buyers and sellers. He or she helps each to identify the other, serves as a channel for information, and negotiates deals. He or she can cut

through red tape because of a friend in the right place who owes an obligation for something done in the past. Such a person becomes the “node” connecting various contacts, some of whom may be antagonistic to one another.

Network manager. A kind of overseer who assures the flow of information and the provision of resources. He or she keeps track of what is going on and follows up as necessary.

Facilitator. Those who foster the development and interconnection of different enterprises need the skills of a consultant, guide, and connector. They provide training and consultation to departmental and regional personnel so that they can maintain their own networks.

Schon argues forcefully that those who perform such network roles are “marginal” personnel, implying both the negative connotation of “not being central” and the positive one of “being at the forefront”.

Necessary Changes in Expectations of Public Servants

The changes which have come about in modern society, the inadequacy of democracy, and the developments that are needed, that it is no longer appropriate to regard public servants as mere functionaries whose job it is only to do the bidding of elected representatives.

The job descriptions for *all* public servants need to include:

- Contributing to the creation of a pervasive climate of innovation in society. Among other things, this will involve contributing to a public debate about what is in the long-term interests of society. It will also involve calling attention to previously overlooked goals and activities which ought to be pursued. Teachers, for example, have a responsibility to call attention to the competencies which are not being fostered in schools and to those that could be fostered given appropriate types of educational programme. It is actually a gross dereliction of duty for a public servant to fail to do this.
- Releasing the public’s energy into a debate about how societal goals, and the goals of particular policies, are to be achieved.
- Releasing public energy to articulate numerous, and often contradictory, definitions of problems in a specific area and the connections between those problems and problems in related areas.
- Encouraging members of the public, not only to set up experiments designed to tackle problems in a particular area, but to do so in the context of proper arrangements to learn from them, and, in particular, to learn about systems processes and publicise the results.
- Spending as much time as necessary outside their own organisations in order, individually or with others, to influence, and gain control over, some of the wider social forces which detract from effective job performance.
- Taking responsibility for their own personal development - for moving themselves into positions in which they develop new competencies and acquire idiosyncratic stores of *relevant*, up-to-date information
- Soliciting, collating, and considering information, using it to come to good discretionary judgments about what should be done, taking the initiative required to bring these developments into being, and introducing proper monitoring arrangements which will make it possible to learn more about the nature of the problem and the steps needed to solve it.

If public servants are to do these things, it will be necessary first to agree that these are indeed things they should be doing and then to develop the tools and procedures needed to hold them accountable for doing them. Clearly, the evaluation procedures that are required include means of finding out whether those concerned have been able to do such things as release the energy, enthusiasm, and initiative of both those who work under them and the public more generally. Furthermore, any system of individual appraisal must be set in the context of team and organisational appraisal, not only because it is necessary to find out whether our organisations *qua* organisations are functioning effectively but also because what one person *can* do is heavily dependent on what others do.

What is more, since innovation is primarily a cultural activity, it would be invidious to suggest that - if a wide range of people are contributing effectively but in very different ways to that climate - one person's contribution merits greater financial reward than another's. What is needed is, first, wider recognition of the dependence of all on the past and on each other and then some means of recognising the distinctive contributions of every group member.

Day and Klein^{21.16} have argued that there has *already* been a move to do the kind of thing advocated here - i.e. to hold public servants individually accountable for acting in the long-term public interest. The legal system has started to hold public servants accountable for acting "in conformity with the public interest and public good as defined, not by shifting political processes or ideologies, but by enduring precepts of an over-arching value system". They point out that there is no reason why managerial accountability, whether for fiscal (Was the money spent as agreed?), procedural (Were the agreed procedures followed?), or outcome (Did the programme achieve its goals?) purposes should flow through bureaucratic/democratic, hierarchical channels.

Changes in Beliefs About What "Management" Involves

We turn now to the new expectations which we need to develop about managers - whether those managers are heads of telephone exchanges, academic departments, schools, or research institutes.

The job of a manager is *mainly* to create a climate characterised by innovation, enthusiasm, dedication, and hard work.

To do this a manager needs to:

- Bring together colleagues and researchers who can contribute in different, yet mutually supportive, ways to an innovatory process.
- Encourage all concerned to set themselves high standards for innovatory activity, take responsibility for setting and achieving goals, initiate action, monitor their performance, take corrective action, and capitalise upon "chance" discoveries.
- Create an atmosphere which is supportive of innovation, which encourages people when things go wrong, and which acts to ensure that something worthwhile always comes out of any activity which is initiated. This means creating an appropriate network of contacts between staff both within and outside the organisation.
- Influence outside opinion. This will often involve forming coalitions with managers of other organisations in order to bring effective pressure to bear on authorities and in

this way gain control over some of the wider forces which otherwise so much limit what can be done within any one organisation.

- Stimulate public debate about the goals of the organisation and the wider structure of which it forms a part. In practice, it is important for managers to feed into that debate new concepts of wealth, the terminology required to think about alternative goals for the organisation and how they are to be achieved, new understandings of the ways in which bureaucracies should relate to the public, new ideas about the way bureaucracies should be supervised and held accountable to the public, and new concepts of equality.

The manager's job is not only to take decisions and issue directives: It is to release and harness the energies of independent, thoughtful people who take personal responsibility for acting in the public interest and are willing to be held accountable for so doing.

Participation in the management process needs to be arranged with a view to ensuring that all concerned understand what is to be done and how it is to be done, to foster commitment to the organisation and new developments, to help clarify the variety of different roles required, and to encourage effective performance of those roles^{21.17}. It can also form a vital part of staff development by enabling subordinates to participate in their managers' thought processes, their prioritising, their anticipation of future difficulties and invention of ways round them, their establishment of "political coalitions" to gain control over forces from outside their organisations, their feelings of doubt and the way in which they take initial soundings and grow in confidence, and other features of personal and managerial competence^{21.18}. Dore and Sako^{21.19} have shown that such experiences are of crucial importance in the growth of competence of the Japanese - contributing much more to the success of Japan than any differences between their educational system and those of other countries. Our own work^{21.20} has shown that dramatically different proportions of American and Japanese managers say it is important for managers to think about the talents of their subordinates and how to place and develop them, and that this appears to be one of the keys to Japanese economic success.

The term "delegation of responsibility" is utterly misleading. It implies that managers (or central politicians) are to hand over some part of what is rightfully their job. Instead, jobs need to be *defined* to include responsibility for such things as taking initiative, exercising judgement and discretion, initiating action based on feelings, monitoring developments etc. No one should have to spend a great deal of time trying to justify prospective courses of action to others who do not have first-hand knowledge of a problem or an appreciation of the personal resources which can be brought to bear to invent ways of overcoming unexpected difficulties.

It is important to appreciate the implications of what has been said. We need to hold our managers accountable, not for having made no mistakes, not for the accuracy of an individual decision - but for having engaged in *processes* which are likely to result in better ways of meeting a variety of needs, a general climate of innovation, and improved prospects for the survival of the species and the planet.

In this context - emphasising that it is important to ask whether public servants have followed *procedures* which are *likely to result in* innovatory actions in the long-term public interest rather than whether the individual decisions they have taken are correct - we may note that Simon^{21.21} has come to much the same conclusion from a very different starting point. Simon

argues that it is necessary to distinguish between different criteria of organisational rationality, and especially between *procedural* and *substantive* rationality.

Procedural rationality involves evaluation of action against the criterion of whether the *procedures* adopted are likely to result in the achievement of important long-term goals. Judgments of *substantive* rationality, on the other hand, require us to decide more narrowly whether individual *decisions* were rational (or correct) given the ends to be achieved, the context in which action was to be taken, and the means which were available.

Assessing the substantive rationality of a decision or course of action assumes that relatively complete, if probabilistic, information on processes, options, and their outcomes was and is available. This type of rationality is therefore only of any relevance in relation to clearly definable and isolatable problems involving a small number of variables. Focussing on whether an individual decision *was* (substantively) rational therefore tends to preclude consideration of wider and longer term considerations which might have been - and often ought to have been - taken into account.

Given the complexity of ecological processes, it is only feasible to assess the *procedural* rationality of actions affecting ecological systems. Interestingly, Jaques^{21.22} has in effect - and without using the term - argued that, in evaluating managerial performance, it is primarily with their procedural rationality that we should be concerned because one of their primary responsibilities is to forge high-level, discretionary judgments in situations where there can be no certainty and then to initiate action and learn from its results.

Following Simon's logic, Kelton^{21.23} conducted a remarkable evaluation of whether the procedures adopted in connection with industrial development in British Columbia were procedurally rational - and found them seriously wanting. We would expect that comparable results would be obtained if similar studies were made of other policy domains.

Diesing^{21.24} has identified decision taking about the structures and procedures to be adopted when taking *political* (managerial) decisions as the most important area in which rationality is needed. Unless rational decisions are taken about these ultimately determining structures and processes, no successful reasoning, or decision-taking can occur in relation to the most fundamental issues which determine our own and the planet's future. There can be no conflict between political rationality and any other kind of rationality, because only the solution of political problems ultimately makes possible an attack on any other problem. Conversely a serious deficiency in the arrangements for taking rational, political decisions can prevent or undo all other problem-solving.

Bartlett^{21.25} has further argued that the most fundamental area in which rational, political decisions are required is in connection with communal ecological decision taking. Unless all other decisions are in accord with the complex systems processes of ecology, there can be no long-term future. To arrive at decisions which are in accord with Gaia, he argues that we are heavily dependent on science as a source of insights into the considerations which ought to be taken into account and the consequences of alternative actions. It is in this way, he argues, that science becomes centrally identified with the moral. When humankind's moral values depart too far from nature's ways humankind will be frustrated. Yet, as we have seen, and as Thompson has argued, many as yet "unscientifically tested" insights also need to be taken into account because our "scientific" knowledge is altogether too thin. The central issue therefore has to do with finding ways of harnessing all available insights to come to good

quality decisions - i.e. it has to do with defining the arrangements required to achieve procedural rationality in public management.

Components of a Climate Conducive to Innovation and Improvement

McClelland and his co-workers^{21,26} developed a framework for investigating in greater detail the components of the “parallel organization” activity required for innovation.

A climate conducive to innovation in any organisation, and in society more generally, is one in which the motivational dispositions of all concerned are developed, released, and utilised to enable people to contribute in very different ways to the achievement of widely accepted goals. This enables people to take more initiative in their day-to-day activities and allows them to gain more control over social constraints on their behaviour.

A climate conducive to innovation involves at least the following:

(1) Concern with clarity.

Effective goal achievement requires clarity concerning the goals that are to be achieved, how they are to be reached, how to determine whether they are being reached, and how to overcome the barriers to their achievement. However, the “clarity” of an idea does not demand its “clear” formulation in words. Innovatory activity often originates in *feelings*. One might, for instance, become vaguely aware that something is not quite right, or that it might be important to embark on a particular activity. Such feelings lead directly to “experimental interactions with the environment” or “conversations with the problem” in which one initiates some activity to see what happens. The effects of actions initiated either as a result of carefully thought out plans or on the basis of hunches are also often monitored affectively rather than intellectually. The feelings that are evoked by seeing the effects of one’s actions may - and usually do - lead directly to further action without their becoming conscious and verbalised. The whole process may lead to an “understanding” which remains unverballed. But its existence can be demonstrated by doing such things as asking the manager of an international company “What will happen in Germany if I do this in Britain?”. The answer may be quick and accurate but the explanation of *why* may take hours. The point is that, despite the fact that such processes are often non-cognitive there is a sense in which anyone undertaking activities of this sort *is* concerned with clarifying problems, their nature, and potential solutions.

Without a “concern with clarity” of this kind there can be no meaningful concern with effectiveness. Without it, it is not possible to set effective achievement targets, monitor performance in order to identify what has been achieved and learn more about the situation in which action is being taken, test out potentially more effective ways of achieving the goals, or get credit for having achieved them. Nor can new ways of doing things be disseminated - for this involves making goals, processes, and monitoring procedures explicit.

(2) Explicit emphasis on the importance of innovation.

One of the most crucial pre-requisites to innovation is a feeling that it is somehow personally important, as an individual, to find new ways of thinking about scientific or technical matters, to invent better ways of carrying out social or technological tasks, or to articulate new social and technological goals to be achieved. Diffuse personal commitment of this kind is very

much at odds with the kind of fatalistic, external, belief system that finds expression in the view that everything would be fine if only the government introduced some particular regulation or provided more money.

Our research indicates that, by international standards, the UK and the United States have relatively few people who think it *is* personally important for them to become involved in innovation or to do such things as get people to work together effectively to do new things.

Saying that the problem arises from a lack of “the work (or Protestant) ethic” misleads. The question is what people will work *at*. The kind of work that yields social or technical innovation has never been clear, widely approved, or well-rewarded. It has *always* been regarded as peripheral *non-work* (except, perhaps, in Japan). It involves thinking, discussion, making contact with others, reflection, reading, and hunch-based experimentation - all of which are denigrated as “time wasting” activities. Indeed, it has widely been derided. Those who have engaged in it have always needed personal security. The problems are to provide the right kind of security and to define the right kind of “non-work” as work. We are concerned here with the kind of activity people are strongly motivated to undertake or *value*. People will display endless dedication, initiative, and creativity in the course of carrying out activities they care about. The question is whether a culture is permeated by a valuation for social and technological innovation and facilitates the work of those who are predisposed to engage in such activities.

(3) Recognition of accomplishment using a differentiated framework for thinking about competence.

As we have seen, innovativeness, enterprise, and most forms of intelligence are cultural rather than individual characteristics. Successful innovation requires that one builds on the work of others, and that one’s work is itself built upon.

An integral feature of any innovative climate is some means of recognising the contributions of a wide variety of people including those able to sift information for forward-looking, *potentially* useful, ideas, and people who formalise what has been learnt in the course of “failed” projects - so that such projects can no longer be described as failures.

Innovative activity often does not lead to tangible results. Such difficult, demanding, and frustrating activity is frequently fruitless. No one should be considered only as good as the success of his or her latest venture. Of much greater importance are the understandings and competencies possessed - often developed over a long period of time - although these are very hard to identify.

This discussion underlines the need for a mechanism whereby all genuine contributions and accomplishments, however intangible, can be recognised and credited. This is why the descriptive statements about competence made in the course of “parallel organization” activity are so important. However, there is a clear need to formalise such information and systematically identify, develop, and utilise previously unrecognised competencies. Adams and Burgess^{21,27} have developed exactly such a system for use in schools. Teachers keep a record of the activities they have undertaken which are personally important to them and their success in undertaking them, noting their hopes, aspirations, and disappointments. This information enables them to assess and review their own motives and accomplishments and make plans for the future. Discussion of these records of accomplishment between colleagues

leads to a mutual understanding of each others' contributions, strengths, motives, values, and unique competencies. Colleagues, superiors, and subordinates become better able to support, encourage, and capitalise upon, each others' motives and talents. Subordinates are able to *participate* in the "managerial" process of setting organisational and individual goals while getting recognition for their contributions *in terms which are personally important to them*.

(4) *An emphasis on staff development and the creation of developmental environments.*

Innovation in the public service requires a wide variety of people to perform very different functions. It follows that the emphasis in staff assessment should be on guidance, placement, and development and not on selection. The importance of focussing on staff development is underlined by the fact that, as shown in our other work^{21.28}, important competencies are typically developed on the job - to such an extent, in fact, that off-the-job training should largely be abandoned. Unfortunately, there are very strong sociological forces which encourage it: Employers are reluctant to invest in staff development if those concerned are likely to leave for another employer; it takes time away from other "productive" activities; and, despite the fact that selection and promotion are heavily based on (largely useless) paper qualifications, there are no accepted means of identifying competencies which have been developed in the workplace.

The establishment of a climate of innovation both within the public service and in the wider society requires the creation of *developmental environments* from which everyone will benefit. Put another way, we need to apply what we know about developing high-level competencies to nurturing, recognising, and utilising the competencies of all members of society. This means that people need opportunities to practice and develop high-level competencies. They need opportunities to participate in innovative activity so as to learn how to tolerate and handle the tensions involved and how to engage in the cyclical learning processes required. Instead of depending on centralised direction, they need to learn how to engage in a systems-oriented, but locally initiated, process of analysis followed by multi-pronged, step-wise, intervention involving trial, monitoring, "reflection", and improvement.

Many people need experience of gaining control over external forces and to view such activities as crucial parts *of their jobs*. If they are to do this, people need the kind of opportunities that a few already have to participate in the management of their organisations, not by serving on committees, but through the active performance of managerial roles - setting goals, motivating people to work together effectively, and dealing with those inclined to sabotage the process^{21.29}. They need to take more responsibility for their own development and set up networks of contacts which help them to keep abreast of developments in their own specialist area^{21.30}.

(5) *Encouragement to identify and tackle extra-organisational constraints.*

Organisations do not exist in isolation. Public servants' actions are markedly affected by the expectations of their clients, other public servants, and politicians. More fundamentally, their actions are controlled by the role their organisations play in the perpetuation and maintenance of the current social order. In the past, public servants have not been expected to participate in a public debate about the goals of their institutions. As will by now be apparent, however, such activity is crucial to finding better ways of running society and thus to the effective performance of the task of the public servant.

But this is not the only way in which public servants need to become more involved in activities *outside* their organisations. Some of the other ways may be clarified by an example. Public servants seldom know how to deal with a group of clients demanding change, particularly when clients have very different priorities and demand incompatible changes. Public servants tend to define such situations as problems which are incapable of analysis and solution. At best they regard them as someone else's responsibility. They tend to avoid creating situations which would lead them to have to deal with them.

It is, in fact, too much to expect most public servants to solve such problems on their own. What we need to do is to ensure that they can, through "parallel organization" activity, initiate the research needed to articulate such problems and participate in the activities required to tackle them.

The analysis of systems constraints would become easier if it were common practice to draw up diagrams of connections and feedback loops like those discussed in Chapter 20.

(6) Appropriate support.

It is essential, in any innovative environment, that colleagues offer each other help and support when difficulties are encountered. Any criticism offered must be constructive rather than destructive, emphasising the worthwhile aspects of the task accomplished rather than its failures. New ideas floated amongst a group of colleagues should be examined for their innovatory potential instead of their limitations and the practical problems they pose.

Those engaged in innovative activity cannot expect to meet with the approval of everyone they encounter. If they are not to be discouraged, it is therefore essential that innovators have a network of contacts to provide support, ideas, and encouragement.

(7) Network working.

The research of Rogers^{21,31} shows that high-level innovators establish cosmopolitan networks of contacts which provide access to developing intellectual ideas. Others have networks which enable them to observe the work, and adopt the practices, of contacts at a similar level in the hierarchy of innovation. If people are required to review the work of those too far ahead in their field, they tend to dismiss the work as inappropriate to the circumstances in which they find themselves, citing differences in resources, clientele, etc. A facilitative "cascade" structure is required so that information flows between proximate levels. This need is not met by the kind of cascade structure, often envisaged in training schemes, in which master trainers are meant to train senior trainers, who train trainers and so on. Such a system takes no account of the person's present position, individual competencies, or external constraints.

(8) Monitoring and review activities.

Our research has revealed an urgent need for more regular and systematic clarification of the goals of policy, assessment of whether they are being achieved, if not why not, and what can be done about it. There is, at present, little activity of this kind. Any performance appraisal that occurs tends to be associated with selection for promotion rather than staff development. It tends, therefore, to be experienced as threatening rather than supportive. We have also encountered a great deal of scepticism of systematic monitoring. This seems to derive from

two sources. First, it is rightly suspected that any formal measures of goal achievement would not reflect the most important aims of the department concerned because these are “intangible and difficult to measure”. It is widely recognised that the introduction of narrowly-based, quantitative measures tends to yield misleading results which lead to a concentration on easily assessed goals and the neglect of more important ones^{21.32}. Second, it is a commonplace that the results of evaluation exercises tend to disappear into the files of some external agency without having any effect on the programmes concerned^{21.33}.

More systematic activity requires both informal and formal monitoring.

Informal monitoring

The elusiveness of important goals (e.g. in education and health care) is no excuse for failing to monitor progress towards them: Failure to introduce appropriate monitoring arrangements leads to a neglect of *all* standards. The attempt - in an appropriate context - to develop ways of measuring, or indexing, important but intangible outcomes leads to greater clarity concerning goals, their achievement, and their assessment.

In any case, many goals are not so intangible as is often claimed. This may be illustrated from one of our own projects^{21.34}. In seeking to discover whether primary school teachers utilised out-of-school visits in ways which would foster high-level competencies we examined displays produced by pupils following a zoo visit. Most of the exhibits consisted of pictures of animals, accompanied by statements about conservation or the animals themselves. These evidently derived from information presented to the pupils. There was little evidence that the visits had been used to develop pupils’ powers of observation, their ability to form an understanding of ecological processes, the influence of economics on such processes, or the pupils’ own role in this cycle. It appeared that the teachers’ focus had been almost exclusively on low-level language skills, craft work, and book-reference skills. Clearly, the work “behind” the displays and murals involved much closed questioning and an emphasis on what are so often called “academic” skills - low-level memorisation which involves no judgment, analysis, synthesis, or critical thinking^{21.35}.

The point of this example is, however, to illustrate how an attempt to obtain evidence about the attainment of policy goals led to an improved understanding both of the goals to be achieved and the means to their achievement.

Formal evaluation

Two kinds of formal evaluation activity need to be considered:

(a) *Outcome-focussed evaluation*. Formal evaluation procedures are most useful when routinised procedures have been introduced to achieve clearly defined and stable goals. In the public sector the task is more difficult than in industry. Firstly, it is difficult to assess progress toward many of the most important goals of public provision. Secondly, the goals to be achieved need to vary so much from person to person. If outcome-focussed evaluations are not to direct attention away from the most important goals, it is essential that the evaluations be broadly based. That is, they must cover *all* important outcomes, whether “easy to measure” or not, whether desirable, undesirable, or even unwelcome, and both intended and accidental^{21.36}.

(b) *Process-focussed evaluation*. Process evaluation studies the processes with a view to inferring the outcomes to which they are likely to lead. Thus sophisticated “classroom climate” schedules can ascertain whether the processes employed by a particular teacher are likely to lead to the development of high-level competencies^{21.37}. This is achieved by asking pupils about such things as the values of fellow pupils and teachers, the kinds of activities which are encouraged and rewarded, whether they themselves think it important to attempt new things, and what they think would be the consequences of such attempts. Walberg and Howard^{21.38} in the educational area, and many others in the industrial sector, have shown that information collected using such procedures can be used to create more productive and developmental environments. The classroom environment data collected by Howard were fed to a series of groups made up of parents, teachers, and administrators. They were asked whether they liked what they saw, what its consequences were likely to be, and what could be done to improve the situation. Repeat assessments were made to see whether the suggested changes had had the desired effect. Note that what the bureaucracy was doing was providing measures and then feeding information outward to the public rather than upward through a bureaucratic hierarchy. Note also the use of a multi-interest external group to give teeth to the information collected.

These observations suggest that the formal review process is less important than the understandings and procedures accompanying it. To be functional, those procedures must recognise the value of pursuing hunches and that effective behaviour often involves the following, apparently illogical, sequence: feelings -> behaviour -> understanding of the reasons for the feelings - and recognition (only lastly) of the real objectives and purposes of the activity. Review processes must acknowledge the importance of supportive *discussion* geared to the generation of enthusiasm and understanding, rather than trying to gain an accurate measure of the “quality” of previous performance. It is the cyclical, or iterative, improvement in depth of understanding which results in innovation - one cannot plan an adventure into the unknown with any precision. Review processes to support and stimulate innovation must be flexible and encourage those concerned to capitalise on “chance” discoveries, learn from “mistakes”, and follow up unanticipated leads. Reassurance and help is often needed to overcome the fears and anxieties associated with the exploration of unknown territory.

(9) *Procedures for handling conflict*.

In creating a climate which supports innovation, explicit steps need to be taken to ensure that differences of opinion come into the open and are dealt with. Nothing undermines the effectiveness of an organisation more than a tendency on the part of its employees to acquiesce when decisions are being made but then to engage in activities which undermine those decisions.

What is needed is shared recognition that it is important to pay attention to differences of opinion and make their implications explicit. Differences of opinion do not have to be interpreted as signs of personal animosity. Indeed, they should be regarded as positive tensions offering springboards to action. It is very important to avoid the inclination to merely acknowledge and accept them by such mechanisms as attributing them to “personality clashes”. This absolves those concerned from responsibility for thinking about the *cause* of the problem.

