BUILDING THE GOOD SOCIETY

The Power and Limits of Markets, Democracy and Freedom in an Increasingly Polarized World

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ABOUT THE AUTHOR

Lloyd J. Dumas is Professor of Political Economy, Economics and Public Policy at the University of Texas at Dallas. Dumas' eight books include *The Peacekeeping Economy: Using Economic Relationships to Build a More Peaceful, Prosperous, and Secure World* (Yale University) and *The Technology Trap: Where Human Error and Malevolence Meet Powerful Technologies* (Praeger). He has published over 120 articles in 11 languages in books and journals of seven disciplines, and periodicals such as *New York Times* and *International Herald Tribune*. He has been quoted in *Business Week*, the *Financial Times*, and *Barron's*, and he has appeared on more than 300 TV and radio programs in the US and around the world.

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FOREWORD

With the defeat of fascism in the middle of the twentieth century and the peaceful ending of the Cold War threat of nuclear annihilation a few decades later, there was a great deal of optimism that the world was becoming a more peaceful place. With the success of a series of pro-democracy nonviolent "people power" revolutions in overthrowing brutal dictatorships in Eastern Europe and elsewhere in the mid-1980s and the initially spectacular success of the pro-democracy nonviolent "people power" revolutions that overthrew dictatorial regimes in North Africa during the "Arab Spring" a few decades later, there was a great deal of optimism that the spread of democracy throughout the world was just around the corner. By the second decade of the twenty-first century, that optimism was rapidly fading. Yet we cannot afford to lose the hope or give up the dream.

This book is written in the spirit of trying to make it plain that a better world – a world in which we can finally realize the persistent vision of more peaceful, prosperous, democratic, and free societies – is not only a possible but also an eminently practical and achievable goal. It is not a blueprint for or a road map to such a world, but a guide to more effectively modifying and combining the elements of that world we have already put in place.

L. J. Dumas

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From childhood, my parents, Edith and Marcel Dumas, were always a source of encouragement. They taught me the importance of empathy and gave me the confidence that I had something to say. Many old and new friends motivated and encouraged this work, among them Kenneth Boulding, Peggy Herrman, Janine Wedel, Dana Dunn, Warren Davis, Yolanda Eisenstein, Jonas Bunte, Anthony Cummings, Magnus Kpakol, Brett Cease, Julia Besser Cease, Alba Halili, Katie Sadorro, Antoinette White, Abigail Durden, and Nick Wolterman, my always supportive and

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INTRODUCTION

What is the point of writing a book about "The Good Society"? Is it just a chance to take another pleasant excursion into the world of comforting fantasy? Why is the Good Society even worth thinking and talking about? If it is in fact true – as the Declaration of Independence so confidently proclaims – that "Life, Liberty and the Pursuit of Happiness" really are unalienable rights with which every human being is endowed, it only makes sense for us to think about whether it is pragmatic or even possible to create a real-world society that can actually deliver on that promise. A society that supports and encourages people in the reification of those precious unalienable rights would certainly be one worthy of being called a Good Society.

When I think about all that is wrong with the troubled world we live in today, my mind is overcome by a deluge of indignities, inequities, inhumanities, and lost opportunities. It feels overwhelming and hopeless, and I find myself asking why. But to paraphrase the thought Robert Kennedy once expressed, when I think instead of the world as it could be, I begin to feel hopeful, empowered, and activated – and I start asking, why not? Is it possible we have focused too much time and energy on how short of the mark we have fallen, and too little time thinking about how much better we can do? And we certainly can do better.

We know that having control over the way we live our own lives is an important element of liberty and happiness for individuals and societies. Achieving that control requires a society prepared to offer and able to accept a broad range of economic, governance, and lifestyle options, along with the right of its individual members to freely choose among them. It would be what could be called, a "freedom-maximizing" society.

Recognizing early on that we humans are basically social creatures, people came to understand that at least part of what each of us becomes is

in some way determined by the nature and character of the societies in which we live. Creating a better, more fulfilling life for ourselves therefore requires us to build societies that facilitate – even encourage – us to develop in ways that make the world an easier place to live a good life. As a result, for a very long time (perhaps all through the millennia of recorded human history) people *have* been motivated to think about what constitutes such a "good society". The central question before us is, "What does a good society look like, and how can we go about building it?"

A "good society" is one that provides a social environment that makes it easier for every individual member to live what *they* consider to be a "good life", with little or no interference from others. As with all things human, there never has been, is not, and is unlikely to ever be universal agreement on the details of what constitutes a good life. So one thing is certain. In the "real world", a good society must have the flexibility to incorporate and support many different individual concepts of a good life, while at the same time constraining individual behavior only enough to prevent it from unduly interfering with the variety of different life paths and lifestyles other people choose to follow. Essentially, what we want and need to consider is if and how we can create societies that maximize individual freedom while encouraging socially responsible behavior. The challenge is to lay out a set of principles around which it is possible to create such a good society.

