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2004

1.1 December

1.1.1 Welcome (2004-12-20 01:37)

Kyoto, computers in schools, Concorde: the list of expensive, wasteful policies goes on. Social Policy Bonds are a new financial instrument. They can be issued by governments or private individuals, and are redeemable for a fixed sum only when a targeted social goal has been achieved. So:

- they inextricably tie rewards to outcomes, rather than activities or institutions; and
- they inject market incentives into the achievement of social and environmental goals.

This blog looks at the failures of existing policies and will suggest how Social Policy Bonds could radically improve the efficiency, stability and transparency of policymaking. For more information about the bonds, click on *What are Social Policy Bonds?* in the right-hand column, or go to the main Social Policy Bonds [1] website

. Your comments and suggestions are very welcome.

1. http://socialgoals.com/index.html

1.1.2 Kyoto (2004-12-20 01:38)

The entire focus of Kyoto is to reduce anthropogenic emissions of what are currently thought to be greenhouse gases. But we simply don't know whether reducing such emissions will mitigate climate change. We certainly don't know that reducing such emissions will be the most cost-effective way of stabilising the climate. A Climate Stability Bond regime would not prejudge how the climate is to be stabilised. They instead would reward people for achieving climate stability however they do so. So a bond regime would reward efficiency, rather than

adherence to a conclusion based on the fossilised science of the 1990s. Click to see a short article describing [1] Climate Stability Bonds

.

1. http://socialgoals.com/ieakyototext.html

1.1.3 Literacy in the UK (2004-12-20 05:23)

> Twenty-six million people of working age have levels of literacy and numeracy below those expected of school leavers. People with the lowest levels of skills – those expected of a 9 to 11 year old or below – can experience practical difficulties in their every day lives.

This is the main conclusion of a [1] report

released on 15 December by the UK's National Audit Office. Another conclusion:

> More providers need to engage in creative development of flexible learning that people want because it meets both their practical requirements and personal needs.

My take: would-be providers must have incentives to be creative. The UK Government is right to have identified 100 per cent basic literacy and numeracy as a valid social goal, and to devote funds to its achievement. The Government has set the goal, and is prepared to finance its achievement. Democratic governments are good at articulating their society's needs and raising the necessary funds. But they are terrible at actually achieving social goals. The UK Government should bypass the entrenched lobbies of the educational establishment and reward people for achieving its literacy goal *however they do so*.

The private sector can play a role too, and its intervention is perhaps more urgently needed in the developing countries. If you are interested in issuing your own bonds, click to see how [2] Female Literacy Bonds

could work for improving the literacy of girls and women in Pakistan. (This is a 250kB pdf file.)

1. http://www.nao.org.uk/pn/04-05/040520.htm
2. http://socialgoals.com/handbook.pdf

1.1.4 Polluter Pays Principle (2004-12-26 13:14)

The Polluter Pays Principle (PPP) says simply that those who pollute the environment must pay for the damage they have caused. The idea originated in the 1970s when members of OECD countries sought a means by which pollution control costs would be financed by the polluters rather than the public in general. Its principal defect is that it does not guarantee efficiency of pollution control and environmental protection.

The PPP assigns environmental rights to those who benefit from environmental improvement, so polluters pay. The Beneficiary Pays Principle (BPP), on the other hand, says that whoever benefits from a cleaner environment should bear the costs of pollution control.

Social Policy Bonds are not concerned with who pays for solutions but with efficiency in achieving them. But some have asked me whether Social Policy Bonds targeted at environmental goals ([1]Environmental Policy Bonds) would be compatible with the PPP. The answer is yes.

Where polluters can be clearly identified, and where society believes that the PPP should apply, then the polluters could be taxed and their proceeds used to redeem the bonds.

Take, for example, a lake is polluted by activities of farms surrounding it. Assume that the local authority thinks a bond regime would be the most cost-effective way of improving the lake's health. It could issue 'Lake Health Bonds', which would be redeemable for a fixed sum only when the lake's water quality had reached a target level for a sustained period.

Who would contribute to the redemption funds used to redeem the Bonds? Where the lake is grossly polluted and the farmers are wealthy, the political process would probably demand that the farmers pay. But where the lake is already healthy, though not quite healthy enough to attract fee-paying fishers, then the beneficiaries of a clean-up - would-be tourist operators around the lake, perhaps - could reasonably be asked to contribute. They might, on their own initiative, decide to issue their own Lake Health Bonds.

The crucial points are that the Social Policy Bond principle:

1. maximises efficiency, expressed as maximum reduction in pollution per dollar spent; and
2. is versatile enough to encompass the PPP and the BPP, or any combination.

1. http://socialgoals.com/epbs.html

2005

2.1 January

2.1.1 Who can issue Social Policy Bonds? (2005-01-03 15:01)

Who can issue Social Policy Bonds and when would Social Policy Bonds be better than alternatives?

Social Policy Bonds could be issued by anybody who genuinely wants to finance the achievement of social or environmental objectives.

- Government could issue Social Policy Bonds when it knows what it wants to achieve, but does not know how best to go about it;
- Philanthropic groups or individuals could issue Social Policy Bonds when they have a particular interest in a social problem that is being inadequately addressed.

When would Social Policy Bonds have the most marked advantages over conventional policy methods? There are four main criteria:

- The objective is fairly broad. So, for example, it is better to target broad health indicators like longevity, rather than the rate of heart disease. It is better to reduce water pollution in a river than the presence of one particular pollutant. This is because a bond regime should be free to channel resources where they will do the most good.
- There should be a reliable numerical measure (or combination of such measures) to target and it must be inextricably linked to what we want to achieve .
- Relationships between the problem we are trying to solve and its causes are complex, uncertain or changing constantly.
- Existing policies, if they have been tried at all, are ineffective or inefficient.

2.1.2 If Social Policy Bonds are so marvellous... (2005-01-05 21:31)

...why doesn't anyone issue them? After all, it is 15 years since I first presented the bond concept in a public forum. I have since given talks about it to numerous audiences; I have published articles, papers and books on the subject. I have spoken to senior politicians, economists and officials. Yet to my knowledge, not a single body has yet issued Social Policy Bonds for any social or environmental objective.

Initially I thought governments would be most interested in the bonds. They spend vast sums of money - around 40 per cent of national incomes - on social and environmental activities, so you might imagine, as I did, that they would be keen to try out any idea that could make their spending more cost-effective. I was probably naive. Governments, I now believe, are quite happy to pursue failed policies as long as these policies have been done before. Supporting a failed but conventional policy less risky to the aspiring politician or bureaucrat than supporting a new policy, even one that is far more likely to succeed. This is what happens when the people in government, invariably (in my experience) well-meaning and hard-working, are rewarded for carrying out activities rather than for achieving outcomes. Provided their programmes have been tried before, their careers are unlikely to suffer.

What about the private sector? I have tried to interest various philanthropic organisations, but not a single one has had the courtesy even to respond to my initial approach. Think-tanks and non-governmental organisations have been more forthcoming, and I have spoken to some of them and they have published my work. None, though, has taken the idea further. I suspect this is because Social Policy Bonds are a 'right wing' (market) way of achieving 'left wing' (social) goals. The right wing doesn't like any sort of intervention, while left wingers see the word 'markets' and run a mile. This is pure speculation on my part, of course.

I am, though, heartened by individuals who have seriously considered issuing their own Social Policy Bond issues for goals as diverse as open source software completion, voter registration and literacy in India and Pakistan. So far none of these has come to fruition, but I am hopeful that they might. If you are interested in issuing Social Policy Bonds for any social or environmental goal please leave a comment or email me directly via the address in my profile.

2.1.3 Outcomes for whom? (2005-01-10 22:28)

Social Policy Bonds are intended to subordinate all policy to the achievement of social and environmental outcomes *that are meaningful to real people*. The qualification is important: in the absence of any explicit targeted outcomes, policies and programmes will inevitably favour activities or existing institutions. Which institutions? Government bodies themselves

or private corporations. In such a political environment it is hardly surprising that in Germany, as [1]recently revealed:

> ...top companies admitted that they have been topping up the salaries of hundreds of local and national politicians.

Would 'top' companies want to fund politicians whose goals were clear and meaningful to natural persons, as distinct from corporations? Probably not...but the important point is that *it wouldn't really matter*. Explicit, meaningful outcomes can be decided in full consultation with the public. But when there are no clear goals, only vague statements of intent, institutions with separate agendas and a proliferation of meaningless micro-targets, then it is no surprise that corporations try to influence policy and find it worthwhile to put policymakers on their payroll.

1. http://www.timesonline.co.uk/article/0,,3-1429965,00.html

2.1.4 There are arguments on both sides (2005-01-13 21:00)

It's always useful to have something credible to say at meetings when you've dozed off and wake up to find everyone staring at you expectantly, waiting for you to speak. Over the years I have found that 'it's not black or white, it's a continuum' can be helpful, while 'I think we should be looking at this holistically', has also become a reliable standby. Even more helpful is 'there are arguments on both sides'.

In an increasingly complex world, the links between a policy and its effect are ever more obscure. There are sufficient data to back up any hypothesis. Compelling evidence can usually be found in support of either side of a policy argument. Is the climate changing, and if so, why? Are genetically engineered foods good or bad for the environment? Does gun control mean fewer or more gun crimes? Will more military spending mean more security? On these and many more issues, thinking people are inundated with information, much of it contradictory. We rarely go through all the available argumentation and come to a reasoned conclusion. There simply isn't time. Very often, we select the information that suits our preconceived ideas. We might give more weight whatever side of an argument we hear first. Or we might believe proponents who are more charismatic.

A handy way of short-circuiting thorough analysis is to have an ideology. With a static set of preconceptions we don't need fully to engage with the issues, which would be time-consuming and probably inconclusive. Much easier to dismiss gun control because it interferes with our liberties. Or to believe that we ought to ban GM foods because of the precautionary principle. and if ideology doesn't supply a ready-made answer, very often the lobbying power

of interested parties fills the gap.

Making policy like this is unscientific, inherently divisive and prone to corruption and manipulation. Yet there is a genuine problem, in that the world *is* complex, and in almost every case, there *are* valid arguments on both sides. Should we disbelieve evidence because it doesn't fit our prejudices, or because supporting research was funded by vested interests?

The temptation is to abdicate responsibility; to disengage from the political process, comforted by a vague feeling that crucial issues are up to the politicians to decide.

There is an alternative, and that is for policymakers to target outcomes, rather than activities. Rather than decide on how many police to employ, they should reward people for cutting crime *however they do so*. Rather than cut anthropogenic greenhouse gas emissions, they should reward the stabilising of the climate. Instead of subsidising arms manufacturers and selling lethal weaponry to whoever will pay for them, they should reward the achievement of peace.

Outcomes, in short, are a better driver for policy than ideology. [1]Social Policy Bonds not only subordinate all policy to outcomes, but inject market incentives into the achievement of our social and environmental goals. And because there is wider consensus over outcomes than over the means of achieving them, they will draw more people and more expertise into the policymaking process.

1. http://socialgoals.com/blog/spbs600words.htm

2.1.5 (2005-01-15 13:12)

Observation ... most senior gov bureaucrats are in their 50s (if not older) and are the least likely to rock the policy boat if they want to reach retirement age with their cushy golden handshake. I refer you to Peter Drucker's observation (see http://www.context.org/ICLIB/IC32/Drucke r.htm) that *NO* US government social program has worked (with one exception). The political landscape means that it is easier starting a *NEW* initiative (with associated horn-blowing) than to audit past efforts (which would unduly embarass the incumbant or even worse, cast the opposition in a good light).

2.1.6 ’Death of Environmentalism’ (2005-01-16 14:10)

...is the title of a long [1]essay by Michael Shellenberger and Ted Nordhaus. It describes how the environmental movement in the US has lost ground over the past 30 years. Discussing climate change, the authors say that ’[t]he problem is that once you identify something as the root cause, you have little reason to look for even deeper causes or connections with other root causes.’

My take: the article outlines what happens when social and environmental issues become detached from the concerns of natural persons, then politicised and ’owned’ by corporate bodies that have only institutional goals - the prime one being self-perpetuation. [2]Social Policy Bonds would correct this by subordinating all policy to explicit outcomes that are meaningful to real people.

1. http://grist.org/news/maindish/2005/01/13/doe-reprint/
2. http://socialgoals.com/spbs600words.html

2.1.7 Dark Age Ahead (2005-01-19 22:24)

> "Not TV or illegal drugs, but the automobile has been the chief destroyer of American communities ... One can drive today for miles through American suburbs and never glimpse a human being on foot in a public space, a human being outside a car or a truck ... While people possess a community, they usually understand that they can’t afford to lose it; but after it is lost, gradually even the memory of what was lost is lost. In miniature, this is the malady of Dark Ages." Jane Jacobs, *Dark Age Ahead,* Random House, New York, 2004.

Whenever I argue against car driving, motorists are quick to say that it represents market forces and freedom of choice. It doesn’t. The enthronement of the car in our societies is a result of government making decisions for us. The very high social and environmental costs of motoring are not paid by drivers. Oil extraction, refining and transport also exact a heavy environmental toll. Roads are built with taxpayer funds. Some argue that the funds extracted from road users exceed the costs of building and maintaining highways. Even if this were true, it ignores indirect costs. But the bigger point is that government, influenced by powerful corporate interests, has chosen to build roads; in doing so it has determined the type of society we live in. If we then find it impossible to live without roads, and too expensive or dangerous to travel in any other way, that is a result of government’s favouring a particular form of development. It is the essence of the anti-market approach. If people really want roads they should build them on their own initiative and negotiate compensation with those who suffer as a result of their preference.

What has all this to do with [1]Social Policy Bonds? A bond regime would be entirely outcome-focused. It would aim to achieve outcomes that are meaningful to real people, as against corporate bodies. For natural persons, more transport is not an end in itself but a

means to an end. As Jane Jacobs points out, many of the things that do matter to people are destroyed by road transport. Genuine markets, arising from the wishes and concerns of real people, would assign them more significance than the current consortium of big business and government.

1. http://socialgoals.com/blog/spbs600words.htm

2.1.8 (2005-01-20 09:04)

Roads have always had state backing (http://www.gbcnet.com/ushighways/history.html) but US had a special impetus in Truman (http://www.fhwa.dot.gov/infrastructure/origin.htm) and its open road culture.
From an economic perspective, roads enable labor mobility with resulting growth due to East/West Coast relocation.
However, the social fragmentation of family ties is an unknown factor in calculating negative externalities. So who judges the tradeoff between economic growth and social cohesion?
Perhaps a social bond could be constructed to accelerate the introduction of cleaner fuel cells? And structured that it is only efficient for compact wheelcheel or golfcart vehicles combined with high speed rail transit? I certainly worry about the elderly being left out in isolated communities due to housing costs of urban centres.

2.1.9 (2005-01-20 21:18)

Thanks for your comment. Economic growth and labour mobility are, I believe, means rather than ends. People ought to be able to make their own trade-offs between them and social cohesion. Building roads with taxpayer funds was a top-down, irreversible, decision made by handful of politicians and corporate interests some decades ago. The physical infrastructure they have imposed on us has greatly strengthened big, global business at the expense of small, local business and natural persons. Its effect on our political infrastructure has paralleled its impact on our physical infrastructure. It has entrenched the power of corporates and government agencies. It is unlikely that people in pre-car communities would have opted for a transport system that destroys those communities, kills millions, seriously injures many more millions, depends absolutely on imported oil, and wreaks havoc on the enviornment. But it is possible. My point is that they were not given the choice.

2.1.10 Anything but outcomes (2005-01-24 10:40)

> "[T]he essence of leadership has changed into something that is less and less about significant undertakings and more and more about dramatic stunts." Christopher Caldwell, *The Triumph of Gesture Politics,* New York Times, 23 January 2005.

What drives policymaking? Extreme distance between consumption and production is a defining feature of a developed economy. Corporate bodies, whether government or private

sector, subsidise the infrastructure that promotes this separation. They also benefit from it, not least because it means that the effects of a policy are difficult to trace back to their cause. Indeed, the relationships between cause and effect are so obscure that politicians can seldom be judged by the outcomes of their policies. Ideology, the reception given to spending announcements, celebrity endorsement, or the dramatic stunts of gesture politics - anything but outcomes - increasingly dictate which policies shall be undertaken.

This naturally generates cynicism about politics and a worrying disengagement from the political process. [1]Social Policy Bonds would make a policy's goals explicit from the outset. Doing so, they would draw natural persons, as distinct from corporate bodies, into the policymaking process, helping to close the gap between policymakers and the public.

1. http://socialgoals.com/blog/spbs600words.html

2.1.11 (2005-01-27 09:48)

All this nonsense about climate presupposes there is something actually wrong with it. More preposterous is the idea that we actually might be causing whatever is supposed to be wrong with it. Even more arrogant is the notion that we might even control it. Theres nothing wrong with the climate - Kyoto is a complete and utter waste of resources. Better to direct the Social Policy Bonds idea into something that actually has some chance of succeeding.

2.1.12 (2005-01-27 11:01)

Interesting comment, though you make it on the same day as reports are published saying global warming is [1]'twice as bad as previously thought'. The point, surely, is that we don't know what is going on and there is a nonzero probability of major climatic disruption. Climate Stability Bonds would minimise costs of achieving a stable climate regardless of what (if anything) is happening to it and who (or what) is causing it to happen.

1. http://www.blogger.com/r?http%3A%2F%2Fnews.independent.co.uk%2Fworld%2Fenvironment%2Fstory.jsp%3Fstory%3D604955

2.1.13 Third world hunger (2005-01-27 20:54)

A report sponsored by the United Nations, and overseen by Jeffrey Sachs, urges rich countries to spend more on cutting hunger and poverty in the developing world. An [1]article about it appeared (online only) on *The Economist* website. The online edition of this week's *Economist* has published [2]my reaction:

Eradicating poverty

SIR - There is more intellectual grunt devoted to marketing a single new laundry product than there is to eradicating poverty in the third world ("Whatever it takes", Economist.com, January 17th). More money may be necessary, but it will not be sufficient unless it harnesses the ingenuity of diverse, responsive minds and is tied to achieving explicit, verifiable outcomes that are meaningful to real people.

My suggestion is that the rich world auctions freely tradeable bonds that would become redeemable only when a specified social objective has been achieved. These objectives could include conflict reduction, increases in basic literacy, and reductions in disease and hunger. By contracting out the achievement of poverty reduction to the private sector, such bonds would inextricably link rewards to outcomes rather than inputs, outputs, activities or institutions; and they would inject the market's incentives and efficiencies into the eradication of third-world poverty.

Ronnie Horesh

Wellington, New Zealand

1. http://www.economist.com/opinion/displaystory.cfm?story_id=3574421
2. http://www.economist.com/opinion/displayStory.cfm?story_id=3598784

2.1.14 (2005-01-28 04:30)

I suppose if you have to throw money at a perceived problem you may as well use Social Policy Bonds as anything else. My point really is not to throw any money at it at all - better surely to apply Social Policy Bonds to a real problem. Incidently the mentioned news item is nothing more than a prediction from a computer model. I guess I need to be on Climate Change blog ;-)

2.1.15 (2005-01-29 12:28)

Thanks for your comment. There is legitimate debate as to whether climate change is a real problem. Some think not but most scientists think it is. It doesn't matter under a bond regime.

One of the features of the bonds is that they minimise costs depending on the market's view of how serious the problem is. If everybody agrees with you that climate change is not a problem, then any Climate Stability Bonds issued would sell at a price very close to their redemption value. The cost to the bonds' backers then would be minimal. The market minimises costs, and reveals valuable information about the likelihood of how serious the problem is and the estimated cost of solving it.

2.1.16 Corporate welfare (2005-01-30 13:15)

Is it the role of government to subsidise aircraft manufacture? I think not, but why not let people decide? This [1]article gives the EU's views on subsidies to Boeing and Airbus. It says that planned subsidies for Boeing's 787 [formerly 7E7] from Washington State amount to $3.2 billion, from Kansas $0.5 billion, and Oklahoma $0.35 billion. Of course the EU also gives comparable quantities of 'launch aid' to its Airbus builders. Direct subsidies are not the only way in which government supports big business: import barriers to protect favoured industries are another, as is over-regulation. What they have in common is that they are rarely voted for directly by the people that pay for them. In fact, they often conflict with objectives that real people would choose for themselves. Government and big business can get away with this mutual support arrangement because we have come to accept that policymaking be based on funding programmes or institutions, or on undertaking activities. A [2]Social Policy Bond regime would take as its starting point *outcomes.* People might choose to elect a government that declares wealthier corporations to be its policy objective, but I suspect that most would vote for better basic health and education outcomes, lower crime and unemployment, and a cleaner environment.

1. http://www.eurunion.org/News/press/2004/200400137.htm
2. http://socialgoals.com/spbs600words.html

2.2 February

2.2.1 Ends and means (2005-02-02 20:56)

> Treasury estimates that our GDP per capita would rise by 5.1 per cent if we lifted our participation rates overall to the average of the top five OECD nations. That's a worthwhile objective and at this time of labour shortage, it's a good time to be pursuing it. Extract from the New Zealand Prime Minister's [1] statement to Parliament
>
> , 1 February

There is understandable confusion, at the highest levels of government, between means and ends. The only accepted ways of measuring the welfare of large societies involve numerical data, and the most widely used indicator has come to be GDP per capita. But as an indicator of welfare it is inadequate. It does not distinguish between helpful and harmful economic activity.

It puts no value on any activity that bypasses the monetary economy. So it ignores leisure time, the environment, crime, health, and other things that are meaningful to natural persons.

Big business is very much the same in that its objectives are not those of real people: its goals are expressed in terms of profits, sales, growth and market share. Government and big business together are the major determinants of the sort of society in which we live. Their interests drive the current policymaking system. Yet their goals are quite different from, and often in conflict with, those of real people. Natural persons feel disenfranchised so it is hardly surprising that there is widespread cynicism about politics, a growing distance between government and people, and a growing [2]disengagement from the political process.

A [3]Social Policy Bond regime would be driven entirely by outcomes for real people. Under a bond regime, all government activity would serve broad outcomes, such as basic health and educational standards, low crime and a cleaner environment. Unlike the meaningless, abstract drivers of current policy, these outcomes would be explicit and transparent, as would the trade-offs between them. Policymaking would become comprehensible to real people and there would be informed debate about policy and where, as a society, we want to go.

1. http://www.stuff.co.nz/stuff/0,2106,3174996a11,00.html
2. http://www.planet-thanet.fsnet.co.uk/nps/voter_turnout.htm
3. http://socialgoals.com/blog/spbs600words.htm

2.2.2 Over-regulation favours big business (2005-02-03 10:05)

On 31 January the European Union Commission unveiled exactly what EU law about food traceability means. [1]EU guidelines spelled out the meaning of that new requirement,technically known as Article 18 of the General Food Law. Every business in the food and drink trade must now keep detailed records of every delivery from a supplier and every delivery out to a customer.

All records must be kept for five years, unless the products are perishable, in which case records must be kept for six months. The intention is to have standardised "traceability systems" across the EU, so authorities can track food almost instantly in the event of a crisis,such as an outbreak of food poisoning or contamination. Transport companies that merely ship food from place to place are also obliged to keep batch by batch records of every delivery they make to a restaurant, grocers or canteen.

There is something pathological about all this. Government and big business create an economic environment that, through (for example) agricultural, transport and energy subsidies, favours the large and global at the expense of the small and local. When this leads to large-scale outbreaks of food poisoning the government reacts by imposing regulations that make it even more difficult for small businesses to operate, because it is the small businesses that suffer most from the costs of complying with the regulations. It's a self-perpetuating process; most of us don't want it to happen, and if policymaking were about specifying and rewarding the achievement of agreed, explicit outcomes it *wouldn't* happen.

1. http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/05/113&format

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2.2.3 No suggestion of illegality (2005-02-07 10:00)

Australian Ministers' time is auctioned according to an illuminating [1]article from the Age, Melbourne:

> Before the October election... a 45-minute walk with Attorney-General Philip Ruddock and "a quicker-paced jog" with Health Minister Tony Abbott each fetched bids of thousands of dollars.

This practice is quite legal. But we need not worry that politicians benefit directly from this practice: the proceeds go straight into the election war chests of the major parties. Big government and corporate interests - what's the difference?

1. http://www.theage.com.au/articles/2005/02/06/1107625060443.html

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2.2.4 What Randians think (2005-02-07 23:07)

> Why exactly are we supposed to pay taxes to help the poor? We aren't legally obliged to help our siblings or friends, so why are we legally obliged to help perfect strangers? And in the process of forcing people to pretend they love poor people they never met, don't we breach our far more obvious duty to leave people alone? These are not irrefutable proofs, but they are far more convincing than anything in Descartes' Meditations.

To this series of questions raised by [1]Econolog I replied:

> One of the reasons for helping perfect strangers is that we take actions that hurt them. Our government subsidises a physical infrastructure that favours corporate interests but does much to destroy communities; it promotes immigration and free trade - for sound economic reasons, no doubt. But there are losers from this, and they rarely have the power of veto. They are due their compensation.

Government and big business get away with reshaping our physical and social environment against the best interests of real people because, I believe, they do not express their policy objectives as outcomes. Instead, they target alleged means rather than ends. They direct taxpayer revenue to this or that agency. But agencies, public or private sector, have their own objectives, primarily self-perpetuation and growth. Policymakers escape or deflect censure

because the relationships between their policies and outcomes are obscure. Government ends up subsidising corporate interests and funding the expansion of its own agencies regardless of how effective or efficient they are. It should, instead, target objectives that are meaningful to the people it is supposed to represent. [2]Social Policy Bonds are about finding out what these objectives are and giving government and people the means of achieving them efficiently.

1. http://econlog.econlib.org/archives/2005/02/ayn_rand_wise_p.html
2. http://socialgoals.com/blog/spbs600words.htm

2.2.5 Peace in the Middle East (2005-02-14 10:58)

People make all sorts of compromises for money. We work not solely out of love, or dedication to duty but also because we receive payment. Financial incentives can liberate and focus our ingenuity. So when people talk about allegedly intractable conflicts, or ancient hatreds that can be ended only by the total crushing victory of one side or the other, I disagree. (See [1]this discussion, on the Middle East for example.) In any conflict there are certain to be faults on both sides. But if we really want peace, we have to go beyond history, beyond notions of justice and revenge. All our activities and institutions must be subordinated to the goal of peace. Middle East Peace Bonds would reward people for reducing the numbers of people killed in that conflict to a sustained low level. We don't need to prejudge *how* peace is to be achieved, but we do need to reward its achievement. Bondholders could try all sorts of possibilities that the current protagonists cannot: they could set up school exchange visits; subsidise intermarriage between the opposing factions; or give everybody with beards first class, one-way tickets to the overseas golfing resort of their choice. The governments in the region have failed, so have the ideologues, idealists, generals and the men of religion. It's time to contract out the solution to the private sector. In short, to [2]give greed a chance.

1. http://econlog.econlib.org/archives/2005/02/the_economics_o_3.html
2. http://socialgoals.com/mepeacebonds.html

2.2.6 (2005-02-14 20:52)

The point is ladies and gentlemen that greed, for lack of a better word, is good. Greed is right. Greed works. Greed clarifies, cuts through and captures the essence of the evolutionary spirit. Greed, in all of it's forms - greed for life, for money, knowledge - has marked the upward surge of mankind and greed - Gordon Gecko, Wall Street

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2.2.7 'The Revolution that Wasn't' (2005-02-16 03:14)

This [1]story in the New York Times describes how even people elected on a platform of cutting government end up advocating more spending.

1. http://www.nytimes.com/2005/02/13/weekinreview/13stolb.html?pagewanted=all&position=

2.2.8 Kyoto (2005-02-16 03:25)

The Kyoto protocol, which requires developed countries to cut their emissions of greenhouse gases, comes into force today. Unlike most opponents, I do not question the underlying science - but nor do I accept it. We need a policy that will adapt to our rapidly expanding scientific knowledge. We need to mitigate climate change (or its negative effects), whatever is causing it and even if there's no proof that it's happening. See a published article about Climate Stability Bonds [1]here. Or click [2]here for more details about my short book on Climate Stability Bonds.

1. http://socialgoals.com/ieakyototext.html
2. http://socialgoals.com/page4.html

2.2.9 Peace in the Middle East - again (2005-02-19 06:02)

In the final chapter of *[1]How Israel Lost*, Richard Ben Cramer explains how the men in authority, in both Israel and the occupied territories, benefit financially from the conflict. Talking about why he had mistakenly predicted peace, he goes on:

> What I didn't see, or failed to think about, was the breakup of Israel's national consensus. ... What Israel lost—apparently while I looked elsewhere—was precisely the capcity to act in the national interest. The interest of the nation was replaced by tribal interests-and, in a lot of cases I see now, by purely indiviudal interest. Making money for instance....

Cramer ends his book on a pessimistic note. My take is that evidence he presents of collusion between the principals at the highest levels (for instance, over the casino near Jericho), is actually a cause for optimism. The underlying principle of Social Policy Bonds, is that financial incentives can be channelled into social goals. If the Middle East conflict is at least in part caused by financial self-interest, then it can be ended by financial self-interest. [2]Middle East Peace Bonds would be non-interest bearing bonds redeemable for a fixed sum only when the conflict has subsided. If the governments involved, or the United Nations, won't issue them, then maybe it's time for philanthropists or non-governmental organisations to do so.

1. http://www.amazon.com/exec/obidos/search-handle-form/ref=s_sf_b_as/103-5730150-4600621
2. http://www.socialgoals.com/mepeacebonds.html

2.2.10 Pap and politics (2005-02-21 10:19)

> What are our politicians talking about?... Listen to Alan Milburn, New Labour's election campaign coordinator, trying to inspire us by declaring that 'the priority must be to fashion an active citizenship'. Or David Miliband, the cabinet office minister now writing New Labour's manifesto, attempting to kickstart the election campaign this week by promising a new era of 'individual empowerment' in New Labour's third term. it is like listening to the members of some exclusive club, using a code that is intended to keep their plans a secret. Mick Hume, *[1]From immigration to Iraq, they are a political class apart*, 11 February

Mick Hume is writing about the UK, but he might just as well be writing about New Zealand or the US. Politicians daren't present us with clear choices anymore. Choices create winners and losers, and the debased language of politics, like that of make-believe, cannot admit that policies will make some people worse off. The notion of trade-offs is rigorously excluded from political debate. Instead we get vapid, vacuous platitudes that widen the distance between politicians and the people they are supposed to represent. Every policy statement is scripted, having first been tested on a focus group and fine-tuned by the public relations industry. Politics becomes a battle between PR professionals. As Hume puts it: the gap between the public and politics is yawning - in every sense.

A [2]Social Policy Bond regime would start out by asking the basic question: what outcomes do we want to achieve? Targeted outcomes, not activities or the current institutional setup would dictate where government funds would go. And these outcomes would be transparent: everybody would know what they are. Political debate would revolve around what these outcomes should be and how they should be ranked. There would be more, and better informed, public participation in policymaking because outcomes, unlike the bland pap that is the current political fodder, actually mean something.