In any new scheme of things it will be necessary to pay particular attention to arrangements for conflict management. Within Western society the traditional rhetoric (workers vs. capitalists) has in some senses become obsolete (although, cross-culturally, it has become a more important source of differences and tensions than it ever was within societies). Within Western society which is so largely composed of huge, largely monopolistic, institutions, the conflicts of interest which find open expression are usually between one group of workers and the general public or between one (often advantaged) group which has acquired a position of power and fellow citizens.

(10) *An appropriate concept of risk.*

There are three sets of related problems associated with risk in the public sector. The first set can be characterised as risk aversion; the second has to do with the absence of the strategies required for effective innovation; and the third with the equation of risk with gambling.

Suggestions as to how public provision might be improved are often undermined by pointing out that they have not been tried and tested. It is said that “One cannot take risks with public money”. The truth behind such assertions is usually that the public servants concerned are averse to taking responsibility for risky activities. Given the role of public servants in the management of modern society, such abdication of responsibility is highly damaging. However, public servants *do* need opportunities to develop the competencies required to undertake adventurous activities, just as the public needs to develop more appropriate standards and criteria against which to judge the activities of public servants.

But an even more serious problem faces the public service. This is the absence of any concept, or experience, of how innovation actually occurs. On the one hand there is a tendency to introduce system-wide change on the basis of very poor research - indeed, without *any* attempt to find out how the different components in the proposed change have worked elsewhere. On the other hand, when decentralised attempts to initiate pilot programmes of change - like the Lothian Region EHV programme^{21.39} and experimental attempts to implement the Sneddon Committee’s recommendations of reform in teacher education^{21.40} - are introduced, it rapidly becomes clear that those concerned lack the experience and expectations that are needed. They tend to assume that those in authority *know* what needs to be done and that, if things go wrong, they themselves have no responsibility for getting the activity back on course. They tend to blame their colleagues rather than the initial understanding which informed the proposal and the activities which have been proposed. Most seriously those concerned have very little experience of the step-wise nature of innovation - of the process of small-scale trial, monitoring, generation of better understanding, and gradual extension of activities. They do not know that one cannot have innovation without failure. They have no experience of the frustrations and setbacks which are inevitably involved and do not know from their previous experience that they can invent ways of overcoming these and obtain something useful out of the activity. They do not know how to - and have no network of contacts which would enable them to - learn from other projects about successes and failures. They tend to look for grandiose, system-wide changes which will solve all problems. It is true, of course, that many of the problems of the educational system (for example) cannot be overcome without system-wide change: Witness the comprehensive control exerted by tests and university entrance and employers’ requirements. But even here it is possible to find out whether elements of the desired changes work, to change one examination board’s activities, and to persuade some universities and employers to accept a different group of candidates without changing everything.

In order to reap the benefits of innovation, a reasonable degree of failure must be anticipated. There must be an appropriate level of tolerance of false starts coupled with an enhanced capacity to learn from, and capitalise upon, adventures that have “failed”. The risk to be taken is not a gambler’s risk, but simply that involved in a speculative attempt to find a way of ameliorating a problem or effect important change.

A climate which is conducive to innovation must therefore - while tolerating failure and resisting the temptation to insist that one be certain that any particular course of action will succeed before embarking on it - ensure that those concerned have the competencies and support structures required to ensure that something worthwhile emerges from virtually any activity initiated.

Summary

In this chapter we have discussed the changes needed to create a climate of innovation directed toward finding ways of implementing the “new values” and running the public sector more effectively. There is a need to allocate time for, and create appropriate structures to carry out, what Kanter has called “parallel organization activities”. These require “flat”, non-hierarchical arrangements which allow information to flow freely between people at different levels in a bureaucratic structure and enable resources to reach innovative individuals. Such activities also require the establishment of networks of contacts involving other departments and organisations with similar or relevant interests.

More generally, we have discussed those dimensions of organisational climate which require attention if innovation is to be promoted. New job descriptions for all public servants are called for. It will be necessary to evolve new concepts of management. Developmental environments must be created so that all concerned can develop high-level competencies. Public servants should be encouraged to spend more time *outside* their offices attempting to gain control over the social constraints which currently prevent them pursuing important goals effectively. Most important of all, it will be necessary to find ways of giving all concerned credit for engaging in such difficult and demanding activities. Adams and Burgess have developed a mechanism for promoting the flow of information between different levels in a hierarchy, encouraging recognition of neglected concerns and competencies, providing a support structure, and offering recognition for the outcomes. Their work shows that it is *not* necessary to wait for legislation and sociological change before anything can be done: It is *now* possible for public servants to act in a more professional way to gain more control over their destinies and do their jobs more effectively.

Addendum to This Chapter

In order to help an organisation or society to collect data on the kinds of behaviour valued by its members and the perceived barriers to translating those values into effect, cumulate those data, and then take a look at themselves in a kind of a mirror, asking themselves whether they like the look of what they see and what the consequences are likely to be (changing their concerns in the process), the author and his colleagues have developed a cluster of questionnaires known as *The Edinburgh Questionnaires* and collected and published some illuminating cross-cultural data^{21,41}. The suite of *Questionnaires* needs to be extended to better sample people’s beliefs about the workings of economic and political processes, roles in organisations and society, the meanings of terms like money, participation, and

management and the way society works more generally. They, in particular, need to be modified in such a way that people living in non-Western societies can express their dominant concerns and values. This can only be done through a sophisticated programme of exploratory interviewing. Nevertheless, as they stand the *Questionnaires* are designed to help people to articulate their concerns and competencies and set that information in the context of a pool of cross-organisational and cross-cultural reference data.

Notes

- 21.1 McClelland, 1961, 1962; Oeser and Emery, 1958; Pelz and Andrews, 1966; Roberts, E.B., 1968; Rogers, 1962/83; Taylor and Barron, 1963
- 21.2 Jaques, 1976
- 21.3 Rothschild, 1982
- 21.4 Pearson, 1945
- 21.5 Thompson, 1979
- 21.6 Kanter, 1985
- 21.7 Raven, 1984
- 21.8 McClelland et al., 1958; McClelland, 1978
- 21.9 Klemp et al., 1977
- 21.10 Rogers, 1962/83
- 21.11 Gardner (1987) has termed these "cultures of intelligence" and provided a revealing discussion of what is involved.
- 21.12 Roberts, E.B., 1968, 1969; Rogers, 1962/1983; Schon, 1973
- 21.13 Rogers, 1962/83; but see Raven (1985) for a discussion of the misunderstandings of these terms in education.
- 21.14 Revans, 1971, 1980, 1988
- 21.15 Schon, 1973
- 21.16 Day and Klein, 1987
- 21.17 Adams and Burgess, 1989; Raven, 1994
- 21.18 Raven, 1984, 1994
- 21.19 Dore and Sako, 1989
- 21.20 Graham and Raven, 1987
- 21.21 Simon, 1976
- 21.22 Jaques, 1976, 1989
- 21.23 Kelton, 1991
- 21.24 Diesing, 1962
- 21.25 Bartlett, 1986
- 21.26 Klemp et al., 1977; Litwin and Siebrecht, 1967; McClelland et al., 1958; McClelland, 1978; Raven, 1994
- 21.27 Adams and Burgess, 1989
- 21.28 Raven, 1984
- 21.29 Klemp et al. (1977) have described the process among American Naval Officers. Jaques (1976, 1989), Deming (1980) and Dore and Sako (1989) have also contributed relevant work. A fuller discussion will be found in Raven (1984).
- 21.30 See Rogers, 1962/83.
- 21.31 Rogers, 1962/83
- 21.32 These fears are well founded (Raven, 1988, 1991). Adams et al. (1981) clearly demonstrate this effect in the polytechnic they studied, while much of our own research has documented the effects which "payment by results" has in education when very few of the most important outcomes show up on the measures. A fuller discussion of the damaging effects of the limited range of formal evaluation procedures will be found in Raven (1984, 1985, 1991).
- 21.33 Harlen's (1984) research shows that this is indeed the case.
- 21.34 Raven and Varley, 1984
- 21.35 The assertion that there was no evidence that the pupils were doing these things is dependent on introducing and applying criteria that the teachers were *not* using (Johnstone & Raven, 1985; Raven, Johnstone & Varley, 1985).
- 21.36 Compare Raven, 1984, 1985, 1991.
- 21.37 The words "high-level" are intended to signal that the low-level measures of the kind produced by Walberg (1974) deflect attention away from the relevant issues.

- 21.38 Howard, 1980, 1982a,b&c; Moos, 1979, 1980; Walberg, 1974, 1985; Walberg and Haertel, 1980
21.39 Raven, 1980
21.40 Sneddon Report, 1978
21.41 *The Edinburgh Questionnaires* (Raven, 1983, Raven & Sime, 1994); Graham and Raven, 1987; Raven,
1984

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.281-295).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 22

Public Participation and Network Management

The last chapter focussed on network working and participation in parallel organisation activity *within* domains of professional activity. This chapter will concentrate on network-based *supervision* of the public service.

There are three sets of reasons why we need a new interface between the public and the public service.

Those in the first set have to do with enabling the public to obtain more individualised treatment suited to their own needs and priorities, to get better access to more information, and have more influence on what happens.

The second set stem from the need to find better ways of ensuring that public servants both seek out information which will contribute new insights into ways forward and act on such information in an innovative way in the long-term public interest.

A third set arise from the fact that the role of the public service in the management of modern societies is now much too great to be adequately directed and monitored by small groups of elected representatives. Such groups tend to take decisions which have wide ranging effects. Unfortunately, the wide range of topics on which they are asked to decide and the limitations of the human mind mean that such decision takers cannot possibly be well informed about more than a fraction of the issues about which they are taking decisions.

Because there are so many reasons for change, we have suggested that it is necessary, but not sufficient, for public servants' work to be more open to the public gaze. We must also find means whereby a wider range of people can initiate the collection of relevant information and feed it into public debate.

One of the things we need is a more transparent, "decentralised", bureaucratic and representative structure which will enable us to:

- Hold public servants accountable for such things as contributing to the creation of a pervasive climate of innovation and making good discretionary judgments about which activities are likely to be in the long-term public interest.
- Ensure that key information is collected.

- Ensure that many more deliberate attempts are made to experiment with, and evaluate, new options, and that information on the consequences of each is fed outward to the public (so that members of the public can make their own decisions) instead of being locked up in a bureaucratic hierarchy and at best only available to elected representatives.
- Ensure that evaluation results in appropriate action.

But there are other problems to be tackled. We need improved arrangements to enable people to influence the goals of policy, what happens in the public service, and the definition of problems. There is a need for means whereby the public can initiate enquiries into the value of apparently pointless or destructive activities and initiate activities which are likely to lead to the discovery of better ways of doing things or to the re-direction of effort from less important to more important tasks. It is currently too difficult to harness public expertise and to influence what happens in administratively separated domains both at home and in other countries.

Under the present system there is insufficient provision for members of the public, or even public servants, to permeate so-called “private” organisations - even the newly privatised Electricity Boards, Nuclear Fuel companies or bus companies - to satisfy themselves that they are acting in the public interest or actually maintaining the environmental standards they claim to have set themselves or had imposed upon them. The public usually have little opportunity to contribute to what is included in such things as “environmental charters”, still less to find out what dysfunctional practices are being implemented by, or within, the organisations, whether intentionally or otherwise. The need is to get beyond “Quangos” - which typically spend more on creating a semblance of public responsiveness and accountability than they do on actually performing such a role.

Arrangements must be made such that individual public servants, and other members of the public, can be released from their day-to-day activities in order to initiate and participate in research programmes for which only they have noticed the need, and make time and resources available to allow these same people to work on the development of solutions to those problems.

A Solution to the Problems of the Himalaya

We have so far highlighted the developments that are needed in public participation and network management by reference to Western educational systems. Other issues emerge more clearly from a consideration of the developments that are needed to manage the Himalaya effectively. These have been discussed by Thompson and Warburton^{22.1}.

In the Himalaya, there is a rapidly expanding hill population exploiting increasingly marginal land in an attempt to produce more food and fuelwood. As agriculture expands, forest cover is destroyed. This results in erosion and landslips which decrease the productivity of the soil, pasture, and forest. Attempts by individual farmers to better their lot lead to a worsening of the overall situation both in the hills and the plains below. The changes result in mass movements of water, land, and people. Experts focus on different aspects of the problem such as population, land, food, or climate. The relationships between the components vary markedly from one part of the region to another and interact in complex ways. No one knows very much about any of these relationships or about what will happen in the future. Empirical estimates differ by enormous amounts. For example, some estimates of per capita firewood

consumption are 67 times other estimates. Predictions for the future range from complete soil loss to massive biomass accumulation.

Thompson argues that to move towards solution of the problem of the Himalaya we need radical change in our beliefs about the role of science in such situations. Most problems to which science is applied involve much certainty and some mess. Situations - like the one documented in the Himalaya - i.e. most of the problems we have been grappling with in this book - are *mostly* messes with very little certainty. Thompson suggests that, instead of asking “what are the facts”, we should start by asking “what would we like the facts to be” (just as we have in fact done in our studies in education, urban planning, etc.). He argues that one should then proceed to the application of systems-science - i.e. we should identify all the components of a system and the connections between them. He argues that one of the most important activities required to do this is to encourage a variety of people with very different perspectives on what “the problem” is - including the various hill farmers in this case - to state the problem and the solution as they see it. Those who come with one definition (and who therefore, in their attempts to deal with it, contribute to its exacerbation in some circumstances and to its solution in others) cannot be expected to change their perceptions and behaviour simply because a solution to the problem based on others’ definitions is introduced. Their own definition will continue to determine their behaviour. He shows that it is important not to reject these alternative problem definitions and the solutions they suggest: It is, for example, simply not true that, as those who focus on “overpopulation” advocate, there is no room for the traditional solution of opening up more land if present provision cannot feed the population. Likewise, “the problem” may be, not so much a lack of forest, as management of the existing forest. Starting from such a perspective, careful study of the situation will often reveal that centralised management is much less effective than traditional decentralised management because the latter embodies many more negative, or corrective, feedback loops linked to more subtle interventions.

Then again, “the clients of the policy” are astonishingly diverse. Some of their needs will be best served by one set of actions; others by another set. There is not a unified problem with a single solution. Those who benefit from one set of problem definitions and the solutions to which they point may be miles away - such as downstream or in Europe - while those most directly involved may suffer great hardship from precisely those problem definitions and solutions.

The policy-maker’s task is to generate multiple perspectives on the problem area and make explicit the wide range of “solutions” to which these different definitions point. It is to help clarify the consequences which the different “solutions” are likely to have for different groups within the system. It is to contribute to the process of making clear the circumstances in which, the ways in which, and for whom, each “solution” will “work”. More specifically, it is to organise - systematise - in his or her own mind the network of interest-groups, problem-definitions, and “solutions” (and the multiple effects of each) in such a way as to generate *systems* understanding^{22.2}.

Thompson concludes that policy development requires “clumsy”, as distinct from “gainly”, streamlined, or “efficient” institutions. That is, it requires a balance between step-wise, local, and often contradictory interventions, and systems-oriented, but not system-wide, experimental, monitored interventions. The latter involve the use of tentative systems understandings to introduce changes on a local (pilot) basis along with careful and comprehensive monitoring of the effects from the point of view of multiple interest groups.

The need is not for single and elegant definitions of “the problem” or of “the monitoring exercise”. It is for a climate of innovation and a learning *system*.

The Problems of the Educational System

With this impetus to re-consider our assumptions about the desirability of streamlined, hierarchical management behind us we may now reconsider our Western, management arrangements. It is widely assumed that bureaucratic, management structures are, or should be, integrated and hierarchical. Nothing could be further from the truth. For example, both the formulation and execution of educational policy is dependent on the activities of at least the following groups:

Parents (as the most important educators of their children, as representatives of “consumers” in schools, and, perhaps with most influence on the formal system, as the Pre-school Playgroup Association).

Pupils (and pupil organisations).

Teachers (and teacher organisations and unions). (In view of the negative feelings often evoked by the mention of unions, it is not irrelevant to mention that it was the teachers’ unions in Scotland who set up the first educational Research Institute in the world, that it was teachers themselves who carried out most of the original research conducted by that Institute, and that it was that Institute which somehow facilitated much of the forward-looking educational research summarised in this book.)

Employers (and employers’ organisations).

Schools.

Local Education Authorities.

Ministers of Education.

The staff of teacher training colleges. (The educational priorities and research oversights of such personnel have had a marked effect on education.)

The universities (who exert a dramatic effect through their admissions requirements).

Students (and their organisations).

Adult Education Agencies.

The press and the mass media.

Social Services Departments.

Health Authorities.

Examination Boards.

Although it is apparent that neither the formulation nor the execution of educational policy is hierarchically organised, most people, and even such writers as Jaques, tend to assume that administrative structures are hierarchical and unified. Effective policy in reality demands some kind of concerted action on the part of all these groups, many of which have different geographical and social bases. That is to say, it depends on some kind of shared set of concerns or feelings - some kind of *zeitgeist*. The difficulties which this poses are exacerbated by the fact that the tensions between the manifest and latent functions of the educational system affect these groups differently. For example, pupils are much more acutely and explicitly aware of the latent, crudely instrumental, social placement functions of the educational system than are teachers, and social workers are more aware of the destructive and socially damaging effects of much of what goes on in “educational” institutions than are teachers.

Yet other problems stand in the way of unified policies and delivery systems. Even if we focus only on the manifest - educational and developmental - functions of the educational system, it is obvious that appropriate policies must provide for multiple programmes and types of activity which reflect the age of the students, the area of the country in which they live, the variation in their talents and interests, and the needs of the institutions in which they will live and work.

Internally diversified policies, which are hard to formulate as an integrated and consistent whole, are therefore required.

The *delivery* of education also rests with numerous agencies - parents, schools, colleges, playgroups, universities, the WEA, employers, training consortia, trade unions, professional organisations, and employers' organisations.

What educational agencies do is also seriously influenced by the actions of agencies without any explicit educational role. Thus the prison service not only has to cope with problems which may have been created, exacerbated, or neglected by the educational system, but also forms *part* of the educational system itself. Housing policy, by creating single-class communities, can create major problems *for* the educational system. It can also perform important social and educational functions by, for example, creating balanced communities which allow people to familiarise themselves with others' values and ways of life. Welfare policies which treat people in a demeaning and degrading manner can destroy initiative, feelings of confidence, and the competencies required to cope on one's own. In this way they both deprive the community of crucially important human resources and generate much of the demand for medical care.

It follows that what any agency appears to need to do is very much affected by what other - apparently unrelated - agencies do and, in particular, that *the effects* of policy in any one area are very much affected by what other agencies do.

It also follows that the people who need to be involved in the determination of educational policy are not just the "clients" of the system in the way in which this word is traditionally used: As with policies concerning the Himalaya, what is done inflicts costs on, and impacts, *everybody* both in the immediate society and in the wider world.

Given what has been said, it is obvious that policies in the educational, environmental, and medical areas *cannot* be centrally formulated and hierarchically administered. No central agency could be aware of more than a fraction of the relevant issues. The complex net of activities which comprise "policy" in each of these areas can therefore only be developed and extended, both as a service and in relation to other services, by *networks* involving the participation of numerous publics.

Towards Network-Based Supervision

Most people have an interest and expertise on education, whether deriving from their experience as pupils, parents, employees, co-workers, employers, teachers, or researchers. There is therefore an enormous pool of expertise, experience, and goodwill available. A relatively fluid structure of monitoring groups could therefore be set up to examine the work of particular teachers, schools, and groups of schools, to look at provision in a geographical area, to examine links with other educational institutions, to examine links with national

educational provision and the national system itself, to assess international provision, to monitor advisory services, to initiate research, to monitor the outcomes of research, and to monitor research institutes. Groups could monitor the links between educational policy and other areas of policy and investigate alternative arrangements.

The work of the public servants involved, from classroom teacher to permanent secretary, would be open to inspection by whomsoever had the time and the interest. Such observers would not have the right to *demand* that public servants comply with their suggestions, but they could have the right to make their views and observations known, both to the public servants concerned and to the general public. The official, for his or her part, would be required to convince relevant monitoring groups that his or her behaviour was at least one of the justifiable options. Normally, of course, the procedure would simply serve to keep everyone on their toes and no heavy-handed intervention would be required. But if intervention was necessary both intervention itself and transfer of the official to a more appropriate post would be a great deal easier than it is today.

The necessity for a *network* of such groups can be clarified by considering the arrangements needed if teachers are to take more responsibility for improving the quality of education. To do this, they need to take account of what is being done by other teachers in the same and other schools, both in this country and abroad. They need to take account of both national and international developments. They need assistance in dealing with problems, in clarifying and initiating the coordinated action required to tackle the educational and social problems lying behind everyday difficulties in the classroom, and in making contact with other people trying to tackle related problems. Most of this *information* and assistance is to be provided through networking. But network working poses serious problems from the point of view of evaluating the work of any given teacher. If teachers' work is to be meaningfully evaluated it will be necessary to take into account all of the considerations which led them to behave in particular ways and the support - or the lack of it - available through his or her network. It would, of course, be impossible for any monitoring group to have any detailed knowledge of this (which is why attention will have to focus on the quality of the teachers' discretionary judgment and whether he or she has followed procedures that are likely to make for innovation). Judgments of even procedural rationality cannot be made in a vacuum. It follows that the monitoring network must, to a considerable extent, parallel the network that is required within the profession. Its objective is to lead to *informed* public debate.

A system of this kind has been instigated and evaluated by Howard^{22.3}. His groups, made up of parents, teachers, pupils, administrators, and researchers, were set up to monitor and review the work of schools and individual teachers over an extended period of time. The groups were supplied with data which had been collected with the aid of professionally-developed questionnaires. Some of the questionnaires were designed in such a way that the information obtained would provoke those concerned to review educational goals, how they were to be achieved, and the barriers to their achievement. Other questionnaires documented what was going on in individual classrooms. Follow-up data were collected to find out whether the classroom climates had changed as a result of the changes which were introduced. Given this information, members of the monitoring groups were able to make useful suggestions for ways in which the classrooms and schools concerned could be improved. Overall, the process led to a marked improvement in the understanding of educational issues among parents, pupils, teachers, and other members of the community.

It is important that the direct contact between members of such groups be supplemented by effective media coverage of the issues and computer-based networks to allow communication between like-minded individuals in other parts of the world. We might envisage a media-based debate, with a guaranteed right to contribute and be heard. But the right to be heard is not sufficient on its own. People also need an assurance that assistance will be available to help them collect the data they need to substantiate their viewpoints. The debate must be linked to voting procedures, but the votes which are to count on any particular issue will in many cases need to be limited to those with an interest in that topic. If useful information is to be obtained from such polls, the questions will need to be much more carefully formulated than is typically the case in commercial surveys. However, the votes themselves should not bind policy making groups. Democracy is more about catering for variety, and allowing consensus to emerge, than establishing majority decisions binding on all. The pattern of votes should be looked upon as one source of information among many to be taken into account by public servants in the decision-making process. In the end, those public servants should be accountable to a monitoring network for the quality of their discretionary judgment as to what is in the long-term interest of the public as a whole and the publics of which it is composed.

The network of public supervisory groups needs to be designed in such a way that it will help people to clarify their ideas, initiate appropriate political activities, initiate research (including action-research), and keep up to date with the results of research. Members of these networks must not only be able to initiate the process of information-collection: They need to be able to contribute to the definition of problems to be investigated and tackled and able to ensure that it is carried through from that perspective.

It is important for researchers to be involved at all stages in this process. This is because it is researchers who are mainly responsible for generating the information needed to assess the effectiveness of provision, for identifying the barriers preventing the system reaching its goals, for clarifying the procedures required to reach those goals, for studying the effectiveness of different administrative arrangements and inventing better ones, and for developing the tools needed to do things more effectively. Encouraging researchers to participate in the network management structure is one way of helping to ensure that more relevant information is collected for formal evaluation purposes, that that information is used, and that steps are taken to identify, understand, and solve problems which are not immediately apparent. Their involvement is also desirable in that it brings into the decision-making process people who, because of their contact with ideas, the public, the problems, and potential methods of tackling them, are more likely than others to envisage radically new formulations of objectives, problems, and lines of development.

