

Economic Policy and Global Value Systems

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Introduction

The current global economic crisis has humbled the field of economics as a science for its systemic failure to foresee the global danger signs. Even the best and the brightest in President Obama's elite and highly credentialed team of experts are quickly finding that the largest economic stimulus in history will not be enough to avert an economic disaster. There's no question that the global economy remains in the eye of the storm awaiting a paradigm shift that will reset it on a course of sustainability and self renewal. No global challenge of this magnitude shall pass without a thorough examination of the thinking that pioneered the institutions that formulate economic policy. The purpose of this article is not to compete with prevailing schools of thought on the economy, but rather to provide an invitation to thought leaders to consider the study of global *value systems* as an integral part of future policy setting. This emerging science of value systems through developmental theories like Spiral Dynamics and the subsequent work of its co-author Dr. Don E. Beck give the objective observer the tools to identify the reasons for failed policies and the dynamics of the clash of cultural value systems leading to their failure. For many years I have worked with Dr. Beck who is a senior advisor for the Center for Human Emergence Mideast and have used Spiral Dynamics and the principles of Natural Design extensively in my business practices. For a detailed description of Spiral Dynamics, Natural Design, their history and field applications you can visit the CHE-Mideast website on the following link: www.humanemergencemiddleeast.org

The History of Current Economic Development Models and What's Missing

We have all heard the expression "to the victor belong the spoils". Well, to the victors of WWII belonged the greatest spoils modern humanity had ever experienced; the undisputed mandate to set up a single economic model for the world to insure that human potential is put into productive peaceful pursuits. It was an Anglo-Saxon victory like no other before it. Thus, the world was divided into 3 camps; the capitalists, the communists and the third world. Based on the ideals of the British father of capitalism Adam Smith, it was strongly believed that a developed world where private ownership of resources with the least amount of regulation and the pursuit of free market ideals will surely make our planet a better and safer place. Europe and Japan were quickly rebuilt with economies based on what England and the US thought were best suited for their own cultural value systems. Communism was left to its own devices as the model and its effect on societal emergence had not been fully vetted. To attract less developed countries into the capitalist camp and away from communism, England and the US created the charter for institutions like the IMF and the World Bank through the Breton Woods System of Monetary Management to help poor and emerging countries finance this Utopian but arduous journey.

More than sixty years into this experiment and the results are a mixed bag. On one end of the spectrum the free market economy concept worked well for nations that were already developed and had the institutional capacities in place to make the transition to highly industrialized

consumer-based economies. The ideals of communism proved detrimental to innovation and human advancement as the world associated central planning and ownership of resources by governments as primary causes of inefficiency and the stifling of individual and institutional relevance. Communist countries under the Soviet umbrella experienced a noticeable downshift in their standard of living, which from a cultural development perspective should have caused the system to either break or cause noticeable social dissonance as it forced human emergence back in time. It is worth noting that although communism contributed to many social ills and widespread poverty in Eastern Europe, the region never descended to anarchy or civil war which symbolize the modern struggles of tribal and third world cultures. The belief in the institutions of the state and their ability to reject false Memes through the existing system was an imbedded belief in the fabric of the Eastern Europe culture. Now that the communist ideals proved unsustainable, formerly communist nations have commenced their cultural emergence from where they left off and find institutions like the IMF and the World Bank ready to help in reviving their human and industrial capacities.

At the other end of the spectrum however, the story is quite different. In the absence of intuitions that have defined cultures for centuries, the less developed world has gotten further behind and is struggling to feed millions of its own people. So, what went wrong? How did the brightest Western minds with hundreds of years of quantifiable scientific measures fail to anticipate the challenges facing the Third World? The answers lie in the developed world's inability to identify barriers to development from a cultural values perspective.

How Current Economic Policies Deny Evolution of Cultural Value Systems

At the end of the colonial era imperial powers carved up tribal lands into arbitrary countries with the hope that tribes will be forced to dismiss thousands of years of rivalries for a cause called "Nation". The promise of industrial prosperity was the carrot at the end of the stick; A concept that worked so well for Europe and Japan but has remained foreign to most places in Africa, the Middle East and many poor places till this day. What the framers of the Breton Woods architecture ignored was that places that are primarily tribal in nature must build their own indigenous capacities that would eventually transcend tribal existence and propel them into their own unique expression of cultural prosperity. The US, Europe (East and West), Russia, Japan and China have been at this level of social development within their own cultures for centuries. In the case of third world nations which have remained a loose band of tribes, only indigenous tribal leaders can find and identify these capacities and the West can help only in the development of what was identified. This calls for a substantial shift from the current UN model which sends its own experts whose thinking is steeped in the egalitarian value system and super-impose a Western model.