1. http://www.spiked-online.com/Articles/0000000CA8D1.htm
2. http://socialgoals.com/spbs600words.html

2.2.11 (2005-02-23 06:22)

Mr Horesh,

I find your blog inspiring. I am a former All Black's Coach. You may remember me as the guy who didnt win the World Cup.

If I had of been in a bond scheme maybe I would'nt be in a position where I have to go and coach Perth.

Sincerely,

J Mitchelle.

2.2.12 Your tax dollars at work (2005-02-23 21:02)

Why is the New Zealand Government [1]introducing a Bill in a futile attempt to stop spam? Obviously because poverty in New Zealand has been eradicated, all other social and environmental problems have been solved; because the courts have plenty of spare capacity and because nobody (apart from several hundred private software companies) are offering solutions to the spam problem that does so much to make life miserable for New Zealanders.

1. http://www.stuff.co.nz/stuff/0,2106,3197434a11,00.html

2.2.13 Prescribed ends (2005-02-27 10:13)

Economics is the allocation of resources so as better to achieve prescribed ends. Who prescribes these ends? In most countries it appears that nobody bothers, and the ends are decided, by default, by bodies such as large corporations and government agencies. Apart from the inflation rate, which is explicitly targeted in countries like the UK and New Zealand, most other policy objectives are obscure or unstated. The UK does deserve a pat on the back for its targeting of child poverty, and it and other governments are beginning to realise that what really matters are outcomes, not amount spent, nor activities or outputs. That said, governments unfortunately subordinate their social and environmental policy not to outcomes but, most often, to existing institutional structures. It is these that in large part receive tax revenues and dictate how they shall be spent. They are most often government agencies, which are not known for being responsive, adaptive or efficient.

Social Policy Bonds would in contrast subordinate all policymaking to desired outcomes. So instead of assuming relationships between cause and effect that might be only temporary and tenuous, they would reward only the achievement of outcomes - whoever achieves them and however they are achieved.

This means that if society sees climate change as a problem, it would reward people for stabilising the climate - not (as with the Kyoto Protocol) for reducing greenhouse gas emissions. If war, anywhere in the world, is a problem, people could issue bonds that reward the achievement of peace - rather than fund the activities of institutions (including governments) that very often inflame conflict.

Social Policy Bonds would formulate policy in terms of ends. They could be issued by individuals or groups, by local or central governments, or by non-governmental organisations. They are explained briefly [1]here. For more details, see the Social Policy Bond [2]website. I will discuss how a Social Policy Bond regime leads to the efficient allocation of resources in my next post.

1. http://socialgoals.com/spbs600words.html
2. http://socialgoals.com/

2.2.14 Allocation of resources (2005-02-28 22:11)

Economics is the allocation of scarce resources to better achieve prescribed ends. My previous post discussed the prescribed ends. What about the allocation of resources? The evidence tends to support economic theory in saying that markets are the most efficient way of making the most of our limited resource endowment. Perfect competition is the basis of the ideal market. Under perfect competition any single buyer or seller has a negligible impact on the market price and information is perfect. If firms make excess profits the absence of barriers to entry means that other firms will enter the market and drive the price level down until there are only normal profits to be made. Under perfect competition output will be maximised and price minimised.

Markets can fail when a single buyer or seller can significantly influence prices, when information is imperfect, or when they do not take into account the impact of an economic

activity on outsiders. They also fail when they do not generate sufficient incentive to supply public goods.

The market's incentives and efficiencies can often work to improve the distribution of resources,even when resources are initially distributed randomly and inequitably. Markets can work to reallocate resources so that they maximise efficiency and reward the provision of those goods and services that people most value.

So far, so uncontroversial. Also widely accepted is that there is a strong case for government intervention when market failure creates demonstrable, significant negative externalities.

Unfortunately though, much government intervention actually makes things worse, and it does so in ways that entrench and reinforce social and environmental problems. Take agricultural subsidies: research has shown that they are economic nonsense *and* socially inequitable *and* environmentally destructive. Yet they have persisted for decades. The big agribusiness corporates like them, because they are the major beneficiaries. Grown fat and powerful on subsidy, they then exert huge leverage over political parties and governments and the result is the persistence of expensive, wasteful and corrupt policies. *The subsidies are self-reinforcing*. This is not unique to agriculture of course. Perhaps even more socially and environmentally destructive are subsidies to road transport and the energy sectors.

A Social Policy Bond regime would screen out this nonsense at an early stage. Instead of devising policies that allegedly 'help the family farm' or 'ensure a safe supply of food' - when they do no such thing - a bond regime would target meaningful and verifiable outcomes. If the real problem is rural poverty, then our target should be the reduction of rural poverty. If the problem is that some people can't afford food, then our target should be to ensure that nobody goes hungry. The same applies in other policy areas: if climate change is the problem, then reward people for stabilising the climate. If poor health and literacy outcomes are the problem, then reward people for improving them. It is not for government to dictate *how* these problems should be solved nor to reward its favoured institutions.

Markets are the most efficient means yet discovered of allocating society's scarce resources, but many believe that market forces inevitably conflict with social goals: accentuating extremes of wealth and poverty, for example, or accelerating the degradation of the environment. So it is important to remind ourselves that market forces can allocate resources in ways that serve public, as well as private, goals. Social Policy Bonds are a new way of channelling the market's incentives and efficiencies into the solution of our social and environmental problems.

2.3 March

2.3.1 Subsidies favour big business **(2005-03-03 21:27)**

Take agriculture subsidies: in the OECD area these amount to US $250 billion per year. Most of it does not end up in additional income for farm households. Some goes to those who administer farm programmes, but most goes to those who supply inputs to farmers and those who process output from farmers.

The OECD estimates that only 25 per cent or less of most of the subsidy from consumers and taxpayers ends up as additional income for farm households.

What happens to the remainder? For every one dollar of taxpayer funded deficiency payments, 40 cents goes as extra profits to suppliers of farm inputs. Another 14 cents goes out as extra rents for non-farming landlords. Resource costs, that is the money needed to offset the combined opportunity costs of diverting resources from other productive uses to the production of the supported commodity, account for 20 cents.

Inputs and processing are mostly supplied by large agribusiness companies. Agricultural support policies tend to raise the prices of fertilisers, pesticides, animal feedstuffs and farm buildings, as well as land. Subsidies mean that farmers buy more purchased inputs and that suppliers, knowing that farmers can afford to pay more, charge higher prices for them. One study showed that identically packaged products and services in unsubsidised New Zealand are typically priced at half the levels charged to their subsidised counterparts in the UK and the Netherlands.

So large agribusiness corporates are major beneficiaries of high food prices. Who else benefits? A British charity, Oxfam, found that wealthy landowners like the Dukes of Westminster, Marlborough and Bedford, Lords Illife and de Ramsey and the Earl of Leicester can each receive subsidies of up to £370 000 a year for growing their cereal crops.

It is a self-perpetuating system of mutual back-scratching. The subsidies discriminate in favour of the largest corporates and biggest landowners, who can use taxpayer funds to buy up small businesses and small farms and to bankroll opposition to reform. Large businesses are also in a much stronger position to manipulate the regulatory environment that makes life so difficult for their smaller competitors.

The pattern is similar in other sectors, and the result is industry concentration. A subsidised transport infrastructure favours large, global businesses, as do compliance costs, which impose a disproportionately heavier burden on small businesses. Small, independent firms go bankrupt or sell out. McDonalds, Burger King and Starbucks take over.

A Social Policy Bond regime would not see a proliferation of small businesses as an objective, but that would be the most likely outcome. Why? Because the current subsidy system is based in large part on deception and it is unlikely that most people would willingly choose to subsidise large trans-nationals at the expense of small, local businesses. A bond regime would be transparent about what taxpayer funds would be used for: its goals would be explicit and meaningful to real people. Most of us, I believe, would rather see our taxes spent on raising basic health and education standards (for example) than on further enriching some of the wealthiest companies and individuals in the world.

2.3.2 Social Policy Bonds: information as well as incentives (2005-03-09 10:26)

In my work in trade policy I often have to point out that zero risk of threats to our animal, plant or human life through introduced species means no imports. We accept the uncertainties

and small risks for most products because we think the benefits of trade outweigh the risk-adjusted costs. Policymakers have decided that the optimal level of biosecurity risk is not zero.

Is there also an optimal level of crime? Or road deaths, or illiteracy? There are certainly levels that we tolerate or accept. These levels have evolved through the political process. They have not been calculated nor made explicit. They might be wildly inconsistent and apparently irrational. Limited resources can be allocated according to criteria that have little to do with where they will most cost-effectively improve outcomes. So we spend large sums on, for example, removing small amounts of [1]arsenic from drinking water, when it is at least possible that we could save far more statistical lives by diverting those resources elsewhere.

What is missing is the notion of trade-offs. Our current decision-making processes neither require nor generate the costs of achieving outcomes. So we are flying blind and contentious decisions are made on the basis of speculation, media profile and the relative power of lobbyists.

A Social Policy Bond regime would be different. A government that wanted to raise longevity would auction non-interest bearing bonds that would be redeemable once the longeivty target had been met. These bonds would inject market incentives into finding the most cost-effective ways of increasing the average lifespan. The bonds would not prejudge how best to achieve that objective. Bondholders would have incentives to find and initiate the most effective projects: these could include preventive medicine, or basic health education - both of which receive derisory funding these days because they lack the public profile and media appeal of larger, more visible efforts.

As important, the market for Social Policy Bonds would continuously generate valuable information about how much the achievement of targeted objective will cost. As soon as the bonds are issued, their market value will give an estimate of the cost to the issuers of achieving the targeted objective. The prices of the bonds would be constantly changing in response to events and the anticipated effects of bondholders' actions. From these price changes it would be possible to infer the marginal cost of tweaking the objective so as to bring about further improvements. If, for instance, bonds were issued to increase the current average lifespan to (say) 80 from (say) 76, then at every moment the bonds are on the market they would generate estimates of the costs of raising the average lifespan still further.

1. http://aei-brookings.org/admin/authorpdfs/page.php?id=181

2.3.3 How Social Policy Bonds minimise costs (2005-03-10 20:56)

Issuers of Social Policy Bonds would have to know the maximum they are prepared to pay to achieve an objective, but they would not have to calculate how much the actual cost would be with any accuracy. That would be done by bidders for the bonds in the open market. For example: say a city government targets a 50 per cent reduction in its crime rate, and it issues one million 'Crime Reduction Bonds' each of redemption value $10.00. If the market decided that the issue value of these bonds were $1.00, the net cost to the issuers of achieving the targeted objective (ignoring administration costs) would be $9 million. In other words, the market at the time of issue believes that the cost, including its profit margin, of achieving the objective would be $9 million.

Now suppose the bond issuers are completely in the dark about how much it will cost to achieve a targeted objective and instead of issuing one million bonds they issue ten million with the same redemption value, $10.00. They would then be liable for a maximum cost of $100 million. However, the market would still reckon that it could achieve the objective for around $9 million. So instead of valuing the bonds at $1.00 competition between potential investors would bid up the issue price of the bonds to around $9.10. (Social Policy Bonds would be an unusual financial instrument, in that the more that were issued, the higher would be their value!) The issuers therefore would not have to estimate with any accuracy how much a targeted objective might cost to achieve, and they would put a cap on their total liability by limiting the number of bonds issued.

So the Social Policy Bond mechanism ensures that the market, which means *people other than a handful of government employees*, would decide roughly how much it will cost to reach a specified social outcome. They would do this when they bid for the bonds at issue and at all times afterwards. This fact, and the would-be bondholders' incentive to minimise their costs, contrast with the current system in which the costs of achieving particular outcomes, if they are calculated at all, are not widely known, nor subject to competitive bidding. Indeed, under the current system, many of the people charged with achieving social goals (or, more likely, with supplying certain outputs) have every incentive to inflate the projected cost of their doing so. Under a bond regime, however, the awesome information-processing power of the market would be channelled into minimising the costs of achieving social and environmental goals.

2.3.4 Why Kyoto will fail **(2005-03-12 14:14)**

> Despite a decade of research documenting the carbon emissions from man-made reservoirs, hydroelectric power still has an undeserved reputation for mitigating global warming. [1] *Hydroelectric power's dirty secret revealed*
>
> , Duncan Graham-Rowe, 'New Scientist', 25 February 2005.

It's been known for some time that hydroelectric dams can increase greenhouse gas emissions: they produce significant amounts of carbon dioxide and methane - in some cases more of than power plants running on fossil fuels. But only now is this fact making it onto the political agenda. In the next round of IPCC discussions in 2006, the proposed National Greenhouse Gas Inventory Programme, which calculates each country's carbon budget, will include emissions from artificially flooded regions. But even then "[m]ethane production will go unchecked because climate scientists cannot agree on how significant this is".

Our knowledge of the causes of climate change is limited, but expanding rapidly. We urgently need a way responsive way of dealing with climate change that adapts rapidly to our changing knowledge. [2]Climate Stability Bonds would differ from Kyoto, in that they would not assume that we know the best way of solving the problem. They would reward the achievement of climate stability, however it is achieved. Bondholders would have incentives to respond quickly and appropriately to new knowledge about what is causing climate change and to new ways of dealing with it.

1. http://www.newscientist.com/article.ns?id=dn7046
2. http://socialgoals.com/ieakyototext.html

2.3.5 Mickey Mouse targets (2005-03-15 21:15)

> Staff in some hospital accident and emergency departments are threatening the safety of seriously ill or injured patients because of pressure to meet government targets limiting casualty waiting times. [1] BMA targets put very ill at risk
>
> , 'The Guardian', 14 March 2005

When government does get round to targeting outcomes (rather than giving taxpayer funds to favoured agencies or activities), it most often chooses Mickey Mouse goals. So in the UK, rather than target broad indicators of health, the Government has promulgated a panoply of micro-targets, such as the percentage of patients seen through hospital Accident and Emergency departments within four hours. Somebody in the Government has decided that this figure should be 98 per cent by the end of this month. One result is that people with serious, urgent conditions have to wait for treatment so that those with relatively minor conditions can be seen and discharged. This is especially so as the end of the 'four-hour envelope' approaches.

[2]

What effect does this have on patients? A quarter of hospital consultants surveyed said the care of the most ill patients was being compromised; 40 per cent said patients were being discharged before their condition was adequately assessed and stabilised, and half believed people were being rushed into inappropriate wards so that they would be wiped off the casualty unit lists. To comply with the government targets some departments simply redesignated beds within their units as separate wards.

This sort of nonsense is typical of governments when they try to outguess the market. Under a Social Policy Bond regime, a government would set meaningful, broad goals, rather than a range of easily measurable but irrelevant micro-targets dreamed up by a handful of middle-level bureaucrats with little capacity or incentive to see the whole. Instead of costly, intrusive and ultimately counter-productive monitoring of useless pseudo-objectives, a bond regime would target broad outcomes, such as infant mortality, or quality-adjusted longevity. The market would then decide how best these can be achieved. Markets are better than bureaucrats at allocating resources; they are far more responsive to particular circumstances and events than government agencies. Government should stick to what it is good at: representing and articulating the wishes of its constitutuents, rather than trying to micro-manage its way to re-election.

1. http://www.guardian.co.uk/uk_news/story/0,,1437103,00.html
2. http://www.imageshack.us/

2.3.6 What are the New Zealand Government's goals? (2005-03-19 12:37)

A Unicef study has found that 16.3 % of New Zealand children are being raised in poverty — a rate higher than all but three OECD nations (Mexico, the United States and Italy). *Child Poverty in Rich Countries 2005*, published by the United Nations Children's Fund (Unicef) found that one in six New Zealand children were living in homes that earned less than half of the local national median income. (These figures are based on data collected in 2001.)

Figure 1 The Child Poverty League

The bars show the percentage of children living in 'relative' poverty, defined as households with income below 50 per cent of the national median income.

[1]

Child poverty, according to this measure, increased during the 1990s:

Figure 2

Changes in child poverty rates during the 1990s. The bars show the rise or fall in child poverty rates in each country during the 1990s.

[2]

1. http://www.imageshack.us/
2. http://www.imageshack.us/

2.3.7 Corrupt Agricultural Policy (2005-03-21 10:44)

> What is missing in NAFTA is precisely the element that makes the EU work as a free-trade bloc. The EU's regional policy pays money directly from wealthy industrialized nations such as Germany to less wealthy agricultural nations such as Italy, Greece, Portugal and Spain. The result is that EU farmers stay on their farms. Like the US Farm Bill, EU subsidies violate the principles of free trade and comparative advantage, but do so for a higher cause: social stability. [1] Militarism and the war on drugs
>
> , *Asia Times*, 18 March 2005

There are several things wrong with this. First, is that EU farmers don't stay on their farms. They have been leaving in droves, and for decades. Second is that most of the subsidies don't go to farmers: they are capitalised into land values or go to food processors or input suppliers. Of those subsidies that do find their way to farmers, most go to the very largest, who can then snap up any land parcels that become available. Subsidies have fuelled the replacement of farm labour by expensive machinery. Nevertheless, if we accept that subsidies have caused at least some farm labour to stay on the land, how would that be a force for social stability? The jobs that ex-farmers would have done are being undertaken by unwilling migrants. Unwilling, because any chance they had of becoming prosperous in their home countries has been crippled by the EU's protectionist barriers against imports of, amongst other things, farm products. The EU's Common Agricultural Policy has undermined social stability in Europe and in would-be exporting countries. It is a corrupt, deceitful policy that wastes billions of dollars, denudes the environment and subsidises the rich at the expense of poorer consumers and taxpayers.

1. http://www.atimes.com/atimes/Front_Page/GC18Aa01.html

2.3.8 What drives education policy? (2005-03-22 09:45)

According to [1]this report the more school pupils use computers at home and school, the less well they do on tests of literacy and maths.

These findings raise questions over the UK Government's decision, announced by Gordon Brown in the Budget last week, to spend another £1.5 billion on school computers, in addition to the £2.5 billion it has already spent.

It's clear that whatever is the basis for the government's obsession with putting computers in schools, it's got nothing to do with educational outcomes.

1. http://www.guardian.co.uk/uk_news/story/0,3604,1442477,00.html

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2.3.9 Government cannot pick winners (2005-03-24 03:24)

The [1]death of John DeLorean is a good time to remind ourselves that government picking winning products doesn't work. In this case it was a futuristic-looking sportscar, into which the British Labour government poured £55 million taxpayers' money. The Thatcher Government later topped that off with a further £30 million. Within 21 months, receivers were appointed, the car went out of production and the workers at the DeLorean factory in Northern Ireland lost their jobs. Fewer than 9000 cars were produced.

Governments aren't much better when it comes to picking winning industries, and for exactly the same reasons: it's cannot respond quickly enough to changing circumstances, it doesn't adapt to local conditions, it doesn't understand markets and it has no financial incentives to be efficient.

So why should we assume that a government is any better at picking policy mechanisms? If the government wants to achieve, say, better health outcomes, that's fine. Democratic governments are good at articulating their citizens' wishes. But that's quite different from picking the best ways of actually achieving better health outcomes. (See *Mickey Mouse targets*, below.) Government is no better at choosing activities and policy programmes than it is at picking winners in other areas. Let the government do what it's best at: representing our wishes and raising revenue to achieve them. But then let the market take over, and work out how best to allocate taxpayer resources. A [2]Social Policy Bond regime would bring about such a division of labour.

1. http://motoring.reuters.co.uk/reuters/vocmain.jsp?lnk=101&id=1080
2. http://socialgoals.com/spbs600words.html

2.3.10 'Solving the world's problems'... (2005-03-29 10:20)

...is the immodest title of my new book on Social Policy Bonds. It's available from online retailers, or as an ebook via [1]this page on the [2]Social Policy Bonds website.

[3]

1. http://www.socialgoals.com/page4.html
2. http://socialgoals.com/
3. http://www.imageshack.us/

2.3.11 Policy as if outcomes don't matter (2005-03-30 11:15)

When outcomes don't determine policy, this is how politicians spend your tax money:

> [T]he [UK] government finally published details of the £1.7bn in support payments that farmers and agricultural companies in England receive from the taxpayer.The most glaring subsidy was more than £120m received by Tate and Lyle in a single year.

and

> Aristocrats who received CAP subsidies included the Dukes of Westminster (£448,000 in 2003-04), Marlborough (£511,000) and Bedford (£366,000), plus the Earl of Plymouth (£459,000) and the Marquess of Cholmondely (£306,000).

Meanwhile:

> Ali Abbas, the Iraqi orphan who lost both arms in the war, has been told he will not receive backdated disability payments in Britain because he cannot prove his injuries existed before last week.

Sources: [1]1, [2]2, [3]3.

1. http://politics.guardian.co.uk/comment/story/0,9115,1443753,00.html
2. http://news.bbc.co.uk/1/hi/uk_politics/4374655.stm
3. http://www.portal.telegraph.co.uk/news/main.jhtml;sessionid=IZTIIRMFUO4RDQFIQMGSNAGAVCBQWJVC?xml=/news/2005/03/30/nirq30.xml&sSheet=/news/2005/03/30/ixhome.html

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2.3.12 Reframing environmental issues (2005-03-31 11:53)

Grist has an interesting [1]discussion about reframing environmental issues. I made this contribution:

Reframing in terms of agreed outcomes

One problem is that we are all the beneficiaries of a degraded environment. I don't just mean those of us who fly or drive or buy supermarket food. I mean everyone on the planet. By destroying the environment we have allowed a massive increase in the quantity of life, and we, ourselves, our lives, are the result. Without environmental destruction the earth would be supporting far fewer people. So any campaign, or reframing, must start with some humility. It's not us versus them. We are all 'us'.

To be more pragmatic, I suggest reframing the discussion in terms of explicit, agreed, meaningful, environmental goals. Not, as at present, about rights, processes, activities, or funding of institutions. Goals - so that instead of talking about cutting greenhouse gas emissions, we target climate stability. Instead of trying to monitor and pin down polluters of water, we agree on and target the quality of the water. My [2]website goes into more detail, and discusses how we can use the market's incentives and efficiencies to achieve environmental goals. Efficiency is part of it, but it's also about having clear, agreed, targeted outcomes. There is more consensus over what we need than about how to get there. Talking about outcomes makes trade-offs clearer, and brings more participation and buy-in into environmental policy.

1. http://www.grist.org/news/muck/2005/03/29/little-lakoff/index.html
2. http://socialgoals.com/

2.4 April

2.4.1 Corporate goals and perverse subsidies (2005-04-05 11:36)

The corporate sector has very clear objectives, comprising mainly sales, profits, market share and growth. In achieving its objectives the corporate sector generates positive and negative externalities. If corporations were human beings, informal pressures would probably ensure that the positives outweighed the negatives, or at least we could appeal to their humanity when the negatives become outrageous. They aren't, so we try formal regulation instead. But what happens when the regulators - governments - don't have equally clear objectives?

One answer is that they can be easily corrupted by the corporations. So we get perverse subsidies, such as those to the energy or agriculture sectors, that are financially and environmentally disastrous, and subsidise the rich at the expense of the poor.

Perverse subsidies are essentially expensive ways of protecting sectoral investments and employment. They constitute sufficient evidence that governments mis-allocate significant

resources. But they are only the most spectacular wastes of government funds, representing entire policies almost all of whose effects on society and the environment are negative. Other government failings are not always so obvious or quantifiable. Sometimes only certain elements of a programme are questionable, or only fractions of public funds may be misdirected or abused. Or government may be carrying out worthwhile activities inefficiently, so that their costs to the taxpayer are higher than necessary.

The result is that in many of the wealthiest societies that have ever existed in human history, there are significant pockets of deprivation, crime rates are high and rising, health services are plagued by too much demand and occasional scares, and public education seems always to be in crisis. Environmental problems are a growing cause for concern at all levels: local, national and global. Indeed the entire human population is now threatened by global environmental catastrophe and by the proliferation of weapons of mass destruction. These problems persist despite high levels of government spending and the less well-funded but laudable efforts of many non-governmental organisations.

Under a Social Policy Bond regime, governments would target social and environmental outcomes as single-mindedly as corporations target their own objectives. A Social Policy Bond regime would combine explicit, meaningful goals with the other essential element that defines corporations: financial incentives. Click [1]here to go to the Social Policy Bonds website and find out more about how the bonds would work.

1. http://socialgoals.com/

2.4.2 Numbers and happiness (2005-04-11 15:03)

One of the points Richard Layard makes in his new [1]book on happiness is that beyond certain levels of income and wealth, more money does not make us much happier. There are very significant policy implications. One is that most governments' de facto goal, faster economic growth as (badly) measured by GDP per capita, is even less useful than you might think. (For work on alternatives see, for instance, [2]Redefining Progress.)

A Social Policy Bond regime would target explicit, quantifiable goals. Already this would improve on the current system, where goals are often unstated or sufficiently vague so that governments cannot be held accountable when they fail to achieve them. But Social Policy Bonds would target outcomes, and whoever issues them could make sure that their targets would be *inextricably linked to increased social welfare*. As Layard points out, at low levels of income and wealth, gains do translate into increased welfare, and it would therefore be worthwhile for governments (or other bodies) to target such gains. Far better to do that, than to target obsessively GDP per capita.

The problems with targeting economic growth to the exclusion of most other goals are becoming ever more obvious: a deteriorating environment; a fraying social fabric; the entrenchment of poverty; and health and education systems that seem perpetually to be in crisis. There is also the frightening prospect of violent political conflict; another area where significant financial incentives (to arms merchants and others) are available only to the creators of social problems, not to the would-be solvers.

1. http://www.amazon.com/exec/obidos/ASIN/1594200394/103-0302962-6145443
2. http://www.rprogress.org/

2.4.3 What happens when government tries to help (2005-04-13 15:55)

"Ask yourself," wrote John Fund of the Wall Street Journal a decade ago, "If you had a financial windfall and wanted to help the poor, would you even think about giving time or a check to the government?" My explanation for why the answer should be a resounding, unanimous "no" is that government is inefficient in helping the poor, even if that is its actual goal. And it is inefficient because it has no incentives to be efficient. Charities are far more efficient, but have to run on a shoestring because most of what we would spend on the poor is compulsorily taken away from us to be spent by government.

Government, by default is now taking charge of our physical environment. Given the mess it's made of our social environment, we know what to expect: good intentions, massive funding of government agencies, supplanting of environmental goals by insitutional goals, some corruption, more waste, and the crowding out of our own intrinsic motivation to do the right thing. If only government would issue Social Policy Bonds. Then it would concentrate on articulating society's wishes and raising the funds necessary to achieve them - things it does quite well. It would leave to markets the actual allocation of resources to achieve our goals - which government does very badly indeed.

2.4.4 (2005-04-15 08:53)

Thanks for your considered comment Adam, which is much appreciated. Let's say that, apart from government, there are two types of 'people who want to solve problems'. There are wealthy individuals or philanthropists who might have lots of capital, and who can indeed issue their own Social Policy Bonds. I have done a [1]handbook which tries to give some guidance on this. I have also tried to interest philanthropists, but understandably perhaps, they invariably ignore my emails. I do not share your concern that bond issuers would initially raise funds from the bond sales: they can always specify a remote objective so that this amount would be negligible and the problem-solvers would have to shell out very little in relation to their potential gain.

Then there are, as you put it, 'cash strapped entit[ies] with the problem solving idea'. These might be individuals or non-governmental organisations. They would not have to buy Social Policy Bonds themselves to put their ideas into action: they could do that by getting bondholders interested in their ideas. A Social Policy Bond regime would give bondholders strong incentives to seek out these entities or, more accurately, their ideas. The potential for profit from higher bond prices would catalyse the getting together of those with the cash but no ideas, and those with the ideas but no cash.

The idea in your last para is interesting. I will think about it more, but here are my first reactions. I am not sure I like the idea of many people holding bonds that would become worthless if a targeted social objective were achieved. They would have perverse incentives

to sabotage any objective-achieving projects. The idea would make the problem-solving the exclusive responsibility of the business. It could work though if government bought the bonds, and for small-scale problems, where the relationship between a problem and its causes are readily identifiable and solvable by a single business. But it lacks the fluidity of ownership (of the problem-solving, not necessarily the bonds) that Social Policy Bonds would bring about, which I think is more suited to complex social and environmental goals. For these, there is a need for a larger (than one business) and more changeable cast of characters who will carry out the problem-solving. with your proposal I also see the need for careful and continuing monitoring of what happens to the proceeds from the bond sale. The market would of course discount the risk that these proceeds would (how shall I put it?) not find their way to solving the specified problem, but in doing so it may not actually reward the business with much starting capital. Lastly, I am a wary of businesses identifying problems and offering to solve them for a price. I'd rather the existence and role of problem-solving businesses were a consequence of social policy, not a cause of it. Under the Social Policy Bond regime as I envisage it, I think this is what would happen.

1. http://socialgoals.com/handbook.pdf

2.4.5 Ideology = Intellectual Bankruptcy (2005-04-17 13:48)

The New Zealand opposition National Party [1]decries the increasing size of the state sector, saying it would conduct a thorough review of all state spending and "identify waste" if it returned to power. Fine, and it is true that after five years of Labour (to September 2004) total state sector staff numbers had grown by 33 630 to 278 831. In core government departments, staffing has risen from 30 702 to 38 270.

But the selection of 'cutting back the state sector' as a policy goal is, I believe, a symptom of intellectual bankruptcy. In this respect the New Zealand National Party is no worse than the New Zealand Labour Party or virtually any other political party in the world. Driven by ideology, they fail to target outcomes that are meaningful to the people they want to represent.

Cutting back on the numbers employed by the state is not valid as an end in itself. It might be a means to certain ends, but these ends should be explicit and transparent, and people should be given a chance to vote on them. The size of the state sector should be a result of decisions made about what social and environmental outcomes people want, not a matter of blind ideology. If political parties treated the electorate as adults, and gave us choices about meaningful outcomes, we might take politics more seriously and even participate in it. Perhaps that's what they're afraid of.

1. http://www.jobsletter.org.nz/

2.4.6 (2005-04-18 08:50)

Interesting thoughts. I will need time to absorb these. I may chat later.

2.4.7 (2005-04-18 08:54)

Good point. However, I sometimes wonder if people can see things are wrong on an instinctual level, and react on the basis that doing something is often better than doing nothing (even if that turns out not to be the case)

It may not reflect intellectual bankruptcy, but a kind of intellectual deficiency that just needs some guidance?

2.4.8 (2005-04-18 10:00)

Thanks; all comments welcome

2.4.9 (2005-04-18 10:08)

Thanks ZenTiger. I agree: my aspersions are directed at policy specialists and politicians, rather than ordinary folk who can be excused an instinctive reaction. The politicos know, or should know, that targeting agency funding levels, activities, inputs and outputs is inefficient, prone to corruption, and no substitute for targeting meaningful outcomes. The world is too complex for simple ideological 'solutions'. Policymakers should know that by now.

2.4.10 Another day, another set of Mickey Mouse targets (2005-04-18 23:34)

More Mickey Mouse targets, this time from a typical day in the [1]UK election campaign. The Tories are saying they want to open more children's hospitals, Labour promises shorter waiting lists for women seeing breast cancer specialists, and the Liberal Democrats say they'll spend more on police and community support officers.