Although we are not rigidly defined by the nature of the societies in which we live, the character of those societies does greatly influence the shape of our lives through its impact on our attitudes, learned behaviors, and life opportunities. The particulars of our societies do not completely determine the paths we take or the kind of person we become. But the social context has a powerful enough effect on us to make it a sensible and worthwhile enterprise to think through what would be involved in actually trying to create a society that would facilitate each one of us living our lives the way we ourselves want to live them – and whether such a project is sustainable or even achievable.

It is unlikely that we humans, as fallible and imperfect as we inherently are, will ever be able to build, let alone sustain, an ideal society – even if we could agree on how to define it. But that is no excuse for not trying to build a better world, a world in which it is more possible for all of us, with all our flaws, to live lives that are happier, more meaningful, and fulfilling in our own eyes.

Rather than an exercise in idealism and fantasy, as pleasant and inspiring as that might be, we are embarking on an exploration of the power and limitations of some of the systemic approaches we currently rely on with a view toward making those approaches at once more effective and more efficient. We will also explore some of the ways we look at things and do things that facilitate or interfere with creating a good society that is surely within our reach. Because of the inherent requirement for flexibility built into this project, it is neither necessary nor particularly useful to undertake the Herculean task (or is it the "Impossible Dream"?) of trying to come up with a specific, universally agreed and acceptable single blueprint for a good society – let alone a well-defined roadmap for getting us from here to there. What we *do* need is agreement on a set of core principles around which it is possible to build a solid and sustainable "good society".

If the legal system is to enhance flexibility in such a society, it must not be designed to impose a particular social structure or moral code. The issue of legality would need to be entirely divorced from issues of morality, desirability, or even social acceptability. The fact that an activity was legal would therefore mean only that individuals choosing to engage in such an activity would not be unduly interfering with the freedom of others to do what they want to do. In Chapter 1, the implications of a freedom-maximizing legal system are explored, along with the potential changes in the roles of social norms and institutions in this new context. We then turn to the question of why the mere existence of democracy and freedom is not enough to create a freedom-maximizing good society. This includes the consequences of the impact of concentrations of economic and political power.

By the end of the twentieth century, it was clear that nations which had embraced the market economic system were generally much more successful in achieving material abundance than those who had opted for centrally planned socialism. On the other hand, it was equally obvious that market economies tended to give rise to sharp inequalities in the distribution of income and wealth, and so to a very unequal sharing of that material abundance. Chapter 2 looks into the prospects for correcting this and other serious outcome deficiencies of the market system, while retaining its considerable advantages. Both theoretically and in practice, virtually all of the advantages of the market system depend on the existence of a high degree of market competition. Yet because the most efficient and responsive businesses tend to drive less successful competitors out of the market (if the

system is working properly), there is a strong tendency for markets to become less competitive over time, making the production of goods and services less efficient and the distribution of the increased material well-being less equitable. Government antitrust activity and "rules of the game" regulation can overcome this problem if they are aimed not at controlling the market but at restoring and maintaining the conditions under which a free market system works best. Such an approach would have been extremely useful, for example, in preventing the manipulation and deception of consumers, workers, and investors that played a key role in creating the deep global financial crisis of 2007–2008 that came to be known as the Great Recession.

Chapter 2 also explores the importance of the distinction between "money value" and "economic value", and between the "money economy" and the "real economy", as well as the difference between "effective demand" (to which markets respond) and "need" (to which they do not). A market economic system sensitive to issues of distribution, in which privately held firms competed with each other in an open marketplace under rules of the game established to keep the competition honest, would be an economy appropriate to and compatible with the spirit and practice of a good society.

Our behavior is clearly driven by underlying attitudes that condition how we see and interpret the world around us. So in Chapter 3 we ask the important question, "What kinds of attitudes promote and which interfere with progress along the path to building a good society?" Militarism, racism, and sexism have caused much pain in human society. In some ways they are very different, but they share the core idea that some people are worth less than others. Such people might even be less than fully human, which justifies treating them more like objects, like "things", rather than as fully valuable human beings. This attitude is destructive of the dignity and respect which a good society calls us to accord to all individuals and their freely made choices, as long as they – as individuals – accord us the same dignity and respect.

Although it is extremely important to keep the difference between people and things clearly in mind, there is nothing wrong with people taking pleasure in the acquisition and ownership of things. But there are serious ecological, psychological, and sociological problems involved when taking pleasure in acquiring things erupts into rampant materialistic hyperconsumerism.

A good society should operate by meritocratic principles: rewards should flow to those individuals who work hard and perform well. In the US, the idea of meritocracy is strongly engrained. The role of wealth, birth, class, race, etc. in success is often seriously discounted. The resulting American meritocracy myth is more than misleading, it is pernicious. It implies that if you don't succeed, it must be because you are not good enough – a way of thinking that for many people turns failures in particular activities into debilitating thoughts of being a failure as a person. Chapter 3 goes on to explore a variety of other attitudes-related topics, including the balance between individualism and social responsibility; the widespread human tendency to obey authority and the power of nonviolent disobedience; the interplay between competition and cooperation; the way in which language shapes and is shaped by our worldview; the tradeoff among privacy, freedom, and security; nationalism and independence; and what drives us at the deepest level.