Many questions remain about how such groups should be composed, what weight should be attached to different people's opinions, how the work of the groups should be monitored, and what procedures will ensure that the groups disband when they have outlived their usefulness. However, the answers to these questions can only be obtained through monitored experimentation^{22.4}.

It is worth reiterating, however, that the main effectiveness of network-based supervision would *not* derive from power to hire and fire individuals. Rather, it would result from providing teachers and bureaucrats with a wealth of positive ideas on how to improve their performance and giving them access to those best able to assist them. They would help public servants to tap their clients', often considerable (if generally neglected) expertise. But the two most important benefits of the process would be:

1. To expose public servants' activities to the public gaze - this being a strong incentive to act in the public interest, and
2. To provide the public with the information they need to take informed decisions about their own lives.

The role of such groups in *staff appraisal* merits careful consideration. Building on best current practice as articulated by Jaques, it would normally be mainly the *manager-once-removed's* job to appraise the performance of subordinates and the functioning of the organisation and its policies. The supervisory networks would be mainly concerned with appraising the behaviour of senior managers. To do this effectively they would need information derived from (i) direct assessment of the competence of the individual manager, (ii) such things as organisational climate surveys (to find out whether the manager had been able to create a climate of dedication, enthusiasm, and innovation) and (iii) organisational performance audits.

It emerges, therefore, that such networks would form an essential part of the operational system as well as performing a more general supervisory role.

Network-based supervision should not be viewed as applicable only to the public service: It is essential to monitor the doings of so-called "private" organisations and politicians in much the same way. At present, both frequently act in ways which are not in the public interest.

There are, of course, objections to any such system. Among these are:

1. That it would take up a disproportionate amount of public servants' time. This objection can be countered by noting the enormous cost and inefficiency of our *current* accounting systems and the gross inefficiency - even counter-productivity - of the public service.
2. That the public are ignorant and uninterested. In response to this objection I can only say that it is my experience as a social survey worker that the public is both interested in, and informed about, aspects of the workings of policy of which public servants in their offices are ignorant. It is true that members of the public were often not informed about aspects of policy of which public servants were aware - but that is largely because, as with Thompson's hill farmers, little attempt was made to involve them in a discussion of the issues.
3. That "there must be an authority to dismiss incompetent workers". It is felt insufficient to expose the work of incompetent people to the public gaze, and to institute better staff guidance, placement, and development procedures without relying on more Draconian measures. This claim has a somewhat hollow ring given the evidence that our current hierarchical supervisory structures are typically unable to do anything when faced with incompetent teachers, doctors, and public servants - or even extremely destructive elected politicians. In fact, as Day and Klein^{22.5} have observed, public service professionals are generally able to evade *any* form of accountability by arguing that the issues involved are so complex that they can only be understood by fellow professionals. The view that public servants can only be accountable to their peers is, however, seriously challenged by the data presented in the author's *Managing Education for Effective Schooling*^{22.6}. The most widely prescribed remedy to the problem posed by unaccountable public servants - centralised prescription of goals followed by checking, tough staff appraisal, and devolution of "management" (but

with no right to determine goals or resources to tackle societal constraints on effectiveness) to local bodies - has been thoroughly discredited in earlier chapters of this book.

4. That we must have some central body to set priorities and allocate resources. This claim likewise has a hollow ring about it. Western society can hardly claim to have allocated resources efficiently, nationally or internationally. There has, for example, been vast over-consumption of fossil fuels and inappropriate deployment of human resources. The establishment of a national and international network-based management process which would seek out, collect, collate, debate, sift, and initiate a range of different kinds of action on the basis of information could hardly do worse.

Toward a "Learning Society"

In an important book, Emery^{22.7} has discussed the arrangements that are needed to find a way forward in areas (like education, the environment, and society more generally) in which everything is always changing in fairly dramatic ways. Like ourselves, he focuses on education as an example. It is not just that there is new knowledge to be conveyed to pupils and students. There are also new kinds of students in the system - students who just were not there before. Examples include minorities who do not speak the language, and illiterate adults. Completely new demands are made on students because the encompassing society, environment, and work have all changed dramatically. The educational system has to cope with vastly *more* students because far more people have been "parked" there so that they do not show up in statistics on unemployment. And the sociological demands society makes of the system have changed: Because of other changes in society it has become more important to legitimise the social order by emphasising a single and unarguable criterion of merit and to ensure that only people with a conservative social philosophy find their way into influential positions.

Under such circumstances, it is not sensible to proceed in either of the two main ways favoured in the past. These have been to set up committees of experts to make plans, and to employ "Management by Objectives"^{22.8} personnel.

In changing circumstances of the kind just described, committees of experts tend to be dysfunctional because those who are brought together tend to have established their claim to expertise in the past - when things were different. Further, they are most likely to have established their expertise by developing discipline-based thinking which ignores the wider ramifications of, the context of, and what is new in, the problem they have been brought together to examine. They have a reputation for *not* recommending politically unacceptable, "unrealistic", radical solutions.

"Management by Objectives" personnel have been trained to identify a single criterion of success and to search for the optimal strategy for achieving it. They find it difficult to function in the context of multiple and emergent objectives and partial and conflicting strategies.

Emery shows that in the context of significant change, and where - as is typically the case - outcomes are multiple, of varying importance to different groups, and incapable of being easily prioritised, what is needed is a "learning society" where learning comes from initiating multiple actions and studying the effects. The effects to be studied are *multiple* and emergent. Most of them cannot be specified in advance. Under such circumstances special sensitivities

are required to detect effects which no one had previously thought it was important to consider, let alone monitor. In these circumstances, one way to help ensure that there is some recognition of the multiple effects is to involve as wide a range of the public, and especially the clients of the system, as possible. However, expertise is also needed to formalise ways of detecting these outcomes and to bring to bear relevant up-to-date information.

He shows that the traditional division of broader issues into “manageable problems” results in:

- a) The problem being shorn of its ramifications so as to allow an existing body of experience and expertise to be brought to bear on it.
- b) Isolated aspects of the problem being defined as “the crucial issue” or the “core of the problem” and thus both demanding, and being amenable to, instant solutions. This results in “no time” being available to research the problem. It also helps to create an illusion of managerial dynamism which will command public applause.
- c) The proposed solution to each “manageable problem” (i.e. isolated sub-problem) involving resources and social supports being more closely tied to each other (e.g. “social work activities”) rather than requiring the kind of organisational re-design needed to tackle the systems basis of the problems. This not only results in the agencies involved making changes which exacerbate those aspects of the problem which show up as other people’s responsibility, but also in blindness to what is new and emergent.

Emery gives examples of how the claimed effectiveness of “Management by Objectives” can be, and often is, undermined by the intervention of others who do not accept the basic orientation of the project, i.e. the single goal as identified by the MBO specialists.

He summarises the dilemma as follows:

“The more society changes the more we need to be able to plan but the less we have the knowledge with which to plan”. Like Milbrath, Thompson, and ourselves he argues that what is needed is a development and learning process. Unfortunately, the word learning, having become too strongly associated with schooling, tends to evoke inappropriate actions.

Emery argues that the role of planners must cease to be one of experts riding with the powers that be. Instead, planners need to:

- a) Help the main parties to the proposed change to identify and agree on the *values* the change is supposed to serve and the ways forward which are most in character with those ends.
- b) Design a change process that will enable relevant learning to take place at an appropriate speed. The required timescale is neither instantaneous nor limitless. Its limits are set by the time within which change must occur to avoid intolerable costs of not changing and the time by which decisions need to be made if adequate resources are to be mobilised.
- c) Devise participative arrangements which make it possible for the choice of paths to reflect both the end values to be achieved and *intrinsic value of the paths for those who will have to traverse them*. We have seen both how market processes drive down the quality of working life - one of the most important sources of a high quality of life - and how the “New Values” encompass both end-state and life-style values. Active adaptation which will avoid entrapment in the past requires some sense - if not vision - of desirable futures. These must be deliberately introduced (and are very much lacking

at the present time). Contrary to what MBO specialists would have us believe, the values that influence behaviour cannot be subsumed under a single goal. In this mode of planning, searching shifts from a quest for means to a search for ends. The search for means becomes more a field of experimentation with alternative ways forward - and learning from the results - than a search for the (single) “best” way forward. Implementation and selection of courses of action become inextricably involved in each other. The overall target is to develop a system which can learn for itself, not one which responds to information fed in by “experts”.

Emery advocates that the planning process begin with a “search conference” focussing on goal clarification and the explication of different goals for different people. For such a conference to work, the participants have to agree to consider even mere possibilities. This differs sharply from an unwritten assumption embodied in most planning processes - namely that only “realistic” and “feasible” options will be considered.

If this is to be done it is necessary to create ample time in which to search, freedom from compulsion to arrive at explicit decisions, and freedom from outside interruptions such as work and family. The participants need to be brought together for as many days and nights as seem necessary for their work. Nevertheless the process needs to involve those with the highest operational responsibilities (echoes of Kanter) so that a wide range of experimental interventions can be initiated. The participants need to build up a shared picture of where the system has come from and a shared picture of its likely futures. It must involve all the processes necessary to develop “military intelligence”^{22.9}. For its success it not only requires planning expertise to be available ... it also requires the currently neglected capacity to monitor and analyse the workings of emerging systems.

A somewhat similar viewpoint has been contributed by Coleman^{22.10}. He discusses the assumptions made in different kinds of society about the relationships to be established between politics and social research. In our current, asymmetric society, he argues, there is a tendency on the part of central government to see policy research as a means of finding out what to do to make its policies work more effectively. This coupling of centralised authority with bureaucratic hierarchy is not compatible with a notion of politics based on a balance of pressures from conflicting interests. An alternative is “pluralistic” policy research, in which interested parties have a dual role in shaping policy. The first of these involves participation in formulating the problems that are to be studied. The second involves participation in acting upon the results. Research does not, in this model, provide objective data to be interpreted and implemented in a disinterested fashion, but results to be used by different parties in pursuit of their own interests.

Before leaving the question of participation it is worth observing that Olsen^{22.11} has noted that “participation” in government takes many different forms in different countries. Interactions may be formal or informal. Participation may involve fact finding and enquiry; advising; decision making; or implementation of policies. Arrangements may be temporary or permanent. Inter-organisational structures may span nations, regions, or local areas. Participating organisations may be selected by government or by the organisations themselves (and even what should be considered to be an organisation is problematic).

Summary

In this chapter we have underlined the need for new forms of public participation in the management of society. The main reasons for wanting a new interface between the public service and society are, first, to help to ensure that public servants are more likely to seek out and act on information in an innovative way in the long-term public interest, and, second, to enable the public to contribute more effectively to the pervasive social change that is required. The two objectives are closely interlinked.

The first of these objectives is basically to be achieved by exposing the behaviour of public servants to the public gaze. However, this is not as simple as it seems because the relevant behaviour of public servants can often only be exposed to the public through the medium of professionally-developed evaluation procedures. Furthermore, what is in the public interest can often only be clarified through widespread public debate of the effects of numerous, comprehensively evaluated, systems-oriented experiments.

The second objective - that of enabling the public to contribute to the creation of a pervasive climate of innovation - is partly dependent on the first. It can only be fully achieved if public servants fulfil their duty to sift information for good ideas, systematically set out to create variety, initiate numerous experiments (some of them based on ideas which have only the remotest possibility of working), ensure that those experiments are comprehensively evaluated, and feed that information to the public to allow it to make more informed choices and thus exert influence. The aim is to develop a *system* which is both a *learning* system and one which enables the public to contribute its expertise, ensure that personal priorities are catered for, and define common and individual goals.

In part because, as we have seen, public sector activities themselves need to be more network-based, the arrangements for public participation in the management of society also need to be more network-based. Other reasons for stressing network-based supervision include the fact that no centralised authority can direct and control the pervasive change that is required. In any case, there is no hope of any central authority controlling key activities of populations living on the other side of the globe. They *can* only be influenced through network-based arrangements which facilitate the flow of information across organisational and national boundaries.

But our emphasis on public participation in network management has still other sources. Thompson's writing was used to highlight the fact that the problems we face involve huge ranges of uncertainty. Getting good data on and estimating even such elementary things as per capita fuelwood consumption proves to be extraordinarily difficult. Beyond that, there are endless unknown connections between different parts of systems. These result in huge ranges of uncertainty. Under such circumstances one can have little faith in projections of the long-term effects of introducing alternative ways of doing things. And, if one cannot even trust data on per-capita wood consumption, what confidence can one have in the comprehensiveness of less concrete information?

Such considerations led both Thompson and Emery to suggest that the primary need is for a mechanism which encourages articulation of, and acceptance of the legitimacy of, multiple definitions of priorities, problems, and potential solutions to problems. Mechanisms are needed to promote multi-pronged, step-wise, system-oriented (but not system-wide), experimental changes, with adequate arrangements to evaluate their effects and set that information in the context of a variety of tentative and emergent understandings of the workings of the system. A *cyclical* process of defining goals, mounting experiments,

attempting to make broadly-based evaluations of those experiments, seeing what did not work and why not, noting the limitations of the evaluations, advancing understanding, clarifying common and diverse goals, and starting again, is required.

This conclusion underlines the need to disseminate a much better understanding of the nature of appropriate evaluation methodology and the scientific process itself. Evaluations based on alternative definitions of desired outcomes and the nature of the problem need to be conducted. They need to set out to be as *comprehensive* as possible - i.e. to identify *all* important outcomes and the factors contributing to them. But getting comprehensive evaluations is problematic because no one really knows what it is most important to look at. To get these identified, pervasive debate is required and heretics and mavericks need to be helped to make their voices heard. What this means is that it has to be more widely understood that the objective of science is to build up an understanding of a hidden reality through public debate between positions. It is to use a few scraps of information to illuminate a broader picture. The scientific process should not be viewed as an avenue to obtaining one or two unquestionable “facts” to be used by administrators to solve clear problems.

In this context Thompson’s emphasis on the need to avoid a quest for streamlined organisations and ways of doing things emerged as an observation of the greatest importance: Finding a way forward requires many apparently contradictory activities, based on different premises, and conducted by different people.

More fundamentally, we have, in this chapter, seen that traditional distinctions between employee, citizen, manager, public servant, and supervisor of public servant or manager have little relevance in modern society. Employees must carry out many of the functions that (public service) managers previously performed. Citizens must participate in supervisory networks to oversee the workings of the public service - and thus perform the role previously reserved for elected personnel. The public service must perform - and be held accountable for performing - the role that was previously expected of our democratic institutions.

Most fundamentally, we have seen that public participation in network working and parallel organisation activity both in their workplaces and in network-based supervision of the public service amounts to a new form of participative democracy. Properly implemented, it would fulfil the need for a mechanism through which people could initiate research into, and set in train actions designed to tackle, problems they alone had noticed. Given adequate societal commitment to innovation (itself to be, at least partially, created through a spiral effect by the public service), adequate recognition of the importance of active citizenship, and adequate acknowledgement of the fact that most of us are now, directly or indirectly, public servants and therefore merit the conditions of employment which public servants enjoy, such arrangements would permit people to devote their energies to tackling new and pressing problems.

Notes

22.1 Thompson and Warburton, 1985

22.2 Thompson suggests that one of the lenses which can be used to assist this process of clarification is to arrange the problem definitions, the data they suggest it is important to collect, and the facts to be publicised in such a way as to seek to expose the ends - and whose ends - they serve.

22.3 Howard, 1980, 1982a,b&c

22.4 See Raven (1982) for the problems in the evaluation of pilot programmes and a discussion of the stresses such experimentation can cause.

22.5 Day and Klein, 1987

22.6 Raven, 1994

22.7 Emery et al., 1974

22.8 As its name implies, the *Management by Objectives* movement sets about trying to improve their effectiveness by requiring managers to set clear objectives and monitor progress toward them, avoiding distraction into activities which are not among the objectives.

22.9 To generate new insights and understandings ("intelligence") through a military or industrial intelligence service it is necessary to make sense of confusing and incomplete information. Intelligence officers frequently cannot know beforehand what to observe and report. They depend on their *feelings* ("intuition") and on recognising an emerging pattern to tell them what is significant. The qualities required to make sense of the incoming information include the ability to seek out, collate, re-interpret, and piece together, scraps of unreliable and incomplete information in order to perceive something that has not been seen before and to use what is then perceived to tell them what to attend to and observe next and what to report. The qualities required to do well also include the ability to discern what further information would be required to test initial impressions and the determination to collect that information - perhaps through overt as well as mental "experiment".

But much more is involved. The qualities required to establish military intelligence also include the ability to prise information out of other people and the motivation and the ability to do such things as set up and manage networks of contacts to obtain information, the ability to make good judgments about who possesses the sensitivities and persistence to do well in the field, and the ability to supply those contacts with appropriate guidance concerning the kind of information to be sought. The ability to carry out such tasks clearly involves general intelligence as commonly understood. But it also involves many other motivational dispositions and abilities and the effective use of accumulated specialist knowledge of military operations, people, and systems.

22.10 Coleman, 1974, 1982

22.11 Olsen, 1983

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.296-302).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

Chapter 23

A New Understanding of Democracy

There is a sense in which this chapter is entirely unnecessary. It says nothing new. It merely brings together some of our observations about the developments that are needed in public management. Collectively, however, these developments add up to a new concept of democracy ... but a form of democracy which would not be recognised as such by those who equate it with some form of majority voting. The chapter will not result in a Grand Plan or Scheme. It will simply underline the importance of multiple, and in some ways contradictory, actions which, if initiated, would result in the evolution of a societal management structure, and indeed a society, very different from those we now know.

Currently, government is overloaded and it is impossible for politicians to be well informed about most of the issues about which they are taking decisions. Yet most proposals for the reform of governmental arrangements - such as "decentralisation" - are inadequate. "Decentralisation" as it is most commonly envisaged would create only another tier of Assemblies in which elected representatives would continue - like those above and below them - to rush from meeting to meeting to take decisions about issues of which they would remain essentially ignorant. If one needs further evidence of the inadequacy of "decentralisation" without much more fundamental changes in organisational arrangements, one has only to consider how inadequate are local government councillors to the task of supervising, and setting the direction for, the vast number of enterprises for which they are currently responsible. The concept of Subsidiarity, beloved of the European Union is, therefore, entirely inadequate. Tackling nearly all our problems requires a range of interventions at many different "levels" - some local and some international. More importantly, addressing them requires intervention in diverse but interacting *systems*, each of which has both local and international components. It follows that the attack on our problems needs to be organised around *systems* and neither sectioned by geographical level (across all problems) nor by sectoral domain (e.g. education) across all levels. The "appropriate level for action" varies from one aspect of a problem to another and from problem to problem.

Nevertheless, much of the clamour for decentralisation is based on genuine and well grounded feelings of powerlessness and alienation. These stem from the fact that a single five-yearly vote cannot express, even crudely, what we feel about the adequacy of the wide variety of government policies which so seriously determine the quality of our lives. We *must* find means whereby we can comment *separately* on the adequacy of these policies and ways through which our knowledge of why individual policies are less than adequate can be fed

back to decision takers so that the policies can be improved. We *must* find ways in which the actuality and significance of multiple decision takers - such as all those involved in the formulation and implementation of educational “policy” - is acknowledged and utilised instead of being overlooked, minimised, and “managed” (in the worst sense of the word). We *must* evolve arrangements through which people can obtain treatment geared to their idiosyncratic needs and priorities. We *must* find ways of enabling and encouraging public servants to reach decisions which take into account *all* relevant considerations - and especially those which bear on the long-term public interest - and thereby avoid the rule-bound “bureaucratic” decisions which lead so many of us to find the whole notion of a bureaucratically managed society so deeply repugnant.

One of our central problems is to secure general recognition of the role which public servants play in the management of society, and then find ways of ensuring that those public servants address societal management problems in a systematic, systemic, and innovative way in the long-term public interest. In other words, one of our central problems is to get our public servants to act effectively as managers - defining management to imply a swathe of activities (such as releasing energy in a hive of innovation to promote radical change in our institutional arrangements) which are very different from those which most often come to mind when the word is used. To do this we need to find ways of holding them accountable for so doing.

Once it is accepted that public servants both do and should play a major role in the management of society, it is obvious that we need to develop much better ways of supervising their work. Their role is just too great to be adequately monitored by small groups of elected personnel.

One of the most important sets of activities to be performed by public servants consists in setting up “search conferences” which will: generate many alternative ideas for ways forward, ensure consideration of systems processes, lead to numerous experiments based on different perspectives, ensure that appropriate, broadly-based evaluations are mounted, and ensure that there is an adequate debate of both the goals to be achieved and the ways in which they are to be reached. Many more people and groups - especially presently marginalised groups - need to be able to influence what happens and to initiate, and participate in, information collection and debate. To do this effectively it will be necessary to find ways of ensuring that researchers pursue ideas from alternative perspectives and to provide advocates to help to ensure that unusual views are presented in a form that merits consideration.

There is a need to evolve new forms of public surveillance of public servants in order to help to ensure that they act on information in an innovative way in the long-term public interest. Although this emphasis builds on the idea of open government, attention needs to centre on the quality of the *methods* they employ to arrive at decisions - on their *procedural* rationality - and neither on the popularity of their decisions nor the quality - or adequacy - of particular decisions (i.e. their substantive rationality). What is actually in the public interest will frequently command only minority support. In any new system, the main responsibility for staff and policy appraisal will remain within the system. What the public needs to be able to do is ensure that the relevant information is collected and acted upon, particularly when it involves negative evaluations of people or programmes. In other words, while the doings of public servants do indeed need to be exposed to the public gaze, the main need is for professional appraisal of people and projects. That information needs to be fed outward to the public and not upward in a bureaucratic hierarchy to overloaded elected representatives. The

public need to be heavily involved in generating a variety of criteria for the appraisal of public servants and public policies and monitoring the quality of the evaluation exercises conducted from each of those perspectives.

While it is essential to generate many more options so as to better cater for people with different needs and priorities, it is actually more important to improve the quality of the evaluations of those options. These evaluations need to document the long-term as well as the short-term consequences of each option. They need to document the consequences of the options in a *comprehensive* way - that is they need to document the consequences for those concerned, for other people, and for society as a whole since activities that have desirable consequences for one group in the short-term may have undesirable ones for others or for the group concerned in the longer term. Undesired and unacceptable outcomes need to get as much attention as assessment of the achievement of desirable outcomes the policy set out to reach. Information should be collected on the patterns of life satisfaction and frustration available to those who are implementing the policies as well as on the outcomes. Experiments designed to achieve policy goals and their evaluations should pay particular attention to throwing light on the hidden systems processes which so much determine the effectiveness and consequences of any particular activity. In order to ensure that evaluations grounded in a number of viewpoints are indeed mounted and that each is as comprehensive as possible, widespread public involvement is required. Public debate is also needed to clarify the ends to be achieved and ensure that the routes chosen to translate them into effect are both likely to result in goal achievement and confer maximum life satisfaction on those who are involved in achieving them.

In the past public decision-taking has often been *less* complete than the flawed market processes it replaced - mainly because inarticulate, unquantifiable, and taboo considerations tend to get be ignored. There is therefore a strong need for advocates to help translate these “subjective” and “unacceptable” concerns into words, give them legitimacy, collect evidence, and present them in an acceptable way.

Because of its tendency to overlook the needs and concerns of minorities and the way in which the coalitions which have to be formed to achieve a semblance of agreement tend to result in decisions which actually suit no one, decision taking based on majority voting should in general be replaced by the introduction of arrangements to hold managers accountable for canvassing opinion and coming to high quality, discretionary judgments about what is to be done, and then implementing those decisions in the context of an appropriate monitoring and learning system.

Researchers have a crucial role to play in helping to clarify issues and conduct surveys which make it possible to obtain meaningful feedback.

Traditional forms of democracy have not proved themselves adequate to the task of preventing the election of, or getting rid of, devious, unscrupulous, and destructive “leaders”. We need more effective ways of finding out and disseminating what such people are up to.

Most widely held beliefs in the efficacy of and good will of central governments are ill founded. Faith that European and World governments will lead to more effective policing and management of resources in the public interest is misguided. Centralisation does not make “bad boys” behave: it creates opportunities for unprecedented levels of violence, concealment of blunders, information control, and manipulation of public opinion.