This is more run-of-the-mill policymaking as if outcomes don't matter. The parties' Public Relations consultants identify an 'issue' of the day and the politicians think of some policy response. What is missing is the link between the policies they come up with and achievement of a meaningful outcome. What do political parties know about improving children's health outcomes, women's health outcomes, or reducing crime rates? Not much, but our policymakers are not known for their humility. Rather than relinquish their role in dictating how social goals shall be achieved, our politicos impose their own Mickey Mouse targets for peripheral pseudo-goals that may or may not be tenuously linked with what society actually wants to achieve.

But the world is too complex and fast-changing for that. We cannot assume that any

single group of people knows the answers. Under a Social Policy Bond regime, the achievement of broad social and environmental goals would be contracted out to the most efficient operators. Bondholders would have powerful incentives to be efficient themselves, or to sell their bonds to more efficient investors. So if, for instance, a government were serious about reducing crime it wouldn't assume that more police or community support officers are the best solution. It would hand over responsibility to bondholders, who might decide that more could be achieved by subsidising employment in some areas, or installing effective alarms and cameras in others, or building youth clubs in still others. We need diverse, responsive, solutions run by people with incentives to perform. We do not need politicians' micro-management, Mickey Mouse pseudo-targets, chosen because of their high profile, or because they can staffed by government agencies, or subject to central control.

1. http://www.itv.com/news/index_1771303.html

2.4.11 (2005-04-20 23:54)

Are these policies just simply electioneering? You know, more hospitals sounds like a good thing so it is said regardless of the effect... but then you already knew that.

2.4.12 (2005-04-21 14:31)

Jimmy Jangles! Yes, I guess we are complicit in that we think they sound good, so we carry on voting for them. Or we don't, but the non-voters have no representation. Now if policy were expressed as outcomes, then we'd have something meaningful to vote about....

2.4.13 Emissions are not climate change (2005-04-23 07:26)

From [1]the Economist:

> Emissions trading is also taking off. America led the way with its sulphur-dioxide trading scheme, and today the EU is pioneering carbon-dioxide trading with the (albeit still controversial) goal of slowing down climate change. ... Here, politics merely sets the goal. How that goal is achieved is up to the traders.

Not quite. The goal is to mitigate climate change, not cut back on anthropogenic carbon dioxide emissions.

For sulphur dioxide, there is probably a strong correlation between amounts emitted by those (relatively few) polluters whose emissions can be accurately monitored and its adverse effects on social welfare. But this is not the case with carbon dioxide. What will emissions trading in CO 2 achieve? It might put a cap on anthropogenic emissions of carbon dioxide - those

at least that can be reliably monitored. It may or may not bring about a significant reduction in total anthropogenic greenhouse gas emissions. It might even limit total greenhouse gas emissions. But it does not target beneficial changes in the composition of the atmosphere. And it does nothing to encouarge those who find ways of mitigating climate change other than reduce CO2 emissions.

It is in short an indirect and tenuous way of cutting back one possible driver of climate change. If imposed in a way that will have any effect on emissions at all, it will be expensive, divisive and almost certainly ineffectual if its real goal is actually to mitigate climate change.

Here's another idea: instead of targeting anthropogenic CO2 emissions, reward people who mitigate climate change *however they do so*. Better still, offer market incentives, so that people not only to do the right thing, but do it efficiently. In other words: issue [2]Climate Stability Bonds.

1. http://www.economist.com/opinion/displayStory.cfm?story_id=3888006
2. http://socialgoals.com/ieakyototext.html

2.4.14 (2005-04-24 23:22)

Still, your system relys on the existence of organizations or individuals with enough cash and time to both buy social policy bonds, and seek out organizations with ideas to do something about a problem, and then work with them and probably fund them with more cash to actually help solve the problem.

I'm just not really convinced that the incentive provided to these cash and time rich organizations or individuals to see the price of their bonds go up would really be enough to make a measureable difference in their behavior.

The organizations and individuals who would be most likely to buy social policy bonds under this scheme are probably already working to solve social problems, and don't need an extra incentive to do so by buying social policy bonds.

The key would be to get organizations and individuals who normally are not interested or focused on a given social problem because it is not already part of their mission, to buy these social policy bonds. But why would they if they are not going to see any return on their investment unless they invest more money and time, beyond what they give to buy the bond itself, in what for them are non-mission related activities?

2.4.15 (2005-04-25 03:57)

Thanks for your comment. For remote objectives, an organisation would pay relatively little to buy Social Policy Bonds in the first place. They might stand to see capital gains of 900 per

cent, or much more, if they held the bonds to redemption. With that sort of opportunity, I see new organisations coming into being, *dedicated solely to achieving targeted objectives*. They need not directly carry out objective-achieving activities, but could concentrate on subsidising existing bodies that are trying to solve social problems. The bondholders would have incentives to fund only the most efficient of existing projects, or only the most promising new solutions to social problems. What you rightly call 'non-mission related activities' would become 'mission related' to an organisation holding a large number of bonds. The existence, mission and role of a large bondholding organisation would in fact be defined by objective that is targeted by the bonds it owns.

2.4.16 Why bother to buy Social Policy Bonds? (2005-04-26 09:07)

I am often asked why corporations or other agencies would bother to buy Social Policy Bonds. Those that are already trying to achieve social or environmental goals probably won't have much cash to spend on bonds and, unless they bought a great many, would hardly gain much by seeing the market value of their bonds rise.

I have two answers: first is that existing bodies could benefit substantially from holding Social Policy Bonds that target a remote objective (where the initial market price of the bonds would be very low). They could see the value of any bonds they buy multiply many times. But my main answer, which applies especially to larger projects, is that in the long run Social Policy Bonds would bring about new sorts of organisation: those dedicated financing the most efficient solutions to social and environmental problems. These organisations would, I think, end up owning large proportions of the bonds in circulation. They could subsidise the most cost-effective existing projects that are aimed at solving social problems; they could bribe socially destructive operations to reduce their activities; or they could help maximise returns from law enforcement. They could also finance research into the most promising new ways of achieving our social goals.

The profits of these bondholding organisations would be highly correlated with their success in solving social problems. Their profit-seeking would fit in exactly with the goals of wider society. Many bondholders, whether individuals or corporations, would be rich and, if their bonds were redeemed early, they would become richer. But this would be a socially beneficial way of acquiring wealth. What would be the implications of this? Two long-run possibilities:

It would enlarge the pool of talented people working to achieve social and environmental goals; and

As a way of accumulating wealth that is strictly correlated with wider public benefit, it could allow other, less socially beneficial ways, to be taxed more heavily.

2.4.17 (2005-04-27 11:51)

Hi Ronnie. Can you fix the links to Social Policy Bonds in Brief?

2.4.18 (2005-04-28 03:13)

Thanks for the feedback. Will try to fix: meanwhile here is an alternative link to [1]Social Policy Bonds in Brief.

1. http://geocities.com/socialpbonds/spbs600words.html

2.5 May

2.5.1 Closing the gap (2005-05-01 07:12)

Unlike many economists I have no view on the desirable size of government. I do not believe that 'taxation is theft', or that economic freedom is necessarily the most important consideration. To me it is the distance between government and people that is the matter of concern, especially as this distance seems to be widening in most democracies.

The gap would narrow if more people participated in policymaking. One reason, I believe, why we're not very interested is that policy is formulated in terms that are difficult to relate to outcomes that are meaningful to natural persons, as distinct from corporate bodies. Policymakers appear to concern themselves with decisions about funding for different government agencies, dispensing patronage to big business and other lobbies, presenting themselves in the best light ... almost anything, in fact, except outcomes that mean something to real people.

A government that issued Social Policy Bonds would, from the outset, have to concern itself with social and environmental outcomes. Its main role would be to articulate society's wishes regarding social and environmental outcomes, and to raise the revenue that would fund these outcomes. Unlike most of the current determinants of policy, the language of outcomes and the necessary trade-offs between them is comprehensible to people other than politicians, bureaucrats, lawyers and public relations experts. For that reason, more people would be drawn into policymaking - an end in itself, as well as a means toward getting greater public buy-in to the resulting policies.

Expressing policy in terms of outcomes, and the consequent closing of the gap between public and policymakers would be one valuable benefit arising from a Social Policy Bond

regime. The other would be the much greater efficiency in achieving social and environmental goals once the market, rather than a handful of government employees, decides who shall achieve these goals, and how they shall be achieved.

2.5.2 What about the subsidies to big oil? (2005-05-04 10:20)

> If we're going to get through this crisis period without an awful lot of pain, we're going to have to have the equivalent of a Manhattan-like Project. We're going to have to challenge, not just the American people, but the people of the world because the first thing we have to do is to have an enormous conservation effort so that we buy time. US Congressman [1] Roscoe Bartlett
>
> (R-Maryland)

Politicians are still subsidising oil extraction and oil consumption, as they have for decades. It is politicians who have subsidised the infrastructure that makes us dependent on oil. And here is one of them advocating another top-down, think-big, government-knows-best 'solution'. Yes, that's sure to work. Memo to Mr Bartlett: why not just stop the subsidies?

1. http://www.globalpublicmedia.com/transcripts/402

2.5.3 Government for special interests (2005-05-06 15:48)

> The problem with special-interest conservatives is not that such agenda items violate their greater principles on any given point, any more than the policies promoted by Democratic interests violate liberal principles. Rather, it's that the entire enterprise of running Washington as a special-interest spoils system breeds a bloated, ineffective government - which does very much go against conservative principle. Ten years ago, conservatives defined themselves in large measure by their belief in less government. Many still view themselves that way, but the self-conception no longer has anything to do with reality. ...[F[or the 101 biggest programs that the Contract With America Republicans proposed to eliminate as unnecessary in 1995, spending has now risen 27 percent under a continuously Republican Congress. *[1] Interest-Group Conservatism* , Jacob Weisberg, 'Slate'.

What goes for the United States goes for the other western democracies. The identity of the special interests changes, but the consequences don't: government that keeps growing, but fails to achieve society's social and environmental goals. And the consequence of that? A widening gap between government and the people, and a self-perpetuating lack of public participation in the political process. Even with postal voting, the turnout in yesterday's UK general election amounted to [2]about 60 per cent. Only when politicians stop catering to special interests, and start focusing on what real people want, will this change. And that won't happen until they start expressing their policy goals in terms of broad, transparent, explicit, verifiable outcomes.

1. http://www.slate.com/id/2118053/
2. http://news.bbc.co.uk/1/hi/uk_politics/vote_2005/frontpage/4519515.stm

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2.5.4 (2005-05-07 05:52)

The Death of Environmentalism" (DOE) should be called "The Death of Elite, White, American Environmentalism." A critique of the environmental movement that draws on neither the perspectives nor achievement of the environmental justice (EJ) movement is, at very best, incomplete. That the DOE interviews and recommendations only focused on white, American male-led environmentalism meant that the fatal flaws of that part of the environmental movement infected the critique itself. These omissions inspire me to paraphrase Sojourner Truth, and ask "Ain't I an environmentalist?"

I was struck by how the piece echoed the National People of Color Environmental Leadership Summits of 1991 and 2003, both of which I attended. A review of the attendees list indicates that neither Shellenberger nor Nordhaus were present at either Summit. Their critiques also repeated analyses from letters EJ leaders sent to leaders of white environmental groups since 1990. It's unfortunate that the authors have begun to attack the EJ movement, calling it fetishized NIMBY-ism, while making the contradictory claim that environmental health issues aren't real concerns in communities of color (February 23rd UC Berkeley campus newspaper The Berkeleyan; tape of the panel).
for more go here: http://www.ludovicspeaks.com/2005/05/aint _i _an _envir.ht

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2.5.5 (2005-05-07 09:59)

Thanks for your interesting comment. I don't know much about the respective merits of the EJ movement and the mainstream environmental groups. But I'd like to see a focus on environmental outcomes. You mention the 'achievement' of the EJ movement. What is this? This is a genuine question. How does it differ from that of the 'white...male-led' groups?

Actually, to me what is more important than ascribing merit or blame to the different factions, is to get some agreement on minimum environmental outcomes - bottom-line achievements - and then push for these.

2.5.6 Killing our cities (2005-05-08 11:28)

[1]*The Nation (Bangkok), today published my letter:*

The Bangkok Metropolitan Administration wants to ban street vendors from operating on Sundays. I am sure the BMA genuinely believes its plan would be good for the city. Like government the world over, it probably identifies economic success with the profits of its friends in big business, in this case the owners of shopping malls, luxury goods stores, and car manufacturers, all of whom would benefit from clearing vendors off the streets. In this the BMA is mistaken. It is small businesses on which the economic and social health of Thailand depends, and the BMA should be encouraging them, not chasing them away.

If the BMA wants to see the results of policies that favour big business at the expense

of small businesses it need only visit typical western cities, where well-meaning over-regulation and zoning laws have created sterile, bleak, city centres. Cities that used to be vibrant and thriving, as Bangkok is today, are dying. In fact, at weekends and every evening they are already dead. People are afraid to walk in the streets and drunks and yobboes take over. Bangkok should learn from the mistakes we have made in the west, where government and big business seem determined to stifle diversity and enterprise.

Technorati tag: [2] society

1. http://www.nationmultimedia.com/
2. http://technorati.com/tag/society

2.5.7 Information markets and Social Policy Bonds (2005-05-13 09:39)

[1]Robert W Hahn is co-founder and executive director of the American Enterprise Institute-Brookings Joint Center for Regulatory Studies. His paper, [2]Using Information Markets to Improve Policy, briefly refers to my work on Social Policy Bonds. I respond to his comments.

> *Horesh's proposal differs from ours in two other ways. First, it does not pay for incremental progress toward a specific goal. That is, the bond would only pay the fixed amount if a specific objective were achieved.*

I have three main answers:

First, let's say our targeted objective is to reduce unemployment from 10 per cent to 3 per cent. We issue Social Policy Bonds that become redeemable for a fixed sum when unemployment is sustained at 3 per cent or below for, say, two years. This is a remote objective, but would that put people off buying the bonds even if they did not particularly want to make a long-term investment that might take many years until redemption? Not necessarily, because if they undertake unemployment-reduction projects now, the market value of their bonds will rise, even if the effect of their activities is only to reduce unemployment to, say, 8 per cent. The market will most likely interpret such a reduction as a reduction in the cost of getting the percentage down to the required 3 per cent target. The market value of the bonds will therefore rise, and the original purchasers can sell and realise a profit, once they have carried out their unemployment reduction projects.

Governments routinely issue bonds redeemable 10, 20 or more years into the future, but very few people who buy them at issue intend to hold them all the time until redemption. They can profit from shorter-term variations in bond prices.

Second, the redemption terms of the bonds could be formulated to explicitly reward incremental progress. In the interests of simplicity I have not gone into detail about this, but time-based provisos could easily be added to the redemption terms of any Social Policy Bond issue. For example, bonds could be issued that targeted a reduction of unemployment of 10 to 3 per cent. They might be redeemable for $1000 each, but if, say, the 3 per cent target

were achieved within five years (and sustained for a further two years) the issuers could make them redeemable for $1500. If the target is not achieved for 30 years, the redemption value could collapse to zero. Of course, bond issuers could post more sophisticated time-based redemption conditions.

Third, and more trivially, bond issues could target intermediate targets themselves. So bonds could be issued that targeted a sustained drop in unemployment to 6 per cent rather than 3 per cent. Or two or more unemployment rates could be targeted by two or more bond issues.

> *Second, in the absence of costless bargaining and coordination among firms holding Social Policy Bonds, individual firms will not have adequate incentives to help meet the performance objective under his proposal because of problems with free riding.*

I think this would be more accurate if instead of 'will not have adequate incentives□' it read 'would have reduced incentives□'. Even if bargaining and coordination were costly firms would, under certain conditions, help meet targeted objectives. Certainly, the direct benefits of bondholding would not always be apportioned strictly corresponding to bond holdings. But: Firms would be looking at how worthwhile it is to themselves to undertake activities that would raise the value of their bonds. They might not be deterred from carrying out these activities just because other firms might benefit disproportionately more. Company executives and workers respond to all sorts of incentives, and are not deterred from maximum performance just because large shareholders will receive much greater financial rewards.

Firms could leverage their actual bondholding by buying call options or futures for the bonds, thereby maximising the returns from their target-achieving activities.

However, perhaps more important is that bargaining and coordination in the age of the internet are, in fact, very close to costless.

> *[Horesh] does not address how to obtain information on the costs and benefits of a policy prior to implementation.*

This is true for new policies. But issuers of Social Policy Bonds will easily limit the *maximum* cost of their policy because they determine the redemption value of each bond, and the total number of bonds in circulation. And once a bond has been issued that, say, targets the reduction of unemployment from 10 to 8 per cent, then the market value of the bonds will generate and reveal masses of information about the costs of this policy, costs and benefits of particular unemployment-reduction projects and, importantly, costs of reducing unemployment still further. (I go into this in detail in my books.)

Technorati tag: [3] economics

1. http://www.aei-brookings.org/about/advisorybio.php?id=1
2. http://www.aei-brookings.org/publications/abstract.php?pid=816
3. http://technorati.com/tag/economics

2.5.8 Subsidising the rich (2005-05-17 16:43)

> The [New Zealand] Government is increasing its commitment to developing a knowledge society with an extra [NZ] $60 million for its Digital Strategy, including [NZ] $44.7 million of contestable funding. The strategy, released yesterday in advance of the Budget, says creating a knowledge society will require connections to the internet to be instantaneous, affordable and available everywhere. ... [T]he Government [will] spend up to [NZ] $400 million on digital strategy initiatives in the next five years. [1] Government digs deep to create a wired society
>
> , 'New Zealand Herald', 17 May

If the Government wants to create a 'knowledge society' it should first decide what a knowledge society is. A functional literacy level of 100 per cent would be a good start. A sensible government would set up some such meaningful targets, raise the funds to deliver them, then let the market decide how to achieve them. See [2]here (pdf), for how Social Policy Bonds could be issued to raise literacy of girls and women in Pakistan. I suspect this well-intentioned government initiative will end up subsidising the stay-at-home movie watching habits of well-off New Zealanders.

1. http://www.nzherald.co.nz/index.cfm?c_id=5&ObjectID=10125815
2. http://socialgoals.com/handbook.pdf

2.5.9 Nappies and environmental policy (2005-05-19 17:43)

The UK Environment Agency's [1]life cycle analysis of nappies concludes that neither type - disposable or cloth - is better or worse for the environment. The Women's Environmental Network [2]disagrees, saying the report is analysis is seriously flawed.

As always there are bound to be valid arguments on both sides, as well as value judgements, boundary issues etc. The lesson for policymakers though is this: instead of trying to legislate for or against activities whose effect on the environment are not obvious, they should target environmental outcomes. Under a Social Policy Bond regime, people would have incentives to work out the best ways of achieving these outcomes. If you live close to a landfill site, for example, it might be better for the environment if you used disposable nappies rather than cloth. Only an outcome-based regime would reward people for taking a such a diverse, responsive approach.

With nappies, we are not talking about disaster scenarios. But the same mistake has been made with climate change. The politicians have decided that the way to prevent it is to cut back on anthropogenic greenhouse gas emissions. They have staked everything on this. Instead of targeting alleged causes, they should be rewarding people for achieving climate stability as cost-effectively as possible, however they do so. To see how, please read this published article about [3]Climate Stability Bonds.

1. http://www.environment-agency.gov.uk/yourenv/857406/1072214/
2. http://www.wen.org.uk/general_pages/Newsitems/ms_LCA19.5.05.htm
3. http://socialgoals.com/ieakyototext.html

2.5.10 Entrenching dependence (2005-05-25 09:03)

The European Union has decided to [1]double the amount of taxpayers' money it will give in aid by 2015. The EU mandarins are obviously more comfortable giving other people's money as charity than allowing poor countries to prosper through trade. According to [2]Oxfam:

> The financial losses associated with import restrictions in rich countries outweigh the benefits of aid. Import tariffs, the least significant weapon in the protectionist arsenals of rich countries, cost developing countries around $43bn a year. The total costs of all forms of trade barriers – including tariffs, non-tariff barriers, antidumping measures, and product standards – are more than double this amount, rising to over $100bn, or more than double the total sum of development assistance.

The extra aid will amount to $40 billion. If the EU chiefs were genuinely concerned about third world poverty, they would dismantle their corrupt, insane, barriers to agriculture, textiles and clothing. Especially since, as Oxfam continues:

> Such figures understate the real impact on the poor. They do not capture the costs of protectionism in terms of reduced opportunities for employment, reduced income for essential goods such as food and health care, or the long-term economic losses associated with restricted opportunities for investment. Nor do they capture the disproportionate impact on very poor households. Because Northern governments impose the most punitive import restrictions on goods produced by the poor, they systematically diminish the potential for trade to act as a catalyst for poverty reduction.

It looks very much as though EU governments are trying to replicate on an international scale the disastrous, enfeebling welfare dependency they have created at home. Perhaps they are more interested in control than prosperity.

Technorati tag [3] Economics

1. http://news.independent.co.uk/uk/politics/story.jsp?story=641177
2. http://www.oxfam.org.uk/what_we_do/issues/trade/bp22_eutrade.htm
3. http://technorati.com/tag/Economics

2.5.11 Tax breaks for the rich (2005-05-28 15:18)

Death by a thousand cuts by Michael Graetz and Ian Shapiro tells the story of the successful campaign to repeal inheritance (estate) tax in the US. It is a fascinating story, reviewed [1]here by David Runciman.

> The mystery is this: how did the repeal of a tax that applies only to the richest 2 per cent of American families become a cause so popular and so powerful that it steamrollered all the opposition placed in its way?

Part of the answer was the rechristening of the tax as the 'death tax', which implies that the tax was on the hard-working deceased, rather than those wanting to inherit wealth. The tax was also depicted as a form of discrimination,

> By the time a few opponents of repeal started to make the case on more principled grounds, arguing that the estate tax was a crucial part of the American conception of giving everyone a fair chance in life, it was already too late. Graetz and Shapiro draw a blunt lesson from all this, designed to send a chill through the hearts of progressive politicians everywhere: 'In politics, when you're explaining, you're losing.'

Social Policy Bonds are more about spending tax revenue than raising it, but this book does illustrate how the complexities of social policy can be readily abused by interest groups acting out of pure self-interest. Exactly the same goes on when lobbyists argue in favour of 'protection' for farmers (for example) that end up as subsidies to wealthy landowners and large agribusiness corporates while everybody else, and the environment, suffer. The true beneficiaries and victims are obscured by the formulation of policy in terms of funding of various projects or vague, mutually conflicting pseudo-objectives. A Social Policy Bond regime, in contrast, makes absolutely clear from the outset who shall benefit from particular policies.

Technorati tag: [2] economics

1. http://www.lrb.co.uk/v27/n11/runc01_.html
2. http://technorati.com/tag/economics

2.5.12 A European Union without France (2005-05-31 04:47)

A European Union without the French and their emotional insecurities and hangups could be a powerful force for good. For a start, there would be one official language, English, instead of twenty. Then the new EU could set about dismantling the Common Agricultural Policy and other corrupt protectionist scams. Then they could start thrashing out genuine common policies, instead of relexively opposing the US and UK. As it is, the French in the EU are behaving exactly as they do in Canada: blackmailing everyone else until they get what they think is in their interest. Perhaps it's time to call their bluff; encourage them to leave, and get on with the job of creating a genuine European Union, responsive to its people, rather than to the French elite's manipulative skills.

2.6 June

2.6.1 "The EU: regulations R us" (2005-06-02 16:19)

That was my entry for Tim Worstall's [1]competition to design a bumper sticker for the European Union. It won an honourable mention from Tim, but the winners were:

MEP - my other car is a gravy train.

EU being serfed?

Don't Blame Me. I voted for Le Pen.

My own favourites are:

The EU: straighter bananas since 1992, and

The EU: putting the crass into bureaucracy

1. http://timworstall.typepad.com/timworstall/2005/06/weekend_competi.html

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2.6.2 Old Europe (2005-06-09 10:05)

In the UK briefly, where the political hot topic of the day is road pricing. The same confusion about the difference between ends and means of policy that bedevils other policy areas is rife in transport too. First, traffic congestion is seen as an urgent problem that needs to be solved, rather than a symptom of deeper problems. Second, there is no agreement on what would constitute a successful solution. Presumably, uncongested roads. But that could be achieved by halving the road network, and raising costs of motoring so that road travel were cut by 95 per cent. We'd then have fewer roads, sure, but they'd be traffic free.

Uncongested roads are not valid as a policy goal for government, because they do not necessarily generate increased social welfare. They may or may not be a means to other ends. The right response from a government is to work out what these other ends are, then to target them. It should let people in a properly regulated market decide on whether and how to travel.

Government, by subsidising road building in previous decades, has made too many people and interest groups too dependent on low cost road transport. It has subsidised the big and global at the expense of the small and local. So any sensible initiative, such as road pricing, is going to be aggressively opposed and the result will be too little, too late. A Social Policy Bond regime would make clear exactly where government funds are going: it would express policy goals in terms of outcomes that mean something to real people rather than paid lobbyists or entrenched interests.

2.6.3 UK (2005-06-14 09:12)

In the UK, where policy seems to be determined by anything other than outcomes and the state is enlarging its role by default. There is a serious effort to extend school opening hours to 0800-1800 so that both parents can more easily go out to work. Part of the motivation for this is doubtless the resulting increase in income tax revenues. In Spain, a controversial new law, will force men to do their share of housework. The legislation will oblige men to "share domestic responsibilities". Recalcitrant husbands will face the wrath of the courts in divorce proceedings.

Here in old Europe the first impulse of anybody facing any sort of problem is to blame the government and then to look to the government for a solution. Government doesn't mind intervening too much, because that is its raison d'etre, but the result is an enfeebled population, yet more dependence on governnment, and government enthusiastically going way beyond its competence.

A Social Policy Bond regime would clarify what government is about. Poverty and planet-threatening environmental problems would probably be given higher priority than the shortfall in baby-sitting services for double-income families. The state would probably not intervene when it comes to who does the vaccum-cleaning. I say 'probably' because the government's priorities would be determined by people, and they would choose outcomes that are meaningful to them. There may be many who think the government should run mass childcare establishments as an end in itself, but I suspect the state drifts into these activities through inertia rather than a as rational attempt to address the concerns of its citizens.

2.6.4 Prague (2005-06-20 19:37)

In Prague, where memories of what happens when Government gets very far out of line are still prominent and sobering. A front page story in todayś International Herald Tribune quotes a Jiang Yhaohua, a Communist Party secretary for the township of Zegou, in Zhejiang in China

> No matter how smart we are, we officials have limited information. The easiest way to avoid mistakes is by having more democratic decisions.

Impressive humility, and letś hope it portends a way forward for acting on complex problems such as crime, climate change, and violent political conflict, where officials, politicians and experts, however dedicated and well-meaning, are failing. A Social Policy Bond regime would democratise the finding of solutions to these problems by letting people decide both on the priorities they would give to problems, and the best ways of solving them.

2.6.5 Back in the UK (2005-06-23 19:33)

...after a few very pleasant days in Prague. I stayed at a modest hotel in Zizkov, a working class district two tram stops to the east of the city centre. At first I was apprehensive about the

area, but it did not take much walking around to realise, or be reminded that, 'working class' does not necessarily mean menacing, nihilistic and drug-ridden as it seems to in the UK and increasingly in New Zealand, but can be synonymous with pride and dignity. Passing through customs at the airport back in the UK there are signs headed 'Assaults on Staff' warning us that anyone who beats up a customs official will be prosecuted. The authorities see no need to translate these into languages other than English.

2.6.6 'Better than Kyoto' (2005-06-28 14:04)

'The Economist' pinched the title of my book on Climate Stability Bonds for its lead article on Kyoto. Its artticle is subtitled 'America should use the G8 summit to embrace carbon trading'. But I question that. Carbon trading may well be the most efficient way to reduce anthropogenic carbon dioxide emissions. But there is no evidence to say it's the most efficient way of stabilising the climate. What about removing carbon dioxide from the atmosphere? Shooting up mirrors into the atmosphere? Cyanobacteria that [1]convert a carbon dioxide atmosphere into one dominated by oxygen? All unlikely to be the sole solution, but not necessarily more unlikely than Kyoto, which puts all our eggs into the one basket. 'Better than Kyoto' means looking at all potential solutions not just the one favoured by 1990s science. Climate Stability Bonds would give incentives to people to investigate all possible solutions and to look for the most efficient. Carbon trading, and Kyoto itself, are dangerous distractions from this goal.

1. http://cc.msnscache.com/cache.aspx?q=2002028831718&lang=nl-NL&FORM=CVRE9

2.6.7 Amsterdam (2005-06-30 16:14)

Conversation with Amsterdammers reveals much discontent with the way the Dutch Government allocates resources, particularly welfare. The attitude, by no means unique to the Netherlands, seems to be "because it's not perfect, I'm justified in going on the dole/ripping off the system/ripping off the rich/being permanently miserable".

My take on all this is that the problem is the wide and growing gap between people and their government. The gap is not going to close, I believe, until politicians express their goals in terms of outcomes that mean something to real people. Currently government goals are usually derived from an ideology, expressed as funding programmes for public agencies, or surreptitiously determined by the narrow interests of private corporations. Politicians are overwhelmingly ideologues or lawyers, skilled (or able to employ those who are skilled) with words and argument, but removed from the concerns of natural persons. Government should be about delivering outcomes for people, not about representing corporate interests, whether private or public. Social Policy Bonds, by inextricably linking policy goals to meaningful outcomes, would help to close the gap between government and people.

2.7 July

2.7.1 Corporate goals are not social goals (2005-07-05 18:29)

> The more than minimal fraud is in measuring social progress all but exclusively by the volume of producer-influenced production, the increase in GDP. J K Galbraith, 'The Economics of Innocent Fraud', Penguin Books, 2004.

By default, GDP, or GDP per capita, has become the measure of social progress. What Galbraith calls fraud, I would call a trap or an irrational tendency, which parallels, or arises from, our individual psychology. For most of us education has been almost entirely verbal. So we see happiness as a set of circumstances rather than a state of mind. But the correlation is neither strict nor necessarily positive. Our societal obsession with GDP is, in my view, an exact projection of our individual obsession with preconceived, generally numerical and monetary, goals. What gets lost are crucially important, but neglected public goods, such as a healthy environment, low rates of crime, or a low probability of war. Social Policy Bonds would explicitly target these goods and reward those who help achieve them. Our current incentive structure rewards those who increase GDP, even if they do so by, for example, destabilising the climate or selling weapons to corrupt despots.

2.7.2 (2005-07-06 21:54)

If we could presume that when we get richer, we will look after ourselves better - better environment, better health - then do we really need to specifically target these areas? Will they just not improve as our means do?

2.7.3 (2005-07-07 09:42)

For individuals in most cases yes, but I am really talking about public goods, or near public goods, which are much more efficiently tackled at societal level. Goals like improved climate stability, lower crime rates, reduced probability of nuclear war, or better basic health and education standards. These can, and in some cases have, actually become more remote while society as a whole has become richer.

2.7.4 Terrorism, war and market incentives (2005-07-09 09:01)

The Greeks saw war as an inescapable fact of human life. In the aftermath of terrorist outrages many commentators take the same view; and preventing every such outrage is indeed a

formidable task. Which is why, in my view, it should not be the sole responsibility of the state. Government, I believe, could contract out much of the work needed to eliminate terrorism. It could issue Social Policy Bonds redeemable for a fixed sum only when there had been no people killed or injured by terrorist attack for a sustained period.