In Beck's developmental theory, before a tribe can embrace industrial age values, it has to go through an egocentric stage where an individual's values are imposed over those that make up the collective values of the tribe. Europe went through this evolution over hundreds of years and the results were many bloody wars. The US went through it during the war of independence and the civil war at a cost of millions of lives to get to a stage to say "never again". The conquest of this egocentric stage should never be underestimated or it will manifest in pathologies that create organizations like Al-Qaeda and the endless number of failed states. The phenomena of failed

states has become more common because the Anglo-Saxon model of development cannot be substituted for an indigenously designed model that first and foremost takes into account the developmental stages that a country is in. Instead of recognizing the natural evolutionary stages of social emergence and designing to accommodate for the next stage, the Anglo-Saxon model imposed a one-solution-fits-all answer designed in the ivory towers of academia and Western think tanks. This rush to move the third world to a world of enterprise without systemic awareness to its consequences caused the rise of power lords to leadership positions who in turn exploited their countries' resources and oppressed their own people in efforts to protect their power thus halting the natural emergence to the next stage.

Seeing the (indigenous) Trees before the (Anglo-Saxon) Forest

What policy makers should have been aware of is that this egocentric stage of social development wouldn't need to take on the form of bloody warfare. According to the Spiral Dynamics theory and Beck's own work in South Africa and the West Bank, each cultural value system has a healthy and an unhealthy expression. The unhealthy expression in tribal transition is warfare and the rise of the power lords. The healthy expression, which should be the focus of the UN, is designing for economic prosperity at the tribal level which will blunt any unhealthy desires to start wars with the neighboring tribes. This type of policy setting would have required intimate knowledge of the indigenous life conditions of those tribes and the challenges they face. Based on information gathered from these places, a better informed UN can create the basis for what I call "Stratified Economic Policy". The concept of micro loans created by Muhammad Yunus is a great example of such highly functional solutions for Bangladesh and places of similar indigenous challenges. Indigenous sustainability in the mind of the locals and in accordance to their relative standards of living ought to be the ultimate goal of any stratified economic policy. The imposition of anything of higher complexity will result in exploitation by the few like the case is often with most currently UN sponsored programs.

To bring this down to the individual level, one should start by asking (through a local indigenous leader, and never through a Western aid worker) these questions: What will make you happy? What kind of work can you do or hope to learn to help you become happy? All economic policy would focus on then is teaching individuals and cultures the skills to become well adjusted into their relative value system and not that of the West. The key to human emergence is to acknowledge where people and cultures are on the value-systems scale and make sure that much of the resources and efforts are focused on making the expression of that value system healthy. Contrary to much of the prevailing Western thought, it is not that we don't give people in poor places enough food to eat, it's that we don't teach them how to create the habitats based on their own life conditions to create their own indigenous prosperity.

Without the interference of Western designed development programs, the third world would have very likely developed along these lines: In order to move to more advanced developmental stages, capital accumulation earned from hard work within a tribe's indigenously healthy value system must be applied towards what evolves next and naturally for that tribe. To some it could be acquisition of farm land. To others it could mean sending their first born to a good school, or buying more cattle like the case is with most Central African tribes. Tribal life might be centered on these healthy value systems for centuries before a natural transition takes place to the next

stage of emergence which required the building of national institutions on which the entrepreneurial Meme is built. These normal transitions to healthy manifestations of a culture's uniqueness were halted by the appearances of two phenomena that were the byproducts of the Anglo-Saxon model for development: The West's insatiable appetite for natural resources and the creation of the IMF.

Into a Tribal World Enter OPEC

After WWII the industrialized world shifted its focus to a consumer-based industrial economy, which required a tremendous amount of resources and raw material. And lo and behold, as if the Gods were testing the West's true intentions in claiming to help the rest of humanity, most of these raw material were found in third world countries; OPEC for oil and Africa and South America for the rest of the raw material needed for modern day consumption. From Beck's macro development theory perspective, these non-industrialized countries had never experienced a systemic enforcement of the rule of law at a national level nor had the resources or the complexity to understand the meaning of most of the institutions that the West takes for granted. In describing the reason for the arrested development stage of these countries, a renowned social scientist specializing in South and Central America said these arbitrary nations never had the chance to rebel. The discovery of natural resources in tribal cultures had, in essence halted the normal stages of human development within them. Left to their own devices, without having the West extracting their natural resources from the ground, these cultures would have maintained a natural evolutionary process and formed healthier and more cooperative tribes tested and tried by the passage of time to smooth out tribal differences before the idea of "Nation" could crystallize. Life conditions at the time of discovery of oil were such that egocentric warriors had to rise to leadership positions without ever being exposed to concepts such as nationalism, the importance of state institutions, and a real understanding of wealth management. To protect their new-found "loot", these leaders used tribal warfare tactics in making sure their own tribe prevails. Till this day, if you're a developer wishing to get a Billion dollar project approved in Saudi Arabia, or Dubai, a poem written just for the occasion that praises the generosity and the greatness of the Sheikh, will improved your odds of success tremendously over someone who's done extensive research about the market viability of the project and its associated costs.