It seems to us that the main points which emerge from this summary of what we have seen in this book are that the most important components in any new form of democracy involve:

1. Acknowledgement of the role of public servants.
2. Means of holding them accountable for initiating the collection of forward-looking information, sifting it for good ideas, and acting on it in an innovative way in the long-term public interest.
3. Means of holding them accountable for creating a climate of innovation directed toward the introduction of a sustainable society.
4. Improved arrangements for initiating information-collection and thereafter sifting it.
5. Improved arrangements for exposing the activities of politicians, the public service, so-called “private” enterprises, and public servants to the public gaze.
6. Increased emphasis on network working within the public service.
7. Network-based supervision of the public service and the other institutions of modern society.

Such arrangements would make it possible, for the first time in history, to effectively constrain the Stalins and mini-Stalins whose tendency to eliminate those who are inclined to live in harmony with nature has brought the globe to the brink of destruction. Perhaps more importantly, they would make it possible to intervene in the worldwide economic and social processes which have led to the promotion of numerous 20th century dictators before the problems created by these processes take the chronic forms that are blamed on these dictators and used to justify war.

The Way Forward

It is often claimed that the arrangements envisaged here are unrealistic. Critics cite the “top-heaviness” of the proposed system for ensuring that those employed in our achievement hierarchies act in the interests of the public who employ them, and claim that the public would be loath to devote the necessary time to supervising “their” employees, however socially beneficial that might actually be.

It is obvious that participation in the management of the activities which contribute most to the quality of life in modern society and to the continued existence of that society is, in itself, a wealth-creating activity which merits remuneration. Having said that, it is obvious that such formulation is inadequate. What does remuneration *mean* in a situation in which money has been replaced by multiple-criteria accounting because monetary valuations ignore most of the things that it is most important to evaluate?

Either way, the way forward will be built on the wider recognition that most wealth in modern society is in the public domain: in the community support, urban reconstruction, and agricultural policies we introduce to promote health; in our planning arrangements; in our crime-prevention activities; in our management of economic differentials; in our environmental protection arrangements, and in our safety standards. Progress is dependent on the consequent willingness to acknowledge that *supervision* of such wealth-creating activity is itself wealth-creating and merits reward of one kind or another. It does not have to be an activity which people undertake without reward.

Thought about alternative societal management arrangements has, arguably, been inhibited by the hegemony of American thought. Schwarz and Thompson^{23.1} show that those who have written on politics, like those who have written on market processes, have been dominated by the US notion of personal interest. As a result, politics has been viewed as being mainly concerned with competing groups trying to advance their sectional interests - with the rather bleak conclusion that little overall progress can be achieved through the political process. However, the notion that "self interest" guides actions does not stand up to examination: people change their affiliations as they have new experiences and come to see things in a new way. So the question becomes: How do people come to define their interests in particular ways? Answer: By affiliating with particular groups. Further, what is in a particular group's self-interest depends on whether the wider society is cooperative or antagonistic. So what is in the interest of the self depends on the social context - and this social context changes both the interest and the effects of expressing that interest - a point which Goldsmith has also been at pains to emphasise. The conclusion to be drawn is that the political process is much more open than many political theorists would have us believe. For this reason it is vital to nurture "unreasonable" people who do not allow themselves to be trapped into a particular form of debate. If their views are clearly stated it shifts the "centre" of any discussion. What is "reasonable" itself shifts. Schwarz and Thompson's analysis suggests that the main debate takes place *outside* the political arena so that, in a sense, politicians cannot actually decide other than as they do. Schwarz and Thompson therefore arrive from a very different starting point at the most important conclusion we have reached here. This is that it is of vital importance to conduct a debate *outside* the political system, to initiate and monitor research, and to attend carefully to links with the media.

Conclusion

We have now reviewed many of the problems to be addressed, the constraints on achieving them, and the directions which offer hope of progress. A host of developments - which amount to a new concept of democracy - is required if we are to move forward.

Many of the necessary developments can be initiated *now*: We do not have to wait for central decree. Indeed, waiting for such action would run counter to much of what has been said. The actions to be initiated should take a new direction as a result of the insights and formulations achieved in this book. We can immediately take direct action to: participate in the supervision of public provision; contribute to debate; initiate and execute research; initiate the development of appropriate staff appraisal procedures; change public expectations of public servants and promote a wider recognition of the nature and problems of modern society. We can press for: greater variety and choice; better documentation of the consequences of each option; systems experimentation; change in the nature and process of public debate; and change in the role of universities. We can disseminate information about the shortcomings of the democracy we have at present and press for a re-definition of the term. While we cannot say exactly what a new form of democracy would look like, we can say with assurance that, if we systematically set out to create a climate of social innovation we will, in the end, find ourselves in what will then be describable as a new form of democracy.

Networks of monitoring groups can be established through local initiatives. The work of Adams and Burgess in the UK, and Howard in the US, indicates the possibility of introducing aspects of an innovative climate which are *followed*, rather than preceded, by changes in management procedures. The adoption of such procedures leads to: an improved flow of information between different levels in a bureaucracy; the recognition and reward of attempts

to seek out and act on information in an innovative way in the public interest; and the creation of networks to monitor and support the work of individuals.

Yet, although there is much we can do *now*, and although it is true that, in reality, we have no option but to allow the new management structures we require to emerge, there is little doubt that the process would be enhanced by the evolution of formal thinking in the area. There is an urgent need for a better understanding of what is needed for the effective supervision of bureaucracies or “accomplishment hierarchies”. For this we need at least as many studies of different arrangements in this area as there have been of alternative management arrangements within “Accomplishment” hierarchies (i.e. workplaces) themselves. There would seem to be particular merit in studying the arrangements which have emerged in Japan and the workings of Polish Semjicks^{23.2}.

We should conclude by underlining that many of the components of the public management system we have been highlighting are already in place. In a sense, we only need to improve on what we are already doing. In another sense, however, the developments that are needed run exactly counter to the current attempt to solve our problems through the workings of an idealised marketplace. Of course, the privatisation process is driven, not only by a desire to handle the societal management problems we have been concerned with in this book, but also by such things as the need to create work and conceal levels of government expenditure by living off the sale of assets. It has only been possible to enact this terrifying swan-song of capitalism because, although many people can see the need for radical change in the way society is run, the things brought out in this book have not been clearly in focus. The political parties which opposed Thatcherism (and which, ironically, gained sufficient support to make her reign possible) have continued to advocate realistic and reasonable policies which accept most of the current mythology about economics, government, defence, and education, and so can be seen not to address the issues of which so many people are, in a relatively inarticulate way, keenly aware. The way forward is, therefore, to be found by underlining the urgency of radical change, the real possibility of introducing that change, and, if not a vision of the future, an awareness of the societal management arrangements which are needed to *discover* a way forward.

Notes

23.1 Schwarz and Thompson, 1990

23.2 Polish Semjicks are open forums - involving the public, experts and counter-experts, administrators, and media personnel - oriented around single issues.

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.303-321).

Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

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Chapter 24

Arrangements for Policy Evaluation and Improvement

We have seen repeatedly in this book that much better arrangements are required if our society is to be run effectively. But behind that lies a fundamental need for much better information in domains ranging from basic biological processes to the operation of complex socio-political systems. What this means is that our existing arrangements for collecting, sifting, and disseminating information have failed us. This stems partly from defects in the arrangements themselves and partly from a lack of appreciation of the need for - and the possibility of collecting - the kind of information that is actually required. This chapter will both discuss the administrative arrangements and expectations that are required and outline some of the studies which are most urgently needed.

Why are New Arrangements Needed?

To help us to understand why our current arrangements are working so poorly and to indicate some of the developments that are needed, it is useful to draw attention to some features of the way in which the research we have summarised on the developments required to achieve a more effective educational system was conducted.

Much of it did not conform to widely accepted beliefs about how research should be initiated and funded. It was generally research which involved adventures into the unknown. In fact, several of the enquiries were initiated on the basis of feelings and impressions rather than formal hypotheses. Much of the research had its origin in a felt need to find ways of coping with practical problems rather than the "research literature". The logical connections which gave meaning to the data (or which provided a "theoretical framework" for collecting or interpreting it) were often made retrospectively. The true significance of the data could often only be discerned if one made debatable inferences about invisible underlying structures and processes. These inferences about unseen processes went well beyond what could be "proved" from any one of the data sets which had been collected^{24.1}.

All this accords with what is actually known of the process by which scientific understanding advances^{24.2}, but it conflicts sharply with the image of science projected by most social scientists and, in particular, by most of those who have set themselves up as authorities on research methods and who have had a major impact on what public servants regard as "good" research and research proposals.

Because so much of the research on which we have drawn most heavily could not have been conducted according to conventional ideas about the initiation, funding, conduct, and evaluation of research^{24.3}, and because the same is likely to be true of the fundamental research needed to progress as a society, it is important to say a little more about some key issues in this area.

The Role of Feelings in Science

All science derives from feelings, in two senses. In the first place, feelings provide the germ of all creative endeavour: They impel or entice people to enquire further into certain issues. More generally, although this is not the place to argue the point^{24.4}, they provide the basis of all cognition. In another sense they often provide an initial basis for measurement. The history of scientific measurement is a story of making the intangible - the somehow sensed but ungraspable and invisible - tangible and visible. Faraday used his subjective impression of the strength of an electric shock to assess electric current. Ampere found a way of making it more “visible” as a result of just happening to notice that the passage of a current along a wire deflected a compass needle.

The notion that science is not concerned with feelings is deeply dysfunctional. It leads to denigration of much concern with the state of the world and the environment. Instead of denigrating the feelings which provide the basis of these concerns, we need to make the reasons for them explicit and, like Ampere, to find less “subjective” ways of indexing whatever gives rise to them.

Finding new ways of handling feelings lies at the heart of what we have been concerned with in this book: One of the great merits of market processes is that they enable people to act on their feelings without having to articulate them. The public service, on the other hand, tends to denigrate “mere subjective feelings”. Yet anyone who has made the slightest study of the workings of the “objective” marketplace must know that such a position is untenable. To capitalise on the potential of the market to enable people to act on their feelings, firms have to invest heavily in market researchers who devote enormous amounts of time to making people’s feelings explicit and drawing out their commercial implications. Likewise, marketing personnel invest heavily in influencing people’s *feelings* - not their cognitions - in order to induce them to buy their products.

The public sector invests hardly anything in studying people’s feelings, making their basis explicit, or trying to invent ways of satisfying them. The introduction of mechanisms to do this must form a crucially important part in any alternative system for running society. And one of the most important research programmes which needs to be undertaken is to make explicit the reasons for the feelings which have lead to such widespread concern with the environment.

Illuminating a Hidden Reality

At several places in previous chapters we have emphasised the need to illuminate, and find ways of intervening in, *systems* processes. Yet the examples we have given may have caused considerable unease because the hidden processes to which we attached so much importance will have appeared to many to have been purely speculative. Yet the history of science is an account of how certain conjectures of this sort - all of which go well beyond the available data - have turned out to be extraordinarily useful. The leap from observations of a few

scratches on rocks, the “U” shapes of valleys, and the presence of rounded boulders composed of material foreign to the locality, to the conclusion that the area was once covered by ice and glaciers appeared to most people at the time wild, even absurd.

Despite the central importance to scientific advance of generating insights into unseen processes, it has taken enormous efforts on the part of a few mavericks^{24.5} to even slightly weaken the stranglehold which the authoritarian view of science holds in the social sciences and to legitimise at the margins research which seeks to illuminate a hidden reality which is assumed to exist behind the observable. This has, of course, allowed people to cynically exploit the new intellectual freedom ... but the point is that any alternative, authoritarian, approach stifles the required innovation. Quite different controls - to which we will return later - are required to hold charlatans in check - but we may here note that an authoritarian system actually fails to prevent the cynical generation of mountains of non-information.

In the end, conceptual frameworks stand or fall depending on their usefulness. However apparently unsubstantiated the specific insights into systems processes shared in this book, nothing can be more certain than the conclusion that we *must* have better systems thinking and multiple carefully evaluated experiments, informed by that thinking, if we are to find a way forward. In short we must be much more prepared to let go the myth that scientists should be able to prove their theories and hypotheses from specific data sets. Put the other way round, we need more scientists who are able to use their data more flexibly to generate new understandings of global ecological processes and societal management systems, and who can thereby provide the foundations for pragmatic action.

Science and Action

Any scientist who presses for action on the basis of his or her results runs the risk of self-discreditation because it is felt that scientists should be “impartial”. This view has a host of unfortunate implications. Among other things, it permits scientists to maintain an air of indifference to the mis-application of their results. The mask of impartiality permits them to publish results which are grossly misleading and socially damaging because they deal only with one, possibly not very important, outcome of the process they have been studying and ignore more important but damaging outcomes. This not only permits them to evade responsibility for the consequences of their actions: It also means that they are unlikely to press for broadly-based, comprehensive, evaluations and, in the end, evade responsibility for pressing for an alternative - ecological - view of science.

The desire to maintain an impartial image, expressed as a reluctance to dabble in action, does more than delay the implementation of important results. More importantly, it: (i) prevents scientists discovering a host of fundamental research topics which they would rapidly discover if they sought to apply their results or were more willing to engage in appropriate ways with applied problems - for such action would force them to notice factors which prevented things working out as they had predicted; (ii) often prevents them advancing their understanding because under the circumstances this can only be done in an action context (to repeat an example already given, it is impossible to develop better measures of desired educational outcomes except in the context of curriculum changes which enable pupils to develop and display those qualities and the introduction of these developments depends on the development of a better understanding of the nature and development of competence); and (iii) detracts from the establishment of an innovative social climate in which many people are familiar with the required cycle of seeking out and sifting information, initiating

experiments based on tentative understanding, setting those in the context of broadly-based monitoring, using the results to advance understanding, clarifying the goals, and re-starting the cycle.

The dangers which some people hope to avoid by distancing science from action are best met by increasing the number of scientists working in any “one” area, promoting public debate of tentative results, increasing the number of attempts to translate results into effect, and insisting on evaluating those experiments in a truly comprehensive way. It is this open, questioning, checking, process which will advance understanding and deter charlatans, not the insistence that anything published be clean and unchallengeable.

Science and Ethics

Ethics is concerned with the long-term social consequences of actions. Since a comprehensive knowledge of these effects can only come from advances in scientific understanding, it follows that science and ethics are closely intertwined. Having established what is ethical, it is then necessary to translate it into effect. This means evolving arrangements which will make it easier to give teeth to information. As we have seen, clarification of, and experimentation with, those arrangements is itself a scientific task of fundamental importance. There can therefore be no meaningful divorce between science and ethics. Evaluations and actions which are unethical are also unscientific and vice versa.

Public Debate and the Advance of Scientific Understanding

Although philosophers of science agree that public debate is vital to the advance of scientific understanding, there are strong pressures to present an authoritative/authoritarian image of science. These include a desire to prevent public discussion of important social issues by claiming that those issues are not amenable to scientific study. They also include the desire of some professors to preserve their reputation. By outlawing debate and concealing division of opinion it is possible to present claims as unarguable and render a wide range of positions invisible - and therefore ludicrous if, as is normally necessary in grant proposals, succinctly expressed. In this way funding can be restricted to the work of the researcher who has cornered the area.

Also contrary to common expectations is the fact that improved understanding often stems from heated, challenging, public debate - not only about concepts and ways of thinking about things, but also about the *implications* of one's data. For example, many of the insights which have been shared in this book have arisen from discussions stimulated by giving conference papers and writing articles in which what we can now (with the benefit of hindsight) see to be utterly naive - and sometimes completely incorrect - interpretations of the (still more incomplete) data which were then available were presented. This assertion that useful understanding emerges from public debate between scientists who acknowledge that there is a good chance that they are wrong conflicts with the widely held view that individual scientists should try to ensure they are right before they say anything. When arguing about the value of scientific work it is vital to distinguish between the outcomes to be expected from the scientific process and the outcomes to be expected from the work of an individual scientist. It is the scientific process which leads to “truth” and unarguability; if we demand that significant work from an individual be beyond dispute this will starve the process of the data and insights it needs.

It is important to note that serious critique of accepted positions requires enormous creativity as well as commitment of time and effort. It is largely precluded by the publish-or-perish philosophy which dominates academe and by the current arrangements which attempt to progress policy through expert committees. For example, Trainer's critique of the Brundtland Report shows that the references in the Report to the global problems we face (and which therefore make us feel that the issues are being addressed *in* the Report) are a kind of window dressing. They are not tied in to the thinking of the committee. As a result, the Report's recommendations imply not only that things can go on much as they are but even that, if they are allowed to do so, they will actually lead to the solution of the extremely serious problems documented in the report. What we are saying is that a proper understanding of the scientific process means that we will have to pay special attention to the task of identifying serious critics with unusual views like Trainer and providing them with the time and resources they need to do their work.

The Role of the Universities and Research Institutes

In the course of this book we have seen that common sense and existing "good practice" are not an adequate basis on which to build a programme for remedying the conspicuous problems of society. The causes of our problems are often deep-seated and rooted in causes far removed from their symptoms. They have major, value-laden and political components which are difficult to address in the face of widely held beliefs concerning the workings of society. But the observations of greatest significance here are, first, that it has only been possible to uncover many of the causes of otherwise conspicuous problems through research, and, second, that - because of their deep-seated causes - the problems will only be solved through further research-based development activities.

The universities clearly have a major role to play in carrying out such research. Nevertheless, collecting the information and developing the understandings and tools required to solve the problems facing society are difficult and adventurous activities. As a result, the kind of research required is not easily reconciled with that characteristic of university-based social science over the past 50 years. This has tended to be unadventurous, non-controversial, and literature-driven instead of problem-driven. It has most often been of a "disciplinary" nature and more concerned with securing the promotion of those who conducted it than with advancing understanding or solving social problems^{24,6}. Problem-driven research requires a wide variety of full-time researchers and institutional arrangements which enable those concerned to contribute in different ways to team-based work conducted with a sense of urgency. Nevertheless, it also involves considerable fundamental research - which can, however, often only be undertaken in an action context.

The Relationship Between Research and Its Users

A great deal of research fails to result in the kind of development to which it points. We have identified eight main reasons for this:

1. The enquiries which were expected to provide a basis for action were insufficiently broadly based. They failed to draw attention to crucially important contexts. One example is researchers' failure to draw attention to the role which the sociological functions of education play in deflecting the system from its manifest goals.

2. Insufficient attention was paid to the kind of research required or the processes required for its effective initiation and conduct. By and large, it is the insights gained in the course of research - rather than the specific information collected - which turn out to be useful. That is to say, it is the true scientific contribution - with that word properly understood - of the work (rather than the “facts” which turns out to be crucial. To carry out adventurous research capable of generating new insights, researchers require considerable scope to identify the problems to be tackled with the concepts and tools they have available. To do this, they need close links with forward-looking policy makers so that they can be helped to discern the mountains to be climbed. But they have to be left free to decide for themselves on the particular mountain to scale with the tools they have available, with their own specific competencies, and with such information as they already have. They need to be able to decide for themselves which route to take in their efforts to make the ascent. It is important for them to have opportunities to follow their insights through into evaluated and monitored action so that they can revise and refine their understanding as they work on evaluation tools and are forced to confront previously overlooked aspects of the problem.

Very few policy R&D units have been established with the required balance of links with, and independence from, the public service. On the contrary: Policy research units have tended to be grossly under-funded and their staffs have been viewed, not only as mere hands hired to collect the “data” which public servants felt they needed, but as agents to be employed to vindicate policies already in force. Indeed, the data they have collected have often been tailored to that end: Researchers are often under strong pressure to falsify their results to vindicate established policies. The notion of broadly-based and genuinely independent research has proved an anathema to most political parties who feel they need to be seen to be authoritative and appear to *know* what needs to be done. This in turn stems, at least in part, from acceptance of the myth that the role of government is to tell the public service what to do and the role of the public service is to do it.

3. Although, as the work of several investigators^{24.7} has shown, it is vital for the researchers to be involved in the implementation process if the results of research are to be used, it is, as we have seen, widely believed that the scientific integrity of researchers is called into question if they become involved in campaigns of the required type.
4. The efforts made to “implement the results” were too narrowly based. They did not involve network-working and parallel organisation activity. Too few people who possessed relevant information were involved. The importance of evaluating and debating the results of a variety of experiments based on different priorities and definitions of the problem with a view to finding ways of reconciling conflicting interests was not recognised. There was too little emphasis on using research - especially action-research - to clarify goals. And the iterative, cyclical, model of active experimentation, learning, re-consideration of both goals and strategies, and adaptation advocated above was not followed.
5. There was a failure to assign responsibility for initiating innovatory action to any particular individual or group. However, even if this had been done there are no appropriate procedures to hold individuals or groups accountable for carrying the action through into pilot programmes, monitoring the results, and taking appropriate action to ensure, not that the original recommendations were implemented, but that the action based on them was, in some sense, successful. All too often, those who are responsible for initiating actions are not around when the effects become apparent.

Indeed those effects have typically been obscured by subsequent “innovations” based on different assumptions and carried out by different personnel.

6. A persistent reason why little action has been taken on the basis of good information has been the power of ideology to over-ride the truth. We may recall the numerous examples Thurow has assembled of politicians imposing ideologically-grounded policies despite abundant evidence of their failure and good information about what would in fact work.
7. Perhaps more important than ideology has been the fact that many policies have, deliberately or as a result of the operation of hidden systems processes, not been about what they have been said to be about. The research was a mere distraction, window-dressing, or epiphenomenon. We have seen, for example, that the policies which have been imposed on the educational system, apparently on the basis of ideology, may well have been not about improving education at all, but about legitimising a social order, shifting the blame for failure from societal managers to teachers, pupils, and parents, and entrapping everyone in a competitive system which disempowers all.

It is important to note, however, that attributing failure to implement the results of research to ideology, conspiracy, or systems processes is an avoidance of the issue. What it really means is that the research itself was insufficiently broadly based. This in turn shows that it was not conducted in the context of appropriate understandings of the scope and methods of research. (Which is, itself, partly a product of the operation of systems processes or Machiavellian intervention.)

8. There is a general failure to understand the process of innovation and apply that understanding to public policy. It is widely believed that committees of experts should be able to generate a blueprint for action, instead of merely suggesting a direction in which a solution might be found - and leaving the evolution of the details to committed, enthusiastic individuals charged with (and held accountable for performing) the task of implementing pilot programmes, monitoring the results, and taking corrective action (reformulating both the goals and the means to be used to achieve) as they go along.

The points to be drawn out of this discussion are that:

1. The information required if action is to be taken is frequently *not* “precise answers to administrators’ questions” but much more broadly-based information, the importance - or even relevance - of which is often not suspected at the start.
2. The process of collecting and acting on information requires changed expectations of researchers, and changed relationships between researchers and decision-makers. It requires wider recognition that the latter are frequently not “powerful”, “central” figures but, for example, nurses, teachers, subsistence farmers, and parents. This has major implications. It means, for instance, that instead of seeking to prescribe the actions of people on the ground (thus usurping their roles and responsibilities), the “central” policy makers and administrators’ primary responsibility is to find ways of tackling wider systemic processes and to release a surge of effective innovation. Both the job descriptions and the tools of accountability which would be required to get central administrators and all the other policy makers (citizens) involved to behave in appropriate ways have been missing. The development of a better understanding of the required arrangements and of the necessary staff appraisal tools thus emerge as among the most important tasks facing researchers.

3. It will be necessary to create very different mechanisms for the initiation of research and, in particular, to ensure that marginal groups take part in a way which does justice to their perspective.
4. We will need to change the way research is conducted and evaluated. Clearly the universities, as they are currently organised and run, do not offer a good base. Researchers need to be appraised neither in terms of the quantity of their publications nor in terms of their failure to evoke criticism. Instead, they need to be appraised against the criteria we have recommended for other public servants. Research teams and units need to be appraised in terms of whether they are characterised by a climate of commitment, innovativeness, resourcefulness, and support for innovators: Are the diverse talents of different people being identified, developed, and harnessed with a view to generating new ideas, finding new ways of thinking about things, testing important hypotheses, disseminating the work, trying to translate it into action, inventing ways of finding out whether the action is working (and if not why not and what undesired and undesirable effects it is having), and so on? The question is not whether those involved are spending their time, money, and resources in prescribed ways or in producing numerous publications. If there is a climate of innovation and dedication to scientific advance, one can be sure that, in the end, some, if not all, of the necessary developments will follow automatically.

Requirements From Research

In the this section we will bring together, and attempt to become more specific about, some of the understandings and tools we most urgently need from research.