Bondholders would then have incentives to prevent terrorism efficiently. They would explore and invent new, more diverse options than are currently open to government. They could, for example, subsidise intermarriage between members of different religious communities. They could sponsor school exchange visits, sports matches or the broadcasting of peaceful propaganda. They could arrange for the most virulent preachers of hate to take long, luxurious holidays in remote resorts without access to communication facilities. They could pay people to seduce arms dealers into other areas of activity. Whatever holders of bonds targeting war and terrorism do, they will have successes and failures. But they will also have incentives to terminate projects that are failing and to refine and replicate their successes - to be efficient, in other words.

Government has no such direct incentive. It cannot offer direct financial rewards for success, and its talent pool is limited, partly for that reason. It would get into trouble if it advocated things like intermarriage, or sponsored sybaritic vacations for rabble rousers. As in other areas of social policy, its options are limited. They tend to be one-size-fits-all, slow to adapt and justified mainly because they have been done before, rather than by their efficiency.

The private sector can and should be given the chance to operate more freely. After all, it is largely private incentives that have aggravated the problem of war and terrorism. We need to redress the balance and reward those who strive for peace.

Under a bond regime targetting war and terrorism, Government would still have the responsibility of defining our peace goal, and it would be the ultimate source of finance for achievement of that goal. But the actual achievement would be contracted out to the private sector, who would have powerful incentives to achieve it as cost-effectively as possible. Government and the private sector would each do what it does best: respectively, articulating its citizens' wishes, and finding the most efficient ways of achieving its goals.

2.7.5 (2005-07-12 18:08)

Thanks Mike for your comment. Your first para seems to be saying that terrorism is always a legitimate response to the projection overseas of illegitimate state aggression. This seems at least questionable if you look for example at present-day Thailand, Spain or the Philippines, but I don't want to get involved in that argument. Let me, for the moment, retreat into what is the purpose of economics: to allocate scarce resources to better achieve prescribed ends. Social Policy Bonds, I think, can do the efficient allocation of resources. I have views on what policy goals should be, but they are only my views, and others will have different ones. That said, I believe people can more readily come to consensus on these goals (outcomes) than they can on the means to achieve them, and one of the virtues of Social Policy Bonds is that policy goals would be explicit, transparent and agreed outcomes, rather than the incoherent hotch-potch of policies that serve established state and corporate interests that we increasingly see today.

Now, on your particular point. First, I think the private sector is quite an important influence on the military, so private entities, especially those within the military industrial complex can, I believe, do much to influence military practices by, for example, withdrawing their support for them. Second, private sector bodies outside the military industrial complex can have an effect through means other than what you rightly call the the 'same old political processes'. The private sector can, for instance, issue its own Social Policy Bonds targeting war or terrorism. The effect would be to offer countervailing incentives to those on offer through the existing system to those that create mayhem.

Taking up that thread, rather than go for subgoals, I would prefer a much broader goal. I propose that an alliance of enlightened governments, NGOs, charities and individuals back 'Conflict Reduction Bonds' that target all deaths caused by conflict, anywhere in the world, impartially (numbers would be unweighted by country/citizenship etc). Philanthropists could get the ball rolling by setting up a fund to which the public could contribute. I have discussed this idea and some of the issues it would raise in one of my books: Market incentives to end war (click on 'Books and ebooks' in the right hand column for more details). But feel free to comment further in this forum if you wish.

2.7.6 The private sector can issue Social Policy Bonds (2005-07-13 15:36)

Governments are unlikely to be the first issuers of Social Policy Bonds. Doing so would mean they relinquish some of their power. They would be surrendering their power to dictate how specified social objectives shall be achieved. They would still be specifying what these objectives are, and they would still be raising, through the tax system, the funds that would be used to achieve them, but the decisions about how to achieve them would, in effect, be contracted out to the private sector. These contracts would be tradable, via the bond mechanism. But governments are not known either for their willingness to surrender power, nor for their deployment of innovative financial instruments.

So I now see the private sector as being the more likely first issuers of Social Policy Bonds. I have prepared a [1]handbook using the example of female literacy in Pakistan, suggesting how this might be run. (This is a pdf file of about 15 pages.)

1. http://socialgoals.com/handbook.pdf

2.7.7 War, terrorism and 'root causes' (2005-07-17 17:52)

Once conflict is happening, it's not difficult to reel off plausible reasons for its occurrence, or even its inevitability. Poverty, ignorance, despair, and differences of wealth, ethnicity, religion, class, culture or ideology: all these are thought to be some of the 'root causes' of war and violence. So are inequalities in access to resources, scarcity and economic decline, insecurity, the violation of human rights, exclusion or persecution of sectoral groups, and state failures including declining institutional and political legitimacy and capacity. Other key foundations for conflict could be historical legacies, regional threats, the availability of weapons, economic shocks, and the extension or withdrawal of external support. Demography is also significant: large numbers of unemployed males can catalyse conflict.

Sometimes inward factors are cited; such as individual pathologies; perhaps a history of being abused that predisposes someone to take up violence in later life. Often blamed too are the media, and the frequency with which our children are exposed to images of violence - especially when violence is presented as an acceptable and effective way of solving problems.

No doubt all these factors can and do play a part in fomenting and fanning the flames of conflict. But even aside from the impossibility of eliminating every potential cause of conflict, there is no inevitability that these causes will lead to war. Selective memory has strengthened these linkages in the collective mind, but for each of these 'root causes' there are examples that disprove any simple cause-and-effect relationship. There are, for example, dozens of countries in which people of different ethnicity and religion live happily side-by-side.

Perhaps Tolstoy summed it up best:

> The deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event.

An alternative to policymakers' trying to look for and deal with 'root causes' of violence, then, is for them to issue Conflict Reduction Bonds'. (See [1]my post of 9 July (below)). Then it would be up to bondholders to identify the most cost-effective ways of reducing conflict, which may or may not involve looking for root causes, but will certainly be more responsive and diverse than top-down, cumbersome, state-directed efforts.

1. http://socialgoals.com/blog/2005/07/terrorism-war-and-market-incentives.html

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2.7.8 Ideology or outcomes? (2005-07-23 16:57)

> Obviously food,clothing,shelter should and must be available for everyone; there should be a world pool of man's essential needs and right organisation for distribution. There is sufficient scientific knowledge to produce the essential needs of man but greed, nationalistic spirit, craving for prestige and power prevent the production of the essentials for all human beings. We are not concened with feeding,clothing,and sheltering man but engrossed in a particular system which will guarantee food,clothing and shelter for all. The extreme left or the right are wrangling

over a formula that will assure man security; so they are not concerned with man's happiness, but with which formula will guarantee him happiness.

[1] J Krishnamurti

Exactly. Formulas, ideologies and systems do not work. They cannot work, because they cannot cope with changing circumstances, nor with the multiplicity of variables, mostly non-quantifiable, that actually determine outcomes. A Social Policy Bond regime implies no formulas: it would stipulate only the desired social and environmental outcomes. Diverse, responsive approaches would be encouraged, and would thrive - provided they were effective and efficient. And, in a spectacular difference from the current system, failed approaches would be terminated. The self-interest of bondholders would see to that.

1. http://www.kinfonet.org/

2.7.9 Investments as options (2005-07-26 18:07)

Allocating resources between competing projects can, and perhaps should, be quite a sophisticated exercise. New techniques, such as [1]treating investments like stock options, can be more useful than the fairly crude cost-benefit analysis often used by government bodies. One feature of the stock option approach is that it can deal more readily with changing circumstances: for example, it keeps open the possibility of making large investments if a project shows early promise. Holders of Social Policy Bonds, because they would subordinate their investment decisions to targeted outcomes, could possibly deploy such investment criteria more readily than government, which is more heavily constrained by existing institutional structures.

The effect of this sort of tool is to expand the range of projects that are amenable to objective assessment. Within an existing institutional body - a police force, for example - a limited budget may well be spent rationally; that is, in such a way as to maximise the reduction in crime that the police force can achieve. But the decisions about allocating the entire country's crime reduction budget are almost certainly not made on purely rational grounds. Most likely, they will be largely dictated by past patterns of expenditure and the wishes of existing institutions, including police forces, to perpetuate their existence.

We need, instead, investment decisions that are entirely subordinated to targeted outcomes. Holders of Social Policy Bonds would maximise the returns to society's limited capital partly because maximising the returns to society would maximise their own returns, and partly because they would be freer than existing bodies to consider the full range of likely projects, even ones that threaten existing bodies. Sophisticated financial techniques would give bondholders the tools to consider a wider range of projects than bodies who use outdated investment criteria, or who are handicapped by the vested interests of existing institutions.

1. http://www.optimizemag.com/article/showArticle.jhtml?printableArticle=true&articleId=17700645

2.7.10 The need for over-arching objectives (2005-07-29 18:18)

If we aggregate individuals' and corporations' actions, we don't necessarily move closer to achieving society's goals. Government, at least in democracies, is supposed to do that, by

creating a legislative and regulatory environment that restrains anti-social behaviour, by taxation and transfer payments and by the provision of public goods.

Corporations (and individuals) we assume, always act in their own best interests, and these can conflict with social goals. But corporations, like governments, can become so big and cumbersome that they lose sight of their own objectives. Short-term interests predominate:

> Randy Hayes ... once told me of of a talk he had with the uber-CEO of the Mitsubishi Company. Hayes said he was able to convince this CEO that Mitsubishi's program of global devastation for short-term profit was not in the long-term interest of either the planet or the company. Hayes achieved this moment of clarity only to have it followed by a far larger and more monstrous clarity for both himself and the Mitsubishi Head: Mr Mitsubishi had no idea how to change the practices of the company, because the logic that drove the company was both systemic and autonomous. Curtis White, [1]The middle mind: why consumer culture is turning us into the living dead, Penguin Books, 2005 (page 98)

Even the short-term interests of parts of a single corporation, then, can be in conflict with the long-term survival of the corporation itself, let alone wider society. When corporations - and governments - are small in relation to the damage they can cause, then perhaps there's no urgent need to change the system. But when, as now, corporations and governments are huge, society needs to agree on explicit social and environmental targets. If we don't we shall find that our basic social and environmental needs go unmet.

A Social Policy Bond regime would begin by defining broad social and environmental goals. At a global level, these could include conflict reduction targets, or the avoidance of global environmental catastrophe. We have no intrinsic, inherent mechanism for avoiding social or environmental disasters. Unless we explicitly target the survival of our species and the health of our planet, and reward people for achieving them, we are very likely to lose them.

1. http://www.amazon.com/exec/obidos/tg/detail/-/0060524367/002-6231474-9012801?v=glance

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2.8 August

2.8.1 Outcomes and metrics (2005-08-05 18:28)

A Social Policy Bond regime would mean focusing entirely on outcomes. Apart from other advantages, this means that the range of indicators of success or failure can be expanded. Currently, a government that wants to reduce cocaine consumption has to rely on pretty dodgy figures to monitor how well its policy is doing. Its indicators will tend to be derived from current institutional structures. Its metrics for cocaine consumption, for instance, currently include seizures by customs, or the numbers of people requiring hospitalisation or dying from their addiction. These have obvious flaws.

A story in today's [London] *Times* shows how much more versatile in its choice of indicators a Social Policy Bond regime could be. Scientists in Italy can measure the extent of cocaine abuse by measuring the concentration of a metabolic by-product, benzoylecgonine in the Po river basin. "[T]he Po carries the equivalent of about 4kg of the drug a day, with a street value of about £20,000. ... [F]or every 1000 young adults in the catchment area, about 30 must be taking a daily dose of 100 milligrams of cocaine, which greatly exceeds official national figures for cocaine use." ('Where rivers run high on cocaine'.)

Focusing on outcomes makes it easier to target such indicators, which are more strictly correlated with policy targets. Unfortunately, in today's policy environment, policymakers target indicators for reasons unconnected with their usefulness. So Kyoto targets not the stability of the climate, nor even the composition of the atmosphere, nor even emissions of greenhouse gases, but *anthropogenic emissions of those gases that were thought to be greenhouse gases in the 1990s*. A [1]Climate Stability Bond regime would be different, because it would reward people for achieving what we actually want to achieve: a more stable climate. It could include such indicators as insurance payouts for adverse climatic events, variations in temperature, the sea level at various locations etc. All of these would be more closely related to society's goal than the alleged causes of climate change.

1. http://www.socialgoals.com/ieakyototext.html

2.8.2 Israel Peace Bonds: give greed a chance (2005-08-09 18:34)

This is an unpublished article outlining the application of the Social Policy Bond principle to the Arab-Israeli conflict

Israel Peace Bonds: give greed a chance

Or to put it more politely: 'give financial self-interest a chance'. Why? Because the idealists and ideologues, the politicians, the generals, and the men of religion have failed tragically to end the violence in the Middle East. Perhaps it's time now to bypass the usual suspects and contract out the achievement of peace to the private sector.

It's largely a matter of focus: we don't have to be as ruthless as the terrorists, but we do have to be as focussed on what is presumably our ultimate goal: peace in the Middle East. We need to go beyond the slogans, beyond history and even beyond the different sides' views on truth and justice. We need to reward the successful achievement of peace, rather than activities that are supposedly aimed at achieving it—activities that are often counterproductive, unethical or disturbingly violent themselves.

There are too many people with a vested interest in continuing the conflict between Israelis and Palestinians. Many people, all over the world, and certainly most Israelis and Palestinians, would like nothing more than to see an end to the violence in the region. But there are many in positions of power or influence who are half-hearted about peace; others who feel threatened by it, and others who, for whatever reason, actively promote violence.

Ideally, then, we need a way of promoting peace that can modify or circumvent these people's uncooperative or obstructive behaviour. We need to mobilise the interests of the far greater number of people who want peace. We need to find a way that can co-opt or subsidise those people in positions of authority and power who want to help, and at the same time bypass, distract, or otherwise undermine, those opposed to our goal.

Ideally too, we would use market forces. Markets are the most efficient means yet discovered of allocating society's scarce resources, but many believe that market forces inevitably conflict with social goals: accentuating extremes of wealth and poverty, for example, or accelerating the degradation of the environment. So it is important to remind ourselves that market forces can serve public, as well as private, goals. Israel Peace Bonds are a new way of channelling the market's incentives and efficiencies into what must be one of the most sought after objectives by most Israelis, Jews and Palestinians wherever they are: ending the violence between Palestinians and Israelis.

Unlike current funding programmes, which reward activities, organisations or individuals, Israel Peace Bonds would reward only the targeted outcome: peace in Israel. And unlike policies run by governments or inter-governmental organisations, they would encourage diverse, responsive and cost-effective projects.

My suggestion is that interested individuals and organisations collectively back Israel Peace Bonds. They would launch the bonds by making deposits into an escrow account. Then they would issue the bonds, which would be sold by auction, and redeemed for a fixed sum only when the number of Israeli citizenqqqqqs or Jewish visitors killed by terrorism in Israel reached a very low level.

Unlike normal bonds, Israel Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly. Importantly, the bonds would make no assumptions as to how to bring about greater peace—that would be left to bondholders.

Once issued, the bonds will be freely tradeable on the free market. As the level of violence fell, so the bond price would rise. Bondholders would have incentives to cooperate with each other to do what they can to achieve peace, then to sell their bonds at a higher price.

The issuers of the bonds would decide only on the definition of peace to be targeted—not on how to achieve it. That would be left up to investors in the bonds, who have every incentive to maximise the reduction in violence per unit outlay. So, in contrast to the current fossilised, counterproductive approach, an Israel Peace Bond regime would stimulate research into finding ever more cost-effective ways of achieving peace. All initiatives would have a chance: not just those thought up or approved of by a limited number of politicians.

Investors in Israel Peace Bonds would be in a better position than governments to undertake a wider range of peace-building initiatives. They might, for example, finance sports matches between opposing sides, promote anti-war programmes on TV, set up exchange schemes for students of the opposing sides. They might even subsidise intermarriage between members of the opposing communities, or try to influence the financial supporters of conflict outside the region to redirect their funding into more positive ways. They could offer the Palestinians and the citizens of neighbouring Arab countries different forms of aid, including education and scientific aid, and measures aimed at enlightening Arab citizens. All these

measures would be a cause of suspicion and mistrust if undertaken by governments. But when done by private sector bodies that either hold Israel Peace Bonds themselves, or are financed by bondholders, the motivation for them would be clear: they would be a commercial undertaking, with no hidden agenda other than to bring about peace, as defined by the bonds' redemption terms.
Bondholders could lobby, or work with, the Israeli and Arab governments to, say, give a higher priority to peace studies in schools, but they could also develop peace-teaching projects of their own. While immediate peace might not result, much more could be done to enhance the prospect of peace in the future. Bondholders could, for instance, make strenuous efforts in Israel and the neighbouring countries to have some mixed classes of Jewish and Palestinian children at kindergarten and school. Both groups could be given the chance of spending time with each other. At the very least, bondholders might think, there should be opportunities for the younger people from both sides of the conflict to meet, discuss, argue and form friendships.

Some powerful people in governments, religious institutions or militant organisations would resent the targeting of such objectives by external agencies in this way. But, while under the current system they can oppose peace in ways that attract support, under a Peace Bond regime, they would have to openly declare their opposition to peace itself. It is precisely this focus on the outcome of peace—rather than activities or institutions—that would help strengthen the coalition working to achieve it.

Too many small bondholders could probably do little to build peace. The bonds would most probably end up in the hands of a few large holders, who would have incentives to co-operate with each other, and to finance those projects that they believed would be most effective in reducing the level of conflict.

By appealing to people's self-interest, Israel Peace Bonds are likely to be more effective than conventional efforts aimed at reducing violence. In channelling market forces into the achievement of this objective the bonds could bypass or even co-opt the corrupt or malicious people in government or elsewhere who stand in the way of peace.

In today's emotional climate decision-making is too often reactive. It is too easily swayed by those with a propensity for violence or those who benefit from it, whether financially or emotionally. Governments can evade or deflect censure on grounds of communal affiliation or patriotism, because the adverse effects of their policies are difficult to relate to their cause. Israel Peace Bonds would focus on an identifiable outcome and channel market efficiencies into exploring the ways of achieving it. They could be the most effective means of achieving the peace that the people of the Middle East yearn for and deserve.

2.8.3 Subsidising oil consumption **(2005-08-17 14:52)**

A Social Policy Bond would subordinate policy to meaningful, agreed, outcomes. It's unlikely, I think, that we'd choose to divert scarce resources to, amongst other things, oil consumption:

> Jan Lundberg, veteran petroleum analyst who joined the environmental movement and fought industry expansion, has a different explanation for record gasoline prices than the one provided by his former firm, Lundberg Survey, which on Aug. 14 attributed them only to high crude oil prices.
>
> "Lundberg ... told Fox News that it is erroneous to calculate that the adjusted price for gasoline, including inflation, is under the price of two and a half decades ago. This is because "subsidies - direct, indirect and hidden, such as the War on Iraq – to oil and refined products, if included in the price, would make oil cost perhaps $120 per barrel today. This is one reason people must work longer hours and obtain extra jobs," he explained." [1]Source

1. http://theoildrum.blogspot.com/2005/08/jan-lundberg-on-peak-oil.html

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2.8.4 Sponsoring intermarriage (2005-08-19 20:10)

In my post about [1]Israel Peace Bonds I raise the possibility that one way of solving the Arab-Israeli conflict is intermarriage between the two communities. This seems to be controversial, so I will elaborate.

First, I am not advocating intermarriage. Rather, I am advocating a policy that will encourage anything that will end the conflict peacefully. If intermarriage is likely to do then, I believe, it should be rewarded. Second, note that it is not me, nor any government official, who would sponsor intermarriage: it would be holders of Israel Peace Bonds. They would reward intermarriage only if they think doing so would help solve the conflict. I can't see anything very controversial about this. As human beings, most of us agree that anything that resolves conflict peacefully should be encouraged. Apart from fanatics, most of the devout on both sides of the conflict would also put human survival above ethnic purity or identity politics. There is very little intermarriage between the two communities today. Even a little could go a long way. Bondholders would be unlikely to pursue intermarriage as their sole solution - though if they did, and were successful, who could argue with that? Most likely it would be one of a range of policies aimed at increasing informal contacts between the two sides including, as I suggested, school exchange visits, sports teams and freer trade.

1. http://socialgoals.com/blog/2005/08/israel-peace-bonds-give-greed-chance.html

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2.8.5 (2005-08-22 06:42)

OK I am biased, I have a non-British wife. I believe that intermarriage can go a long way toward solving lots of conflicts between ethnic groups. The only worry I have is where religion is a big issue.

2.8.6 Pluralism versus central planning (2005-08-22 09:39)

The Social Policy Bond mechanism encourages diverse responses to social and environmental issues. It does this via market forces. Unfortunately, many believe that market forces must inevitably conflict with social goals. This is understandable, since in recent decades an enhanced role for markets has made many people very wealthy indeed, while the less well-off have gained relatively little and many social and environmental problems appear to have worsened.

So it is important to remind ourselves that market forces and self-interest can serve public, as well as private, goals. Often, these private goals coincide with social goals, so that, for instance, the market routinely performs vital tasks such as food distribution and the provision of such indispensables as home medicines, baby needs, furniture and other consumer goods. These are exceedingly complex tasks but, left to the multiplicity of agents operating in reasonably competitive markets, they are accomplished in ways that fulfil not only the private goals of the firms and consumers involved but also society's goal of efficient supply of goods and services. This feat results from the combination of the self-interest of large numbers of market players, and their ability to react appropriately to ever-changing circumstances.

Some would attribute the triumph of the western market economies over the state-controlled, centrally-planned economies of the Soviet Union and its satellites to the victory of materialist motivations over political ideals. But it is more likely that the efficiencies and incentives of pluralism had won out over central direction; in short, that decentralisation and diversity had triumphed over dirigisme and central planning.

Governments tend to be centralist in their instincts. In practice, this has meant that market forces are rarely allowed to play a significant role in organising the production and distribution of those goods and services that governments supply. Government agencies also operate in a non-competitive environment, which discourages self-evaluation. Since governments in the developed countries now spend on average about 37 per cent of national income, these are significant deficiencies. One result is that public services, such as health, education and housing, seem perpetually to be in crisis. Another is that crime and the fear of crime are soaring. I recently spent several weeks in a compact, English city during the summer, and was surprised at how dead the city centre was after 6pm, even on warm, dry days.

Yet another result of the central planning is that large sums of consumers' and taxpayers' money are spent on perverse subsidies to sectors such as agriculture, road transport and energy. Perverse subsidies are those that are economically inefficient, socially divisive and environmentally destructive. They also favour the large and global over the small and local. So, for instance, in the US about 88 per cent of support to the agriculture sector goes to the largest (in terms of gross sales) 25 per cent of the farmers. Perverse subsidies are significant: those for agriculture in the developed countries alone amount to more than $300 billion annually.

Social Policy Bonds would enable governments to continue to set society's goals, and the market to achieve them. Clarity and single-mindedness in achieving social goals are important, and governments can have those qualities. But diverse and adaptive solutions are necessary to achieve these goals, and that is where markets, through Social Policy Bonds, can play their part.

2.8.7 (2005-08-23 22:00)

Hey Ronnie - the invisible hand theory of Adam Smith is probably the only thing I remember from Uninversity - great to see it in action and explained so well and then used in such a good context.

Jimmy

2.8.8 Even imaginative governments are limited (2005-08-24 10:34)

Here in Thailand there is a grim insurgency by Islamic fascists in the deep south of the country. As one response, the Thai Government has put up tv screens in coffee shops and bars in an effort to distract potential militants. I myself believe that the role of tv, movies, and pornography in weaning people (men, I mean) away from militarism has been underestimated, so I do approve of this government inititiave. Unfortunately, simply the fact that it has been undertaken by government could be its downfall. Partly because anything the government does is bound to be deliberately misinterpreted to the impressionable, partly because in putting up these public tv screens the government has exposed itself to ridicule if the insurgency continues.

The private sector is much freer to experiment with initiatives of this sort. If Social Policy Bonds targeting the insurgency were issued, bondholders could go further than government, for instance by screening raunchy DVDs. They would not be deterred by fear of ridicule if they failed and, most important, they would have incentives to terminate failed initiatives as soon as their failure becomes apparent, and concentrate on finding successes. I cannot see this Thai Government, nor any other, being so ready to admit that their ideas are ineffectual and to explore and implement new ones.

2.8.9 (2005-08-24 10:43)

Thanks Jimmy - put a good word in with your new colleagues about Social Policy Bonds will you?

2.8.10 Design versus liberalism (2005-08-27 16:43)

> The desire to overcome politics is based on the assumption that, if not subject to structures imposed from on high, free human action - whether in international affairs or domestic politics - is unstable and dangerous. People who think in this way cannot conceive of their being an order which they have not consciously designed: they cannot imagine that people and states themselves might be able to devleop rules,

> perhaps unspoken ones, to foster peaceful free commerce. John Laughland, [1]'The tainted source', p162

Laughland argues persuasively in favour of the constitutional foundations of the liberal order and against post-national structures, such as the European Union, which he sees as corrosive of liberal values.

What does this mean for an advocate of Social Policy Bonds? Essentially that policymakers have a tendency to be overly prescriptive. Suspecting, probably correctly, that a market free-for-all would bring about unacceptable levels of poverty and a collapse in the social order, they finance programmes and institutions ostensibly aimed at avoiding these disasters. They legislate well-meaning (at least at first) measures, such as trade restrictions, which have such unarguable objectives as the maintenance of decent standards of living for their (alleged) beneficiaries. Within a generation or so, these measures become corrupted, fossilised and counterproductive. Vested interests take advantage of them and ensure their persistence, while the intended beneficiaries gain nothing. If this sounds far-fetched simply look at agricultural subsidies in the rich world, or subsidies to other sectors, such as energy and transport. Under a Social Policy Bond regime, on the other hand, government would not prescribe how its social and environmental objectives are to be met. It would simply reward people for achieving them, however they did so.

Another quote from the same book:

> [M]any countries of the European Union ... often have a corporatist understanding of the state. There, the activities of government are identified almost entirely with spending money. Federal states are particularly prone to this understanding of statehood, because the bulk of their doemstic politics is devoted to wrangling between the various layers of government over funds. I bid, p 194

1. http://www.amazon.com/exec/obidos/tg/detail/-/0316882968/qid=1125158169/sr=1-1/ref=sr_1_1/104-0352917-5227154?v=glance&s=books

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2.8.11 Issue your own (2005-08-30 09:39)

If you are feeling rich and altruistic, you might think about issuing your own Social Policy Bonds. Say you wish to see crime fall in your part of your city. You don't think more policing is either forthcoming or the answer, but you still don't know what the answer is. Rather than accept the situation or moving away, you could issue Crime Reduction Bonds for your area. These bonds would be redeemable for a fixed sum once crime, however you decide to measure it, falls below a threshold for a sustained period.

Essentially, you would be contracting out the achievement of crime reduction to the market. Holders of your bonds would have incentives to look for the most efficient ways of reducing crime. Criminals themselves could buy your bonds and make a profit by seeking alternative forms of distraction. Non-criminals might buy your bonds and do things that are beyond the imagination or experience of police forces: subsidise taxis for young men emerging from pubs; offer adult literacy classes; subsidise marginal types to move away; subsidise employment for youths etc.

You might have other objectives. You could, for example, issues Social Policy Bonds that target pollution in your city, or te water quality of a local river or lake. Or you might want to see better health or education standards in a developing country. As a first step, you could download a [1]handbook (pdf file) I prepared, using the example of literacy amongst schoolchildren in Pakistan. Feel free to get in touch directly with me (via the Comments, below, or through email link given in my Profile), if you would like to take it further.

1. http://socialgoals.com/handbook.pdf

2.9 September

2.9.1 Maintaining the status quo (2005-09-05 16:10)

In the aftermath of Hurricane Katrina it's worth stating that maintaining the status quo - avoiding loss of life, keeping cities functioning, etc - are goals that can be targeted by Social Policy Bonds. The expensive way of dealing with a natural disaster like Katrina may, or may not, be to cut back on anthropogenic emissions of greenhouse gases. The way I advocate is to contract out the maintenance of the status quo to the private sector, via a Social Policy Bond issue. The value of such bonds, if issued by, say, the state of Louisiana, would have collapsed at exactly the same time as the levees were breached. There would have been a powerful, unambiguous and direct incentive on bondholders to maintain the levees.

We see now the unedifying alternative: spin-doctoring and the real underlying motivation of many senior officials the world over: doing everything possible to avoid being publicly identified as incompetent. Financial incentives, *inextricably correlated with performance* via Social Policy Bonds would, I suggest, be more effective.

2.9.2 The EU: 'Regulations R Us', continued (2005-09-08 17:12)

The European Union's main priority is not prosperity but planning. A small restaurant owner in Germany speaks:

> It is not allowed to serve a small jug of milk with the coffee. You are supposed to serve these awful tiny plastic containers of milk because you can see the expiry date. I refuse to do that. Source: [1]*International Herald Tribune*

1. http://www.iht.com/articles/2005/09/06/news/germany.php

2.9.3 Memo to Government: make sure my milk is fresh (2005-09-09 08:40)

This [1]letter appeared in today's *International Herald Tribune* in response to the story published yesterday (see below):

> As a French-American who opened a retail store in Rome four years ago, I read with interest your report "Rules, rules, rules: Germans fed up" (Sept. 7). ...
>
> Special milk containers required by law are meant to protect consumers from spoiled milk. Haven't you ever had a restaurant serve you milk with your coffee only to find that it was spoiled after pouring it into your cup?

Is this what we expect of government? It's ok to destroy our physical and social environment, just so long as it makes sure the milk is fresh?

1. http://www.iht.com/articles/2005/09/08/opinion/edlet.php

2.9.4 Price stability is not a goal (2005-09-14 08:42)

Much confusion in, for example, the [1]UK Government about price stability, in this case the price of petrol. One of the first benefits of a Social Policy Bond regime is that it would clarify what are ends and what are means to ends. Price stability is not, or should not be, a goal of government policy. Market prices are signals that allocate resources efficiently. They embody masses of information that cannot be assessed by planners. If the price of some essential commodity is too high for some people, then government should give financial assistance to those people to enable them to make their own decisions about how much of the commodity to buy. Today's agricultural subsisidies should be a lesson to all politicians: like a drug habit, they are easy to start and hell to give up.

1. http://www.portal.telegraph.co.uk/opinion/main.jhtml;jsessionid=G1NJKUOD5VM4NQFIQMGSM5OAVCBQWJVC?xml=/opinion/2005/09/14/do1401.xml&sSheet=/news/2005/09/14/ixne

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2.9.5 New Public Management (2005-09-16 09:18)

> 'The state is denoted primarily by its monopoly of power, force, and coercion on one side and its orientation towards the public good, the commonweal or the ben commune, on the other; the business world legitimately focuses on profit maximization. N[ew] P[ublic] M[anagement], however, as it has been said, "harvests" the public; it sees no difference between public and private interest. The use of business techniques within the public sphere thus confuses the most basic requirements of any state, particularly of a Democracy, with a liability: regularity, transparency, and due process are simply much more important than low costs and speed.' Wolfgang Drechsler, [1]The Rise and Demise of the New Public Management post-autistic economics review, issue no. 33, 14 September 2005

There is much of interest in the article. At first sight, Social Policy Bonds would appear to suffer from the problems Drechler correctly identifies as afflicting conventional attempts to replicate in the public sector the profit maximisation imperative of the business world: a narrow definition of efficiency isolated from context; and, on all the evidence, failure to deliver on its promises. 'Contracting-out has proven to be excessively expensive and often infringing on core competences of the state as well as on the most basic standards of equity.'