Institutions involve defined societal prescriptions for "the way things are to be done", as well as related practices. Institutions, along with organizations of various sorts, provide much of the infrastructure on which a society is built. The key roles they play in determining the shape of that society, separately and in the many complicated ways in which they interact with each other, are the focus of Chapter 4.

For example, the institution we call "work" is much more than a simple economic exchange. It is a complex social activity with potentially powerful impacts on our bodies, our minds, and our social relationships for better or for worse. In a good society, we should strive to make work healthier, more stimulating, and more enjoyable, as well as more productive. The role of the social institution we call the "education system" is (1) to convey the contemporary understanding of how the world works that we have accumulated over the years ("knowledge"), not simply to expose us to facts ("information") and (2) to teach us how to evaluate, analyze, and integrate information, knowledge, and ideas. The institution of "religion" helps to satisfy the widely felt need for some sort of spirituality in our lives, something that connects us to things beyond our senses, beyond the physical world that surrounds us. Religious beliefs have affected and continue to affect our lives in many ways, for better and for worse. They have motivated many a violent conflict, as well as much of the ongoing search for peace and justice.

Chapter 4 goes on to confront the common argument that private sector organizations are more efficient than public sector organizations, and therefore that government functions should be privatized – or at least run like private businesses. There is a discussion of the implications of the increasing global interconnectedness commonly known as globalization, and of the importance of nongovernmental organizations in multiplying the power of ordinary citizens to affect social choices, balancing the influence of affluent private interests. Since security is an important issue in a good society, just as in every other society, we also consider how to construct an effective security system compatible with the spirit and character of a good society. Modern-day security systems are based primarily on the threat or use of coercive military force. But it is possible to conceive of constructing a security system that is more effective and less economically burdensome based on properly structured economic relationships rather than military force. Finally, creating a good society that is indefinitely sustainable requires that we pay serious attention to the impact of our activities on the ecology that surrounds us.

Although it seems paradoxical, restrictions are actually critical to creating a society that maximizes freedom. Chapter 5 analyzes the usefulness of limits and incentives as powerful tools with which to create a society that maximizes individual freedom while still being sensitive to the needs of the larger community. The key to building a good society is to establish only those limits that prevent the loss of freedom and the compromise of democracy and do not unduly interfere with the considerable benefits a market system is capable of providing. Incentives, especially positive incentives, are an important and effective means of motivating and guiding behavior without forceful coercion.

Since economic wealth, political power, and social influence are generally fungible, it is important for a good society to establish and enforce limits on the extent they can be concentrated in the hands of a small percentage of the population. It is neither necessary nor desirable for a society to strive for strict equality in their distribution. That would eliminate important mechanisms for incentivizing economically productive and politically desirable behavior. But there is a big difference between a society that tries to ensure a strictly equal distribution and one that establishes reasonable absolute limits on wealth, political power, and influence designed to preserve the saliency of performance-based incentives while

avoiding unnecessarily high levels of economic, political, and social stress-inducing inequality.

Democracy provides the most supportive political context for establishing, protecting, and sustaining a society that maximizes individual freedom while respecting the limits imposed by the need for social responsibility. The first part of Chapter 6 focuses on the challenge of bringing democracy to those societies long deprived of it. Given the relatively weak performance of military intervention in recent decades as a mechanism for spreading democracy, we look at the recent historical record of nonviolent protest and active civil disobedience to assess the possibilities of bringing about such change using this very different approach, an approach more compatible with the spirit and principles of the good society. Examples are drawn from events in India, the US, the Philippines, Russia, Eastern Europe, states of the former Soviet Union, and North Africa, among others.

The second part of Chapter 6 considers the need to prevent the erosion of freedom and democracy in places long used to them. It is a warning against complacency, looking at the threats posed by increasing distortion of electoral processes, the triumph of style over substance, and a rising tide of demagogic emotional manipulation over issue-oriented debate in political campaigns. In some places – the US being a first-rate example – voter ignorance and apathy also opens the door to more authoritarian forms of governance. The chapter ends with an endorsement of the importance of a strong and vibrant civil society.

Individual freedoms are not just a matter of comfort or convenience. They are not simply something pleasant to have because of the flexibility they afford us. They are the key to a society that doesn't just allow but also encourages each of us to take greater control of our lives, develop our potential, and find our own way of making our contribution. Freedom of speech and freedom of association in particular give us the ability to join with others in coordinated and determined nonviolent action to shape the social, economic, and political world in which we live and to continue to protect those freedoms. *But freedom doesn't mean anything unless you use it.* The freedom that a good society conveys carries with it the obligation to participate in the work of exercising that freedom to keep that society free, vibrant, and alive.

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