Understanding How to Run a Sustainable Society

We have very little understanding of how to run a sustainable society or what such a society would look like. To get anywhere we need some tools. For a start, to move in the direction of a sustainable society we need to be able to monitor progress toward specific sub-goals. More than that, we need some form of accounting system which will enable us to trade off progress toward some of these goals against others. Since many of them cannot be formulated in monetary terms - indeed it has been the tendency to focus only on costs and benefits expressed in monetary terms which has led to the neglect of these goals - it will be necessary to develop multiple-criterion accounting systems.

At an individual level these should assess quality of life in all its aspects ranging from satisfaction with human relationships, through satisfaction with the aesthetics of the environment and opportunity to contribute to the community, to relationship with politicians and bureaucrats.

It will also be necessary to develop means of assessing costs, at individual, organisational, and societal levels. Such costs include: consumption of non-renewable resources, contribution to pollution, contribution to the destruction of the fertility of the soils, the seas, and the atmosphere, and even to the destruction of human creativity and initiative.

Then there is the question of giving people credit for their contributions. These include:

- Contributing to the management of society through network-based, “citizenship” activities. This involves such things as monitoring the quality of the environment,

supervising the public service, overseeing activities of TNCs and other companies, and contributing to public debate. The price of preventing the degradation and destruction of the planet is eternal vigilance, and those who play a major role in such activities should be able to have their contributions recognised.

- Organising their lives in such a way as to minimise environmentally destructive activities (by minimising their direct or indirect use of energy, for example).
- Contributing to the overall quality of community life in non-monetary ways - such as by providing services to the sick, disabled, lonely, and distressed or enhancing the beauty of the environment.

There is currently little understanding of how to compare the true natural or human resource costs of different ways of doing things, even in skills exchanges or “green dollar accounting” systems. For example, how is the value of time spent looking after a terminally ill relative to be compared with the value of time spent looking after children, providing professional medical assistance, building a house, or growing food? Failure to engage with such problems is the most widely cited defect of our existing financial accounting arrangements. The market does not engage with what is most important, whether in terms of costs, benefits, or needs. But clarifying what should be taken account of and weighting it appropriately poses enormous problems, and we will return to the issue when discussing the kind of experiment it would be desirable to undertake with LETS schemes.

The context of such problems should not be overlooked because that in itself poses enormous problems for research and innovation. For any information-based accounting system to work, it will be necessary to generalise it in such a way as to control international trade.

Despite the obviously considerable work needed to develop these alternative accounting systems, it is worth noting that the importance of real-resource accounting was recognised by the very people who are thought of as the architects of our present monetary system. Thus Adam Smith wrote: “Labour alone, therefore, never varying in its value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price: Money is their nominal price only”. Ricardo and Lincoln made similar observations. The problem is still to find ways of translating such ideas into effect.

New Tools to Provide and Evaluate Diversity

In areas like health, education, and housing, we badly need to offer and evaluate diversity and provide people with information on the consequences of the options which are offered.

The provision of meaningful choice and variety involves:

- Studying the population’s needs and *deliberately* creating variety *within each geographical area*.
- Collecting and disseminating information on *all* the personal and societal, short *and* long-term, consequences of each of these options. (An activity which benefits the individual may harm society; an activity which confers immediate benefits may, in the long run, be harmful.)
- Demonstrating that each of these options is of high quality.
- Documenting what is actually happening on the ground and providing means of stepping in to influence this. (An example may help here. Although educational programmes of a

particular type may generally nurture certain qualities - such as the skills required for active citizenship - what is actually happening in a particular school or classroom claiming to implement the programme may be very different. Consequently, there has to be some means to influence what is going on.)

Tools are needed to:

- Evaluate each of the options from the point of view of each interest group.
- Provide institutional accountability: Are the services being provided effectively?
- Monitor organisational climate: Are the organisations concerned dedicated to establishing and achieving innovatory goals, characterised by a climate of innovation, and staffed by committed, energetic, and enthusiastic people?

It is important to note that collecting comprehensive information - i.e. information all short and long-term, personal and social, consequences - (a requirement repeatedly emphasised in this book) means sacrificing some concern with accuracy. Likewise, collecting information on the long-term consequences for such things as the probable future economic development of the community means that it is necessary to adopt an “illuminative” approach to evaluation. One would study the processes currently operating and infer what their long-term effects on numerous outcomes are *likely* to be. “Documenting the consequences of options” therefore involves building up an *understanding* of social processes. It involves *fundamental* research which has, however, to be conducted in an *action* context. Yet this notion seems to many people - who are steeped in current understandings of research - to be a contradiction in terms.

Experimentation with LETS Schemes

Despite the fact that local currencies and other Local Employment and Trading Systems (LETS) have obvious difficulties and do not engage with many of the wider problems discussed in this book, many insights could be gained from experimenting with them.

As has been shown, the basis on which exchanges are made in LETS schemes is not pre-determined. Exchanges can be based on current monetary values, on equal “pay” for equal time, or on any other agreed basis. Each alternative merits careful evaluation. The effects will be different in societies making different assumptions. Thus equal pay for equal time (which, in effect, ignores different levels of skill and discounts the time required to develop the skills needed to carry out the task in the first place) will be less well received in a society which accepts the myths about differentials being necessary to motivate work and reward high-level talent. Even more “absurd” is the possibility of not counting the cost at all. Yet this variant merits particular study. Although, given our Western mind set, it is difficult to believe that people might be willing to give of their labour without counting its cost and expecting reciprocity, Goldsmith has claimed that many vernacular societies worked in this way, and, in some ways more importantly, that a great deal of behaviour in our own society is of this sort. For example, very many wives and mothers relate to their families in this way. They do not attempt to calculate what they will get from their children in return for many of their actions: They just do what needs to be done because it is the right thing to do.

In considering the kinds of experiments needed with LETS we should underline the need to explicitly set out to initiate schemes which provide a basis for developing the community care arrangements required to replace drugs-based health care and commercial insurance.

More generally, experimentation with LETS provides an opportunity to explore how to move toward a society in which the most important, quality of life enhancing, public provision is explicitly managed on the basis of information - without reference to finance - and a token system is adopted for personal discretionary spending. As has been emphasised, mutual support networks have great advantages over formal health care and social work arrangements not only in terms of their cost but also because they result in attention being paid to the *most* important determinants of quality of life - like companionship - of the recipients on the one hand and enhance the quality of working life of those who provide the services by giving them the satisfactions which come from doing work which is really required and offers real benefits on the other. Explicit experimentation with LETS schemes which took these wider possibilities and benefits seriously might lead to the invention of ways of overcoming some of the main defects of monetary accounting and at the same time help us to move toward the more general adoption of moneyless public provision, involving extensive variety, choice and experimentation, but administered almost entirely on the basis of information and a parallel system of tokens to facilitate the meaningful exercise of choice between options in limited supply.

While advocating experimentation with developments in LETS and related schemes it is important to recognise their limitations. These are that they: (1) Do not address other huge problems of formal economies - such as the twin facts that, on the one hand, formal economies fail to take account of a large number of benefits which currently derive from the informal economy and, on the other, externalises huge costs; (2) Do not focus central attention on the decisions that are taken and the arrangements for taking those decisions. LETS schemes, like the monetary economy, are *not* self-actuating. Their operation and effects depend on endless decisions, and it is on the considerations which enter into those decisions and the way they are activated that we most need to focus in finding a way forward. Using the word “experiment” in the way in which it has come to be used in earlier chapters, experiments with LETS schemes, if conducted in the context of a focus on what can be learned from the problems and dilemmas that are encountered, provide us with an important opportunity to bring these vitally important issues to the centre of attention.

New Government Structures

Some of the most important developments we need have to do with the creation of open governmental structures. At present it looks as if these should be organised around the ideas of Toffler or Schon (who have written about “networks”) and Kanter (who has written about “parallel-organisation” activity), with a view to supervising the operation of public and private sector organisations more effectively and inducing them to act more in the public interest.

The objectives of these new structures would be to bring to light, and publicise, issues of public concern and help to ensure that any decisions and actions take full account of their probable long-term social and environmental consequences.

Comprehensively evaluated experimentation with, and development of, these arrangements is of vital importance. These experiments could be introduced by citizen action - without any government initiative - in education, urban planning, etc. (although those concerned should prepare for reactions like that of the Polish government when it squashed early attempts to re-introduce Semjicks). It would be valuable to try out alternative ways of inducing citizens to

participate in the monitoring arrangements. These might include requiring employers to release (as with Jury Service) employees on full pay to participate in activities which are, after all, social wealth-creating or they might involve the provision of “benefits in kind” through a skills-exchange mechanism. Insights into new arrangements of this kind might also come from carefully conducted cross-cultural studies examining what is done in such countries as Norway and Japan.

New Procedures for Staff Appraisal

One of the most important developments is the creation of new criteria and procedures of staff appraisal. The two most fundamental shifts required here are, firstly, from an emphasis on whether staff have achieved outcomes which someone else has determined to whether they are engaging in activities that are *likely* to lead to innovation. And, secondly, from an emphasis on appraisal as a tool to decide on who will be promoted to an emphasis on appraisal as a means of recognising the contributions people have in fact made and identifying motives and talents as a basis for future placement, development, and utilisation.

If these objectives are to be achieved we need to ask such questions as: What are the idiosyncratic motives of each person and what have been their most important contributions *in this area*? Are they initiating the collection of, seeking out, sifting, and acting on information *in this area* in an innovative way in the long-term public interest? Are they striving to release the energy, know-how and initiative of others? Are they trying to establish organisations which do this? Are they attempting to clarify systems constraints on what can be done and helping to set up and evaluate experiments designed to influence them?

Clearly no one person could be expected to do all of these things. But we need to discover the ways in which each individual might be strongly motivated to contribute to a climate of innovation. New tools are needed to do this. New tools are also required to discover whether an organisation as a whole is characterised by a climate of innovation and contributing as it might to the creation of such a climate in society.

Currently, our society is extremely reluctant to invest in the institutions which would be required to develop such tools. This is partly because few people know how it is to be done. But it is mainly because few understand even as much as did Rothschild^{24.8} about the nature of the scientific process and the arrangements which are needed to conduct it. To these matters we now turn.

The Organisation of Research

The comments we have made have important implications for the organisation of research:

1. We need to have many more teams researching each topic from different perspectives. It is *not* a “a waste of public money” to have a number of teams working on “the same” topic. We need to initiate projects grounded in a much wider range of viewpoints and assumptions and to ensure that there are many more replications of what looks like the same study. It is only in this way - and not through an authoritarian insistence on “quality” in science - that we will be able to detect fraudsters and discourage “sloppy” work from being presented as science.
2. We need to ensure that being involved in controversy does not lead to the scientists concerned being branded as “unsound” and their work discredited.

3. We need to ensure that at least some members of research teams possess the competencies required to conduct public debate in order to both advance scientific understanding and stimulate improvements in policy and practice.
4. The interface between researchers, sponsors, and clients needs to be carefully re-assessed.

As Rothschild^{24.9} noted, administrators, like most academics, having insufficient contact with problems and their potential solution, are often in no position to appreciate the need for relevant work. They often express the need to be certain of outcomes before being willing to fund work - and they are still more unwilling to commission work if they do not know how it is to be carried out. The fundamental problem is that administrators do not wish to be held responsible for risky activities initiated by anyone other than their superiors. Prior knowledge of methods and probable outcomes fosters security on all sides, but it leads to trivial research that fails to advance understanding.

Administrators have insufficient contact with a field to know that something is *possible*. They do not know they have a need for something until they see the product. These are classic problems which can, to some extent, be solved by market mechanisms. However, they are not usually solved in this way because, since the likelihood of a profit is too uncertain, most research has to be funded by government departments. The typical way forward involves neither market processes nor application for a research grant. Instead, as we saw earlier, innovative research is typically carried out with the aid of funds syphoned off from “defence” budgets.

Decisions about the research to be undertaken need to be more directly under the control of researchers and those who have, through parallel organisation activity, become aware of problems which need to be researched. Funding should be allocated on the basis of the competence of a given research team to initiate and carry through important innovatory projects. Clearly, such a scenario must also provide some means whereby administrators, a wide range of those involved in implementing policy, and the public can alert researchers to issues requiring investigation. The links - network and parallel organisation based working arrangements - to be established between researchers, administrators, practitioners, and the public, then become a topic for research and discussion in their own right.

The arrangements that do and do not need to be made can be illustrated from one Scottish Council for Research in Education project - a study which resulted in the book *Pupils in Profile*^{24.10}. The work was initiated because a number of *head teachers* - not administrators - were concerned that current forms of assessment limited the educational programmes they could offer their pupils. Despite strong opposition from administrators, the project went ahead and, despite its inability to deliver the tools the head teachers wanted, documented many of the barriers to developing them and produced a system of “profile” reporting forms which have since been widely used. Unfortunately, the Ministry of Education then changed the arrangements for funding research at the Council in such a way that all work was funded on a contractual basis. As a result, the researchers found themselves unable either to capitalise upon their insights - or even to continue the innovative research style which led to their initial success.

It is not difficult to find examples of the futility of contract research. Two hundred million dollars were spent on evaluations of Headstart and Follow-Through in the US. These were designed to satisfy administrators’ (changing) requirements. Despite the investment, they

almost completely failed to advance understanding of the issues. Ironically, the new understanding which *has* been achieved in the area comes almost entirely from very poorly funded work conducted by Levenstein^{24.11}, McClelland^{24.12}, and Sigel^{24.13}.

The question of how the clients of policies are to influence research deserves serious attention. The real clients of research - those who will benefit or suffer from the policies with which it is associated - are often in no position to commission it or to influence its orientation. Means are needed whereby - often marginalised - members of the public who have become aware of problems not perceived by others can bring some researchers to share their concerns and perspectives. There also needs to be some way in which those who have initiated such research can ensure that it continues to be carried out from their perspective. It is too easy for researchers to redefine the problem in their own terms (though this is often a good thing because researchers typically have access to a wider range of those on whom the policies impinge than do most administrators).

If researchers are not to be accountable to administrators, to whom are they to be accountable? The answer is the same as for (other) public servants. The work of research teams should normally be of value to a constituency which should be identifiable through the kinds of information-technology-based networks discussed earlier - that is, to a (possibly widely dispersed) group that finds the work useful. Accountability can also be provided by asking whether the research unit is characterised by a climate of dedication, high standards, commitment to finding new ways of thinking about things, new things to do and new ways of doing them, and engaging with society's problems. If the answer to all of these questions is positive, the chances are that the unit is doing work which will, in the end, turn out to be valuable.

There is a widely held - and apparently reasonable - view that social researchers should limit their proposals to those that are reasonable and realistic - i.e. to those that are likely to attract funding - for doing anything else would surely be a waste of everyone's time. They should therefore refrain from putting forward a case for developing the understandings required to make important changes which have no realistic chance of being introduced into the current system. That would both waste their time and discredit them.

The problem with this view is that our current ways of doing things (in e.g. education, economics, ecology, management) are so dysfunctional that anything which contributes to the perpetuation of those systems is unethical. The only way out of the difficulty is by developing the understandings and the tools required to do things which are "unrealistic". Failing to do so ensures that the most important actions for our future never get attempted. Contributing in a "reasonable" way to the debate contributes to continuing widespread acceptance of the framework in which it is couched and thus to an unsustainable situation. It allows those in power to control the issues which get discussed in ways which are very much to their advantage. It does not help others to get their minds round the issues.

But acceptance of the terms of discussion in the current political debate and making research proposals that are "reasonable and realistic" does more than allow those in power to determine the agenda. It connives in the process whereby the really important issues are rendered invisible for want of a *language* in which to discuss them. Those who go along with the process never call the tailor's bluff and reveal what the emperor is really up to. If they hesitate to say "No, if you *really* want to improve education, here are the topics you need to research", they will certainly quail at the thought of saying "Hey, but the proposals in this

Education Bill are not really about improving education at all ... they are about reinforcing the existing social order and creating a diversion under cover of which entirely contrary actions will be taken ...”

By couching proposals in currently fashionable - and meaningless - terms and limiting proposals to those which are likely to attract funding, one fails to provide the fundamentally important critique of the framework that is needed. There is then no development of a counter position, let alone development of the concepts and tools required to run an alternative system. There is no articulation of insights into what is actually going on. This process is unethical. It has more to do with researchers getting money for themselves by false pretences than with acting for the benefit of mankind. No wonder the public is reluctant to provide funding for the exercise.

We need instead to do the basic work necessary to find out how to do what needs to be done. Mankind would never have learned to fly by “building on good practice” (i.e. studying the feather-clad men who were able to get furthest when jumping off castle walls) or by “working with the system” when that system was completely off-beam. It was necessary to conduct the fundamental research into flight and aerofoils which led to Bernoulli’s Theorem.

The Role of Evaluators

Specific problems confront evaluators in their efforts to monitor the effectiveness of policies and find ways of improving them. Evaluators frequently find themselves dealing with issues which have little to do with their parent discipline. For example, a good educational evaluator will draw attention to such things as the effects of demarcation disputes between Social Work and Education Departments, the difficulties created by the absence of appropriate transport, deficiencies in building design, and the sociological functions being performed by the system even though these issues do not relate directly to the specifically *educational* aspects of the policy evaluated^{24.14}. Day and Klein^{24.15} have argued that one reason for the retention of ineffective policy is that any professional group can always argue that *their* activities *would* be effective if only these were supported by those of other professional groups. They can also argue that their work ameliorates some problem which the evaluators have not looked at.

A good evaluation gets a rough fix on all important short and long-term outcomes of a particular policy and some measure of the constraints on its effectiveness. In other words, it involves *systems* analysis. The hallmark of a good evaluation is its *comprehensiveness*, not precision in the observations actually made. Failure to comment on an important consequence of the programme, or to draw attention to an important constraint on its effectiveness, constitutes a more serious defect than failure to get an accurate measure of its effect on a single outcome^{24.16}.

A good evaluation, then, assesses how effective a programme *would* be if it were implemented with and without a context of general understanding of what it is about, with and without proper training, with and without support material, and with and without interference from those fearful of its consequences. It seeks to predict all the long-term effects of a programme, including negative social and educational ones (such as the development of trained incapacity). Such broadly-based work, aimed at achieving an approximate estimation of many variables, cutting across disciplines, and anticipating the future, conflicts with the tenor of most academic research. This helps to explain the serious

problems which arise when attempts are made to locate genuine policy research in traditional “academic” institutions^{24.17}.

One of the most important developments needed is changed “Research Methods” which will make it possible to take account of, and capitalise upon, the constraints of real-world policy experimentation. In other words we need methods which will enable us to infer more effectively what is going on in messy situations. This means that we need to learn to piece together bits from here and there and to discount other factors which interfere. We also need to be able to predict the effects of different operating *contexts*.

After the results of an evaluation have been disseminated and debated, problems still remain for their translation into action. It is unusual for a policy recommendation to be based upon a single research finding. The numerous considerations to be taken into account typically derive from many different domains. Such considerations again underline the importance of network-based management drawing on evaluations conducted by individuals or teams with roots in more than one academic camp.

Career Structures for Researchers

Researchers often find it necessary to mount political crusades in order to ensure that their work is actually applied^{24.18}. This detracts from the time available to produce the publications deemed necessary in academe. It leads to doubts being expressed about the “impartiality” of the researcher. It is therefore of the utmost importance to develop appropriate career structures for those involved in research. These should offer the security researchers require if they are to enter into controversial public debate. Working arrangements should also provide the flexibility required for redirecting work as required and the time needed to mull over, and draw out more fully, the implications of observations.

A few words must also be said about the timescales needed for useful policy research. On the one hand, it is necessary to make significant progress in a limited period of time. This cannot easily be achieved in the individualistic (non-team-based) atmosphere characteristic of academe, still less in the one-third time usually earmarked for research in academic contracts. On the other hand, the timescales for useful research are much longer than typically assumed by sponsoring agencies. Researchers need to pursue problems which were not obvious and to do the conceptual, inventive work required to find ways of thinking about and tackling them. Many of society’s problems are chronic, having existed for centuries. They will still be around tomorrow and are not amenable to quick solutions. Enduring issues must be addressed. Crisis-type problems tend to have solved themselves (or been shifted elsewhere) by the time “useful” data relating to them become available. Useful research cannot be undertaken in a situation where “priorities” change every couple of years, in which more time has to be devoted to proposal-writing than to carrying out research, where the interval between the proposal, the report, and the next proposal is insignificant, where there is little time for exploratory work or for developing understanding and new measures prior to rushing into the field, or where there is a long delay between researchers identifying a problem and obtaining funds.

Scientists need to be encouraged to report work carried out with imperfect tools and imperfect methodology, and to air their impressions of the policy implications of their work. Without these, there will be no discussion of some of the most important policy issues. Without such discussion, many important policy implications will be overlooked. Only

researchers who have been directly involved in the relevant research are sufficiently familiar with the complexities of a problem to recognise these issues and their implications. Contrary to conventional wisdom, the most important activity to be undertaken by social researchers is, not to feed a few unarguable facts into discussion, but to promote public debate itself.

Summary

We have seen that a vast amount of research is required as a basis on which to run a sustainable society which will be managed using explicit information. This research is needed not only to assess the effectiveness of current policies, and develop alternatives, but also to develop the very accounting and administrative tools and organisational arrangements required to run such a society. Absolutely key developments include new tools for staff appraisal and to assess organisational and community climate, and new arrangements for the members of society to oversee the work of the public service.

The work required features elements commonly associated with both fundamental and applied research. It demands conceptual advances involving new methodology and experimentation, but it can only be carried out in the context of theoretically-based, systemic, action. Its execution demands inquisitiveness, inventiveness, and dedication to theory-building. It requires extensive network-based team work over an extended period of time, but it needs to be carried out with a sense of urgency. It cannot be carried out in a climate of “publish or perish” or within the short time horizons which currently dominate both universities and applied social research institutes. Nor can it be carried out in the context of the traditional leisured life, “teaching”, administration, and individualistic literature-driven research which once characterised academe.

New institutional arrangements based on a better understanding of the nature of science and the procedures required for advance are required. Both the scientists themselves and the institutions in which they work need to be held accountable using the very appraisal tools, and through the very organisational arrangements, that it would be their primary function to develop.

Although the topics discussed in this section may have seemed to be of marginal interest and concern, this has been the most important chapter in this book. While the information and ideas presented earlier may have been illuminating, without new arrangements for collecting, sifting, and empowering information, and without the tools that are required to run our society effectively, we are doomed.