Since Social Policy Bonds embody the contracting out principle, how would they square up against Drechsler's, in my view, legitimate strictures against New Public Management?

The most important consideration is that a bond regime would be entirely subordinated to 'transparency and due process'. Indeed, the agreement on explict, transparent, outcomes would be the starting point of a Social Policy Bond issue. Formulating policy in terms of outcomes, (rather than, as at present, inputs, outputs, activities and institutions) would draw more people into the policymaking process. Outcomes would have to be meaningful to real people to attract consensus and support, rather than government agencies or corporate bodies. A government-backed Social Policy Bond regime would therefore aim to achieve broad social goals. Profit maximisation fails when, as in NPM, it tackles narrow objectives, where non-quantifiable social and environmental externalities can be safely offloaded onto wider society.

A Social Policy Bond could explicitly tackle some of the social and environmental problems created by profit-maximising private entities. Instead of targeting the ever-proliferating array of micro-objectives that characterise New Public Management, it could target meaningful societal goals, like better basic health and literacy outcomes, reduced crime, and a cleaner environment.

NPM fails, I believe, because of the narrowness of its vision; itself a result of its ideological origins. Social Policy Bonds, on the other hand, would be compatible with a large state, a small state or anything in between. Governments would articulate society's wishes about what people want to see done; they would issue Social Policy Bonds as a way of making sure not only that social goals would be achieved efficiently, but that they would be genuine goals defined and agreed upon by all.

1. http://www.paecon.net/PAEReview/issue33/Drechsler33.htm

2.9.6 Social Policy Bonds - an overview (2005-09-21 14:53)

(This is a first draft of an article intended to introduce Social Policy Bonds to a wider audience.)

Outcomes: a better policy driver than ideology

Most policy issues are now so complex, so voluminously documented that each side of any argument can be certain to find a very large quantity of supporting evidence. Whether it is war in Iraq, smoking in bars, capital punishment, gun control, or provision of day-car facilities for three-year olds; there are so many facts and seemingly valid interpretations of

facts, that ‘there are arguments on both sides’ is about the only useful thing to say.

Those who are involved, those who have a position, are predisposed to select only the information that suits their ideology, or the bottom line of the institution that pays their bills. It is not just on matters like the Arab-Israeli conflict. Even scientific issues, which should be more amenable to objective analysis, are controversial and inconclusive to those who try to follow the propositions made by Bjorn Lomborg in The skeptical environmentalist and the rebuttals, counter-rebuttals, and counter-counter- rebuttals that have ensued. Rather than one’s position being in the middle of a Bell-curve, it is more like that at the centre of a dumbbell with hefty but equal weights at each end: a new fact favouring one side can tip the balance markedly.

War, terrorism, climate change: our most urgent problems are too complex for any except specialists fully to comprehend. There are so many relationships, so many variables, and such large distances of time and space between cause and effect, that to disinterested observers, there are good cases to be made on both sides of such concerns as the Kyoto Protocol or conflict in the Middle East.

Should we, as ordinary members of the public, and voters, therefore give up trying to work out what is the best line to take, when even the highly qualified experts disagree with each other? Or should we take the lazy way out and choose one political faction – left, right, conservative or socialist – and look to them to do the thinking for us? Or should we turn away from policy issues altogether and become cynical or despairing? We do all these things, with and the result is that policy is decided less by engaged members of the public, more by special interests, including the politicians, corporates and media. If this sounds far-fetched, look at the figures for election turnout.

Rather than wait till such scientific arguments are resolved, or to pursue some abstract notions of justice in matters of human conflict, we might do better on efficiency grounds, to subordinate all our activities to our intended outcomes: climate stability, for example, or conflict reduction. This would take the form of rewarding all actions – and only those actions – that lead to achievement of the desired outcome.

Currently, governments that are supposedly interested in a particular goal finance institutions, or people, or activities that have as their stated objective the solution of these problems. But another, much simpler but also much rarer, is to reward people for actually solving the problems. That’s what they used to do in the Wild West when they wanted to eliminate problems caused by particularly nasty individuals. They put together a cash reward, printed some ‘Wanted - Dead or Alive’ posters, and let the private sector do the rest. It is the targeted outcome – the killing or capture of the public enemy – that determines who shall be rewarded not current institutional structures or activities. The same principle, more or less, underlies an innovative new financial instrument that can channel the market’s incentives and efficiencies into the achievement of social and environmental goals.

Social Policy Bonds

Social Policy Bonds would reward people only when they actually achieve targeted social or environmental goals. A fixed number of Social Policy Bonds (‘bonds’) would be issued. The bonds could be issued and backed by local or national government, or by non-governmental organisations (NGOs), or by private individuals. They would initially be auctioned to the highest bidders. The bonds’ backers would undertake to redeem these bonds for a fixed

sum only when a specified social objective has been achieved. The bonds would not bear interest. They would be freely tradeable after issue, and their market value would rise and fall. Social Policy Bonds would therefore differ from conventional bonds in that they would have an uncertain redemption date which, in combination with a fixed redemption value, implies an uncertain yield: holders would raise their bonds' yield by achieving the targeted objective quickly. Once the targeted outcome had been achieved, whoever backed the bonds would redeem them.

How would Social Policy Bonds work? They would create an interest group — bondholders — who have powerful incentives to achieve the targeted social objective efficiently and quickly, or to pay others to do so. Consider an example. Assume that an urban authority is prepared to spend a maximum of say $10 million to reduce the crime rate within its borders by 50 per cent. It issues one million bonds that become worth $10 when the crime rate falls below 50 per cent of current levels for a sustained period — say one year. Because the market would see this objective as unlikely to be achieved in the near future, it would put a low value on the bonds when they are floated. Assume successful bidders pay as little as $1 for each of the bonds. (This sum would be held by the issuing authority partially to offset the cost of redemption of the bonds.) Now, they hold an asset that could appreciate in value by 900 per cent if a sustained halving of the crime rate were achieved. This provides the motivation for bondholders to do what they can to reduce the crime rate.

Social Policy Bonds could in principle, be used to solve any social or environmental problem that can be reliably defined and quantified. Key criteria for policy areas within which Social Policy Bonds would show the most marked improvement over current programmes are:

- existing policies have objectives that are unstated, uncosted, obscure or conflicting;
- financial rewards to those involved in achieving objectives are uncorrelated to their effectiveness in doing so;
- a wide array of diverse approaches may be necessary; and
- our knowledge of the problem, its causes and solutions, is scanty and improving all the time.

That is the approach taken by Social Policy Bonds. Without presupposing whether climate change is happening, what is causing it, or how best to stop it, Climate Stability Bonds can be issued that would encourage people to stabilise the climate. Similarly, Conflict Reduction Bonds that focus on, say, the Arab-Israeli conflict could aim to reduce the numbers of people killed, injured or made homeless in that conflict. People's need and wish for peace is more important than trying to bridge the gaps between the ideologues, the historians, the militarists and those in authority. A bond regime could bypass, co-opt or undermine those who stand in the way of peace.

Targeting specified outcomes that are meaningful to natural persons, as the US Results Act begins to do, is a necessary first step, but it is not sufficient. The other necessary step is to ensure that resources are allocated in ways that can most cost-effectively achieve these outcomes. This is where market incentives come into the picture.

A symptom of this malaise is the disengagement of many from the political process. Even the United Kingdom's Labour Party's 'landslide' majority in the British House of Commons is not what it seems. Labour received just over 40 per cent of the vote in 2002, with a 60 per cent turnout. So only 24 per cent of the electorate actually voted for Tony Blair's party. In the US President George W Bush received votes from fewer than a quarter of the voting age population. It is the same in most other western democracies. We have begun to accept that whichever party receives 25 per cent of the popular vote has 'won' the election. In most countries, this represents a dramatic decline in popular engagement with politics over the past few decades.[1][i]

Perhaps one reason for this is that people are sceptical about the ability of the different political parties to deliver. In the absence of any great ideological divide, most parties have approximately the same manifesto at election time, and seem equally (in)capable of achieving results that are meaningful to electors. If such voter apathy co-existed with satisfaction or optimism about the political environment it would not be a worry. But unfortunately it goes hand-in-hand with deepening dissatisfaction, cynicism and even despair, at the ability of our politicians to deal with urgent domestic and global concerns.

[2][i] Democracy disconnected from the electorate, Ralph Dahrendorf, Project Syndicate, 2004.

1. http://www.blogger.com/post-create.g?blogID=9695147#_edn1
2. http://www.blogger.com/post-create.g?blogID=9695147#_ednref1

2.9.7 Goals for a bond regime (2005-09-27 17:27)

Social Policy Bonds are versatile in that they could deal with any quantifiable social or environmental goal. That said, broad objectives would be ideal. To see this take, as an example of a narrow goal, that of reducing burglaries in a small locality. Bondholders could solve this problem merely by laying on taxis to transport burglars to areas outside the scope of the bond regime. Or they could offer courses that would upskill burglars so that they could become white-collar criminals instead. Either way, the bondholders would achieve their objective and cash in. But society's broader goals would not be helped. It would be far better to issue bonds targeting all crime in as large an area as is feasible.

Similarly with other goals. It would be better to target all forms of pollution simultaneously than a single pollutant. It would be better to target a broad definition of poverty than a narrow definition.

That said, if a Social Policy Bond regime is to get off the ground, it is most likely to be by social entrepreneurs or philanthropists with fewer resources than government, who will issue their own bonds to achieve a specific goal with which they identify closely. Careful specification of the goal will be crucial. Any readers interested in issuing their own Social Policy Bonds could first visit the [1]Social Policy Bond website. Then feel free to contact me directly.

1. http://socialgoals.com/

2.9.8 On the commons (2005-09-28 14:39)

A good post on Peter Barnes's blog from [1]OnTheCommons.org makes these points:

> Common wealth, as we've seen, is immensely valuable. Common illth — the shadow side of private wealth — is likewise vast. But while mainstream economists acknowledge the existence of common wealth and illth, they don't bother to measure them or include them in their models. They assume the commons side of the ledger is trivial, or ignore it because dollar signs are hard to attach. This is tantamount to professional malpractice. ... They count America's sales (a.k.a. GDP), but not our expenses (the negative externalities of those sales). They keep track of private income and wealth, but not common wealth or illth. As a result, they miss at least half the story.

I agree with the thrust of this post, though (as I posted in a comment), I think most economists don't necessarily assume the negatives arising from economic development are zero, but rather that they are less than or equal to the positive externalities. The point being that there are positive externalities of wealth generation beyond those that appear in company accounts and GDP. These could be the positives, important to society, of employing people, such as a reduced crime rate, and a reduced poverty rate - which itself has important positive spin-offs for the commons. My point, in other words is that just as almost all the negative externalities of economic development are ignored, so too are some of the positives.

Social Policy Bonds are one way of dealing with the negative externalities of our way of life. Because they do not prejudge *how* a particular negative externality shall be eliminated, they would reward the most efficient way of solving the problems they cause. If we take climate change as an example, reducing anthropogenic greenhouse gas emissions a la Kyoto, may be necessary but, on the other hand, there may be far more cost-effective solutions that deserve investigation. Efficiency, not ideology, would be the sole criterion.

1. http://onthecommons.org/node/694

2.10 October

2.10.1 Environmentally harmful subsidies (2005-10-04 13:14)

In my current work, I'm citing the existence and persistence of environmentally harmful subsidies - similar to perverse subsidies - as solid evidence that government is inefficient. Though anecdotes abound, it's difficult sometimes to get an idea of just how inefficient, on a global scale, government is. But a workshop given by the OECD attempted to quantify

environmentally harmful subsidies. The sums are staggering:

> Subsidies probably total over $1 trillion per year. Around two thirds of the subsidies occur in OECD countries. Those OECD subsidies are heavily concentrated in agriculture, mining, road transport and manufacturing. Non-OECD countries mainly subsidise energy, water, fisheries and some agriculture. Relative to GDP, subsidies are twice as large in non-OECD countries. As a percentage of world GDP, global subsidies account for a staggering 4 per cent. Perhaps most notable of all, agricultural subsidies in OECD countries account for over 30 % of all subsidies.

The workshop was done in 2002, but the dollars referred to are in 1994-98. It's not just the financial sums that matter: these are environmentally harmful subsidies, most generally paid to increase production. In agriculture this means switching to intensive production techniques and expanding production onto marginal lands and environmentally valuable areas such as woodlands, ponds and hedgerows.

Apart from OECD work, another useful source is [1]Earth Track.

1. http://www.earthtrack.net/earthtrack/index.asp?catid=61

2.10.2 Incentives for development (2005-10-07 17:47)

> After 43 years and $568 billion (in 2003 dollars) in foreign aid to the continent, Africa remains trapped in economic stagnation. Moreover, after $568 billion, donor officials apparently still have not gotten around to furnishing those 12-cent medicines to children to prevent half of all malaria deaths. With all the political and popular support for such ambitious programs, why then do comprehensive packages almost always fail to accomplish much good...?....
>
> The biggest problem is that the rich people paying the bills do not share the same goals as the poor people they are trying to help. The wealthy have weak incentives to get the right amount of the right thing to those who need it; the poor are in no position to complain if they don't. William Easterly, The Utopian Nightmare, [1] Foreign Policy
>
> , Sept/Oct 2005

Exactly. I have been seen saying for years that our social and environmental problems are caused by perverse incentives. The big financial rewards in today's world are for those who can cater to the whims of the rich, by which I mean those who constitute much of the population of the developed countries and a tiny minority of those in the poor countries. One example: only 1 percent of all new medicines brought to market by multinational pharmaceutical companies between 1975 and 1997 were designed specifically to treat the tropical diseases plaguing the third world. In numbers, that means thirteen out of 1,223 medications. This is not a problem of lack of ingenuity or even compassion. It is a problem of incentives.

Social Policy Bonds would rejig the incentives on offer. Not blindly, so as to favour one set of people over the others, but in accordance with the wishes of those who put up the

funds to redeem the bonds. The current mismatch has more to do with lack of transparency and deliberate deception than the wishes of those who put up the cash. Governments pay out hundreds of billions of dollars annually in explicit and indirect subsidies to (for instance) large agribusiness corporates, multinational energy companies, and arms manufacturers. If consumers and taxpayers were told explicitly that they were subsidising these bodies they would, I am certain, do so with less enthusiasm. Under the current system, this whole system of corporate welfare is fudged. Under a Social Policy Bond regime, the first thing taxpayers and government would decide would be: what are our goals? All spending decisions, all programmes, projects and initiatives, all institutional establishments and structures, would be subordinated to these goals.

A mirror image, in other words, of the current setup.

1. http://www.foreignpolicy.com/

2.10.3 Numerical indicators (2005-10-11 08:38)

> In a tragic sort of way, inferior prenatal care could actually boost average life expectancy while lowering health care costs. Adequedate prenatal care may reduce the incidence of miscarriage, especially in the second half of pregnancy. Had my wife's perinatologist not detected her dilating cervix in the 22nd week of pregnancy, we would probably have lost our daughter. And she would have been a miscarriage statistic, not an infant mortality statistic.[1]Source

This highlights the need to specify very carefully the sort of indicators that are targeted, whether under the current regime, or using Social Policy Bonds.

1. http://sensibleknave.blogspot.com/2005/10/prenatal-and-neonatal-care.html

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2.10.4 (2005-10-12 21:32)

That's a really interesting way of looking at thing R. Things are not always as they seem... this is nt really related ...but the post reminds me of this - I read on the Dom Post (?) paper some American economist believes that in allowing abortion to be more common, crime rates can reduce....

Apply that to social bonds... If the bond was to reduce crime rates, would paying for/promoting/providing abortions be a legimate means to achieve that?

Have you given much consideration as to the means by which bond holders would use to achieve the goal? Are there any particular areas which society's values and morals would conflict with achieving certain goals?

Meh, I've had too much caffiene. I doubt this makes any sense. Hope ya well dude!

2.10.5 (2005-10-13 10:07)

Jimmy! How are you doing? Yes, this is the problem with fixing on one thing: you have to be very careful about the things that aren't specified. It's not a problem unique to Social Policy Bonds: it applies to all policymaking above say village level. At that sort of level, then the things that matter don't have to be anticipated or specified in advance; still less do they have to be quantified. It's at higher levels of aggregation that unwritten, informal behaviours and customs have to be formalised and (sometimes) explicitly anticipated.

As for abortion and crime: first, the argument that abortion reduced crime figures in the US is refuted (to my satisfaction anyway) [1]here. But assuming that the relationship holds: well you could have a bond issue targeting crime that carried provisos such that the bonds shall not be redeemed if the abortion rate increases to a certain level. More generally, bond issues could carry provisos that stipulate they will not be redeemed if certain moral or legal behaviours are contravened. Basically it's up to the bond issuers, remembering that for many negative behaviours there are existing legal sanctions in place anyway. This applies whether the bond issuers are government bodies or private individuals.

1. http://www.amconmag.com/2005_05_09/feature.html

2.10.6 (2005-10-13 21:11)

R, that article truly lays waste to that theory! sadly now though, the theory will probably stick around for ever like an urban myth. JJ

2.10.7 Causes: interesting but irrelevant (2005-10-14 17:35)

> Everyone agrees that Africans are desperately poor and typically endure governments that are, to varying degrees, corrupt and capricious. The dispute is about causes and consequences. One group–call it the poverty-first camp–believes African governments are so lousy precisely because their countries are so poor. The other group–the governance-first camp–holds that Africans are impoverished because their rulers keep them that way. The argument may seem pedantic, but there are billions of dollars at stake, and millions of lives. The fundamental question is whether those who are well-off can salve a continent's suffering, or if, for all our good intentions, Africans are really on their own.
>
> [1] Why is Africa still poor?
>
> , Andrew Rice, The Nation, 24 Oct 2005

I disagree: I don't think looking for causes is necessary when it comes to devising policies that will eradicate poverty. Doing so might even be a distraction. In this, I share common ground with Tolstoy who, when writing about conflict, wrote:

> The deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event. ’ War and peace’, Signet Classic, 1968 (page 730)

Life is so rich and varied that anybody can ascribe anything they don’t like to a racial group, set of persons, ideas or sequence of events they don’t like. This is the stuff of demonology, ideologues and party politics. Tyrants in some African countries seize any chance they can to blame colonisers for the problems they themselves inflict on their subjects.

I don’t think it’s necessary for any single person, ideology, government or international agency to try to explain why Africa is poor. Rather, the challenge is to set up a system that will subordinate all activity, policies and programmes to the desired outcome: the eradication of poverty. This is what Social Policy Bonds would do. We could issue Social Policy Bonds that would not be redeemed until poverty had been at a low level for a sustained period. We would, in effect, be contracting out the eradication of poverty to whoever will be most efficient at achieving that targeted outcome. Whoever buys the bonds might well spend some time trying to analyse causes of poverty, but they will be rewarded only if that is a necessary and efficient way of eradicating it. More likely, the people who buy bonds will just get on with the job. Looking for causes is probably best left to ideologues and academics.

1. http://www.thenation.com/doc/20051024/rice

2.10.8 Perverse subsidies: a continuing story (2005-10-19 14:37)

Perverse subsidies are subsidies that are economically irrational, environmentally destructive and socially inequitable. Apart from agriculture (which is fairly well documented and quantified, especially by OECD), other recipients are the road transport and energy sectors. Subsidies to private road transport include the hidden costs of providing road users with roads, space and complementary traffic services such as highway patrols, traffic management, and paramedics. For the years 1991 and 1989, two different studies estimated the net subsidies to road transport in the US at $55 billion and $174 billion, respectively, or 1 and 3 per cent respectively of that country’s GDP. (The wide range reflects the different estimates for parking subsidies and for providing complementary traffic services.) Questionable on many grounds road funding — as well as funding for public transport schemes — would appear to be another example of middle-class welfare. Most of the benefits of these works go overwhelmingly to those who have more money to spend on travel, and more time in which to do so.

In the mid 1990s it was estimated that subsidies for energy in OECD countries were running at between $70 billion and $80 billion; their main purpose being to support energy production. Coal is most heavily subsidised, followed by nuclear energy and oil.

Estimates are bound to be imprecise, but it would be reasonable to put the total sums wasted on perverse subsidies in the developed countries at about 3 per cent of their combined GDP — this is equivalent to about 8 per cent of their governments’ total spending.

My case for Social Policy Bonds, or rather, against existing ways of spending on social and environmental goals, relies heavily on perverse subsidies. They, and all the other forms

of corporate welfare, are significant in themselves, but their size and persistence also cast a heavy shadow over other government interventions. This is not an argument about big against small government; it is more about the distance between government and the people it is supposed to represent. However, big government does seem to be remote government, and remote government also seems to be unresponsive government.

And that's how a few agribusiness corporates, pretending to represent family farmers, have done so much to destroy the landscape and social fabric of rural Europe, the US and Japan, have siphoned off billions that could have been spent on hospitals and schools and people in genuine need, and are even now threatening to derail the global trading system.

2.10.9 Shock News: CAP rips off Europeans (2005-10-22 08:50)

> Overall, the average UK household of four could be around £1,450 (€2,175; $2,600) per year better off in ten years' time, compared to £1,360 (€2,020; $2,436) across the EU on average, if all global trade were liberalised, including removal of the C[ommon] A[gricultural] P[olicy], and the government and EU monies devoted to the CAP were spent instead on R &D. Source: [1]Open Europe

The CAP diverts funds from the poor to wealthy landowners and trans-national agribusiness corporates, so getting rid of the CAP would benefit the poor disproportionately.

1. http://www.openeurope.org.uk/research/

2.10.10 Bangkok's new airport (2005-10-25 17:23)

Bangkok's new airport, at Suvarnabhumi, is scheduled to open next year. The around the airport will be designated Thailand's 77th province. The current Thai Government intends it to rival Singapore as an Asian air hub.

Bangkok though already has a perfectly good airport at Don Muang, with two runways and a highly developed infrastructure. Surely there are more pressing priorities for this developing country than building a massive new airport, much further away from the city?

The new airport's province will be called Suvarnabhumi Maha Nakhon: Suvarnabhumi the Great City. It will become 'a modern economic centre'. Local landowners can expect a huge rise in the value of their land.

Actually the names of major land owners in the vicinity of the airport were revealed recently by the press. Most of the owners are known to have close relations with the ruling Thai Rak Thai party.

Source: *How will Thailand compete with Singapore?* ThaiDay, published with today's 'International Herald Tribune'.

2.10.11 Extension transference (2005-10-26 18:23)

I've just started reading *Beyond culture*, by Edward T Hall, an anthropologist. The book is largely about 'extension transference'; the process by which people misapply or are led by their 'extensions', which include language, tools and institutions. Bureaucracy, as I think Hall will point out later in the book, is another of these extensions. There are, I think, parallels between the way our minds not only use language, but are in important senses controlled by it; and the way our society is governed by institutions that no longer have objectives congruent with those of society. In both cases, the tool (or 'extension') has become overly influential, primarily concerned with its own survival, and dangerously controlling.

On a different note: my geocities mirror seems to be down, so to access the Social Policy Bonds site now and in the future, please change your bookmarks to [1]http://SocialGoals.com.

1. http://socialgoals.com/

2.10.12 (2005-10-26 18:35)

Hi Northsouth and thanks for your query. Much depends on the targeted outcome. It could be something easily achieveable within the current regulatory environment. For example; bondholders aiming for a reduced crime rate in a particular city wouldn't need to seek regulatory changes. They could devote more resources to crime detection, reporting, deterrence, or punishment etc. But say we are talking about a US city where guns are legal. Bondholders could reduce gun crime by all sorts of initiatives, but they might find it most efficient to lobby for a change in the law that would make possession of guns illegal.

In general, bondholders can lobby for changed regulations if they think that is the most efficient way of achieving the targeted objective. Regulations are the outcome of a political process. As under the current regime, bondholders will try to alter the regulatory environment to suit their goals. This sort of pressure goes on nowadays of course. Under a bond regime, the source of the pressure and the reason for it would be much more transparent.

Regards

2.10.13 Humility (2005-10-27 13:46)

My [1]blog is worth **$0.00**.
[2]How much is your blog worth?

[3]

1. http://socialgoals.com/blog/blog.html
2. http://www.business-opportunities.biz/projects/how-much-is-your-blog-worth/
3. http://www.technorati.com/

2.10.14 Small government: not an end in itself (2005-10-30 07:01)

Small government, despite what [1]some thinktanks believe, is not an end in itself. I think the real issue is not so much the overall size of the state, but the distance between it and the voters. The rich countries in some ways have the worst of both worlds: big government that does (a) the wrong things and (b) some of the right things, badly. So the UK Government (for instance) maintains extravagant corporate welfare schemes, social engineering experiments, and high food prices, because that's what the French want. But it's failing to do things like ensure safe streets and decent rates of basic literacy. If government were efficient, responsive and doing things that improved the welfare of real persons (rather than favoured corporations and lobby groups) and enjoyed popular support then I shouldn't see anything wrong with a big state. In other words, the issue is not the size of the state but what it does with the power and resources we give it. It all comes down to outcomes in the end. Small government may be a means towards that end, but it's not an end in itself.

1. http://www.adamsmith.org/blog/index.php/blog/individual/taming_leviathan/

2.11 November

2.11.1 Riots in Paris (2005-11-02 10:18)

As far as I can tell nobody else has traced the current riots in Paris back to what I think is one of their main causes: French protectionism and the Common Agricultural Policy. So here goes. By blocking imports of farm products (and textiles and clothing) France, consistently and with great success over the past few decades has:

- Kept more people in farming than otherwise, leading to shortages of labour in manufacturing and services sectors; and
- Blighted the prospects of economic development in poor countries, particularly in Africa.

The result has been *reluctant* immigration – the worst sort – into France, by people with no other chance of providing decently for themselves and their families. French protectionism has directly led to the violence on the streets of Paris. The tragedy is that the French have so manipulated the European Union that it is not just France that will suffer.

2.11.2 Kyoto is dead (2005-11-05 17:57)

'The blunt truth about the politics of climate change is that no country will want to sacrifice its economy in order to meet this challenge', said UK Prime Minister Tony Blair [1]recently. He's right, and some of us have been working on practical alternatives to the absurd Kyoto Protocol.

For people whose priority is dealing with climate change, rather than merely demonstrating their concern for humanity without actually doing anything, I suggest Climate Stability Bonds. These would be backed by governments or the private sector, and auctioned to the highest bidders. They would be redeemable for a fixed sum only when some meaningful climate stability target had been achieved and sustained. Bondholders would have incentives to do whatever is most cost-effective. They might opt to reduce greenhouse gas emissions, but they might well find that sending mirrors into Earth orbit, or developing new species of cyanobacteria (that can soak up atmospheric carbon dioxide and convert it into a raw material for biodegradable plastic), or researching into many other possibilities would be far more efficient. Click [2]here for a short published article on Climate Stability Bonds .

1. http://www.number-10.gov.uk/output/Page8439.asp
2. http://socialgoals.com/ieakyototext.html

2.11.3 Prince Albert of Monaco receives 300 000 euros from CAP (2005-11-12 06:13)

Prince Albert II of Monaco, whose fortune is estimated at 2 billion euros (£1.4 billion), received 287 308 euros in subsidies from the CAP last year. According to a report from Paris-based economics think-tank Groupe d'Economie Mondiale de Sciences Po, less than one per cent of French farmers - the largest ones - receive more in subsidies than the bottom 40 per cent of farmers.

2.11.4 Kyoto is dead ...still (2005-11-16 11:32)

This article was published in today's [1]New Zealand Herald

'The blunt truth about the politics of climate change is that no country will want to sacrifice its economy in order to meet this challenge.' Tony Blair, speaking at the G8 Climate Change Conference on 2 November, confirms what many of us suspected: the Kyoto agreement to cut back on greenhouse gas emissions is dead. It is unworkable, hugely expensive, politically divisive and most important, ineffectual. Unlike many who oppose Kyoto I do not think all its supporters are insincere or motivated purely by a wish to secure funding for their research programmes. The evidence that the climate is changing is strong and getting stronger, and there is no question that it could have catastrophic effects on large numbers of people.

It also seems likely that anthropogenic greenhouse gas emissions are a cause. But that doesn't mean that cutting back on these emissions is the best way of preventing or mitigating climate change. In their efforts to get the absurdly unworkable Kyoto agreement off the ground, its proponents have squandered precious political capital, and set back the cause of those looking for realistic alternatives.

Perhaps some of them, including some in the New Zealand Government, knew Kyoto would never fly, so could support it safely. They'd thereby be demonstrating their immense care and compassion for humanity, knowing all along that Kyoto would come to nothing and

they wouldn't actually have to sacrifice anything themselves. This certainly seems to apply to the European Union: the EU had pledged to reduce its total greenhouse gas emissions to 8 per cent below 1990s levels by 2008-2012, but by 2002 they had dropped only 2.9 per cent – and carbon dioxide emissions had risen slightly. Only four EU countries are on track to achieve their individual targets. And the EU is economically stagnating: any significant growth would probably end its chances of meeting the Kyoto targets.

Given the dimensions of the climate change problem, we should not spend too much time allocating blame for failed policies. Rather we should be looking for practical ways of preventing climate change and mitigating its effects.

Kyoto suffers from the same flaw as many of our other environmental and social policies: it assumes that government knows the best way of achieving our goals. Kyoto if focussed entirely on reducing net greenhouse gas emissions. But with climate change the biological and physical relationships involved are many and complex. Even specialists in climatology disagree about the degree to which the multitude of biological and physical variables cause climate change.

The best way of addressing climate change would not embody the assumption that it knows exactly how the Earth's climate is changing, what is causing it to change, and what is the best way of dealing with any change. It would not ignore a potentially catastrophic problem, but it would try to be as cost-effective as possible, especially because of the colossal expenditures involved. An ideal policy would stimulate the investigation and adoption of promising new technologies, and be responsive to our fast-increasing knowledge about the causes and effects of climate change. It would most probably seek to mitigate the negative effects of climate change, while doing little to discourage positive effects. Ideally too, it would use markets, the best way yet devised of allocating society's scarce resources, to channel people's self-interest into achieving climate stability.

If such a solution could be found, it would be certain to attract more support than Kyoto both from decision makers and ordinary people. Widespread support is essential, because stabilising the climate is going to entail enormous costs and sacrifices.

We need to recognise explicitly that we don't know all the answers. Achieving a stable climate will mean investigating a wide range of diverse approaches that don't have anything to do with greenhouse gas emissions - but Kyoto will do nothing to encourage such research. Reducing greenhouse gas emissions or sequestering carbon might turn out to be helpful and cost-effective. But what if new science tells us either that greenhouse gases are not as important as originally thought, or that there are far more cost-effective ways of achieving climate stability? Kyoto would grind on, with its expensive and futile controls on greenhouse gas emissions.