The cultural pathologies caused by OPEC in a place like Venezuela have taken on a slightly different twist. Populist economic policy has been the tool of choice for tribal leaders in South America. While Western media shows Chavez as a rebel paying lip service to the poor and giving them small siphons for food and sidelining most national institutions, they fail to mention that the rate of poverty in Venezuela has been cut in half since he came to power. This is no endorsement of Chavez who's known to have stolen billion in oil revenues and set Venezuela back a few years on its road to progress, it is however an indictment of third world economies that followed the Anglo-Saxon model for development without giving much attention to their own country's Memetic contours. While the entrepreneurial Meme flourished in Caracas and other small pockets, the majority of Venezuela remained in the tribal agricultural Meme just as it has been for centuries. According to Beck's theory, the rise of Chavez to power is a natural response to prevalent life conditions as they counteract the unnatural pull created in "skipping" a developmental stage.

Into a World of Poverty and Power Lords Enter the IMF

The story with the IMF is slightly different in the sense that it catered to the same pathologies of exploitation through loans instead of oil revenue. Without ever knowing what Africa needs like Dr. Yunus knew what Bangladesh needs, the IMF, by ignoring the role that cultural values play in the development of a culture, is responsible for more death and corruption than any other post WWII institution. One only needs to look at which countries borrow from the IMF. Over 97% of debtor countries prior to the current global financial crisis were ruled by dictators with the blood of thousands of their countrymen on their hands. Rulers like Mugabe and Assad (the father) are on the top of the list. In the absence of a ruthless dictator who would squander most IMF loans and force member countries to renegotiate the debt, the IMF would declare the misuse of funds by a weak leader and send in World Bank experts who would force the “privatization” of things like power plants. Such moves ignored the life conditions that required the public ownership of such symbols of progress. These were cultures in transition from tribal existence to early stages of nation formation. When the resources and institutions that are intended to help in that transition are snatched from a development program and given to private power lords, or Western conglomerates represented by local power lords, social and cultural development to the next stage (or to a healthy manifestation of the current stage) is halted.

A full discussion of IMF policies would require many volumes to expose its shortcomings. Parts of the institution’s initial charter is slowly becoming more aligned with its practices not because of profound changes in its policies toward the developing world, but because the value systems of countries that now need its services (Iceland and Poland are good examples) are more aligned with the value systems of the thinking that created it. As for their dealings with the Third World, their thinking has fallen further behind as they refuse to heed the indigenous needs of these countries. For many Third World counties that continue to struggle to make interest payments on their loans, the IMF is now advocating bankruptcy; a Western tool of mass destruction that will perpetuate the Third World’s dependence on the industrialized world and drive them further away from establishing any indigenous capacities. Meanwhile, IMF and World Bank economists are patting themselves on the back for continuing to perpetuate a culture of debt in their own world thumbing their noses at a collapsing world economy brought to its knees by the same policies of debt financing they’re now advocating for Third World countries.

The road to this Utopian dream that was hatched by Franklin D. Roosevelt and Winston Churchill in Breton Woods, NH has turned out to be the road to Perdition for third world countries rich and poor. If the Group of the 20 richest countries in the world wants to seriously address the causes of poverty and the stalled development of so many regions in the world they first and foremost have to acknowledge the failures of their models for third world development. At the G-20 meeting this past spring, instead of holding a healthy debate about the dangers of what happens when global institutions ignore the need for functional indigenous solutions, world leaders instead voted to triple the resources of the IMF without implementing meaningful change. Renegotiated Third World debt with higher principal balances is precisely the invitation

that the industrialized world needs to fully own the natural resources of these countries, and without developing the habitats for emergence, it will be just a matter of time before they default again.

On the other hand, much of the “Nouveau Riche” countries whose wealth was created by the sudden discovery of natural resources will have to transition from “wealthy tribal cultures” that ignore the needs of the many to “nations with sustainable wealth and faith in institutions” that include the many or face a fate similar to that of Venezuela. The earliest culture to overthrow the Anglo-Saxon model for development was Iran. The power lords that were brought in with the fall of the Shah have created “false institutions” that are now threatening the world with nuclear weapons and after 30 years still consider the West Satan. Making Iran, Venezuela and other potential OPEC nations such pariahs could have been prevented if the West had the tools to identify these countries’ unique value systems and the needs for cultural emergence.

The flood of unconditional oil revenues from industrialized countries and loans with little accountability from the IMF have corrupted tribal values forever and created a pathology that has become very difficult to undo. When oil revenues disappear, most OPEC countries will have to wake up and realize that to prevent future abuse of power and to cater to the welfare of all the citizens in their country, it’s not enough to choose a good tribal leader to lead. Rather, it becomes paramount to establish societal institutions and the rule of law as the absolute base for sustainability and self reliance. To Europe, the US and Japan, this came after hundreds of years of bloody warfare. To the third world, it would have to come from a perspective of “Stratified Economic Policies” that build capacities commensurate with and informed by the *indigenous life conditions* on the ground and not by some Western think tank with Ivy League credentials relying on a CIA country profile or an out of touch UN with a dossier of IMF and World Bank reports claiming to know what ails a world of lower complexity.