Notes

- 24.1 See House (1991) for an account of the need to get behind the bare data to discern the underlying and invisible structures and processes.
- 24.2 Kuhn, 1977
- 24.3 An account of the ways in which universities stifle innovative research will be found in Nisbett (1990).
- 24.4 For a discussion see Raven, J.C., Raven, J., and Court (1994).
- 24.5 Hamilton et al., 1977; House, 1991
- 24.6 It has been found that out of every thousand AERA (American Educational Research Association) publications only twenty contain *new* data and in only five of these is the data substantive; the rest are written to satisfy the “publish or perish” machine which characterises all research at the present time.
- 24.7 Cherns, 1970; Freeman, 1973; Roberts, E.B., 1968
- 24.8 Rothschild, 1971

- 24.9 Rothschild (1971) clearly recognised (i) that scientist-initiated basic research is of vital importance and needs to be well funded because only scientists can tell what is likely to succeed (and even then only with great uncertainty), and (ii) that even the development process requires sponsors to fund activities designed to try to find ways of doing things which no one knows how to do. Rothschild wanted 10% of the *total R&D budget* - an enormous sum of money - to be earmarked for scientist initiated research. His widely cited customer-contractor principle applied mainly to the *development* area. But even here it is clear that he recognised he was dealing with a high-risk activity saying that "the contractor does it *if he can*, and the customer pays. (And he did not mean that the customer only paid if the work was successful!) In a later report (Rothschild, 1982) he argued forcefully for a much greater research budget in the social sciences so that they could undertake the kind of large-scale project envisaged here in order to help society to engage with its urgent and pressing problems.
- 24.10 Scottish Council for Research in Education, 1977
- 24.11 Levenstein, 1975
- 24.12 McClelland, 1982
- 24.13 Sigel, 1985, 1986; Sigel and McGillicuddy, 1984
- 24.14 For an illustration of the non educational barriers to educational innovation see Schwartz (1985).
- 24.15 Day and Klein, 1987
- 24.16 For a fuller discussion see Raven (1991). The only way in which it is possible to throw light on the short and long-term, personal and societal, "intangible and hard-to-measure" consequences of changing processes is to adopt a variant of what Hamilton and his colleagues (1977) have termed "illuminative" evaluation. In this, personal observation, data collected through informal interviews, data obtained through the use of unobtrusive measures, and formal quantitative data are combined to yield an understanding of the processes involved. This is then used to generate an understanding of what the short and long-term outcomes of the process are likely to be. This process is heavily dependent on theory - but it is the only approach that has legitimacy in a situation in which there are no measures of the most important outcomes of the process (such as the effects on a student's ability to undertake complex and demanding activities), in which the most important effects (such as economic and social development) will take many years to show up, and in which the most important barriers to the effective operation of the system are deep-seated, non-obvious, and systemic. The approach is in flat contradiction to that advocated by the *Joint Committee on Standards for the Evaluation of Educational Programs and Policies* (Stufflebeam et al., 1981). It cuts across the qualitative/quantitative divide on which so much argument in the field of educational evaluation has focussed (Atkinson et al., 1988; Jacob, 1987, 1988), but it has found endorsement in the work of House (1991) and Salomon (1991).
- 24.17 The way in which the extraordinary requirements of effective evaluation can be approximated are hinted at in the previous footnote, and are discussed in Raven (1991). The problems which effective evaluation poses for evaluators and their deployment are discussed in several chapters in Searle (1985).
- 24.18 Cherns, 1970; Freeman, 1973; Roberts, E.B., 1968, 1969; Tizard, 1990

Summary

The material reviewed in Parts I, II, and III of this book heavily underscored the seriousness of the current human predicament. We saw that this stems, not mainly from the state of the environment (though that is serious enough), but more from the inadequacy of our societal management arrangements. We saw, for example, that faith in both market-based management arrangements and our current politico-bureaucratic management process is misguided. The private enterprise system (and especially the TNCs), the financial system (including banking and insurance), the educational system, the media, and the public service all operate in much more destructive ways than most of us had ever thought possible. There is little to be gained from calling - as NGOs, the New Economics Foundation, and environmental groups are wont to call - on governments to introduce the necessary reforms. Governments are over-loaded and incapable of overseeing the operation of the public service. Worse, they rarely function to orchestrate communal action for the common good. On the contrary they, on the one hand collude with, or are manipulated by, international financiers to implement policies which either satisfy their craving for power or are in the short-term interests of the international financial community. On the other they, like the rest of us, are at the mercy of non-obvious systems processes. Faith that forms of centralised - ultimately world - government will help us solve our problems is without foundation.

The systems processes which mainly determine what happens are associated with belief systems which can only be described as mythologies. The significance of both the systems processes themselves and the supporting mythologies has generally been overlooked. Indeed, besides bringing together available information in a new combination, the unique contribution of this book is to show how these systems processes can be studied and influenced. Their importance cannot be over-estimated. Their effect is to perpetuate our present society and undermine the effectiveness of almost any, otherwise rational, action which does not take them into account.

The purpose of this book has not been to define how things should be done or to provide a blueprint for a sustainable society. Still less has it been to proffer solutions to particular problems - like what to do, now, to stop the destruction of the rain forests, to control the international financial community, or to run society without the motor car. What it has provided is a range of distinctive insights into the learning-and-management system that is required to move forward. These insights give pride of place to actions which- are very different to those on which other writers have focused attention.

The learning-and-management system of which we have spoken is required on a permanent basis, integral with the texture of society. It needs to be decentralised, ecologically-oriented, and organic rather than centralised, hierarchical, and mechanical. It must be capable of initiating, in relation to each of a huge array of problems, many contradictory developments, each based on necessarily incomplete and partial understanding, yet in a way which makes it easy to learn from, and modify, all of them. Most importantly, it needs to help us to identify, and find ways of intervening in, the kind of systems processes which have been highlighted.

Its key components are improved arrangements to stimulate pervasive innovation and experiment, assess the consequences and implications of each of the alternatives that are generated,

and take action on the basis of what is learnt. In the experimentation, particular attention needs to focus on identifying and articulating the network of connections and feedback loops which so much determine what happens and on discovering how to intervene more effectively in that network. As Adam Smith and Friedrich Hayek recognised, and Thomson has more recently underlined, the process that is required is not a streamlined one of the kind favoured by efficiency experts. Instead, we need to introduce arrangements which will themselves promote the emergence of order out of a situation approaching chaos.

We have spelt out what was needed to create a pervasive climate of innovation in which numerous contrasting developments are initiated, and discussed the arrangements, required to evaluate these experiments in a comprehensive way from a wide variety of perspectives. Instead of seeking to identify ways in which pre-specified goals can be reached 'efficiently', we have, in this book, tried to articulate the arrangements needed to continuously clarify both shared, communal, goals and the needs and priorities of different sub-groups in the population. These arrangements need to be such as to ensure that goals evolve as more is learnt about the consequences of different ways of pursuing them on an individual or collective basis.

A way forward will only be found if we steadfastly resist the temptation, so characteristic of political parties at the present time, to offer instant solutions to pressing problems. The need is to focus directly on the single most important task to be addressed in the modern world. This is to clarify the nature of the effective learning-and-management system mentioned above. It is none other than to find an alternative answer to Smith's and Hayek's question of how widely dispersed bits of incomplete information relating to separate but interconnected issues are to be given the power to influence both the general direction in which society moves and the developments which occur in particular areas.

We have seen that the Solution Smith proposed is inadequate for two basic reasons: First, because the range of outcomes which are taken into account by monetary accounting is too restricted. Second, because monetary 'costs' and prices are even more nebulous than Smith suspected.

One example of the restricted range of outcomes encompassed by financial accounting is the way in which economic accounts fail to reveal the most important contributions to, and detractions from, quality of life. An example is the way in which what are said to be 'economic costs' externalise serious environmental costs that will have to be faced in the future. Monetary prices turn out to be even more open to concealed human manipulation than information which at first sight seems much more suspect - such as statistics on levels of unemployment and pupil performance in schools. Despite gross defects of this sort, faith in the system is perpetuated by what appears to be the harshness of economic 'reality'. In fact, the 'harshness of economic reality' is almost entirely an illusion resulting from wordcraft and scientism. Nevertheless it has the most severe consequences for life on this planet.

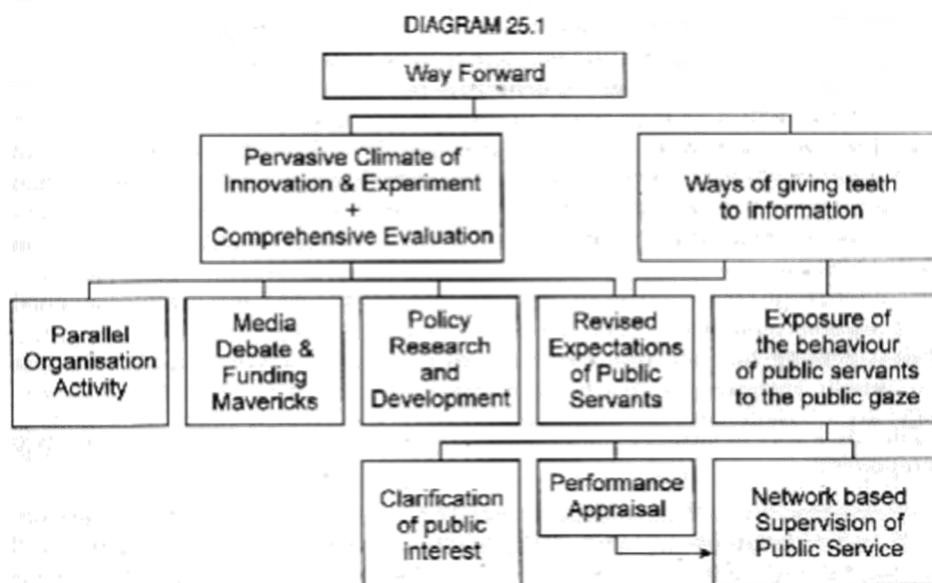
Finding an alternative answer to Smith's and Hayek's question will not be easy. After all, the greatest social philosophers have put much effort into seeking an answer. They re-cast the question in the form: 'What is the best way of managing society in the long-term public (collective) interest?' The answers they gave generally involved the concept of 'democracy', and many of their prescriptions are widely thought to have been implemented. The problem is that the deficiencies of human management of the planet have become ever more serious since the Greeks evolved their ideas of democracy. It was, of course, the failures of person-based management that led

Smith to try devise an economic system (rather than a political system) which would perform the necessary functions. His use of the hyphenated term political-economy does, however, indicate that he - unlike many modern economists - appreciated the need to continuously consider the context in which his economic system would operate. (Marx's neglect of the question was his single greatest error - and it is this error that has led most directly to the current plight of what at one time looked as if they were going to be the greatest regimes in the world.)

In this book we have suggested an answer to Smith's and Hayek's question which builds more on the work of philosophers like Aristotle and Mill than on Smith and Hayek themselves. We suggested that a direct attempt to find ways of overcoming the conspicuous deficiencies of public management would lead to more functional answer than the indirect system they proposed. Our answer has a number of nested and, in reality, mutually interpenetrating components.

In this book we have stressed the importance of deliberately gathered, carefully formulated, and continuously scrutinised formal information - and especially formal information on the workings of physical, biological, and social processes - much more heavily than have most previous writers. We have therefore devoted a significant amount of time to enquiring into the arrangements that are needed to advance formal understanding and those required to give effect to the information so generated.

But we have also stressed the importance of widely dispersed, often unverballed, bits of non-formal information. While we have indeed underlined the need to develop better ways of formalising this information through public debate and social surveys, we have also underlined the need for parallel organisation activity linked to network working arrangements in workplaces and network-based public participation in the supervision of the public service. Both of these would enable the public to have a much more direct impact.



Public servants emerge as key actors in the societal management arrangements that are required. They have a responsibility for both initiating the collection of, sifting, and acting on formal information in an innovative way in the long-term public interest^{25.1} and introducing and monitoring the arrangements' required to create a ferment of innovation in workplaces and those required to enable the public to contribute non-formalised information through network-based

participation in the management of society.

The components of the required system are shown, without their interactions, more formally in Diagram 25.1.

The two main components are:

- (1) The creation of a pervasive climate of innovation and experiment linked to much better arrangements for conducting research and especially for collecting more comprehensive evaluation data and advancing fundamental understanding.
- (2) The development of much more effective ways of ensuring that appropriate action is taken on the basis of information.

The creation of a pervasive climate of innovation has four components:

- (1.a) Setting aside time, and making the arrangements required, for everyone to participate in activities concerned with innovation - i.e. 'parallel organisation' activity - in workplaces.
- (1.b) Making arrangements to orchestrate public debate of goals and procedures. This involves publicising, and debating the adequacy and implications of, a range of contradictory evaluations of experiments themselves based on conflicting premises and definitions of what is 'the most important problem to tackle' and how any one problem is to be tackled. And it involves finding ways of giving mavericks and heretics the support they need if they are to be able to present their views in ways that sound credible.
- (1.c) The establishment of policy research and development units charged with conducting comprehensive evaluations of both general policy and individual experiments. This will involve the evaluation of goals as well as delivery systems, require them to study systems processes, and involve them in developing the understandings and the tools required to run modern societies effectively. (The conduct of all these involves the execution of fundamental research in an action context.)
- (1.d) Accepting that the responsibilities of the public service include releasing public energy and initiative to implement (1.b) above.

Finding a way of ensuring that information leads to appropriate action has two components:

- (2.a) Acceptance of a dramatically changed view of the role of the public servant. At the heart of the new definition lies responsibility for initiating and sustaining - not just approving - the collection of information, sifting it for good ideas, and acting on it in an innovative way in the long-term public interest. (This, of course, includes taking responsibility for promoting, and contributing to, the groundswell of innovation mentioned above.)
- (2.b) Exposing the behaviour of public servants to the public gaze in a way which will lead them to be more likely to act in the public interest.

Exposing the behaviour of public servants to the public gaze itself has three components:

- (2.b.i) Network-based public supervision of the public service - i.e. new forms of open government or participative democracy.

- (2.b.ii) Using the information and the tools developed by policy research and development units ((1.c) above) to hold public service departments, and individual public servants, accountable, through performance appraisal arrangements, for such things as contributing to the pervasive climate of innovation ((1) above) and acting on information in an innovative way in the interests of their clients and society more generally.
- (2.b.iii) Publicly contributing to the clarification of the public interest (and the interests of the publics of which it is composed,) using the information emerging from the evaluated experiments conducted under (1) above.

The system which has been outlined is not streamlined and elegant in the ways so much beloved by administrators. It involves parallel, indeed contradictory, activities all over the place. It is an experimentation, learning, and public management system. It engages the public in a way which will lead to multiple experiments based on alternative and conflicting definitions of 'the problem'. It includes assistance to those holding minority opinions to help them formulate their views in a way which will lead others to take them sufficiently seriously to (i) enable experiments upon their views to be initiated and (ii) insist on the incorporation of indices which relate to their concerns into the evaluations of other people's experiments.

The adoption of such an experimentation, learning, and management system depends on a more appropriate understanding of science and how it advances. There is no royal route to learning - and to recognition of what constitutes a comprehensive evaluation in particular circumstances in particular. A 'comprehensive' evaluation is one which includes assessments of outcomes which have not previously been considered (or, at least, not previously been thought to be sufficiently likely or important to merit evaluation), or which no one knew how to index. Such evaluations will therefore often include novel - and therefore probably rudimentary - ways of indexing the relevant outcome. The results will be more than a little debatable and thus conflict with the authoritarian projection of science as 'that which is unarguable'.

Similar comments could be made in connection with the need to advance understanding of the hidden systems processes which so much determine what happens in society. There is no one way of discovering these. Widespread, contradictory, investigation and experiment will be required. Also required will be public debate between contrasting positions. If we are to have this, it is vital quickly disseminate a more appropriate understanding of the scientific process.

Another emphasis which should have been provoked by this book is acknowledgement of the need for a cyclical approach. Public debate of goals is to be followed by a range of experiments grounded in a variety of alternative definitions of the goals and the means to be used to achieve them. Then follow broadly-based evaluations by researchers having different perspectives on the consequences that it is important to look at, the probable consequences, both desirable and undesirable, of each experiment, the systems processes which are likely to influence the outcomes, and the methodologies which can be deployed to study both processes and outcomes. Then comes a further public debate of communal and sub-group goals, processes, and outcomes.

Obviously, there can be no central, prior, specification of what is to be done or what is to be investigated. That will only emerge through a process of trial, evaluation, and debate. The process envisaged here, like Smith's marketplace, is dynamic, self-directing, and evolutionary.

We have seen that what happens in a society is determined in part by the end-state goals the members of a society wish to achieve, the value they personally attach to actions which might

contribute to, or detract from, achievement of those goals, and their beliefs about how society works and their role in it. The book has therefore placed great emphasis on public servants (or others) orchestrating public debate about the consequences that can be expected to stem from the individual and collective pursuit of different kinds of valued activity.

Of course, such debate cannot be effectively conducted without better information on the activities currently valued by different sub-groups of the population and the short and long-term, personal and social, consequences of pursuing different kinds of valued activity in different contexts. The need to collect such fundamental information again underlines the importance of policy research and development units pursuing basic research.

It cannot be too strongly emphasised that we cannot solve the problems of modern society directly, by 'building on good practice' (i.e. good existing practice), though that is a very popular strategy. As we have discussed humankind would never have learned to fly in this way.

As Bookchin pointed out in the quotation in Chapter 1, one can ameliorate individual problems here and there in modern society by applying common sense. But one cannot introduce a systematic systems change (of the kind needed to improve the conditions of life of mankind in general) in this way. To revert to our educational analogy: One can make marginal improvements to the lot of a few pupils by employing extraordinary teachers to change classroom processes in isolated schools, but that does not help the countless other children whose talents are rendered invisible or destroyed by the system.

A final point to be made by way of summary is that the key developments required are conceptual. They involve re-conceptualising 'wealth' and 'money'. They involve re-conceptualising bureaucracy, democracy, the role of the public servant, and the role of the citizen. They involve re-conceptualising 'science', the scientific process, and the meaning of 'experiment'. Among these, the re-conceptualisation of public management as involving intentionally clumsy – but innovative and learning - organisational arrangements is perhaps the most important.

Despite the range of developments needed it is, at this point, appropriate to reiterate that none of them are unrealistic: most of the structures and arrangements that are needed are already in place. All that is needed is a new vision of the possible which will make them work.

Notes

- 25.1 Kelton (1991) arrived at similar conclusions. He argued that, in dealing with large-scale situations involving complexity, uncertainty unknown feedback loops and mutual interactions, delayed effects, and changing priorities, one cannot assess the quality of policy by reference to its accuracy. Certainly one should not think of evaluation as being primarily concerned with post-hoc evaluations of effectiveness. Rather, one needs to evaluate the quality of the procedures employed in its development. These need to acknowledge the importance of envisaging the potential relevance of different types of information, to stress the importance of collecting information, sifting and collating it carefully~ acknowledge, anticipate and assess the seriousness of risks, result in actions which are both firm and cautious, include provision for monitoring and learning from the effects of action, and involve public debate.

Practical Implications

I have been asked to set down something of what I see as the practical implications of what has been said in this book. In a sense, there is no need to do this since its main aim has been to change the way we think about society and our role in it. This in itself should lead to changes in behaviour. In reality, there are so many possible changes that it is only feasible to list a fraction of them. As has been shown, what is needed is a ferment of innovation in which people use their new insights to guide their thinking on how to 'think globally, act locally'. Different people can and must contribute to this climate of innovation in different ways. It is up to each individual to decide what are the most important and feasible things to do. This chapter can, therefore, do little more than spark ideas.

Let us first look at the implications for the stance to be adopted by any political party which seeks to introduce changes which will improve the prospects for mankind and the planet. We have seen that there is widespread public recognition of the defects of Thatcherism and of the need for radical reform. Indeed it was awareness of the need for radical change without any clear feel for how to move forward that led to the divided opposition which allowed Thatcherism first to gain a toe-hold and then to flourish. The Social Democrats initially gained widespread support - especially from many of the public servants who we have now identified - collectively - as the key actors in finding a way forward - for their claim to be a radical, new, party whose policies were neither right nor left but different along another dimension and more suited to the nature of modern society. They were unable to substantiate that claim and lost their public support. From our present vantage point it would, seem that this probably stemmed from their failure to articulate the insights which have emerged in this book and pursue policies based upon them. While the chances of infusing these ideas into the policies of the Labour or Liberal Democratic parties are now slim, there is little doubt that any party which embraced them would command considerable public support.

What such a party would need to do would be to say loudly and clearly that it does not know what to do; that it does not have blueprints for how to solve the problems of the educational system, the health service, defence, the environment, and so on. On the other hand, it does know, in general terms, where society needs to get to - i.e. to become a society characterised by the 'New Values' - and it does know how to initiate the movement which will in the end get us there - viz the information collection and sifting process described above.

More specifically, it would stress the importance of the public service and the need for public servants to take on new roles and responsibilities. It would stress the importance of new forms of open government involving new, network-based, forms of participative democracy. It would emphasise the need to establish more policy research and development units and the requirement to have very different expectations of them and to run them in a very different way. It would underline the importance of setting aside time for, and making appropriate arrangements to execute, the 'parallel organisation' activity required to create a ferment of innovation. It would press for new media and arrangements for conducting public debate. It would emphasise the citizen's right - indeed duty - to refuse to engage in any activity with which he or she did not agree.

It would press for a high guaranteed basic income and seek to use the insights developed in this book to find alternative ways of 'financing' public ('government') activity.

Personal Implications

The policies of political parties are, however, unlikely to change without prior change in the beliefs, expectations, and behaviour of members of the public. Indeed, change in the behaviour of public servants and politicians is only likely to come about as they are surrounded by more effective monitoring procedures introduced 'from the bottom up'.

There are almost endless important things which each of us could do now to promote the necessary developments. Which of them we will do depends on our personal priorities, motivations, abilities, and opportunities. But if each of us did what we could, rapid collective change would result.

It may be emphasised that the need at this point in time is not for further clarification of the end goals which are to be achieved. There is already fairly widespread agreement about these: We need to radically change our way of life. We need to completely overhaul, if not dismantle, our insurance, banking, and tax-collection arrangements, our drugs-based 'health' care, our chemical-intensive agriculture, our industrial-military 'defence' complex, our trade and transportation system and the industries which support them (including filling stations, litigation 'services', casualty hospitals, and transport insurance services). We need to shed our preoccupation with GNP. On the positive side there is considerable agreement about the need to base our society on decentralised production and the need to focus on satisfying work - ownwork and communework - instead of monetary income.

What is required at this point in time is not, therefore, goal clarification. What is needed is a feel for how an alternative society would be run and some insights into how we are to move toward it - on a global basis.

In this context, one of the most fundamental requirements is to recognise the role of the public service in running any society which is to be organised on the basis of explicit information. Once that is accepted, it follows that we need new forms of democracy and new concepts of citizenship to support and supervise their activity.

Another basic need is to recognise that the way forward is to be found, not by tackling the rogues of modern society - the TNCs and the bankers - head on, but by getting the areas of the economy which have already been socialised to work more effectively. In the first place, in the process of getting such domains of public activity as the educational system to function more effectively we will develop the organisational arrangements, staff deployment and appraisal systems, arrangements to create innovation, and research, support services which will be required to tackle the wider societal management problems of which we have spoken. In the second place, we will create much more public support for public management. And, in the third place, as we get our transportation systems, our environmental policies, our welfare policies, our health care arrangements, our urban planning policies, our food production policies, our quality of life enhancement policies, our insurance systems and our pension systems to function more effectively we will, at the same time, acquire more and more control over the TNCs and the financiers. We will then have little difficulty extending the scope of public management. The key requirement if we are to advance in this step-wise manner is that each step should be guided by reference to an

understanding of the system processes we are dealing with. Only this will enable us to take appropriate steps to anticipate and thwart reactions from the TNCs and others with a vested interest.

What, then, can ordinary people do to move things forward?

The short answer is: 'Change the way you behave at work and in citizen affairs, guiding your behaviour by reference to what you have learned in this book about society, how it works, and how it needs to work'.

This is not merely an injunction to devote more 'spare' time to communework. It is also an injunction to devote part of one's worklife to the required activities, to get together with others to insist on re-defining jobs to encompass those activities, and, if necessary, to move elsewhere.

Although there are endless things to be done, it is important to note that there are many 'obvious' activities which are to be avoided.

First among these are activities the effects of which are negated, even reversed, by reactions of other parts of the system of which they form a part. One example is recycling. This often consumes more energy and resources than would be required to re-create the product. The real need is to reduce the amount of material squandered on packaging - e.g. to replace beer cans and the system of distribution in which they are embedded by locally brewed beer distributed in re-usable, returnable, containers.

Another example of an activity to be avoided is the attempt to introduce individually desirable changes, in a piecemeal way, through our existing structures of democracy and bureaucracy. The system has developed in such a way as to give an impression of benignness and responsiveness to the public interest whilst in fact absorbing and deflecting all radical criticism and operating (as we have seen in connection with defence, agribusiness, and international 'aid') in a way which is destructive of the public interest. In seeking ways forward it is therefore important to resist the argument that direct action to change the system will destroy something of great value that has promoted the peaceful evolution of an effective and humane society. As we have seen, nothing could be further from the truth.

Far from resisting direct action, the most pressing need at the present time is for citizens, individually and collectively, to surround different aspects of public (and 'private') provision by open, participative, network-based, forms of public supervision.

However, the need is not just to work from the outside in. Since many of the readers of this book will be public servants, it is also possible to begin to orchestrate effective 'subversive' action from the inside.

The most important single development required in our public administrative arrangements involves the establishment of proper policy evaluation and development units. Individuals can begin to press for these. However, if they are to get the type of unit that is required, they need to understand some of their, requisite features. To be effective, such units need to be adequately staffed and have powers to evaluate the goals of policy as well as the methods used to achieve them. They need to be run by people who understand both the way society works and the nature of science. They need to be open to public surveillance and judged in terms of the contribution they make to the advance of understanding and the development of the new tools and institutional arrangements which are required to run society effectively. They need to dovetail with the 'parallel organisation activity' which must be carried out within organisations and with the users of the services those organisations provide. The units need to employ a wide range of people who are

able to initiate projects based on different assumptions. The units need to encourage publication, debate, and evaluated follow-through of their results - and particularly follow-through into genuine, properly monitored, experiments designed to find a way forward in the context of tentative understandings of the hidden systems in which the activities are embedded.