Our problem, of course, is not greenhouse gases; it is climate change. So our objective should not be to cut back on greenhouse gas emissions, but to achieve climate stability. A successful policy would encourage those who help stabilise the climate, however they do it.

My own suggestion is that governments collectively issue Climate Stability Bonds. These would be sold by auction, and redeemed for a fixed sum only when the climate has achieved an agreed and sustained level of stability. In this way there is no need for the targeting mechanism to make assumptions as to how to stabilise the world climate - that is left to

bondholders. Climate Stability Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that climate stability is achieved quickly.

Once issued, the bonds will be freely tradeable on the free market. As the climate became more stable, so the bond price would rise. Bondholders have incentives to cooperate with each other to do what they can to achieve climate stability, then to sell their Bonds at a higher price. Governments decide only on the degree of climate stability they want - not on how to achieve it. That is left up to investors in the Bonds, who have every incentive to maximise the taxpayer's benefit per unit outlay. So, in contrast to Kyoto, a Climate Stability Bond regime would stimulate research into finding ever more cost-effective ways of achieving climate stability.

Kyoto is flawed because its focus is entirely on net greenhouse gas emissions. We need instead to look at solutions, such as Climate Stability Bonds, that have as their goal the achievement of climate stability. There is too much at stake to rely on the fossilised science that underpins Kyoto.

1. http://socialgoals.com/NZHKyoto.mht

2.11.5 (2005-11-18 00:21)

I agree with all that, but there are much deeper, more internal issues, that were created in the past. These rioters live in state-created ghettos, and to this day are still unable to get out. In the 60s, with the flood of "reluctant immigration", the state thought it could help out by dumping these immigrants into council estates, basically they provided really cheap rent, but the tenants lived (and still do) one on top of the other, in a completely closed environment outside the city(the "banlieue"). Now there are no job opportunities there, but how can that be surprising when there is over 10 % of unemployment in the whole country? The key words are *labour laws*, these are way too rigid, employers just don't want to employ, let alone foreign-looking applicants(who are now known to torch cars, which really doesn't help their unemployment situation)...

As for the CAP, it should be scrapped, and we all know that France is the only EU country that fully supports it. This kind of stubborn behaviour is unacceptable in the face of African poverty, and in my opinion the EU should boot France, let it rot alone in its pathetic protectionist "social model".

BTW feel free to email me at lone.canaanite@gmail.com

2.11.6 (2005-11-18 10:01)

Thanks for your comment Dov. I agree: once the reluctant immigrants had arrived, their problems were worsened by the protectionist 'social model', of which the CAP is one element. I also agree that the EU should boot out France: see my [1]earlier comment.

1. http://socialgoals.com/blog/2005/05/european-union-without-france.html

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2.11.7 (2005-11-20 04:37)

Hmmm; I just deleted it. It seems the *Herald* has copyright....

2.11.8 Subsidising our oil addiction (2005-11-21 10:25)

Reading Jane Jacobs' new book [1]*Dark Age Ahead*, published in May, I'm reminded that the western world's dependence on cars, highways and fossil fuels is not a market-driven outcome. Rather it's a product of government-subsidised road building programmes, government-backed corporate welfare for oil companies, a government-funded military to secure oil supplies and guard their routes; and (in the US) sales of tramways to General Motors that breached anti-trust laws. I have had spirited arguments with people who claim that public transport is heavily subsidised; true, but let's not forget that not only was our private transport infrastructure subsidised, but the external costs that it continues to impose are effectively underwritten by the taxpayer. These include the grievous accident and environmental costs, the unquantifiable but large losses of community, and the direct and indirect costs that arise from our dependence on oil imports.

1. http://www.amazon.com/gp/product/1400076706/103-9795212-3671068?v=glance&n=283155&s=books&v=glance

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2.11.9 Eradicating small businesses: all join in (2005-11-21 11:32)

Government and big business seem to run a cartel with a single aim: to eradicate small businesses. In this they are aided by all sorts of organisations. This, from today's (UK) [1]*Daily Telegraph*:

> The misery women go through all over the world queuing for public lavatories would be eased under new principles proposed by the World Toilet Organisation. Guidelines issued at the weekend by the National Environment Agency in Singapore, where the WTO is based, would mean women have at least equal facilities to men.
>
> The code requires medium-sized restaurants, bars and nightclubs to have as many female cubicles as they have male cubicles and urinals. Larger venues, and those such as theatres and cinemas where usage is confined to peak periods, would have to favour women's facilities by a ratio of 14:10.
>
> "It's very important where there are a lot of people," said Elisabeth Maria-Huba, a German social scientist. "Women need longer. And in a lot of cases women have to arrange themselves to go out again."

The World Toilet Organisation [2]does exist.

1. http://www.portal.telegraph.co.uk/news/main.jhtml?xml=/news/2005/11/21/wto21.xml
2. http://www.worldtoilet.org/

2.11.10 (2005-11-22 10:08)

Sean: no the climate's never been truly stable. My suggestion is that we be very clear what definition of stability we go for. It could include such indicators as temperature range and variability,but it could also embody more meaningful indictators that don't have anything to do with climate as such. So, for instance, a bond regime could aim to reduce the number and severity of adverse climatic events, or the amount that insurance companies pay out, or the numbers of people made homeless by floods etc. The bond concept is a versatile one and it could embody a wide range of meaningful goals simultaneously.

2.11.11 (2005-11-23 05:31)

Bravo!!

2.11.12 Fraud, dammed fraud, and the CAP (2005-11-24 10:51)

The BBC [1]reports that fraud costs the average UK household £650 a year. They mean, of course, illegal fraud. The other sort of fraud is even more costly. Research commissioned by [2]Open Europe estimates that ditching the Common Agricultural Policy would be worth £1500 a year to the typical UK household.

1. http://news.bbc.co.uk/1/hi/business/4463132.stm
2. http://www.openeurope.org.uk/research/

2.11.13 Achieving social goals requires imagination, not selection (2005-11-28 15:03)

> Even if you could get more RAM for your brain, the extra storage probably wouldn't make it easier for you to find where you left your car keys. What may help ... is a better bouncer – as in the type of bouncer who manages crowd control for nightclubs. *[1]Source*

This research measured the brain activity of people asked to remember arrays of colored

squares or rectangles. In one experiment, researchers told subjects to hold in mind two red rectangles and ignore two blue ones. Those considered to be 'high-capacity' individuals excelled at dismissing blue, but low-capacity individuals held all of the rectangles in mind. The researcher said that:

> People differed systematically, and dramatically, in their ability to keep irrelevant items out of awareness. This doesn't mean people with low capacity are cognitively impaired. There may be advantages to having a lot of seemingly irrelevant information coming to mind. Being a bit scattered tends to be a trait of highly imaginative people.

There are many ways to interpret these results, (published in full in *Nature,* 24 November). From the Social Policy Bond point of view, I would make these points:

- Today's society defines 'high capacity' individuals as those who can be most selective in the choice of information they consider; and

- Policymakers – politicians, government officials, corporate bosses – are overwhelmingly drawn from the ranks of those considered to have high capacity.

Excluding extraneous information may be desirable, and even necessary when looking at defined tasks where success will be measured in terms of one-dimensional units such as sales, market share, profits, or numbers of people on waiting lists, etc.

But aggregating such uni-dimensional targets, whether corporate or government, will not optimise society's well being. For this, we need to target broader social and environmental outcomes. These could, and should, include quality of life indicators; the provision of a tight safety net that maximises rates of basic literacy, health and housing; baseline environmental indicators; and the maintenance of law and order.

A government could define such broad social and environmental goals, but it should not prejudge how best to achieve them. Such achievement requires an awareness of a huge number of variables and a responsiveness that policymakers do not have: all the evidence bears this out, and the research mentioned above explains it. Excluding information is necessary for articulating society's wants and raising funds – which governments do quite well. But when it comes to actually *achieving* our goals, we need a different sort of intelligence; one that is comprehensive, imaginative, pluralist and highly adaptable. Markets, in the service of social goals, are the answer. Social Policy Bonds are a means through which government and markets could each do what they are best at.

1. http://www.eurekalert.org/pub_releases/2005-11/uoo-dds111805.php

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2.12 December

2.12.1 Rewarding outcomes, not effort (2005-12-02 11:06)

"But the public seems to be losing patience with airy-fairy ideological crusades—and growing ever hungrier for down-to-earth pragmatism." So says Lexington in a column headed 'The End of Ideology' in the latest (3 December) issue of *The Economist*. And it's true America's 1993 Government Performance and Results Act 'seeks to improve the management of federal programs by shifting the focus of decision-making from staffing and activity levels to the results of federal programs'.

What has been the result?

As I argue in my forthcoming book, existing institutional structures constrain a truly outcome-based policy. In the US, there has been an emphasis on rewarding effort whatever the result. But for efficiency it is not the quantity of effort that should be rewarded, but its quality, as measured by its effectiveness in achieving outcomes. It is crucial, in short, that *outcomes be rewarded, however they are achieved*. The risk and consequences of underachievement should be borne by the institutions themselves, not by ordinary members of the public. Outcome measures for bodies engaged in long-term activities, for example, research and development, should be subsumed into broader strategic goals. It should not be up to the government or a government agency to monitor how efficient agencies are in achieving sub-objectives. More crucially, the *resource allocation should not be on an agency basis*. Resources, ideally, would shift in and out of different activities depending on how efficient each activity is in contributing to the achievement of the strategic goals.

There is no question that the GPRA does represent a big step forward for outcome-orientated government. But, in my view, progress is being impeded on two fronts: existing government agencies have too much say in both the choice of long-term goals to be targeted, and in how resources aimed at achieving these outcomes are to be allocated.

2.12.2 More subsidies for the rich (2005-12-06 01:20)

The British Government, like many others, has become dependent on maintaining high property values. So it's doing it's best to prop them up. Yesterday it [1]announced that it (ie the taxpayer) will subsidise the purchases of couples who can afford only 75 per cent of the purchase price of a new house. Anyone with basic economics will know that this will merely bid up the price of all houses. Perhaps that is the Government's real purpose. If it wanted to do something about poverty or homelessness it would tackle them directly. Instead it shovels taxpayer funds into the property market. Its appears that the Chancellor's priority is to keep consumer spending high – at least for the duration of his political career – by inflating property values.

A Social Policy Bond regime would do away with this sort of nonsense from the outset. It would first identify the desired outcome and then let bondholders, not government, decide on how best to achieve it. It's possible that a government issuing bonds would say that its purpose was to boost property values so that consumers would spend more. But it's hard to imagine such a use of taxpayer funds being admitted, let alone approved. The current policymaking regime depends absolutely on fudge, obfuscation and deception. It allows government to favour its own alleged ways of achieving vague, unspecified or conflicting goals. Very often the actual result, as here, is to subsidise wealthy individuals or corporations at the expense of small businesses or the disadvantaged.

1. http://www.iii.co.uk/reg/wealth/?type=shares_and_funds&lo=3

2.12.3 Politics without outcomes (2005-12-08 10:32)

If you're a politician and you don't target outcomes, anything goes. If you're not in the government you can attack the government for spending too much on this, or not enough on that. If you are in the government you can blame all the bad news on what the opposition did when it was in power. Relationships between cause and effect are nebulous and accountability can always be fudged. So it's all a lot of fun for politicians: all they really need a research team who can mine data and bring up a few favourable soundbites: there's no shortage of data. And if you've done so badly that even that is unconvincing, well you can always attack the personal history of your opponent. So Gordon Brown, UK Chancellor (Minister of Finance) yesterday was reduced to [1]pointing out that the chief defect of his new Tory opponent is that he was an Old Etonian.

Politicians should be allowed to have their fun, but not at the expense of the rest of us. We really need to get them to target explicit social and environmental outcomes. We need to join with them in articulating our goals and costing them.

1. http://www.portal.telegraph.co.uk/opinion/main.jhtml;jsessionid=OHAR5CPVTUIQDQFIQMGCFF4AVCBQUIV0?xml=/opinion/2005/12/08/do0801.xml&sSheet=/news/2005/12/08/ixne

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2.12.4 Stabilisation wedges (2005-12-13 10:28)

The current issue of *The Economist* has a [1]feature about climate change. In it, there is talk of 'stabilisation wedges' invented by Rob Socolow. Essentially, this is a way of decomposing 'a heroic challenge (eliminating the emissions [above the trend line]) into a limited set of merely monumental tasks.' Dr Socolow lists six such tasks: greater efficiency, decarbonised fuels, decarbonised electricity, fuel displacement by low-carbon electricity, methane management, and natural carbon sinks. Each of these can be further broken down. For example, decarbonised electricity can imply nuclear power, renewable energy etc.

This way of looking at climate change is encouraging in that it's about diverse approaches solutions to broad, defined, problem.
My reservations about it are:

- That the defined problem is taken to be anthropogenic greenhouse gas emissions, not climate change nor the negative effects of climate change;
- That it is still too prescriptive in that it doesn't do much to encourage the exploration of as-yet-unknown possible solutions;
- That it lacks market incentives, so would not maximise cost-effectiveness as that Climate Stability Bonds would, and would shift the burden of failed or inefficient technologies on those – presumably taxpayers – who would be financing, upfront, the entire enterprise.

Click [2]here to read a published article about Climate Stability Bonds. Details of how to order my book on Climate Stability Bonds can be found [3]here.

1. http://www.economist.com/science/displaystory.cfm?story_id=5278250
2. http://socialgoals.com/ieakyototext.html
3. http://www.socialgoals.com/index_books.htm

2.12.5 Markets and 'markets' (2005-12-14 10:42)

Talking about Social Policy Bonds I find that some people are initially put off by the concept's reliance on markets. They associate markets with big business and its largely successful efforts to manipulate the social and political agenda in its own interests. So let me quote [1]Chomsky:

> Only economists talk about markets. Business can't tolerate markets. They don't want markets in which informed consumers make rational choices. What they want is deluded consumers who will make irrational choices. That's what hundreds of billions of dollars in advertising are spent on. You don't get any information about the product.

There is a huge difference between big business and government on the one hand, and small businesses and natural persons (as distinct from corporate bodies) on the other. Big business and government are suspicious of markets, which depend for their vitality on numerous decisions made by people and firms acting diversely and responsively within ethical and legislative bounds. They don't fully trust markets because they cannot fully control them. But they do try:

> Large companies are less and less about making something for a specific market and increasingly about manipulating the arrangements behind such makings. Harvey Molotch, *Where stuff comes from*, Routledge, 2003 (page 204)

When they are not corrupted or distorted, markets are the best way of allocating our scarce resources: all the evidence of history as well as economic theory supports this.

Markets do get a bad press, because they *are* often corrupted and distorted. But [2]Social Policy Bonds offer a way in which market forces can be channelled *directly* into achieving social and environmental goals.

● An [3]article about Climate Stability Bonds appeared in yesterday's *Dominion Post* (Wellington).

1. http://www.chomsky.info/interviews/20051110.htm
2. http://socialgoals.com/
3. http://socialgoals.com/kdom2005.htm

2.12.6 Social Policy Bonds and developing countries (2005-12-17 14:30)

I'm often asked whether Social Policy Bonds could be applied to developing countries. The answer is yes. They could be issued by interested, wealthy outsiders, concerned, for instance, about female literacy in Pakistan (click [1]here for a pdf file on how philanthropists could issue Female Literacy Bonds).

Of course, developing country governments could issue their own Social Policy Bonds. Their public sector is not so well documented as in the rich countries. This makes discussion of their policymaking more difficult, but it should not inhibit the transition to a Social Policy Bond regime for several reasons:

- Public sectors are growing even faster in developing countries than in the developed world from, of course, a smaller base. There is the opportunity therefore to avoid the mistakes that developed countries made when their public sectors grew.

- While public sectors in the developing countries are growing rapidly, they are still not big enough to cope with their very severe social problems and the enormous social changes that are occurring. Developing countries are urbanising rapidly, with all the social dislocation this entails. Crime rates are high, and there is a great deal of urban poverty and unemployment. Many children are outside the educational system altogether and standards in state systems, while variable, are generally very low. Environmental problems are especially severe in developing countries.

- Public sector employees in developing countries are generally not well paid, and are more susceptible to corruption than in most developed countries. This lowers their motivation to act in the public interest. So, even more than in developed countries, there is often little relationship between government spending and desirable outcomes. One pointer: an International Monetary Fund (IMF) survey of 50 developing countries concluded that 'there is little empirical evidence to support the claim that public spending improves education and health indicators'. (Source:

  Anjeev Gupta, Marijn Verhoeven and Erwin Tiongson, *Does higher government spending buy better results in education and health care?* , IMF Working Paper WP/99/21, February 1999.

)

1. http://socialgoals.com/handbook.pdf

2.12.7 Markets and 'markets', continued (2005-12-20 13:49)

> For all the grandiloquence, however, there is no hiding that last week's meeting did little to promote free trade. *[1]The Economist*

You'd almost always be safe, if you've fallen asleep at a meeting and woken up to find yourself being looked at expectantly, to say something like *there are arguments on both sides*, or *it's not black or white, it's a continuum*. But when it comes to agricultural subsidies these statements would be wrong. There is only one side, and it is black not grey: agricultural subsidies are economic nonsense, *and* socially inequitable, *and* environmentally catastrophic. We knew this 30 years ago, but the subsidies continue. Right now, they are threatening to undermine, yet again, the international trading system. Still their proponents - step forward France - keep them going. They continue to put up high barriers to imports from food-rich developing countries, raising food prices for their own consumers and making it impossible for people in the poorer countries to prosper. The main beneficiaries of these absurd policies are wealthy landowners, large agribusiness corporates, the bureaucrats who administer them, and their political friends.

For those who preach 'markets' but are anti-market in everything except rhetoric, the interests of these wealthy, selfish bodies outweigh the millions of ordinary people, some of them desperately poor, who would benefit from the removal of barriers to agricultural trade.

1. http://www.economist.com/agenda/displaystory.cfm?story_id=5326711&no_ga_tran=1&no_na_tran=1

2.12.8 Government favours industry concentration (2005-12-21 12:52)

A recent report by the ETC Group,[1]*Oligopoly, Inc. 2005* points out, inter alia, that in the past two years alone:

- the world's top 10 seed companies have increased their control from one-third to one-half of the global seed trade;
- the top 10 biotech enterprises have raised their share from just over half to nearly three-quarters of world biotech sales; and
- the market share of the top 10 pesticide manufacturers rose modestly, from 80 to 84 %, but industry analysts predict that only three companies will survive the next decade.

I think government intervention tends to favour oligopolies, in that it favours big business at the expense of small businesses and natural persons. Government identifies big business with economic success, and most corporate welfare programmes go to the largest companies. Agricultural subsidies, for instance, are claimed to be for 'family farms', but they mainly go to wealthy landowners and large agribusiness corporates. (Import barriers for food, as well as hurting the third world, also transfer cash from poor (western) consumers to wealthy farmers.) Big business can manipulate the regulatory environment, eg regarding health and safety, to make it very difficult for small businesses. The result is increasing concentration in industries like agriculture, where government intervention is dominant and sustained.

1. http://www.etcgroup.org/article.asp?newsid=527

2.12.9 The middle-class housing crisis (2005-12-26 06:26)

> In 1970, about 50 per cent of all families could afford a median-priced home; by 1990 this number had dropped below 25 per cent. *The next American metropolis,* Peter Calthorpe

This quote, refers to the US, but could equally apply to New Zealand and the UK.

How has it come about? The authors of [1]*Suburban Nation*, point out that one factor is the way that planners and developers design our cities. In most residential developments it's now almost impossible for any adult to function without a car. The cheapest cars (in the US) cost around US $6000 a year to run, which at typical mortgage rates equates to US $60 000 in home-purchasing power. For two adults, the impact on housing affordability is obvious.

Another crucial point, which I'm pleased the authors make:

> The atomization of our society into suburban clusters was the result of specific government and industry policies rather than of some popular mandate.

It's not markets, in other words, that have led to urban sprawl, but government subsidies, notably for oil extraction, consumption, and for highway construction, along with disastrous single-use zoning laws.

1. http://www.amazon.com/gp/product/0865476063/qid=1135574111/sr=1-1/ref=sr_1_1/103-7274841-4994263?s=books&v=glance&n=283155

2.12.10 Climate change: subordinate policy to outcomes not process (2005-12-27 12:52)

Dealing with climate change as if it's just another problem is going to be disastrous. Governments, especially at the supranational level, subordinate all policy to process. Their only concern is that they comply with the rules – or rather, that they are not seen to have failed to comply with them. To politicians and officials, outcomes are irrelevant. This is especially the case with climate change, where they can easily escape or deflect censure because of all the scientific uncertainties and because their failures will not be directly attributable to them.

What's prompted this diatribe? Researchers in the UK have found that warmer temperatures have stimulated microbial activity in 6000 soil borings across Britain. This means that much of the carbon that used to be stored in the soil is now being released into the atmosphere. "The quantities were large enough to negate all the work that Britain had done to switch away from coal to reduce carbon in the atmosphere."

This is one of several scary feedback findings [1]published recently. How will Kyoto absorb them into its mechanisms? How will policymakers respond? Answers: it won't, and they won't, respectively. That's because Kyoto is a typical government conceit: it assumes government knew the scale of the climate change problem, the cause of the problem, and the best way of solving it *in the 1990s*. Kyoto cannot respond to our rapidly expanding knowledge.

Instead of Kyoto we urgently need an adaptive policy, that rewards people for preventing or mitigating climate change, *however they do so.* My suggestion is that we ditch Kyoto and governments, along with concerned non-governmental organisations and philanthropists issue [2]Climate Stability Bonds instead. Even if the entire premise for Kyoto eventually turns out to be false – the climate is not changing, in other words – Climate Stability Bonds, because they are priced by the market, would still be the lowest-cost policy.

1. http://www.nybooks.com/articles/18616
2. http://socialgoals.com/ieakyototext.html

2.12.11 2005 (2005-12-31 10:45)

It hasn't been a great year, either for Social Policy Bonds or for policies that are subordinated to outcomes.

Nobody has issued Social Policy Bonds, as far as I am aware, during 2005, nor has there been much professional interest. I have been updating the text of my book *Injecting incentives into the achievement of social goals: Social Policy Bonds*, to reflect my view that the private sector is more likely to issue Social Policy Bonds than government agencies. I expect to have the text completed during the first quarter of 2006. I haven't begun looking for a publisher yet. Anybody who has purchased any of my books can email me for an electronic version of the new book, free of charge, at any time. There has been no media coverage of Social Policy Bonds apart from a couple of articles in New Zealand newspapers, in which I offered Climate Stability Bonds as an improvement over the wildly expensive, moribund, Kyoto process.

As regards policy: there has been some delinking of subsidy from production levels in EU agriculture, but absurd tariffs and other import barriers remain as a serious impediment to would-be food exporting developing countries and a continuing threat to the global trading system. Other perverse subsidies, including those to oil extraction and consumption, continue.

Despite this lack of progress, I continue to work on refining and publicising the Social Policy Bond principle. Any suggestions as to how to advance it would be most welcome. I wish all my readers a happy, healthy 2006.

2006

3.1 January

3.1.1 Ideology destroys neighbourhoods (2006-01-01 15:09)

> By applying theories from the incipient quasi-sciences of psychology and sociology, architects invented new forms of buildings and cities that they believed would transform their inhabitants into the most benevolent of creatures. [1]*Suburban Nation (page 238)*

The excellent source of that quote (subtitle: *The Rise of Sprawl and the Decline of the American Dream)* makes painful reading. I wrote [2]below about one of the consequences of government policies that systematically favour suburban sprawl and car-based settlement patterns. Others are equally tragic: for instance, the excess deaths from air pollution in the US (estimated at between 50 000 and 125 000 annually).

While vested interests, such as those of developers and highway construction firms, play their part in this dolorous tale so too does ideology, as the quote shows. You might think that urban and architectural planning disasters are so obvious we'd stop building them. But the organisations responsible, whether government or private sector are just like any others. They are poor self-evaluators. Myths, false propaganda, and anachronistic beliefs persist in the absence of strong evaluative institutions to test ideas against logic and evidence. Organisations turn against their own evaluative units as they threaten jobs and the status of incumbents. Organisations will attack their own thinking apparatus if that apparatus ever does become effective.

Ideology and organisational survival become ends in themselves. The consequences for ordinary people and communities, conscripted into the ideological experiments of people like the architects referred to above, can be disastrous.

A Social Policy Bond regime would not be driven by any ideology with its theories and abstractions. Instead it would stipulate and reward only transparent, explicit, targeted social and environmental outcomes – outcomes, moreover, that are meaningful to natural persons, as distinct from corporate bodies or ideologues.

• [3]Mike Linksvayer has kindly named this blog his [4]best policy blog of 2005. Thanks Mike!

1. http://www.amazon.com/gp/product/0865476063/qid=1135574111/sr=1-1/ref=sr_1_1/103-7274841-4994263?s=books&v=glance&n=283155
2. http://socialgoals.blogspot.com/2005/12/middle-class-housing-crisis.html
3. http://gondwanaland.com/mlog/
4. http://gondwanaland.com/mlog/2005/12/31/best-blogs/

3.1.2 More about Climate Stability Bonds (2006-01-04 12:00)

My [1]article about Climate Stability Bonds in Wellington's newspaper prompted one correspondent to suspect that my sole intention is to sink the Kyoto agreement. What is disappointing is that climate change and how we should respond have become so politicised that everybody is suspected of having a hidden agenda. So let me be clear: my intention is not solely to sink Kyoto. It's to get something going that will most effectively deal with the concerns of the many scientists who think climate change is happening at an alarming rate *and* those who either don't think climate change is happening or who believe that we can't do anything about it if it is happening.

With such a vast range of views, and so much at stake, it's no wonder climate change has polarised opinion. But, as my article suggests, climate change is one potential catastrophe that should not be delegated to the usual suspects. Unfortunately Kyoto and the reaction to it are typical of what happens when policy is subordinated to the agendas of existing institutions and governments. We get an effort that manages to be wildly expensive *and* ineffectual *and* so unpopular that it alienates vast sections of the public from its premises, let alone its supposed solution.

Climate Stability Bonds might not be perfect, but I think they are far better than Kyoto in achieving what we actually want to achieve: a stable climate. Climate Stability Bonds would not bear interest: they would be issued by a consortium of interested bodies for whatever price they would fetch when auctioned. They would be redeemable for a fixed sum only when the climate had stabilised. Stability could be defined in terms of an index of measures of the climate, its variability, and *the effects* of the climate on human, animal and plant life. If world opinion thinks climate change is not happening, the issuers would receive a high price for the bonds when they are floated. If the bonds fetch a low price, bondholders would gain a lot by doing whatever they can to bring about the issuers' targeted goal of climate stability. They could sell their bonds at any time, to those who think they can do better at further stabilising the climate and who could therefore bid more for the bonds. Bondholders have direct incentives to achieve the climate stability goal.

Climate Stability Bonds would reward those who help achieve a stable climate, *however they go about it*. The issuers would set the goal, the market for the bonds would allocate society's scarce resources *not* in proportion to bondholders' efforts, *but to their success in achieving that goal*.

Click [2]here to read a published article which goes into more detail about Climate Stability Bonds. Details of how to order my book on Climate Stability Bonds can be found [3]here.

1. http://socialgoals.com/kdom2005.htm
2. http://socialgoals.com/ieakyototext.html
3. http://www.socialgoals.com/index_books.htm

3.1.3 Eminent domain (2006-01-06 13:29)

Eminent domain in the United States, or compulsory purchase in the UK and New Zealand, gives the state the power to appropriate private property for its own use. This use is supposed to be in the larger public interest. But in the US (at least) eminent domain is being abused. In the nineteenth century and much of the twentieth, the individual states did invoke eminent domain primarily for public uses, seizing smallholder land to build roads, parks, railroads, hospitals, and military bases. But since then the public good has been redefined, so that it now interpreted as including economic growth that generates increased tax revenue for a local authority. *[1]Condemnation Nation* by Joshua Kurlantzick describes how city governments in the US combine with large real estate developers and 'big-box' retailers to exploit eminent domain for their own purposes. The losers are homeowners and small businesses.

Everywhere, it seems, government and big business have interests that are at least different from, and often opposed to, those of small businesses and natural persons. Eminent domain is similar to other manipulations of the legislative and regulatory environment, and corporate welfare, which might have started out as well-meaning initiatives genuinely aimed at the larger public interest but have been so abused so that they now achieve the opposite.

I've added a link to [2]Reclaimdemocracy.org, which hosts the excellent Kurlantizick article, to the list of other blogs and sites in the right hand column. Its slogan is 'restoring citizen authority over corporations': a necessary objective, I think. Social Policy Bonds, because of their focus on outcomes, could help. In the case of eminent domain, the city governments that abuse it are doing so to increase their tax revenues. Doing so has become their objective, much as increasing per capita Gross Domestic Product has become the *de facto* objective of national governments. A Social Policy Bond regime would start out by clarifying and targeting not abstractions like tax revenue or economic growth, but outcomes that are meaningful to natural persons.

1. http://www.reclaimdemocracy.org/articles_2005/condemnation_nation_chains.php
2. http://reclaimdemocracy.org/

3.1.4 Policymakers need numbers (2006-01-08 13:06)

Accepting that our societies are big and complex, policymakers need to base their decisions on quantifiable data. This applies under the current policymaking system, and would also apply in a Social Policy Bond regime. It poses serious problems in trying to measure societal well-being, but fortunately more and more indicators of elements of well-being are becoming quantifiable. [1]This story is about a new electronic nose that can sense and monitor low concentrations of gases and odours.

1. http://science.monstersandcritics.com/news/article_1073665.php/Electronic_nose_sniffs_out_landfill_odor

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3.1.5 Government should concentrate on eradicating poverty (2006-01-10 11:10)

> Contrary to expectation, there appears to be no link between the size of the welfare state and the level of well-being within it. In countries with generous social security schemes, people are not healthier or happier than in equally affluent countries where the state is less open-handed. Increases or reductions in social security expenditure are not related to a rise or fall in the level of health and happiness either. [1] Source given [2] here
>
> .

In my forthcoming book I argue that, when it comes to targeting societal well-being, the case for government intervention is strongest when there is a high correlation between government spending and measurable indicators of social welfare. It is mainly at lower levels of real income and wealth that the correlation between a quantifiable indicator and social welfare is strong and therefore valid as a guide to policymakers. At higher levels of income numerical targeting can be futile or even counter-productive. I suspect this is what lies behind the research that led to the conclusion quoted above. It is the poor who are also most in need of government intervention and it is the poor who would most benefit from it by any objective criteria. But too much government spending has been hijacked into the provision of subsidies to corporations, the wealthy and the middle class. From at least one angle then, western countries have the worst of both worlds: big and remote government, large (absolute) tax revenues, co-existing with pockets of real poverty.

1. http://www.springerlink.com/(i00mfhrn0vedlmeiaaxeggm4)/app/home/contribution.asp?referrer=parent&backto=issue,5,6;journal,11,14;linkingpublicationresults,1:1029
2. http://www.thewelfarestatewerein.com/archives/2006/01/the_welfare_sta.php

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3.1.6 (2006-01-11 17:45)

Why should we eradicate all poverty? Even J.S. Mill, way back in the 1850s, acknowledged most poverty was cultural, rather than economic. Why should some be forced to pay for the irresponsibilities of others?

3.1.7 (2006-01-12 10:18)

Good question. What is defined as poverty for targeting by government-issued Social Policy Bonds would be decided through the political process. The advantage of a bond regime is that all poverty-reduction activities would be directed at achieving society's desired poverty-reduction outcome, which would be explicit and transparent. Under the current regime government can get away with taking huge tax revenues ostensibly to reduce poverty, but actually to fund their own institution and powerful corporate interests.

3.1.8 Abandon your principles! (2006-01-14 11:13)

> The important thing in moral life is to do what is right, not to expound the principle which makes it so; and so often the principle eludes us, even when the rightness of the act is clear. [1] *England*
>
> , Roger Scruton (page 114)

Regular readers of this blog will be aware of my periodic outbursts against ideology as a policy driver. How often do we speak with good, well-meaning people who are committed to a particular political party, or who identify themselves with a particular political grouping? Then you come across their blind spot, where application of their ideology led to undeniably unfortunate results…but they can't see that. We probably all have such blind spots. The richness and complexity of history, and the application of selective memory mean that most of us can plausibly attribute all the bad things that happen to the beliefs, politicians, countries or cultures that we don't like, and all the good things to the successes of the ideology that we favour.

It's just not good enough now, if it ever were. In an increasingly complex world, relationships between policy programmes and their outcomes are ever more difficult to identify and the consequences of failure ever more disastrous. Our lazy tendency to impose a binary worldview on such potential crises as climate change, terrorism or a nuclear-armed Iran could easily prove fatal – to all of us.

It's time to quit looking for an all-embracing ideology that tells us whom we can rely on, or how best to approach every political, social or environmental problem. We cannot rely on any god, religion, political approach or economic belief system. All the evidence is that they insufficiently diverse and adaptive to a very complex, dynamic world.

The solution? Subordinate all policy to outcomes. It's much easier to get consensus on what we as a society want to achieve. A government can then issue [2]Social Policy Bonds. And if we don't want to get a government involved, and we have a clear idea about what we want to achieve, and sufficient wealth (or wealthy sympathisers) we can issue our own Social Policy Bonds. Ditch ideology, and think in terms of outcomes. Or, as a memorable line in [3]*Southern Comfort* put it:

> Comes a time when you have to abandon principles and do what's right.

1. http://www.amazon.com/gp/product/0826480756/qid=1137231399/sr=1-2/ref=sr_1_2/103-7274841-4994263?s=books&v=glance&n=283155
2. http://socialgoals.com/spbs600words.html
3. http://us.imdb.com/title/tt0083111/

3.1.9 Governments don't learn (2006-01-18 11:23)

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their

> opinions unsought. At a maximum,government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies.

The quote is from [1]*Why states believe foolish ideas* by Steven van Evera, which is well worth reading in full. We need to be reminded that around 40 per cent of the rich world's income is spent by organisations that resist, almost to the death, the idea of examining their policy blunders and learning from them. I mean, of course, governments. Van Evera says that even in the world wars of the 20th century, when policy mistakes could have grievous consequences: 'the belligerents made large errors without carefully assessing their options. Even rudimentary analysis often would have exposed these errors but was omitted.'

In my limited experience, it is often the smallest decisions in government that receive most scrutiny: whom to offer a three-month contract; which brand of computer printer to buy; that sort of thing. The larger decisions often escape detailed analysis. Sometimes this is unavoidable but what is inexcusable is that lessons from policymaking disasters are never learned. It's now [2]estimated that the war in Iraq will cost the US about 10 times more than the White House projected. This calculation was done by a non-governmental body and it's a safe bet that it will never be referred to when similar enterprises are considered in the future.

1. http://www.scribd.com/doc/7258590/Van-Evera-Why-States-Believe-Foolish-Ideas

2. http://today.reuters.co.uk/news/newsArticle.aspx?type=topNews&storyID=2006-01-10T011159Z_01_YUE004233_RTRUKOC_0_UK-IRAQ-COST.xml

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3.1.10 The smoking gun (2006-01-21 12:35)

> We have become so accustomed to reading of children being knifed for their mobile telephones, men robbed and then gratuitously stabbed to death, and grannies beaten over the head for a few pence, that we are no longer surprised by it. But if you have a memory as long as mine, you will know how alarmingly we have descended. [1] Source

So writes Bill Deedes, about crime in the UK. Looking at a broad indicator of crime, the number of indictable offences per thousand population in 1900 in England and Wales was 2.4 and in 1997 the figure was 89.1. Over the same period the population has increased by 63 per cent – far less than the increase in number of crimes. Even so, taking homicides (which in England and Wales include murder, manslaughter, and infanticide) the number *per million population* more than doubled from the early 1960s to 1997.

We can assume that the statistics are unequivocal and that crime has risen sharply in the past few decades. But can we blame government for the increase? Poor government performance may have had little to do with this. Indeed, government may have performed superbly, given the many diverse factors that contribute to lawlessness. As well, there is the question of how much weight we should attach to crime, compared to other areas in which similarly broad indicators show unequivocal improvements. For example: from 1901 to 1999 the life expectancy of new born children rose from 45 years for boys and 49 years for girls, to 75 years and 80 years respectively. Similar improvements can be seen for most of the measurable indicators of housing and education. In these areas, as in crime, government has played a

large role.

The point is that a worsening of even quite broad indicators, even when government is spending increasing sums aimed at improving them, does not in itself *prove* poor government performance. There are simply too many other variables involved.

So what does constitute conclusive evidence that governments are inefficient? In two words: perverse subsidies. These can be defined as subsidies that are economically inefficient *and* environmentally destructive. In most cases they are also socially inequitable. They include policies that subsidise environmentally-intensive sectors or sub-sectors such energy, mining, fishing, forestry, transport, construction and intensive farming and agribusiness. They amount to hundreds of billions of dollars a year.

Perverse subsidies are nothing new, and neither is knowledge about their perversity. The abuse of resources that is the European Union's Common Agricultural Policy has been known about, and quantified, for decades. Its environmental depredations and the burdens it imposes on developing countries have been estimated and documented for almost as long. Their size and persistence are all that is really required to show that government does indeed squander our resources, and they cast a shadow over all government programmes where the evidence appears at first sight more equivocal.

1. http://www.telegraph.co.uk/opinion/main.jhtml?xml=/opinion/2006/01/20/do2003.xml

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3.1.11 Climate change (2006-01-23 10:36)

Catch [1]this ongoing discussion on Climate Stability Bonds on the Deltoid blog.

1. http://scienceblogs.com/deltoid/2006/01/global_warming_alarmism.php

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3.1.12 Looting the common wealth (2006-01-24 13:55)

We're not just destroying our environment, we're subsidising its destruction. Perverse subsidies take many forms, but [1]this story presents an angle that is new – to me at least. Essentially the Bush administration in the US has expanded loopholes that allow the value of gas collected from public lands and coastal areas to be undervalued. The shortfall is estimated at a minimum of US $700 million.

1. http://onthecommons.org/node/801

3.1.13 Government to millionaires: here's more taxpayers' cash! (2006-01-26 01:12)

You might think that government would concentrate on doing the things that only a government can do: eradicate poverty, supply public services like law and order, defence...that sort

of thing. But such matters are hardly very glamorous so government also wants to be an investment company, and we get grotesque stories like this, [1]from New Zealand:

> Director Peter Jackson's blockbuster King Kong has devoured at least $25 million of taxpayers' money from a government scheme to encourage big-budget movies. ...

Government is good at taking money from small businesses and ordinary people. But when it comes to dishing it out it's that familiar story...big is beautiful:

> ... The [New Zealand] Government's large budget production grant offers a rebate of 12.5 per cent of costs incurred in New Zealand. But it is available only to movies with a budget of more than $50 million, or to movies that cost between $15 million and $50 million if 70 per cent of their budget is spent here.

Once again, government extracts taxes from small businesses and ordinary working people, to pay for its own programmes and subsidise big business. If the New Zealand Labour Party had stood on a manifesto of subsidising the rich I'd have no objection to this policy. But you will not find this principle anywhere stated on[2] its website. Bill Clinton's campaign advisor once said "politics is show business for ugly people". By trying to ingratiate themselves with the beautiful people using tax revenue, this New Zealand Government has revealed its distinctly ugly side.

1. http://www.stuff.co.nz/stuff/0,2106,3551424a6000,00.html
2. http://www.labour.org.nz/

3.1.14 Ninety per cent of Americans agree with me (2006-01-28 12:13)

> A whopping 90 % of Americans surveyed by a new Harris Interactive poll believe big business has too much power and influence in Washington D.C. [1] *Source*

Not 'business', note, but 'big business'. In fact, 92 per cent of respondents thought small businesses had too little power.

1. http://reclaimdemocracy.org/articles_2005/business_power_poll.php

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3.1.15 (2006-01-30 14:50)

I repeat what I said there, that your idea is interesting, but that it needs field tests before getting applied on critical issues. Social goal bonds can also create perverse incentives.

Imagine, for instance, if the government of Singapore decided that the problem of chewing gum on the sidewalks was better handled by social bonds than by public flogging (or whatever sick things they practice there...)

Now, imagine that the bonds quickly fall in value to almost zero (because no one feels like herding cats/14-year old boys), then the mob buys them. Now they start their campaign of doing nasty things to teenagers who spit gum on the sidewalks.

This illustrates that sometimes (probably always!) the way matters as well as the goal. How do you plan to avoid such scenarios? Explaining that in this concrete example would help :-)

3.1.16 (2006-01-30 23:58)

Harald, thanks for your comment, and sorry not to have followed it up in the Deltoid forum.

I agree absolutely: Social Policy Bonds would be a radically new way of doing things, and the idea needs discussion, application on a small scale, and refinement before it can be deployed to solve critical problems. I have suggested that it be used initially for such self-contained goals as improving the water quality of a river, or reducing the quantity of litter dropped in a city, or the incidence of petty crime in a city. One problem with small-scale trials is that the bonds are best deployed when their goal cannot be achieved simply by transferring the problem to another area.

Anticipated, negative-but-legal actions could be deterred by including provisos in the terms of the bonds' redemption that stipulate that the bonds shall not be redeemed if the provisos are broken. Examples don't readily spring to mind but I suppose the Singapore Government could stipulate that its bonds would not be redeemed if (for example) incentives were paid for parents to beat their gum-chewing teenagers.

But the main problem with Social Policy Bonds is that they might stimulate unanticipated negative actions that are not already illegal. It's not impossible to imagine such scenarios, though even in the example you give, I'm not sure what the mobster-bondholders could take that would not already be illegal. Note that they could legitimately bribe teenagers to chew their gum away from sidewalks, or bribe gum retailers to stop stocking the stuff. They also, of course, could intimidate the retailers to stop selling gum, which would be a negative-but-illegal action, against which there is existing sanction.

In my book I explore ways in which the possible unanticipated negative-but-legal effects of Social Policy Bonds could be avoided. In ascending order of severity a government could:

• persuade, shame or cajole bondholders into toeing the line. They could do this publicly or privately — initially, at least, bondholdings could be registered in the same way as shares;

• buy back the Social Policy Bonds, which would have the effect of lowering the market price of bonds remaining on the market (by reducing the total redemption funds); or

• legislate against the negative activity.

One final but crucial point: a Social Policy Bond regime has to be compared with the current system, under which all sorts of corrupt and negative actions are encouraged, because there's so little accountability and transparency about what funds are for, where they're going or whether they are being used for their intended purpose.

Thanks again for your comment. If you have any further comments or thoughts, please get in touch again.

3.1.17 (2006-01-31 11:39)

One problem with "bribing" is that it's a temporary solution, which may eventually eat up any profits you get. For example, bribing my antisocial neighbors to turn the music down so I can sleep would be a bad idea, because I would have to keep on paying and paying - at least if they act in their own economic self interest without regard to my well-being (and if they already cared about my well-being, we wouldn't have the problem in the first place, would we?)
In a situation like that, one could say that my neighbours have a duty to respect my sleeping hours, and the problem appears because they disregard this duty.

Wouldn't littering fall into a similar category? It's not a natural problem; it appears because people do something antisocial and/or illegal. Using a SPB to try to control this - wouldn't it be a little like paying ransom money?

(An even uglier example, imagine a SPB to prevent kidnappings in Iraq. That money would find its way to kidnappers and potential kidnappers, and they would in practice be free to set whatever price they wanted)

Now, to climate change. The question is: Is that a problem which has its roots in antisocial behaviour? If the warming is natural or mostly natural, SPBs may be a good idea (provided there aren't any other weaknesses), but if the warming is man-made, then it's similar to the littering or hostage-taking scenarios, and SPBs may be worse than doing nothing.

3.1.18 (2006-01-31 12:44)

Thanks again Harald. My use of the word 'bribe' was perhaps too elliptical. Let's take the litter example: insofar as littering's illegal, Social Policy Bonds could mean subsidising the operations of people who will track and convict serious malfeasers. Now say the litter dropping is just anti-social but not illegal: Social Policy Bonds would direct resources (bribes) to litter-droppers *only if that were the most efficient way of solving the problem*. More likely, bondholders would find more efficient solutions: strategic deployment of sexy litter-bins (there's been no incentive to produce them yet!); competitions for the cleanest streets; aggressive street sweeping; sponsorship of anti-litter ads on tv; more subtle inculcation of local pride etc. I think the same applies to the example of kidnappers. Sure, it's conceivable that kidnappers could benefit directly from Social Policy Bonds, but (1) it's also likely that kidnap-prevention

would be contracted out to the most efficient operators. It might be cheapest to build golf courses solely for the use of men with long beards, or lay on raunchy dvds etc; which might be effective but cannot be done under the current regime. Social Policy Bonds would encourage diverse, adaptive responses - which we don't have now. And (2) again, the comparison is with the current system, under which kidnappers (and polluters etc) can already exert a sort that sort of blackmail pressure on everyone else.

To see this more clearly, let's look at climate change. Remember that there is competitive bidding for the bonds, and remember also that bondholders can lobby the government for changes in the law. So it is far more likely, I think, that bondholders would either concentrate on bringing illegal polluters to the attention of the law, or lobby for more stringent rules, than that they would pay off recalcitrant polluters. The polluters would see which way the wind is blowing. The bonds aren't just dreamed up: their targets, expressed in terms of outcomes (ie in terms that are meaningful to people) would be decided with public participation, so in a contest between blackmailing polluters and bondholders, public sympathy support would go to the bondholders.

3.2 February

3.2.1 Subordinating policy to outcomes (2006-02-01 13:10)

Social Policy Bonds are about defining policy goals in terms of outcomes that are meaningful to real people. 'Outcomes' as distinct from activities, organisations, inputs (spending) and outputs; and 'real people' as distinct from government agencies or corporations.

Without going any further, subordinating policy to outcomes would screen out a lot of wildly expensive lunacies, such as EU or US agricultural policies, allegedly designed to help small farmers, but in fact consumer- and taxpayer- funded subsidies for wealthy landowners and large agribusiness corporates. It would also bring into question the lazy assumption that increasing spending for an organisation with high-sounding ideals will actually help bring about the organisation's stated objectives. Giving billions of dollars in 'aid' to bodies such as the United Nations or corrupt governments doesn't alleviate poverty. It is gesture politics at its worst. Likewise increasing domestic spending on health or education doesn't necessarily improve health and education outcomes – as UK taxpayers (for instance) are finding.

But subordinating policy to outcomes would, in fact, go a lot further. For a start, meaningful outcomes are more comprehensible to ordinary people than the process-driven platitudes and obscurities that justify policies under the current regime. Being more comprehensible, they are more open to public participation: an end in itself, as well as a means to better policymaking. People would be entrusted with making real decisions rather than delegating them to a group of people who are experts at nothing other than gaining power and serving their party. Example: crime rates are rising. Under the current system, anybody interested in dealing with this problem would have to bone up on police structures, legislation, the state of the justice system, prisons etc. It's too complex and arcane for non-specialists. But in a Social Policy Bond regime, crime rates would be explicitly targeted. Not spending on the police versus spending on prisons; not whether parents, schools, alcohol, drugs or

the media are to blame. Not any number of genuinely difficult questions that even specialists cannot definitively answer. No; all the public would be asked under a bond regime is: "should we spend more reducing crime rates, given our other objectives, and if so, how much?"

Thanks to the market for Social Policy Bonds, and the mass of constantly updated information that their market prices would generate, people would also have a pretty good idea as to how much crime reduction they could buy for each marginal dollar.

Subordinating policy to outcomes has other benefits. One is that targeted outcomes would most likely be more stable than the views of ruling parties. They would be less subject to political interference or media images. This is critical for long-term goals, including global environmental goals.

3.2.2 Madness (2006-02-03 13:45)

> The 2002 reforms to the CAP mean that farmers now receive subsidies based on the historical value of the land and crops produced. This means that farmers who have retired or moved abroad since 2002 can still claim subsidies – often up to tens of thousands of pounds - provided they rent a hectare of land and meet the European definition of a "farmer" at the time of transfer. [1]
>
> *Source*

It's not just the insanity, it's the persistence of it over the decades that makes one despair. Climate change, nuclear proliferation, genetic engineering mistakes ... what hope is there that we can tackle any of our serious problems if we cannot even stop corrupt, stupid and entirely self-inflicted disasters such as the Common Agricultural Policy, even after decades of solid evidence about its catastrophic economic, social and environmental effects?

1. http://www.openeurope.org.uk/media-centre/bulletin.aspx?bulletinid=29

3.2.3 Why I don't like Proportional Representation (2006-02-06 10:06)

I don't like Proportional Representation because it widens the gap between ordinary people and the people who are supposed to represent them. It does this in several ways. First, it hands more power to the party hacks who compile the lists. They can make it impossible for people to vote out someone they don't like. Second, on all the evidence, PR gives more power to smaller parties, who use it irresponsibly. Third, many ordinary people simply can't understand complicated PR systems, such as New Zealand's Mixed Member Proportional system.

But most of all, I dislike PR because it institutionalises the corrosive assumption that a Member of Parliament can represent people only in their capacity as voters for a particular political party, rather than as citizens with interests beyond party politics. It's an assumption that entrenches widespread cynicism, because under PR Members of Parliament they can

hardly be expected to question the party line: their party is after all their only imporant qualification for being an MP at all. Under PR MPs see it as their duty to represent only the people who voted for the party that employs them, and I think that's worse than what went on under first-past-the-post, where there was a hope, even an expectation, that Members would act responsibly on behalf of all their constituents. The theory and practice of PR entrenches the worst aspects of party politics.

3.2.4 (2006-02-08 10:43)

I like PR myself. It has disadvantages, but it's not as bad as dispropotional representation systems. Let me comment on some of your objections.

You say that it gives more power to small parties, and that they often use it irresponsibly. This seems correct in practice, but I think it's a poor solution to just say that minority opinions don't count. The minority may be right, after all.

You talk about "citizens with interests beyond party politics", but what "party politics" means depends on whether those parties grew up in a FPTP system or a propotional system. Here, just about all issues are party politics. As voters, we have plenty of parties to choose from (as well as a quite realistic alternative of starting a party on our own, if that is necessary - one of the largest parties in Norway, FrP, is quite young), and _we know what we get _. We don't have to psychoanalyse each and every candidate to divine when they might vote for something other than what we want them to vote. And they do act responsibly on behalf of all the people - if that's what we want them to do! Sometimes that is the wrong thing to do.

As for widespread cynicism in PR systems, it seems to me there's a lot more cynicism in the UK and US, where they have dispropotional systems, than where I live (Norway). But that's just my impression. Someone should do a multivariate analysis of factors affecting voter turnout.

PR systems don't have to be complicated, but we shouldn't underestimate the voters. They can get a simple choice, going with a party list, but they should also get the option of delivering a personalised list. We have that here, and it happens from time to time that a party favourite is rejected by the electors - but of course, the possibility of this happening is something the parties take into account when deciding the lists.

3.2.5 (2006-02-08 11:30)

Thanks Harald,and much food for thought in your comment. I'm not saying minority opinions shouldn't count; rather that expressing them as votes for a specific political party can be unnecessarily divisive and strengthen political parties vis-a-vis ordinary people. But I take your point about whether parties grew up in a FPTP or PR system: perhaps my disillusionment with the New Zealand system is because it's new. To me it seems a shame that under the New Zealand system, once the votes have been counted, the decision about who shall govern is ultimately made by the leaders of parties doing deals in secret. Of course FPTP has its faults;

perhaps it’s because these faults are so obvious that they can act to restrain the excesses of ’elective dictatorships’, rather like the inherited right to sit in upper houses ends up limiting their formal and informal powers.

3.2.6 (2006-02-09 10:13)

"To me it seems a shame that under the New Zealand system, once the votes have been counted, the decision about who shall govern is ultimately made by the leaders of parties doing deals in secret."

Yes, that is to some degree a problem here, too. Usually, parties tell the voters which parties they are willing to govern with, and publicize a binding document of political cooperation ("Soria Moria" for the current coalition). Problems do arise when governments are felled mid-term, but they are to some degree limited, since most of the real power here is in the legislative branch anyway.

PR makes "weak" governments more likely, and I suspect this is the most important reason why some nations don’t like it. But I feel that when the public is divided, government shouldn’t be to strong; I think a weak mandate should give less power - that is not the case in the big FPTP countries.

3.2.7 Immigration and public policymaking (2006-02-09 12:47)

Western governments, through laziness or incompetence, should be held partly responsible for such outrages as London bombings of last year and the current madness about the Danish cartoons. Why so, and what has all this to do with Social Policy Bonds?

First, western governments, by blocking imports of clothing, textiles, footwear and agricultural products, have made life difficult for would-be entrepreneurs in developing countries. They have done this over decades, and continue to do so, beholden as they are to their own corrupt politicians, self-interested subsidy-disbursement agencies, and big business corporates; all of whom are the real beneficiaries of perverse subsidies. The effects of these trade barriers are incalculable. (One[1] think-tank puts the human cost of the European Union’s trade barriers alone at 275 deaths per hour, mainly in Africa.) They help to make life so unpleasant that the most rational option for energetic people in poor countries is very often to migrate to the west. Their migration can be legal or illegal, but either way it tends to be reluctant.

Second, western countries’ immigration policies appear to be decided mainly not by ordinary people, but by a combination of big business (which wants low-cost labour) and ideologues in high positions (who say they believe in multiculturalism and are [2]possibly coveting senior jobs at the United Nations). But something as fundamental as immigration should not be left to these usual suspects.

Only under the current system, where policy is made for the few by the few, could billions of dollars be transferred annually from the poor to the rich, and the entire composition of our societies be transformed without reference to the wider public. Many in the west have no objection to immigration, provided people come to the west willingly and are accepted willingly. A Social Policy Bond regime would be a big improvement over the current system, in that it would most probably lead to the abandonment of trade barriers that enrich the wealthy and impoverish the third world and at the same time bring more people into the policymaking process. Immigration would still occur, but it would be of willing migrants and it would have the blessing of our existing citizens – something that would benefit the migrants and existing citizens alike.

1. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill.pdf
2. http://www.radionz.co.nz/news/bulletins/radionz/200601251042/2ed69ea9

3.2.8 (2006-02-09 13:30)

Interesting, but how? What kind of bond do you imagine to solve immigration-related problems?

3.2.9 (2006-02-09 14:16)

I think Social Policy Bonds could tackle higher-order goals, to which immigration policy would be subordinate. The bonds would clarify the distinction between ends and means of policy; these would be a matter for debate, but I believe immigration (I won't say 'immigration policy' because I don't think it's been coherent) has generally been driven by short-term considerations of government and corporates. Under a bond regime immigration policy would probably be secondary to higher-order priorities. For example; a government could issue Social Policy Bonds aggressively targeting low unemployment and low crime. That would probably lead to a more selective immigration programme than the targeting of economic growth (GDP) as an end in itself - which seems to be the *de facto* setting of most governments in the absence of any transparent, long-term goals meaningful to normal people. Of course, bond issuers might have other views. They might be upfront about their multiculturalism and target ethnic diversity as an end in itself. Or they might target inter-ethnic strife for reduction, on the basis that it's worse than other sorts of crime. I think it's more likely that Social Policy Bonds would see a focus on non-immigration issues, with immigration policy being subordinate to these.

3.2.10 Letting go (2006-02-12 10:51)

> [U]nless you 'inhibit' the stimulus, say, of sitting down or standing up, you react in the tense and distorted way which it is necessary to change. Wilfred Barlow, *The Alexander Principle*, 1973 (page 174)

Many of us carry tension in our bodies most of the time. Our bodies have adopted patterns of misuse that make it impossible to relax properly. We are constantly tense; in the back of the neck, shoulders, throat. If you're lucky you can have lessons in, for example, the Alexander Technique and re-educate the body to its proper functioning; but most of us haven't the resources to do that – or have so lost sight of our original unstressed state that we don't see any value in it.

Mentally too, we rarely stop thinking. There is very little space between one thought and another, and our minds are constantly chattering. Meditation is one way of calming the mind, of realising that we have powerful faculties other than thought – insight, intelligence – with which to approach life. But few of us rarely meditate, and thinking is dominant.

> Thought is the response of memory, experience, knowledge. Knowledge, experience, memory, are always old and so thought is always old. Therefore thought can never see anything new. [1]J Krishnamurti, *You Are the World*, 1972 (page 52)

Physically and mentally then, we are tense, preoccupied, under stress and have to re-educate ourselves to a relaxed, intelligent state. Most of us cannot or will not do that: it requires time out and goes counter to our established patterns of doing and thinking.

Is there a parallel in the world of policy? Not just in the way we approach issues, but in the self-entrenching features of policies that are inefficient? Perverse subsidies are costly, wasteful examples: these are policies that are hugely expensive, socially inequitable *and* environmentally destructive. Yet they persist. Democratic governments in Europe and US, beholden to the interest groups that fund them, lack the will or the ability to stop them.

But this sort of paralysis goes further. What is it that policymakers are afraid of? It's not saddling their citizens and the third world with disastrously wasteful and destructive policies, otherwise there would be no perverse subsidies. No, the worst thing that can happen to a policymaker is to be seen to try something new that doesn't work. Existing policies that are proven spectacular failures are fine. Tried and tested are the main justifications for existing policy. If they're tried, tested and failed, no matter.

Even more crucially, policymakers don't want to relinquish control. They're no different from us as individuals: whatever else we can say about them, we can't accuse them of being relaxed, unstressed and unhurried. They're constantly working and extremely reluctant to give up any part of their portfolio; as of course are their officials in the bureaucracies. They're becoming incapable of *not* intervening, just as physically and mentally, we're incapable of reverting to a switched-off equilibrium.

The result is that our insight, our great intelligence, is rarely brought into play in answering the big questions: how to end war, how to eradicate world poverty, how to deal with global environmental challenges such as climate change. Instead we get bureaucratic responses: tired old approaches that meet administrative requirements, more funding for established bodies and more control by government agencies. We get more centralisation and so more distance from real people, less diversity of approach, and less responsiveness to changing events.

With a nuclear-armed Iran or any of a number of looming potential catastrophes: a clash of

civilizations, climate change, genetic engineering mistakes, bioterrorism or whatever, the bureaucratic approach is not good enough.

Policymakers should think about backing off. Not completely: democratic governments are quite good at articulating society's wishes, and if they formulated policy in terms of outcomes, they'd be much better. They are also very diligent in raising revenue. But they are proven failures when it comes to actually achieving society's goals. For that we need inventiveness, intelligence and insight: those qualities, energised by a powerful incentive system, that have generated most of the world's wealth.

Social Policy Bonds would see government giving up control over *how* to solve our social and environmental problems. Government would still articulate our objectives and raise finance for their achievement, but bondholders, motivated by their financial self-interest, would actually do the achieving. Under the current system the bodies supposed to be solving our social problems don't have much incentive to do so. They certainly don't have incentives to try out innovative, imaginative solutions. A Social Policy Bond regime would change all that. Investors would be rewarded not for their activities, their celebrity status, media savvy or political astuteness, but for actually achieving society's goals. Just as we can learn to let go and so become more supple physically and mentally, so our policymakers, by giving up total control and issuing Social Policy Bonds, could profoundly improve our quality of life.

1. http://www.kinfonet.org/

3.2.11 (2006-02-13 00:12)

Hey R,

I've been a policy beureaucrat for about 6 months now and I'm getting institionalised already! and ur right about the 'how' to implement policy goals - its some thing I worry about - is what I recommend actually the right way ? Some of the stuff I get 2 cents input in scares me!

3.2.12 (2006-02-13 00:21)

jj! Good that you are questioning it...which means you probably won't get promoted. Let's have a chat over lunch or a pint. Is that Paris place still open?

3.2.13 Costs of doing business (2006-02-14 14:50)

The [1]Doing Business website provides objective measures of business regulations and their enforcement. The Doing Business indicators are given for 155 countries, and give some idea of the regulatory costs imposed on business. New Zealand does well: it is actually named as best performer in the overall category of 'Doing Business' and is best performer in the subcategories of registering property and protecting investors. Particularly interesting from my

point of view are the costs, expressed in terms of average income of certain regulations. For instance: compare the costs of starting a business in sub-Saharan Africa compared with the OECD: 11 procedures, versus 7; 63 days versus 20; and 215 % of per capita income versus 6.8 %. Minimum capital requirements for sub-Saharan Africa and the OECD are 297 % of per capita income and 41 %, respectively. The website allows analysis of individual countries.

1. http://www.doingbusiness.org/

3.2.14 What happens when you subsidise big business? (2006-02-16 10:12)

> Small and independent shops may vanish from the UK's High Streets by as soon as 2015, politicians have warned. [1]*BBC*

How is big business subsidised? Our old favourite, the Common Agricultural Policy, has been shown overwhelmingly to benefit large agribusiness corporates and wealthy landowners. Central government also finances a transport infrastructure that heavily favours the large and global at the expense of the small and local. A - sometimes well-meaning - regulatory environment tries to deal with problems that are very often generated only by big business, but small businesses also have to comply at much higher proportionate cost. Large firms can more readily convert income into capital gains, and so pay lower taxes than most small business proprietors and of course the financial and administrative costs of compliance as a proportion of revenue are generally much lower for big businesses than small. The result can be seen in the high streets not only of the UK but of many other countries in both the developed and developing countries: small local businesses selling out to large, often trans-national chain stores.

We need reminding that it's not consumers nor markets that have led to this global takeover: it's government and big business scratching each other's backs.

1. http://news.bbc.co.uk/1/hi/business/4714572.stm

3.2.15 How many synonyms for 'insanity' are there? (2006-02-19 13:30)

From [1]Open Europe Bulletin, 17 February:

Retired farmers continue to collect CAP subsidies.

"This month the Scottish Executive published details of CAP payments to farmers for the first time. The Scotsman reported that recent reforms mean that nine people living outside Scotland who have retired from farming received a total of 177,000 pounds in 2005. (3 February) Aberdeen Press and Journal reported that Scottish Water received 170,000 pounds, part of which was an annual premium for a sheep flock sold off in 2002. A deer farmer from Auchtermuchty was quoted saying, "It seems to me that this is the scandal to beat all previous Common Agricultural Policy scandals. It is widely known that there are hundreds of retired farmers who are nominally renting naked acres on barren hillsides that they neither visit nor do anything with and getting huge sums." (14 February) The third 'auction' of Single Farm

Payments - the first of which have allowed people to bid for subsidies sold at around 2.5 times their value - is due to take place on 17 February, and a fourth on 3 March."