In this context perhaps the most urgent need is to set up a network of organisations which would promote and coordinate citizen involvement and press for the initiation of public-interest Research and Development. This network would in turn seek to establish networks of monitoring - and action – groups around issues such as schools and the environment.

Another vitally important activity is to work for the establishment of new media. These will include an investigative press not funded from advertising or disproportionate contributions from those who have done 'well' in the present system. It will also be necessary to orchestrate and contribute to activity which will result in a re-definition of the aims and charters of the radio and television companies as well as a re-definition of the criteria to be applied to the work of editors and producers^{26.1}.

Equally important is to initiate or contribute to an effective discussion of - and change in - the role of the universities. This will involve the introduction of new staff appraisal and organisational accountability procedures which will give people credit for doing any of the many things they should be doing - including fostering high-level competencies among students.

Another vitally important activity is to press for the introduction of new criteria and proper procedures of accountability into the public service, to make the public service much more open to inspection and influence, to introduce an emphasis on evaluation of the effectiveness of, and learning from, action, and to legitimise the concept of small-scale, evaluated experimental action grounded in an emergent understanding of systems processes. There is a need to challenge the belief that the demand is for generalists and to challenge the concept of promotion as an appropriate reward.

There are endless opportunities to contribute to the introduction of participative democracy. It is not necessary to wait for enabling legislation. If only 25% of those living in a particular area each started to do even one of the things listed below, rapid change would result. One could start monitoring, and seeking to improve the work of individual teachers, schools, or the educational system more generally. Some people would then discover that this means changing assessment procedures and initiating fundamental research, and could begin to focus on these things. Alternatively, one could set about helping to monitor the quality of the environment or seek to influence discussion of the way it is to be improved so that more account is taken of systems processes and work put in hand to evolve a better understanding of these. There are also endless opportunities to join in the discussion and design of more effective systems for promoting health, drawing attention, for example, to the links between health and agricultural policy, the design of urban areas, and the way in which living and working is organised. There are opportunities to insist on the collection of proper evaluation data. There are opportunities to surround QUANGOs by networks of monitoring and discussion groups. There are opportunities to challenge suggestions for the reform of education and the tax system to demand comprehensive plans which demonstrate an understanding of connections and provide adequately for learning from the effects of the actions introduced. Perhaps most fundamentally, though, the need is to promote awareness of the need to establish this whole network of interlinked monitoring and evaluation arrangements.

There is an urgent need for such networks to investigate and publicise information on world

trade and the way it contributes to the rise of 'leaders' who are later said to require military containment. The-need is to establish a military intelligence service - or rather a network of such services - which really serves the public interest.

There is need to establish networks to argue against car production, motorway construction, insurance, and pensions legislation 'in the public interest'.

More generally, there is a need for a programme for raising the consciousness of many of the issues discussed in this book - consciousness of the activities of the TNCs, the World Bank, and National Governments - and an enhanced willingness to act as our consciences suggest in relation to them. This includes the active support of those who do act as their principles direct and, especially, the provision of an income for those who refuse to act as directed by their governments and organisations.

Specifically, there is a need to persistently challenge the concept of wealth which is unthinkingly accepted in our society, to challenge the concept of democracy, and to challenge beliefs about the way in which the public service should be run. There is a need to question the concept of 'development' which is most widely employed, to challenge beliefs in the need for trade and transportation, to question the value of limited definitions of efficiency, to query statements about 'economic viability' and 'level playing fields'. There is a need to continually challenge concepts of how change is to be introduced: To challenge the widely held belief that it is appropriate for those at the centre to specify changes, issue orders, and take reprisals if their orders are not followed and to disseminate instead an awareness of the need to create a pervasive climate of innovation which will involve everyone, both as workers and as citizens, in trying to find a way forward. Creating such a ferment of innovation demands a great deal of parallel organization activity and simultaneous intervention at different levels in organisational processes. There is a need to challenge the myth that 'there is no money' and that 'we cannot afford a high, guaranteed, basic income'. There is a need to challenge the myths that more education is a good thing, that we need to be more competitive, that more training is needed, that the health service is concerned with health care, that private insurance is effective. There is a need to make the case for the kind of work Robertson has termed 'ownwork'.

Then there are opportunities to disseminate to a wider public what has been said earlier in this book about the mythologies of savings, education, the marketplace, privatisation, 'efficiency', wealth, and banking. It is of fundamental importance for some people to run the risk of discrediting themselves by exposing the way in which these myths operate to preclude discussion of the most important issues. To carry out this work effectively, networks of monitoring groups are again required.

To facilitate the evolution of new thinking there is an urgent need to press for a substantial guaranteed basic income and to legitimise this by reference to the fact that virtually all the 'individualistic' contributions which are felt to merit disproportionate reward are based on the contributions of thousands of others, many of whom are hard to identify or long since dead (and thus unavailable for the rewards they deserve) and the impossibility of knowing who is going to make the really worthwhile contributions to the present and future. In doing this one has, of course, to anticipate and seek to contain the predictable reactions arising from loss of jobs etc.

It is important to underline just how different all of the activities recommended here are from those most commonly advocated by pressure groups. The latter tend to involve such things as resolutions calling on governments to make fresh laws or do such things as build windmills in

India. Yet, as we have seen, governments, as they are currently constituted, are not capable of carrying out such tasks well. Contrary to the mythology, they are not there to serve the public interest. They are manipulated, as Chomsky, Janicke, Dainhart^{26.2} and others have so disturbingly demonstrated, by financial interests, and their actions are determined by the kind of hidden systems processes which have been exposed in this book.

It has been said that citizens will not engage in the kind of difficult and demanding activities recommended here - and the fact that they do not exactly flock to do such things as sit on school boards is often cited as evidence for this belief. But the fact that they do not do such things now is not really evident that they would not do them if it were possible to have some influence. At the present time, parents have no real choice between distinctively different types of educational programme and they are specifically precluded from influencing curricula in schools - indeed the right to do so has even been taken away from teachers, having been usurped by central government. There is no obvious mechanism whereby parents can influence what is assessed in the certification and placement process which controls their children's access to jobs and thus what schools do. They cannot even influence the research which gets done in the area. They are currently asked to participate in a system they know to be fundamentally flawed, destructive, and fraudulent and to do so on the terms set by a government which they know is driving society faster and faster toward its own destruction. There is every reason to suppose that if they could have a real influence, some genuine choice, or a real possibility of contributing to experiment and change they would participate.

Turning now to the kinds of activity people can engage in at work, those who are social workers, teachers, doctors, planners, local government officials, bankers, university teachers, and so on obviously have major opportunities to begin to change things from within. They can highlight the links between what is supposedly the responsibility of their Department and that of other Departments. They can get together with others to change the criteria which are applied to their own work and that of their colleagues. They can work both openly and more clandestinely, for change in the staff and organisational appraisal procedures that are used. They can, in one way or another, seek to bring in more openness, to ensure that time is set aside for parallel organisation activity, and arrangements are made for more broadly-based monitoring of the effectiveness of what is being done. They can expose the demerits of hierarchical working arrangements and the destructiveness of promotion as a reward. They can, with others outside their organisations, form 'political coalitions' to bring those above them to see things in new ways.

Those teaching can (a) teach very different content, shifting it toward the kind of content covered in this book and (b) nurture very different competencies in their students. As far as the second is concerned, they can focus on developing the competencies needed to understand and influence what happens in society, and change the educational processes in which they engage their students and the criteria used to assess students. Running very different kinds of courses will, of course, require changes in the admissions procedures and, especially, in the procedures used to demonstrate that the students have obtained something worthwhile from their studies. (Those who wish to change their teaching should look closely at the author's books on the subject and study the fate of independent studies at NELP^{26.3}.)

Social scientists have a particularly important role to play. They need to change their self-images and the images they tend to hold of the scientific process. They need to encourage other people to change their view of the role of social scientists in society and the scientific

process. It is necessary for everyone to understand that the structures in which social scientists presently work would preclude delivery of the required benefits even if funds were suddenly pushed in their direction. Social scientists, more than anyone else, need to take on board the implications of the discussions.

It is important to conclude by emphasising that most of the developments advocated here are not wildly radical. In many respects the way out of our difficulties involves going further along the path which we, as a society, have already taken. Many of the structures and arrangements that are needed are already in place. The problem is to point them in a different direction and get them to work more effectively in the public interest.

Notes

- 26.1 It may be noted that one should NOT waste time trying to reform the capitalist press. To a degree it will reform itself - change its coverage - as it sees what its customers want.
- 26.2 Chomsky, 1993; Janicke, 1990; Daenhardt, 1994
- 26.3 See Adams, Robbins and Stephenson, 1981; Robbins, 1988

Notes

- 1.1 Ekins, 1986
 - 1.2 Taylor Nelson Monitor, see Large, 1986.
 - 1.3 Yankelovitch et al., 1983
 - 1.4 Jowell and Topf, 1988; Social and Community Planning Research, 1993
 - 1.5 The G7 countries are: the USA, the UK, Germany, Canada, France, Italy, and Japan.
 - 1.6 Bookchin, 1992
 - 1.7 GNP stands for Gross National Product. This roughly corresponds to the total value of all goods and services produced in a country. In later chapters, we will explore some of the interpretational problems posed by the figure.
 - 1.8 These errors were actually clearly perceived by Douglas more than 60 years ago (Douglas, 1935/78b).
 - 1.9 Kanter, 1985
 - 1.10 Milbrath, 1989
 - 1.11 Educators tend to use such terms as "lifelong learning" to refer to formal, "education-defined-as-telling" learning, not the ability to develop oneself, develop one's own talents, make one's own observations, initiate action, monitor the results, develop a better understanding of the problem one is tackling and the effectiveness of the strategies one is using and, as a result, make more appropriate interventions, the ability to build up a new understanding of current social and ecological processes and the ability to intervene in them.
 - 1.12 The best-selling book in Japan in 1993, selling over two million copies, was *How to Live in Poverty with Dignity*. It consisted mainly of teachings drawn from ancient Japanese manuscripts. Although these sales may be interpreted as evidence of sudden endorsement of the "New Values" - which are actually ancient Navajo and Japanese values - in Japan this is not necessarily the case. Much of the deliberate crafting and presentation of misleading persona to the rest of the world has been legitimised by saying that Japan is a poor country which needs to protect itself. A strengthening of this self-image may therefore lead, not to the expected internal transformation of society, but to a strengthening of the tendency to concealed protectionism and international exploitation.
 - 1.13 Raven, 1984; Spencer and Spencer, 1993
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- 2.1 Ward and Dubos, 1972
 - 2.2 Brown et al., 1984-1991
 - 2.3 Myers, 1985
 - 2.4 e.g. Porritt, 1984
 - 2.5 Milbrath, 1989
 - 2.6 Meadows et al., 1972, 1992
 - 2.7 Rees (1992) shows that it would require five backup planet earths to support the current population of the world at the standard of living of the Fraser Valley, Canada.
 - 2.8 See Holling, 1994.
 - 2.9 Myers, 1985
 - 2.10 Bellini, 1980
 - 2.11 Robertson, 1985
 - 2.12 Hancock, 1991
 - 2.13 George, 1988
 - 2.14 The US alone does trade of \$5 billion a year in pesticides that are banned at home to developing countries ... ironically, some of it finds its way back to the West in foodstuffs.
 - 2.15 For example, Korten (1995) reports that a footwear manufacturer employs 8,000 people in management, design, sales, and promotion. However, its shoes are made by some 75,000 workers employed by independent contractors, most of whom are in Indonesia. Shoes sold in the West for #50 to #75 cost about #3.50 to produce ... by young women working for about 10p an hour. The workers are housed in company barracks and overtime is mandatory. See also Barnet and Cavanagh (1994).
 - 2.16 Lovelock, 1979
 - 2.17 Goldsmith, 1992
 - 2.18 Milbrath, 1989
 - 2.19 Jaques, 1976, 1989

- 2.20 Morgan, 1986
- 2.21 Trainer, 1990

3.1 I am deeply grateful to Michael Ross of the ESRI in Dublin for drawing this information to my attention after one of our seminars on *Civic Culture in Ireland*. It was one of a small number of interventions which changed my thinking and life's work.

3.2 Some people argue that those who are living mainly or in part on state benefits are free to spend this money as they themselves choose, and not in a way determined by government. Many of the recipients, however, make it clear that the public servants dispensing the money mainly determine how it can be spent.

3.3 Janicke, 1990

3.4 Inkeles, 1981

3.5 Lane, 1991

3.6 Brandt Report, 1980

3.7 Brundtland Report, 1987

3.8 United Nations, 1985

3.9 See, for example, *The Economist*, October 8th, 1983; Raven, 1980.

3.10 As much as 50% of such services are actually provided by family members, friends and the general community. While this reinforces the argument presented here in that wealth is primarily in the public domain it also underlines the inadequacy of economic indicators as indices of the quality of life (wealth) and the inability of market mechanisms to deliver wealth. In pre-monetarised societies most of these services were provided by the community as a whole. One of the central problems we now face is to find alternative ways of orchestrating such community-based processes.

3.11 Although there has been a dramatic shift from "manufacturing" to "services" over the past 40 years, the proportion of the population employed in offering direct services to the public - as in park-keeping, medicine, etc. - has actually declined. Most of the increase is in services to industry and distribution - transportation of goods, accounting, development of computer software, etc.

3.12 Turnbull, 1975

3.13 Still less are they the main socio-economic forces driving the privatisation process.

3.14 Chapman, 1979

4.1 Originally, the issuer of "money" - e.g. cowhide tokens - was the owner of the real assets (cows) they represented. Even as late as the Middle Ages, money largely consisted of receipts issued by goldsmiths in return for valuables deposited. These receipts could be exchanged for other goods and services but their value remained directly linked to the value of the goods deposited. The control of early coins was vested in the monarch as a trustee for the nation. Currently governments do *not* act as trustees for nations in such a way as to curb misuse of the system for sectional benefit. That is, they do not act as Weights and Measures officers who insist on the maintenance of high standards.

4.2 Ekins, 1986; Roberts, A.E., 1984; George, 1988; Institute of Economic Democracy, 1982

4.3 In most Western countries and Japan the overall figure was about 9:1, but varied between activities. In Britain it has recently been revised so that business loans require 8%, real estate 5%, and government bonds zero. Not all the capacity for lending afforded by these figures was - or is - directly taken up. However, the process whereby loans return to banks as deposits which are then used to justify further lending makes the figure relatively meaningless. But even the official figure has been eroded. The Japanese have recently increased it 30:1, and the Bank for International Settlements is now recommending 12:1.

4.4 Ekins, 1986; George, 1988; Institute of Economic Democracy, 1982

4.5 Ekins, 1986; Roberts, A.E., 1984; Adelman, 1989

4.6 The (private) Bank of England was created in 1694 by William Paterson. It was designed to purchase Crown debt (bonds) and resell it to private investors. In return for the bonds, the Bank issued currency to the Crown and charged interest. Within two years the Bank had issued far more currency than it could redeem in gold. As Paterson wrote "The Bank hath benefit of interest on money which it hath created out of nothing". The Crown specifically excluded the Bank from the requirement to be able to redeem its notes in gold, thus legitimising debts which far exceeded assets - a situation which would, in any other business have constituted fraud. A monopoly was established which would not have been tolerated elsewhere.

4.7 Douglas, 1935/78a&b; Roberts, A.E., 1984

4.8 Roberts, A.E., 1984

- 4.9 Adelman, 1989
- 4.10 Douglas, 1935/78b
- 4.11 It is remarkable, or perhaps, given the evidence not surprising, and perhaps even supportive of a theory that there has been a conspiracy, that these texts have been altered so little to take account of the writings of C.H.Douglas in the 1930s (see for example Douglas, 1934, 1935/78a&b).
- 4.12 Ekins, 1986; Adelman, 1989; Daenhardt, 1994. The next step is also in their interests: The nominal debt will be used as an excuse for the Western banks, in the shape of the IMF, to intervene in the affairs of the "debtor" countries to make them "more efficient". They will do this by insisting, first, that public services are run down. (This will have the added advantage of making them less able to monitor the workings of the world economic system.) Second, by insisting that "inefficient" manufacturing industries are closed or, preferably, first sold to the TNCs and *then* subsidised "in order to preserve jobs". The net result will be that the countries concerned will be required to focus on exporting below-cost food and raw materials or, if that objective cannot be achieved, below-cost, labour-intensive, manufactured goods.
- 4.13 Douglas, 1924/79, 1934, 1935/78a&b, 1936
- 4.14 Douglas, 1934

- 5.1 Grossman and Adams, 1993
- 5.2 Pearce, 1993
- 5.3 Raven, H., Lang and Dumomteil, 1995
- 5.4 Bookchin, 1992

- 6.1 Thurow, 1983
- 6.2 Grossman and Adams, 1993
- 6.3 Chomsky, 1991, 1993; Ekins, 1992
- 6.4 Jencks, Perman and Rainwater, 1988; Yankelovich and Immerwhar, 1983
- 6.5 Lane, 1991. Studies reviewed include: Andrews and Withey, 1976; Campbell, 1981; Campbell, Converse and Rogers, 1976; Freedman, 1980.
- 6.6 Hardin, 1968
- 6.7 We will later see that citizen contribution to the management of society is among the most important contributions people can possibly make.
- 6.8 Raven, 1980; Scarr, 1988; Shipman, 1971; van der Eyken, 1979
- 6.9 Easterlin, 1973
- 6.10 Inkeles and Diamond, 1980
- 6.11 Block, 1985

- 7.1 However, the importance of dramatic US intervention in connection with the Korean War should not be overlooked.
- 7.2 Wolf, 1983
- 7.3 The same is also true of Switzerland, whose businesses are playing an ever-increasing role in Europe.
- 7.4 See *Note* 1.12.
- 7.5 Wolf, 1983
- 7.6 e.g. Counter Information Services, 1976-1984
- 7.7 Toffler, 1980

- 8.1 *The Economist*, October 8th, 1983
- 8.2 Roberts, A.E., 1984
- 8.3 McClelland, 1961
- 8.4 Rogers, 1962/1983
- 8.5 Roberts, A.E., 1984
- 8.6 Inkeles, 1990; Rose, 1980
- 8.7 Lane, 1979, 1986, 1991
- 8.8 Benton, 1986, 1990
- 8.9 Inkeles, 1990
- 8.10 Lindblom, 1982

- 9.1 Hope, 1984
- 9.2 Jencks et al., 1973
- 9.3 Chomsky, 1987
- 9.4 Nuttgens, 1988
- 9.5 Hogan, 1990, 1991; Hogan, Raskin and Fazzini, 1990
- 9.6 Miller, 1992
- 9.7 Hogan, 1990; Sutherland, 1949; Counter Information Services, 1976-1984
- 9.8 Chapman, 1979
- 9.9 Bellini, 1980
- 9.10 Something which has been noticeable in the UK, but which may not be so characteristic of the USA, is that when large firms get into financial difficulties the State buys them at a low price, sets about modernising them, and when they are viable sells them back into private ownership.
- 9.11 Alvey Committee, 1982
- 9.12 European Strategic Programme for Research and Development in Information Technology (ESPRIT)
- 9.13 McClelland, 1961; Rogers, 1962/83; Taylor and Baron, 1963; MacKinnon, 1962; Torrance, 1965; Crockett, 1966
- 9.14 Hogan, 1990; Raven and Dolphin, 1978
- 9.15 Roberts, E.B., 1967
- 9.16 Cannon, 1991
- 9.17 Zimet, 1989
- 9.18 Klein, 1980

- 10.1 One implication of this is that, if Turnbull (1993) is to succeed in his aim of enhancing freedom by diffusing ownership, it will be necessary to introduce procedures to monitor what is happening.
- 10.2 Schor, 1992
- 10.3 In reality, it would be necessary to make separate calculations for: paid work as part of the official workforce, paid, black-economy work, voluntary, formal work, unpaid work around the house, including DIY, by all members of the family, before one could come to valid conclusions about the nature and effects of changes over time.
- 10.4 Raven, H. et al., 1995
- 10.5 Raven, H. et al., 1995

- 11.1 Waddell, 1978
- 11.2 Jencks et al., 1973
- 11.3 I.C.E. Report, 1975
- 11.4 Scottish Education Department, 1989
- 11.5 Popkewitz et al., 1982
- 11.6 The importance of these qualities, the procedures required to nurture them, and the assessment methods required to give students credit for having developed them are described in Raven (1994).
- 11.7 Raven, 1994
- 11.8 Working toward goals which do not show up in examinations would take time away from mastering material which would determine one's life chances. As a result, students and teachers generally decline to work toward goals which are not assessed - however important those goals may be from a personal development or societal point of view.
- 11.9 Robinson, 1983
- 11.10 Graham and Tyler, 1993
- 11.11 Roberts, A.E., 1984; Dodd, 1976/94
- 11.12 Douglas, 1924/79, 1934, 1935/78a&b, 1936
- 11.13 Roberts, A.E., 1984
- 11.14 Rackus and Judge, 1993, 1994
- 11.15 Bell, 1984
- 11.16 Dodd, 1976/94
- 11.17 Daehnhardt, 1994
- 11.18 Daehnhardt, 1994
- 11.19 Roberts, A.E., 1984
- 11.20 Douglas, 1924/79, 1934, 1935/78a&b, 1936
- 11.21 Adelman, 1989

11.22 Roberts, A.E., 1984

11.23 Adelman, 1989

11.24 Romer, 1988

11.25 Roberts, A.E., 1984

11.26 du Berrier, 1994

11.27 Eringier (undated).

11.28 Pacheco, 1994

11.29 Keppe, 1985

11.30 Raven and Dolphin, 1978; Hogan, 1990; Winter, 1973

11.31 Wolf, 1983

12.1 Hayek, 1948

12.2 Romer, 1988

13.1 Flanagan, 1978, 1983; Flanagan and Russ-Eft, 1975; Raven, 1980

13.2 The notion that the private sector gets rid of the incompetent more quickly is vastly over-played. In most large organisations people are able to survive for years without pulling their weight, and Hogan (1990, 1991) has demonstrated that the base rate for serious managerial incompetence among American managers is no less than 60%. His findings in some ways confirm the operation of the *Peter Principle* (whereby people are promoted to, and then remain at, their level of incompetence) in *both* the private and public sectors. More importantly, they point to the absence of effective ways of *assessing* and *deploying* competence effectively in all organisations.

13.3 Etzioni, 1985

13.4 Heald, 1983

13.5 Walberg, 1984

13.6 Ponting was prosecuted for having revealed what all the world - who, unlike the British, had seen the Falklands War on their television screens - knew about the sinking of the Belgrano despite Mrs. Thatcher's denial. The law was subsequently changed to prevent any public servant ever again speaking out in the public interest. Ponting's own account of the affair will be found in his book, published in 1985. Hancock (1991) has described the ways in which his efforts to expose the World Bank were deliberately frustrated.

14.1 Raven, 1967; Stone, 1961a&b

14.2 Raven, 1988, 1989

14.3 Newsom (1963) which was a particularly illogical report.

14.4 Plowden Report, 1966. Bernstein (1975) has charged that the words in which this were couched were particularly obscurantist and deceptive.

14.5 Munn Report, see SED, 1977a.

14.6 Dunning Report, see SED, 1977b.

14.7 Sneddon Report, 1978

14.8 Schon, 1983

14.9 Adams, Robbins and Stephens, 1981

14.10 The reasons for this have been discussed by Raven (1985) and Schon (1983).

14.11 Raven, 1985; Schon, 1983

14.12 The reader will by now be familiar with what is implied by the term "systems processes" which may be biological or physical. These are nicely captured by the way Gaia maintains herself as a living organism. But they may also be sociological. For example, a network of feedback - fueled among other things by the sociological imperative that the educational system legitimise the hierarchical allocation of jobs and rewards - maintaining the current system in being. Heavy and "jargonistic" though it is, it has therefore been found necessary to continue to use the phrase "sociological systems processes".

14.13 For a fuller discussion see Searle (1985) and Raven (1994).

14.14 Schwarz, P.A., 1985

14.16 For a fuller account of this enquiry and an evaluation of one attempt to follow through on its recommendations, see Raven (1987a&b).

14.16 John Major, 11 January 1993

14.17 Although the workings of the Inter-Cert Committee were described in a previous chapter, some readers may appreciate the following fuller account. In Ireland, the Intermediate Certificate examination is taken at around age 15. Some schools and their representatives and some members of the Department (Ministry) of Education were aware of the serious constrictions which the examination had on the ability of secondary schools to meet pupils' needs. Unfortunately, (a) those who recognised the importance of certifying other outcomes did not know how to assess progress toward them, (b) some members of the Committee were utterly opposed to a change toward certifying higher level outcomes either because they would have to work harder to achieve them or because they recognised that changing the assessments would interfere with the way in which the educational system contributed to the maintenance and perpetuation of the social order, and (c) there was considerable unease about certifying qualities like "initiative" because it was apparent that these were somehow linked to values and there was no way of handling the moral dilemmas which this posed. The net result was that all members of the Committee recognised that it would take a long time to do anything, and some hoped that nothing would ever happen.

The more progressive members of the Committee then developed an action plan to deal with the more reactionary. The latter were approached in the bar and plied with alcohol by the others who arrived in a pre-determined sequence. What was to be achieved was agreement on the establishment of a *Moderation and Educational Assessment Service* which would have a staff of researchers and others concerned with curriculum development and be empowered to establish a network of collaborating teachers to develop new curricula and ways of assessing them. But then came a twist that resulted in an exactly contrary outcome. The Department (Ministry) of Education declined to make any substantial funding available for the wider work. It was therefore agreed *by the Committee* that the unit would "initially" focus on "improving" what was already being done. This, of course, meant that the fundamental work which was required to find ways of achieving and assessing the broader goals would get no attention at all, and that all attention would focus on improving the reliability and "academic" predictive validity - but not the construct validity - of the assessments which were already being made. No provision was even made for schools to insist on something that had been at the heart of the proposals - namely the development of tools which would make it possible for them to have their pupils' certificates based on what they were good at. The final report faithfully acknowledged the major problems inherent in the current system of examinations, was replete with phrases alluding to vitally important educational and assessment issues, gave the impression of being forward-looking and thorough but, at the same time realistic and reasonable, recognising the need to proceed in a step-wise rather than revolutionary manner, but in practice made recommendations which could, and did, have the *opposite* effect to that intended by the more progressive members of the Committee. While it is true to say that the reactionaries won, it would not be true to say that they did so by employing Machiavellian tactics. The progressives were defeated by systems processes which the public servants concerned failed to understand and tackle. But it was a senior public servant who tried to get the Committee to consider the social functions of education and how to come to terms with them. At the end of the day, it was we who failed him. In a sense, this book is a very real attempt to compensate for this.

14.18 Waddell Report (1978)

14.19 Almost exactly parallel observations to those we have made about the Irish and English examinations committees could be made about the Munn (1977) and Dunning (1977) Committees which dealt with much the same topics in Scotland. Their reports are in some ways more coherent and forward-looking than the English and Irish ones, but they are seriously flawed in that they perpetuate the divide the Schools Council for Curriculum and Examinations in England and Wales was set up to bridge (but had never in fact succeeded in bridging) between curriculum and assessment. While the Munn Report, like both the Waddell Report in England and Wales and the Irish Intercert Report, acknowledged the developments needed in assessment to facilitate essential developments in curricula, it neither recommended the range of research and development activities, nor the developments in managerial arrangements, which would be required to move forward.

14.20 Arrow, 1963

14.21 Miller, 1992

14.22 For a selective review of the vast literature dealing with *Headstart*, *Homestart*, and *Follow Through*, see Raven (1981).

14.23 Graham and Tyler, 1993

14.24 See Marris and Rein, 1972.

14.25 Lazar, 1979

14.26 Schweinhart and Weikart, 1977; Weikart et al., 1978; Love et al., 1976

14.27 See also Hope (1984) and Raven (1980).

14.28 e.g. Ekins, 1986; George, 1988; Ghandi, 1991.
14.29 Hancock, 1991
14.30 Burgess and Pratt, 1970
14.31 Foster, 1967
14.32 Thompson and Warburton, 1985
14.33 Reason, 1987

15.1 Day and Klein, 1987
15.2 Simey, 1985
15.3. Raven, 1974
15.4 Dixon and Welch, 1991; Klein, 1992; Hunter, 1993
15.5 Price, Taylor et al., 1971
15.6 This would not have been the issue in Oregon where the whole scheme applied only to a small sector of the population, but it is of major importance in other countries and in other areas of policy.
15.7 Raven and Dolphin, 1978
15.8 Drucker, 1959
15.9 Seashore and Taber, 1976
15.10 Walberg, 1974
15.11 Broadbent and Aston, 1978
15.12 Thompson and Warburton, 1985
15.13 See Raven, 1985; Donnison, 1972; Cherns, 1970.
15.14 It is of some interest to compare the different approaches which have been adopted in public management, UK education and agriculture. In the educational system there has been no recognition of the need to create a pervasive climate of innovation involving multiple changes, systemic intervention, and sophisticated evaluation. By contrast, the management of European agriculture depends to a much greater extent on the creation of such a climate. There are huge research and development institutes, and networks to seek out, sift, and disseminate information (such as the *Agricultural Advisory Service*). But beyond that there are feedback mechanisms and multiple providers of alternative services. Central authorities systematically manipulate prices, taxes, grants, and levies - and buy into intervention - to achieve desired ends. Land reform is imposed or induced. Networks of suppliers are set up to get tools, seeds, and information to firms and marketing arrangements are made to get products to the customers. Nevertheless considerable local discretion is retained: The networks reveal the mountains to be climbed, release energy and imagination, but leave the final decision to the agent.

16.1 Jaques, 1976
16.2 Douglas, 1934
16.3 McClelland et al., 1958; Winter and McClelland, 1963; Winter, 1973; McClelland, 1975
16.4 The Noberto Keppe Foundation, recognising the centrality of this problem, has carried out some extremely important experimentation with alternative management arrangements in small, and not so small, organisations and promoted Forums to clarify the alternative organisational arrangements required at national and international levels. They also produce Newsletters with a view to promoting more widespread recognition of the behaviour of some business and political leaders and encouraging people to act on their consciences in relation to a wide range of political and social issues.
16.5 Chomsky, 1991
16.6 Although we have now seen endless problems with democracy, it may still be argued that Western "democratic" institutions are the best of the available options. Actually this is not the case. Delight at the demise of "communism" is unwarranted for two reasons:
a) It takes no account of the reigns of terror, death, extermination, suppression of free speech, denial of human rights, exploitation of resources, and poverty and disease which Western capitalist states forced on their network of satellites - which is far larger than that of the USSR. These satellites were subject not only to "economic" pressure (e.g. through the IMF and the World Bank) but, as Chomsky (1987, 1991) has shown, to military force directly and openly applied with the aid of propaganda and deception (as in Vietnam and the Persian Gulf), directly but clandestinely inflicted (as in Cambodia), directly orchestrated but inflicted through puppet regimes in the countries concerned (as in Nicaragua, Grenada, and Honduras) and directly inflicted through adjacent local governments (as in East Timor). The regimes of Eastern Europe were, at least in the post-Stalin era, a great deal more humanistic than those of the West. They imprisoned dissidents instead of shooting them - and then, utterly remarkable from a Western perspective, *gave them back their jobs* when they were released as the regime changed. Thus, while the deadliness and

destructiveness of Stalin's regime can hardly be over-estimated, there is little doubt that the post-Stalinist regimes were, *taken as a whole*, a great deal *less* destructive of human life than the Western capitalist system.

b) The poor people who formed part of that system were a great deal better off than the poor in America - never mind the poor in the beleaguered countries which form part of the Western capitalist system.

Environmental destruction there was too ... but it was "at home" and not on the other side of the globe and it was more visible and less carefully concealed with less attention being directed toward what are, in comparison with fuel emissions, social disintegration, etc. more peripheral issues like cigarette smoking.

16.7 Chomsky (1989, 1991) has shown how the combined forces of "democratic" government and a "free" investigative press failed to compel exposure of crimes and conspiracies against humanity by the US governmental/military/industrial complex. He has also provided detailed accounts of the way in which they failed to prevent the media promoting the correct political line, without examination, to support the wars in Vietnam and the Persian Gulf. They failed to prevent the media from accepting and promoting myths, indeed actually working up hysteria, which helped to destroy democratically elected governments which were inclined to act in the interest of their general population instead of capitalists - and which could therefore be portrayed as leaning toward communism and thus automatically a "threat to America". They proved unable to prevent the media encouraging such feelings of despair and impotence on the one hand, and belief that only government action could solve the problems facing the globe on the other, that people do not even try to do anything about serious problems.

He has shown that abuses of civil rights and campaigns of death and oppression in other countries were systematically engineered by US governments, and supported to promote arms sales and the subsequent flow of below-cost minerals and agricultural products. Oppression was ignored altogether if it posed no threat to, or intervention posed no advantage to, the United States.

16.8 Graham and Tyler, 1993

16.9 Giroux, 1992

16.10 Day and Klein, 1987

16.11 Janicke, 1990

16.12 George, 1988

16.13 Etzioni, 1985

16.14 Galbraith, 1991

16.15 Douglas, 1935/78a

16.16 Roberts, A.E., 1984

16.17 Adelman, 1989

16.18 Daehnhardt, 1994

16.19 Sorensen, 1994

16.20 Korten, 1995

16.21 MacMurray, 1943

16.22 Miller, 1992

16.23 Arrow, 1963

16.24 Toffler, 1980

16.25 See e.g. Goldsmith (1992) and Emery (1974). Emery has laid particular stress on the use of sortition - choosing representatives at random as distinct from through election. Elections inevitably result in the election of people who have very different concerns and priorities from those who elect them. Inevitably they are more power hungry people, who are adept at manipulating human systems and who act in socially dysfunctional ways when they gain positions of power. Sortition offers a better way of obtaining decisions which reflect the concerns of the general population.

16.26 Parris, 1961

16.27 Schon, 1973

16.28 Kanter, 1985

16.29 Revans, 1971, 1980

17.1 We *can* see ways of further reforming money to yield a set of ticket systems which work within very much more delimited areas of the economy, but this is a more radical re-formulation than has been envisaged by any of those who advocate reform of money and market processes.

17.2 Sampson, 1989

17.3 Ekins, 1986

17.4 Bellini, 1980

- 17.5 Thurow, 1983
- 17.6 See especially, Lane, 1979, 1986.
- 17.7 See especially, Lane, 1979, 1986.
- 17.8 If further evidence on this point is required see Easterlin (1973).
- 17.9 See especially, Lane, 1979, 1986.
- 17.10 Robertson, 1985
- 17.11 Taylor Nelson Monitor, see Large, 1986.
- 17.12 Yankelovitch et al., 1983
- 17.13 e.g. see Jowell and Topf, 1988.
- 17.14 Milbrath, 1989
- 17.15 Robb, 1989, 1991
- 17.16 Taylor Nelson Monitor, see Large, 1986.
- 17.17 Yankelovitch et al., 1983
- 17.18 Graham and Raven, 1987

- 18.1 Bahro, 1986
- 18.2 Milbrath, 1989
- 18.3 Sale, 1991
- 18.4 Goldsmith, 1992
- 18.5 McClelland, 1961
- 18.6 Schumacher, 1974. See also McRobie, 1982. Despite worldwide endorsement, the writings of some authors (for example Janicke, 1990), seem to amount to little more than grasping at a straw for the lack of any articulate alternative.
- 18.7 Dammann, 1979, 1984
- 18.8 Robertson, 1985; Dauncy, 1988
- 18.9 P.M., 1985
- 18.10 Morgan, 1986
- 18.11 Binswanger et al, 1990
- 18.12 Ekins, 1986
- 18.13 Douglas, 1935/78b
- 18.14 Robertson, 1985
- 18.15 Basic Income Research Group
- 18.16 See especially, Chapter 8 of Ekins (1986).
- 18.17 Robertson, 1985
- 18.18 Douglas, 1935/78b. Douglas knew all about the nebulous nature of money, control of the financial system by international bankers, the generation and dissemination of mis-information by that community in order to manipulate both public and governments, the lack of connection between money, wealth, and quality of life, and the possibilities of intervening in the system without generating inflation by injecting newly created money in an appropriate way and/or moving toward systems of exchange explicitly based on tickets instead of a system misleadingly presented as "money". He developed a more fundamental argument to legitimise a high, guaranteed, basic income than any put forward by modern authors. The emphasis in his writing does, however, differ from them in that the seriousness of the environmental problems which the energy-consumptive machine age has generated were not then apparent. As a result, he is much more inclined to advocate wider use of machines. Likewise, there is more unquestioned acceptance of the importance of eliminating work (or acceptance that work is a curse) and a failure to acknowledge the contribution that working life makes to quality of life.
- 18.19 Bookchin, 1992

- 19.1 Deming, 1982, 1993
- 19.2 Raven, 1984
- 19.3 Deming, 1982, 1993; Dore and Sako, 1989; Graham and Raven, 1987; Jaques, 1989; Kanter, 1985; Klemp, Munger and Spencer, 1977; Raven, 1984, 1990
- 19.4 For evidence and a fuller discussion see McClelland (1961), Milbrath (1989), and Revans (1980).
- 19.5 The actual value of such networks in turning round the operation of an irrigation scheme has been documented by Korten and Siy (1989).
- 19.6 Chubb, 1963; Miller, 1992
- 19.7 Thompson, 1979

- 19.8 Kanter, 1985; Roberts, E.B., 1968; Rogers, 1962/83
- 19.9 Kanter, 1985
- 19.10 Graham and Raven, 1987; Raven, 1984
- 19.11 Howard, 1980
- 19.12 Walberg, 1979
- 19.13 Raven, 1984; Graham and Raven, 1987; McClelland et al, 1958; McClelland, 1961
- 19.14 Jaques, 1989
- 19.15 Klein, 1980
- 19.16 Lane, 1979, 1986
- 19.17 Rawls, 1971
- 19.18 Rothschild, 1982
- 19.19 Raven, 1977, 1994
- 19.20 Etzioni, 1985
- 19.21 Spearman, 1927
- 19.22 Maistriaux, 1959
- 19.23 Thompsom, 1979

- 20.1 Morgan, 1986

- 21.1 McClelland, 1961, 1962; Oeser and Emery, 1958; Pelz and Andrews, 1966; Roberts, E.B., 1968; Rogers, 1962/83; Taylor and Barron, 1963
- 21.2 Jaques, 1976
- 21.3 Rothschild, 1982
- 21.4 Pearson, 1945
- 21.5 Thompson, 1979
- 21.6 Kanter, 1985
- 21.7 Raven, 1984
- 21.8 McClelland et al., 1958; McClelland, 1978
- 21.9 Klemp et al., 1977
- 21.10 Rogers, 1962/83
- 21.11 Gardner (1987) has termed these "cultures of intelligence" and provided a revealing discussion of what is involved.
- 21.12 Roberts, E.B., 1968, 1969; Rogers, 1962/1983; Schon, 1973
- 21.13 Rogers, 1962/83; but see Raven (1985) for a discussion of the misunderstandings of these terms in education.
- 21.14 Revans, 1971, 1980, 1988
- 21.15 Schon, 1973
- 21.16 Day and Klein, 1987
- 21.17 Adams and Burgess, 1989; Raven, 1994
- 21.18 Raven, 1984, 1994
- 21.19 Dore and Sako, 1989
- 21.20 Graham and Raven, 1987
- 21.21 Simon, 1976
- 21.22 Jaques, 1976, 1989
- 21.23 Kelton, 1991
- 21.24 Diesing, 1962
- 21.25 Bartlett, 1986
- 21.26 Klemp et al., 1977; Litwin and Siebrecht, 1967; McClelland et al., 1958; McClelland, 1978; Raven, 1994
- 21.27 Adams and Burgess, 1989
- 21.28 Raven, 1984
- 21.29 Klemp et al. (1977) have described the process among American Naval Officers. Jaques (1976, 1989), Deming (1980) and Dore and Sako (1989) have also contributed relevant work. A fuller discussion will be found in Raven (1984).
- 21.30 See Rogers, 1962/83.
- 21.31 Rogers, 1962/83
- 21.32 These fears are well founded (Raven, 1988, 1991). Adams et al. (1981) clearly demonstrate this effect in the polytechnic they studied, while much of our own research has documented the effects which "payment by results" has in education when very few of the most important outcomes show up

on the measures. A fuller discussion of the damaging effects of the limited range of formal evaluation procedures will be found in Raven (1984, 1985, 1991).

21.33 Harlen's (1984) research shows that this is indeed the case.

21.34 Raven and Varley, 1984

21.35 The assertion that there was no evidence that the pupils were doing these things is dependent on introducing and applying criteria that the teachers were *not* using (Johnstone & Raven, 1985; Raven, Johnstone & Varley, 1985).

21.36 Compare Raven, 1984, 1985, 1991.

21.37 The words "high-level" are intended to signal that the low-level measures of the kind produced by Walberg (1974) deflect attention away from the relevant issues.

21.38 Howard, 1980, 1982a,b&c; Moos, 1979, 1980; Walberg, 1974, 1985; Walberg and Haertel, 1980

21.39 Raven, 1980

21.40 Sneddon Report, 1978

21.41 *The Edinburgh Questionnaires* (Raven, 1983, Raven & Sime, 1994); Graham and Raven, 1987; Raven, 1984

22.1 Thompson and Warburton, 1985

22.2 Thompson suggests that one of the lenses which can be used to assist this process of clarification is to arrange the problem definitions, the data they suggest it is important to collect, and the facts to be publicised in such a way as to seek to expose the ends - and whose ends - they serve.

22.3 Howard, 1980, 1982a,b&c

22.4 See Raven (1982) for the problems in the evaluation of pilot programmes and a discussion of the stresses such experimentation can cause.

22.5 Day and Klein, 1987

22.6 Raven, 1994

22.7 Emery et al., 1974

22.8 As its name implies, the *Management by Objectives* movement sets about trying to improve their effectiveness by requiring managers to set clear objectives and monitor progress toward them, avoiding distraction into activities which are not among the objectives.

22.9 To generate new insights and understandings ("intelligence") through a military or industrial intelligence service it is necessary to make sense of confusing and incomplete information. Intelligence officers frequently cannot know beforehand what to observe and report. They depend on their *feelings* ("intuition") and on recognising an emerging pattern to tell them what is significant. The qualities required to make sense of the incoming information include the ability to seek out, collate, re-interpret, and piece together, scraps of unreliable and incomplete information in order to perceive something that has not been seen before and to use what is then perceived to tell them what to attend to and observe next and what to report. The qualities required to do well also include the ability to discern what further information would be required to test initial impressions and the determination to collect that information - perhaps through overt as well as mental "experiment".

But much more is involved. The qualities required to establish military intelligence also include the ability to prise information out of other people and the motivation and the ability to do such things as set up and manage networks of contacts to obtain information, the ability to make good judgments about who possesses the sensitivities and persistence to do well in the field, and the ability to supply those contacts with appropriate guidance concerning the kind of information to be sought. The ability to carry out such tasks clearly involves general intelligence as commonly understood. But it also involves many other motivational dispositions and abilities and the effective use of accumulated specialist knowledge of military operations, people, and systems.

22.10 Coleman, 1974, 1982

22.11 Olsen, 1983

23.1 Schwarz and Thompson, 1990

23.2 Polish Semjicks are open forums - involving the public, experts and counter-experts, administrators, and media personnel - oriented around single issues.

24.1 See House (1991) for an account of the need to get behind the bare data to discern the underlying and invisible structures and processes.

24.2 Kuhn, 1977

- 24.3 An account of the ways in which universities stifle innovative research will be found in Nisbett (1990).
- 24.4 For a discussion see Raven, J.C., Raven, J. and Court (1994).
- 24.5 Hamilton et al., 1977; House, 1991
- 24.6 It has been found that out of every thousand AERA (American Educational Research Association) publications only twenty contain *new* data and in only five of these is the data substantive; the rest are written to satisfy the "publish or perish" machine which characterises all research at the present time.
- 24.7 Cherns, 1970; Freeman, 1973; Roberts, E.B., 1968
- 24.8 Rothschild, 1971
- 24.9 Rothschild (1971) clearly recognised (i) that scientist-initiated basic research is of vital importance and needs to be well funded because only scientists can tell what is likely to succeed (and even then only with great uncertainty), and (ii) that even the development process requires sponsors to fund activities designed to try to find ways of doing things which no one knows how to do. Rothschild wanted 10% of the *total R&D budget* - an enormous sum of money - to be earmarked for scientist initiated research. His widely cited customer-contractor principle applied mainly to the *development* area. But even here it is clear that he recognised he was dealing with a high-risk activity saying that "the contractor does it *if he can*, and the customer pays. (And he did not mean that the customer only paid if the work was successful!) In a later report (Rothschild, 1982) he argued forcefully for a much greater research budget in the social sciences so that they could undertake the kind of large-scale project envisaged here in order to help society to engage with its urgent and pressing problems.
- 24.10 Scottish Council for Research in Education, 1977
- 24.11 Levenstein, 1975
- 24.12 McClelland, 1982
- 24.13 Sigel, 1985, 1986; Sigel and McGillicuddy, 1984
- 24.14 For an illustration of the non educational barriers to educational innovation see Schwartz (1985).
- 24.15 Day and Klein, 1987
- 24.16 For a fuller discussion see Raven (1991). The only way in which it is possible to throw light on the short and long-term, personal and societal, "intangible and hard-to-measure" consequences of changing processes is to adopt a variant of what Hamilton and his colleagues (1977) have termed "illuminative" evaluation. In this, personal observation, data collected through informal interviews, data obtained through the use of unobtrusive measures, and formal quantitative data are combined to yield an understanding of the processes involved. This is then used to generate an understanding of what the short and long-term outcomes of the process are likely to be. This process is heavily dependent on theory - but it is the only approach that has legitimacy in a situation in which there are no measures of the most important outcomes of the process (such as the effects on a student's ability to undertake complex and demanding activities), in which the most important effects (such as economic and social development) will take many years to show up, and in which the most important barriers to the effective operation of the system are deep-seated, non-obvious, and systemic. The approach is in flat contradiction to that advocated by the *Joint Committee on Standards for the Evaluation of Educational Programs and Policies* (Stufflebeam et al., 1981). It cuts across the qualitative/quantitative divide on which so much argument in the field of educational evaluation has focussed (Atkinson et al., 1988; Jacob, 1987, 1988), but it has found endorsement in the work of House (1991) and Salomon (1991).
- 24.17 The way in which the extraordinary requirements of effective evaluation can be approximated are hinted at in the previous footnote, and are discussed in Raven (1991). The problems which effective evaluation poses for evaluators and their deployment are discussed in several chapters in Searle (1985).
- 24.18 Cherns, 1970; Freeman, 1973; Roberts, E.B., 1968, 1969; Tizard, 1990
- 25.1 Kelton (1991) arrived at similar conclusions. He argued that, in dealing with large-scale situations involving complexity, uncertainty, unknown feedback loops and mutual interactions, delayed effects, and changing priorities, one cannot assess the quality of policy by reference to its accuracy. Certainly one should not think of evaluation as being primarily concerned with post-hoc evaluations of effectiveness. Rather, one needs to evaluate the quality of the *procedures* employed in its development. These need to acknowledge the importance of envisaging the potential relevance of different types of information, to stress the importance of collecting information, sifting and collating it carefully, acknowledge, anticipate and assess the seriousness of risks, result in actions which are both firm and cautious, include provision for monitoring and learning from the effects of action, and involve public debate.

26.1 It may be noted that one should NOT waste time trying to reform the capitalist press. To a degree it will reform itself - change its coverage - as it sees what its customers want.

26.2 Chomsky, 1993; Janicke, 1990; Daenhardt, 1994

26.3 See Adams, Robbins and Stephenson, 1981; Robbins, 1988

From: Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society* (pp.351-359). Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books.

Raven, J. (1995). *The New Wealth of Nations: A New Enquiry into the Nature and Origins of the Wealth of Nations and the Societal Learning Arrangements Needed for a Sustainable Society*. Unionville, New York: Royal Fireworks Press; Sudbury, Suffolk: Bloomfield Books. (Chapters 1 [which summarises the whole book], 4 ["Some Observations on Money"], and 17 [Summary of Parts I to III and overview of Part IV: The Way Forward] are available at www.npsnet.com/cdd/nwn.htm).

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