1. http://www.openeurope.org.uk/

3.2.16 Current policymaking is limited (2006-02-22 12:52)

> There is no doubt that mankind is taking over the reins of global geochemical balance. Industrial production of fixed nitrogen for fertilizer now matches the natural rate of nitrogen fixation on the planet. Rates of fossil-fuel CO2 emission dwarf the natural rate of CO2 release in volcanic gases. [1] Source

It is a real worry that mankind is now so dominant that the mistakes our governments make threaten our environment as well as our societies. Our intellects cannot cope with the enormous number of variables that make up a single human economy, let alone a global ecosystem. And policymaking, which will decide our ecological fate, has become an almost entirely intellectual process. It excludes insight and imagination and tends to rely overmuch on information that (1) is available and (2) is quantifiable. This is not always where where attention is most urgently needed, but it's an understandable tendency and, you may ask, what's the alternative?

My suggestion would be first to thrash out the outcomes that policy is being designed to achieve. Rather than try to anticipate what might, for instance, cause a global environmental catastrophe, I would first try to define the effects such a catastrophe might have, and then issue [2]Social Policy Bonds that target and reward the sustained *absence* of these effects. Just *how* a global catastrophe might come about cannot be anticipated by a limited number even of well-meaning government employees with a long time horizon – they are too few and their training is inappropriate. A bond regime would require that they have the humility to recognise this, and contract out the actual achievement of their targeted objective – the maintenance of positive aspects of the status quo – to the private sector.

It might sound outlandish, and indeed the Social Policy Bond idea probably does need discussion and refinement, then small-scale application, before it's applied on a global level. But the real question is: given that mankind does now control the global environment, how else is it to be managed?

1. http://www.realclimate.org/index.php?p=256http://www.realclimate.org/index.php?p=256
2. http://socialgoals.com/blog/spbs600words.htm

3.2.17 The costs of subsidised parking (2006-02-26 06:33)

> In the US city governments … require developers to provide extensive off-street parking. … The required parking lot at a restaurant usually occupies at least three times as much land as the restaurant itself. [1] Daniel Klein

reviewing [2] *The High Cost of Free Parking*
by Donald Shoup.

As Klein says, the extent of free parking is so enormous and so normal that people just think it nature's endowment, like air. Everyone feels entitled to free air and free parking. Hence, Shoup points out 'most people do not see it as being any subsidy at all ...Because parking costs so much and motorists pay so little for it, the hidden subsidy is truly gigantic.' Shoup estimates the value of this subsidy to parking in the US at between $127 billion and $374 billion a year.

> If we also count the subsidy for free and underpriced *curb* parking, the total subsidy for parking would be far higher. . . Do we really want to spend as much to subsidize parking as we spend for Medicare or national defense?

The answer seems to be yes, just as we apparently decide to subsidise other aspects of car use, other forms of transportation and other environmentally destructive activities, including: oil-intensive agriculture, energy production (mainly in the developed countries) and consumption (developing countries), and over-use of water.

Actually, it's probably not as bad as that: these subsidy decisions are made without reference to ordinary human beings. They don't reflect our wishes; rather they result from a corporatist agenda, where the corporatists are government agencies just as much as big business. It's only because policy goals are expressed in terms of spending decisions, activities, institutional structures and priorities, and Mickey Mouse micro-targets, that the corporatists can get away with it. If they were to come clean and admit that one of their targeted policy *outcomes* was to subsidise the destruction of our planet, then it's unlikely, I think, their policies would be adopted so enthusiastically.

In an increasingly complex and interlinked world, I believe it's essential that government re-orientate its policies so that they reflect the wishes of real people. This means determining what broad social and environmental outcomes we wish to pursue and rewarding the achievement of those outcomes. Under a Social Policy Bond regime, the market would ensure that this achievement would be carried out with maximum efficiency.

1. http://www.ratio.se/pdf/wp/dk_parking.pdf
2. http://www.amazon.com/gp/product/1884829988/sr=8-1/qid=1140791437/ref=pd_bbs_1/103-7274841-4994263?%5Fencoding=UTF8/marginalrevol-20

3.3 March

3.3.1 We care... about selling dog food (2006-03-01 12:27)

> In an uncertain, changing world, most decisions are wrong, and success comes not from the inspired visions of exceptional leaders, or prescience achieved through sophisticated analysis, but through small-scale experimentation that rapidly imitates

> success and acknowledges failure. This disciplined pluralism is the true genius of the market economy. *[1]The Centralised Road to Mediocrity*, John Kay, 'Financial Times', 28 February

It's unfortunate that this true genius is mainly channelled into improving the sales and profits of private corporations. There's probably more ingenuity lavished on TV commercials for dog food than on solving global problems, such as how to end nuclear proliferation, bring peace to the Middle East or eradicate world poverty. There's certainly a stronger correlation in the private sector between the achievement of a goal and the financial rewards to those who achieve it.

Where centralisation can help is in articulating society's wishes. It's also a good way of raising revenue from countless individuals who cannot themselves do much to bring about social and environmental goals. But it fails when it comes actually to achieving those goals. That's why I propose a Social Policy Bond regime, which would combine the best features of centralised decision making with the pluralism of markets. Under a bond regime, diverse, adaptive approaches would be encouraged - a contrast to the stultifying and failing centralised ways in which we are currently trying to solve global problems. Self-interest would be channelled into the public good and our limited problem-solving resources would be allocated rationally. In absolute terms, dog food commercials would still be entertaining and effective under a Social Policy Bond regime - maybe even more than nowadays - but their *relative* effectiveness, when compared with campaigns to achieve *society's* social and environmental goals, would surely diminish.

1. http://www.johnkay.com/political/431

3.3.2 Kyoto will fail because it's central planning (2006-03-03 11:12)

Reviewing *[1]The Weather Makers*, by Tim Flannery, [2]*The Economist* writes:

'[Tim Flannery] mercilessly dissects the alternatives [to Kyoto] —particularly the idea of replacing hydrocarbon fuels with hydrogen, which he regards as expensive and probably technically unfeasible. And he dismisses the hydrogen-economists' idea of "sequestering" the carbon dioxide generated underground or in the oceans as both impractical and environmentally catastrophic. The answer, according to Mr Flannery, lies in revamping the way electricity is generated. That means abandoning coal, the most carbon-intensive fuel around, and employing sunlight, wind, geothermal power (which he believes is an underappreciated resource) and also nuclear power. Having done that, the problem of dealing with petroleum-consuming transport becomes one of storing electrical energy in a sufficiently dense form that vehicles can use it. Here, he thinks, hybrid petrol/electric cars point the way forward.'

That's a good summary of the alternatives currently on offer and for what it's worth I agree with most of it. The problem is that it's one man's view and one man, however well-informed, cannot possibly investigate every alternative to Kyoto, nor anticipate future technology, nor take into account our rapidly expanding knowledge of the causes and consequences of climate change, nor the ever-changing economics of climate change, its prevention and mitigation. As a statement of where we are it's fine. As a prognosis for the future it's as dangerous as Kyoto, and that's as dangerous as the central planning that brought the Soviet Union to its knees.

Policymakers need a certain humility. Climate change is a potential catastrophe, and policymakers can help us deal with it. But they are as poorly placed to tell us *how* to deal with it as the Soviet or Chinese central planners were when they thought they knew best how to stimulate economic growth. Kyoto assumes that it knows what's causing climate change - anthropogenic greenhouse gas emissions - and on this it may well be right. But it's short-sighted to then assume that the only feasible way of dealing with the problem is to cut these emissions. If Mr Flannery's alternatives were prescriptive they would be similarly misguided. The best cost solution will be an array of diverse, adaptive approaches, which cannot be pre-judged by any single person or institution, however well-funded.

A [3]Climate Stability Bond regime would not prejudge the most likely solutions to the climate change problem; it would not even prejudge the size of the problem. Instead it would allow the market to judge the scale of the problem and to allocate resources to most efficiently achieve whichever climate stability target policymakers agree we should aim for. The anti-market approach led to the environmental disasters of the Soviet Union. And the anti-market approach, in the shape of perverse subsidies to energy, agriculture, water and transport is also responsible for a great deal of today's global environmental degradation. Markets are not perfect, but their inventiveness and efficiencies can be channelled into the public good. Climate Stability Bonds would create incentives to solve what is probably our most urgent environmental problem. Kyoto will fail because it's central planning, which stifles efficiency, imagination and inventiveness.

1. http://www.amazon.com/exec/obidos/ASIN/0871139359/theeconomists-20/103-7274841-4994263
2. http://www.economist.com/books/displaystory.cfm?story_id=5572403
3. http://socialgoals.com/ieakyototext.html

3.3.3 (2006-03-07 07:00)

Like the blog. 'Free parking' is one of those seemingly very innocuous but actually pretty damaging subsidies. I read a study recently which suggested that the number of employees using public transit or carpooling was more than a third lower at companies that provided free parking for their workers. Surely there's cheaper, better and more responsible perks you can provide your employees than that.

3.3.4 No, I'm not bitter (2006-03-07 10:33)

Private sector operators have objective measures of their success: profits or sales, survival or expansion of their enterprise. When there's no objective measure of achievement, as in most government activities, anything will do. Sometimes the gap is filled by a plethora of Mickey Mouse micro-targets, usually thought up in response to media stories: hospital waiting lists, for example, which administrative staff become adept at massaging to look better than they are. In the branch of the New Zealand public service for which I used to work, middle managers 'succeed' by implementing a restructuring. Nobody monitors these numberless restructurings to see if they actually enhance performance. That's partly because performance itself means little more than toeing the line, ticking off 'to-do' items dictated by politicians: certainly in

New Zealand and possibly in the UK, the status of top civil servants has been eroded, even as their pay has increased rapidly. Typically they now work under short-term contracts. Strategy, if it's considered at all is up to the politicians, in the very short intervals when they are not fire-fighting, campaigning or asleep.

Adherence to an ideology, and gesture politics are other stand-ins when there are no other criteria by which to judge success or failure. I think that's one reason market solutions are virulently opposed when applied to the achievement of social and environmental goals. I talk to quite a few well-meaning people who instinctively react against the Social Policy Bond principle, simply because bondholders, be they institutions or people, would make a profit if they help achieve social goals. Ideological soundness trumps effectiveness every time.

I used simplistically to summarise Social Policy Bonds as 'right-wing' methods of achieving 'left-wing' goals. In my naivety I thought such a description would appeal to the ideologues on both sides. But being an ideologue in the field of public policy seems to be more about bonding with your cohorts and uniting against non-believers than actually achieving public goals. The result? Social Policy Bonds end up appealing neither to the left or the right.

And so it goes on: major global challenges: climate change; nuclear proliferation; conflict in Africa and the Middle East; all are now entirely politicised. The last thing anybody cares about are the interests of real people. Policy is subordinated to ideology, appearances, and meaningless bureaucratic processes - just as in national politics. Where self-interest does operate in the public sector it takes the form of venality. Social Policy Bonds were devised as a way of channelling self-interest into the public good. Under the current regime self-interest actually works *against* our global survival, just as it already cripples the prospects of many countries in the third world and has condemned millions to death in futile conflicts.

3.3.5 (2006-03-07 10:40)

Thanks David. I agree.

3.3.6 (2006-03-09 10:03)

I've probably said it before, but I think the idea needs testing out in practice before you apply it to critical issues.

And also, reducing greenhouse gas emissions is so obviously necessary that if it didn't become a part of the solution in a social bonds regime, I would consider it proof that the idea is flawed.

I can put it like this: I am strongly convinced that reducing greenhouse gases is necessary, I am not so strongly convinced that social policy bonds would work.

A problem, which I may have also pointed out before, is that to make climate stability bonds a viable solution, there has to be a lot of them, enough to make them preferable to

business as usual. That is a problem, because there's no doubt that business as usual will be extremely profitable (for some) in the short run. And I have to ask: offering industry a part of the climate bonds payoff in order to keep them from polluting - is that not like bribery? Shouldn't such antisocial behaviour be regulated by laws, and not paid off?

Harald Korneliussen

3.3.7 (2006-03-09 11:01)

Thanks Harald for your comments, which I shall take in turn.

I think the idea needs testing out in practice before you apply it to critical issues.

I agree absolutely. It would be best to try it out at first on small self-contained issues, such as the water quality of a river or lake, or crime rates in a particular city. The idea needs discussion, application then refinement before it can be deployed to solve global problems.

reducing greenhouse gas emissions is so obviously necessary

I certainly agree emissions should be reduced, but *not necessarily because that is the best way of tackling climate change*. I'd say they should be reduced because their social and environmental costs (including any effect they have on the climate) are not internalised: in other words, these emissions impose social and environmental costs not borne by the polluters.

If we are talking about just the effects of emissions on climate I'd not be so dogmatic. Rather than reduce emissions it might be cheaper to remove the gases from the atmosphere, for instance, or of course there are many other possible solutions to climate change, which will not at all be encouraged by the top-down Kyoto approach.

And has there been robust analysis showing that the benefits to the climate of reducing emissions will outweigh the costs? Remember that many - perhaps most - of these costs will fall on those least able to adapt: most likely large proportions of the population in developing countries.

to make climate stability bonds a viable solution, there has to be a lot of them, enough to make them preferable to business as usual

Sure, or to be a bit more accurate, the total redemption value of the bonds would have to be significant. Note though (1) that the bonds could complement existing efforts and (2) the funds could be supplemented by contributions from government or anybody else throughout their lifetime. In my book (forthcoming), I go into more length about the extremely valuable information generated by bond prices, and changes in bond prices, which would help the bonds' backers decide whether to issue more bonds after the initial float. (Let me know Harald, or indeed anybody reading this, if you'd like me to email you my text on this - it's a few pages in MS Word.)

offering industry a part of the climate bonds payoff in order to keep them from polluting - is that not like bribery? Shouldn't such antisocial behaviour be regulated by laws, and not paid off?

It's not black or white that factories that emit pollutants are engaging in antisocial behaviour. They might be generating many positive as well as negative externalities. If their pollution is illegal then I agree they should be tackled by the law. But what about behaviour that is not illegal, and that is partly antisocial and partly pro-social, like a typical factory in a non-corrupt part of the world? Bondholders would have powerful financial incentives to seek out those factories that pollute most and (1) see whether they are in fact complying with the law and if they're not report them to the authorities, and (2) if they are operating legally, offer a subsidy (bribe) to install cleaning equipment, or to reduce its output, or close down completely.

Note that bondholders will also have incentives to lobby for more stringent laws, and to monitor all factories etc for their compliance with the laws. Note also that this sort of bribery already goes on: owners of dirty cars are often rewarded for trading up.

3.3.8 Another Mickey Mouse micro-objective (2006-03-10 12:02)

From today's [UK] [1]*Daily Telegraph*:

> A senior surgeon has made a public apology to patients whose operations are being postponed - because he has been too efficient. Peter Cox, a general consultant surgeon at the West Cornwall Hospital, Penzance, and his colleagues have been told to slow down by the local health authorities. Not only has Mr Cox met the current six-month waiting list target but he has surpassed it. As a result, more than 50 of his patients are being sent letters telling them that their surgery dates will be put back. ... The directive has come from the Primary Care Trust for the next financial year. [Mr Cox said:] "They have informed the Royal Cornwall Hospitals Trust that they will not pay for routine operations unless the patients have waited at least 18 weeks from the time that they were put on the list."

This is what happens when instead of broad, social and environmental objectives that are meaningful to real people, you target Mickey Mouse micro-objectives devised by bureacrats.

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/03/10/nhs10.xml&sSheet=/news/2006/03/10/ixhome.html

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3.3.9 Government by the rich, for the rich (2006-03-12 09:59)

Today I chatted with a friend who recently spent a couple of days in San Francisco. One impression was the large number of beggars and homeless people on the streets of that city. They'll be comforted, no doubt, when old copies of this week's *[1]Economist* descend to their level, to be reminded of their mayor's policy priorities:

> "We will not stop until every San Franciscan has access to free wireless-internet service." It was a typically bold statement from Gavin Newsom, the charismatic young mayor of San Francisco, as he announced plans in October 2004 for a Wi-Fi network that would blanket the city with wireless-internet coverage.

1. http://www.economist.com/printedition/displaystory.cfm?story_id=E1_VVSTVGD

3.3.10 Social Policy Bonds: the book (2006-03-14 11:03)

I have finished updating a draft of my core text on Social Policy Bonds: *Injecting incentives into the achievement of social and environmental outcomes*. The first three chapters are available as a pdf file (254 kB) free of charge [1]here. The basics of the Social Policy Bond mechanism are described in chapter 3. Comments are welcome. Having failed to interest mainstream publishers in the past, I will not try too energetically to get this book published, but I will make a final version available soon as an e-book from the [2]Social Policy Bonds website. Anyone who has bought any of my books in the past is welcome to email me for the full text of the current update, free of charge. I will post the remaining chapters on this blog, so devoted readers will be able to pick up the entire text (40 000 words) at no cost. Any prospective publishers are also welcome to contact me directly.

1. http://socialgoals.com/SPBookdraft,caps1-3.pdf
2. http://socialgoals.com/

3.3.11 Incentives and the developing countries (2006-03-17 12:39)

In my latest book on Social Policy Bonds (first three chapters [1]here) I point to perverse subsidies as the only really compelling evidence that governments in the western world can and do implement policies that damage the finances, social fabric and physical environment of their citizens. It's the persistence of these policies, given the longstanding evidence of their failure, that indicts them and casts a shadow over all government activities.

For countries outside the privileged west, though, we don't have to search hard for evidence of policy failure. Wars, civil wars, environmental depredations, and relentless poverty are commonplace. There's more democracy than there used to be, but it's clear that if governments were genuinely concerned about the fate of their populations they could do a lot better.

There are many thousands of dedicated westerners who devote themselves to improving the quality of life of people in the developing world. It's unfortunate though that the financial incentives on offer do not match the contributions they make. Financial incentives are important, not because would-be benefactors of the poor are greedy, but because they are human beings who want to do the best for themselves and their families, and if they can earn more for designing alluring packets of dog food than running an eye clinic in Ethiopia, then they will respond rationally and take the dog food contract. It's not greed, just as it's not greed when we make a decision to save a few cents by using a coupon to get a discount on dog food from the supermarket.

Life in the third world won't improve until the incentives change. Improving the incentives to achieve meaningful outcomes for the poor in the third world would not only motivate people more powerfully (or allow them to recruit agents and motivate them more effectively) but would enlarge that pool of people.

Fortunately we can do something about that. If we're wealthy, or have wealthy friends, we could back and issue our own Social Policy Bonds, perhaps swelling any redemption funds by encouraging contributions from the public. If you're interested, have a look at [2]this document, which is an 18-page pdf file that takes female literacy as an example of how we in the west can bring about better outcomes in the developing countries.

1. http://socialgoals.com/SPBook%20draft,%20caps1-3.pdf
2. http://socialgoals.com/handbook.pdf

3.3.12 Subordinate organisations to objectives, not vice versa (2006-03-19 09:21)

Take any social or environmental problem that a government, local or national, decides must be solved. In many cases some government agency will have the job of solving the problem. However competent and well-meaning are the individuals who work for this agency, *as an organisation* the agency will generally have little or no financial incentive to minimise its costs. However, the government could decide to contract out solution of the problem. It could do this by carefully specifying the outcome it wants to achieve, and putting a contract out to tender. This would be much better than, as is more common, specifying tasks that must be undertaken and paying on completion of these tasks. Rewarding outcomes transfers the risk of failure from the government (tax- or rate- payers) to the private sector, but only if the successful bidder cannot simply go out of business and plead bankruptcy if it fails to complete the contract.

Better would be a tradable contract to achieve an outcome, which could be bought from a failing company by people to whom it would be more valuable because they believe they are better placed to achieve the outcome efficiently.

But perhaps best of all would be to issue Social Policy Bonds, which would disaggregate the contract, making it much more fluid. Rather than being limited to a single successful bidder, the contract to achieve the outcome would then be dispersed amongst a coalition of interests, bondholders, whose composition could constantly adapt to changing circumstances.

The existence, structure and goals of this organisation would be subordinated entirely to the targeted outcome. In this way government could specify longer-term, more ambitious social and environmental goals than is possible currently, when the scope of its goals is severely limited by the scope and objectives of existing problem-solving agencies, whether they be government or private.

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See this [1]holding message from the New Zealand Minister Responsible for Climate Change issues, in response to my suggestion that [2]Climate Stability Bonds be considered.

1. http://socialgoals.com/parker1.pdf
2. http://socialgoals.com/ieakyototext.html

3.3.13 Don't despair (2006-03-20 10:32)

There's a lot of human ingenuity that is currently *not* being channelled into the solution of our most urgent social and environmental problems. What's it doing instead? Developing a five-blade razor, for example, which apparently cost Gillette about the same as creating the three-blade razor, according to this [1]source. That's about US $680 million, which represents a lot of skill and talent. Unlike some ideologues I don't think it's self-evidently 'wrong' that such sums are spent on products that might seem trivial. People after all are behaving rationally given the incentives on offer. The good news is that all it would take is a re-jigging of incentives for these people's skills and talents to be made to serve public goals instead of private ones. We need to get over our ideological hang-ups that decree that financial self-interest and the chance to get rich must be limited to people working in the private sector. By issuing Social Policy Bonds we could switch a significant proportion of human ingenuity away from developing, say, a six-blade razor, and into achieving more social goals.

1. http://www.businessweek.com/bwdaily/dnflash/sep2005/nf20050915_1654_db035.htm

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3.3.14 Flying blind (2006-03-24 10:46)

> SIR – The results reported by the Office of National Statistics on measuring productivity in the National Health Service do indeed demonstrate that a wide variety of estimates are possible depending on the inputs and outputs used and the assumptions made about them ("[1]Take your pick", March 4th). The reality is that, at present, there is no accepted measure of the value of total NHS output and comprehensive data to calculate one does not exist. ...

This letter from the UK's national statistician appears in the current [2]*Economist*. It tells us that billions of pounds of taxpayers' money are spent without a clue as to how many billions are being wasted. If there is a debate, it's over the measures of inputs, outputs and assumptions. Nobody dare tackle the fundamentals. The UK's National Health Service has iconic status, rather like the principle of non-selection in state schools. The ideologues and

public sector unions in both cases stand like road blocks in the way of anything except the most trivial reforms.

A Social Policy Bond regime would not take as a given any ideology, nor the vested interests. It would instead start with broad social goals, including targeted outcomes for physical and mental health. It would not assume that a National Health Service or even a government-run agency is the best solution. It might decide on a safety-net type insurance scheme for every citizen; it's quite possible it would allocate a lot more funding to preventive medicine. It would have no incentive to obscure measurement of how well it's doing by putting off debates about how well it's doing until 60 years after its founding. On the contrary, bondholders would have every incentive to measure their progress accurately, because in maximising their returns they would also maximise returns to the taxpayers' investment.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=5582267
2. http://www.economist.com/opinion/displaystory.cfm?story_id=5654877

3.3.15 Ideology blights medicine, not just policymaking (2006-03-25 15:42)

If you think that medicine and publications such as [1]*The Lancet* rise above ideology, read [2]this post by Dr Mike Eades, and think again. Without going into detail, it appears that some doctors believe in low-fat diets and others believe in low-carb diets, and that these doctors' beliefs impede impartial scientific investigation. In medicine then, as in policymaking, ideology gets in the way of rational decision-making. Ideology should not drive medicine and it should not drive policymaking. Ideologues cannot help but distort facts and respond inadequately to events. Outcomes, not ideology, should drive policy.

1. http://www.thelancet.com/
2. http://www.proteinpower.com/drmike/archives/2006/03/post.html

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3.3.16 Policy priorities (2006-03-28 10:30)

Much wailing and [1]gnashing of teeth here in New Zealand in reaction to our team's apparently less than stellar performance at the Melbourne Commonwealth Games. Like everything else these days it becomes a matter of government policy. Or rather, like all the other stories that the media decide to run with - which are not at all the same as those things that matter to the public. Now I'm not saying here that the media are engaged in some vast conspiracy to manipulate the public. I am saying that when it comes to making public policy it would be better to ignore the short-term priorities of the media.

Many of the crises facing New Zealand and the world are too slow-moving for tv or the newspapers. Climate change, social collapse, and the piling up of armaments, for instance. When these three challenges alone are so enormous and potentially catastrophic, there seems (to me) something wrong with a government - any government - that spends its time and our resources reacting to frivolous media stories. Don't get me wrong: frivolity and sports are fun; but I do question whether the attention they get from policymakers truly reflects public concern. Perhaps if the public had a chance to participate actively in government

policymaking, we'd see some sensible policies for dealing with urgent problems. Instead, the media's obsession with sport and government's pandering to this obsession are symptomatic of the remoteness of governments who have no real objective aside from continuing in power.

Under a Social Policy Bond regime, only broad social and environmental goals that are meaningful to natural persons (as distinct from government agencies and corporate bodies) would be targeted. Ordinary people would be drawn into the policy formation process, because we understand outcomes. (The media realises this and brings up issues - like medal tallies at international games - that are vivid and visual, but very often trivial.) What we don't and don't want to understand are arcane decisions about funding for myriad government agencies, the restructurings that seem *de rigeur* for every government deparment every couple of years or so, and the Mickey Mouse micro-targets devised by bureaucrats that do nothing for real people. With such ploys, government has widened the gap between itself and the people it's supposed to represent.

> Two hundred years ago, when the United States was a modest commercial republic, the president could take a walk down Pennsylvania Avenue—by himself—and talk to anyone who approached him. If he wasn't on a walk outdoors, he was most likely at home, and you could speak to him by knocking on the door of the White House and presenting yourself. ...
>
> Today? The president moves about like Caesar Augustus, with a vast, graded court of civil and military aides, doctors, secretaries, valets, hairdressers, makeup artists, bodyguards, drivers, baggage handlers, cooks, food tasters, Praetorian guards, snipers, centurions, bulletproof limos, a portable hospital, and an armored rostrum. And that's when he travels in the U.S. [2] Source

1. http://www.stuff.co.nz/stuff/0,2106,3618740a1823,00.html
2. http://www.amconmag.com/2006/2006_03_27/review.html

3.3.17 Gesture politics or meaningful outcomes? (2006-03-30 13:14)

> The Kyoto treaty is ... the quintessential expression of the higher multilateralism: the point of Kyoto is not to do anything about "climate change" but to give the impression of doing something about it, at great expense. If climate change is a pressing issue and if the global economy is responsible - two pretty big "ifs" - then Kyoto expends enormous (diplomatic) energy and (fiscal) resources doing nothing about it: even if those who signed on to it actually complied with it instead of just pretending to, all that would happen is that by 2050 the treaty would have reduced global warming by 0.07 degrees - an amount that's statistically undetectable within annual climate variation. [1] Source

Thank you Mark Steyn, for stating the obvious. Sometimes I think I'm the only one inveighing against the gesture politics that manages to waste resources, polarise issues and achieve nothing. I think climate change is more pressing than does Mr Steyn, but [2]Climate Stability

Bonds would be the least-cost way of dealing with it *regardless*: the market would decide how much should be spent on stabilising the climate, and where to direct resources. Under Kyoto, it's a handful of bureaucrats who would make those decisions based entirely on today's fossilised scientific knowledge.

As Mr Steyn says, it's not just climate change. When it comes to many other policy decisions, outcomes that are meaningful to real people seem to be the last thing that's considered. Decisions are made by politicians or bureaucrats, and they embody political or bureaucratic goals: retention of power and institutional survival, first and foremost. There's a disconnect, in our complex, highly specialised societies between the government and the governed. In [3]New Zealand and possibly other countries, the proliferation of ministerial policy advisors and tacticians, and the effective downgrading of the civil service, mean that strategic policy formation insofar as it happens at all, is more and more done by the politically committed; that is, by people whose incentive is to serve narrow party political interests, rather than the national interest. Politicians are becoming a caste, a priesthood, from which ordinary mortals feel excluded. Symptomatic are electoral apathy and cynicism.

A Social Policy Bond regime is one way in which ordinary people might reclaim interest in policy formation. Such a regime would take as its *starting point* broad meaningful social and outcomes.

1. http://www.macleans.ca/culture/books/article.jsp?content=20060327_123641_123641
2. http://socialgoals.com/ieakyototext.html
3. http://www.geocities.com/rwmj2001/aares04.html

3.4 April

3.4.1 Transport targets should favour pedestrians (2006-04-03 10:41)

Even relatively enlightened agencies don't really know what to do for pedestrians. Road congestion, because it's more visual, seems to drive transport policy, even for enlightened local authorities. Here in New Zealand the Greater Wellington Regional Council has proposed its 10-year plan entitled[1] A Sustainable Region. I approve of the plan's designating clear, explicit and (mostly) quantifiable targets to be achieved by 30 June 2016, for the environment, water supply, parks etc. Its transport targets included these:

- At least 80 % of all trips up to 1 km and 60 % of all trips between 1 and 2 kms will be walked or cycled (74 % and 19 % respectively in 2004; and
- Average congestion on selected roads will remain below 20 seconds delay per km travelled despite traffic growth (currently 20 seconds delay per km).

My submission was:

" Making Wellington more pedestrian-friendly would be better for the environment and people's health. It would make Wellington city centre more vibrant and more pleasurable for shopping and walking in. My main quibble is with your congestion objective. Car drivers inflict huge social and environmental costs on all of us. They are not charged per km travelled, so about the only check on car use is congestion. The objective of reducing congestion could be used to justify more road building, but car users are already over-catered for in Wellington. If you doubt this try crossing Taranaki St at Courtenay Place, or just see how little time pedestrians get to cross the road at any junction. Wellington should be a great walking city, but cars get priority over pedestrians at all junctions. Not only that, there is little law enforcement, so cars get away with dangerous life-threatening manoeuvres all the time. Reducing congestion without any law enforcement will simply lead to more car use, more deaths and injuries, and reduced walking.

As for cyclists: in the city centre, they are frankly a menace. I would approve of measures to cater for responsible cyclists, but merely making increased cycle use a target without any such measures and without any more law enforcement would further imperil pedestrians.

A further point: I hope you will consider introducing a scheme that will favour buses at traffic lights, which would speed up their journeys and help fulfil the public transport objective.

So my pleas can be summarised thus:

1. Give higher priority to pedestrians and buses on the city's roads.

2. Curb car-driving, perhaps by charging for using the city centre's roads and making it more pleasant to walk and use buses as per my point 1.

3. Introduce some effective law enforcement against irresponsible car-drivers and cyclists who constantly get away with performing illegal, dangerous manoeuvres making life - literally - difficult for pedestrians.

Thanks for the opportunity to submit. "

1. http://www.gw.govt.nz/story14307.cfm?

3.4.2 Exactly! (2006-04-04 11:54)

Tim Coates, a former head of Waterstone's (a book store), is trying to persuade the British Government to spend more on books for libraries. [1]His comments on the UK are worth quoting at length (my emphasis):

> Half the management in this country is public sector. The rules are different: income does not depend on judgment, efficiency or perfomance; cash is available; there is no such thing as bankruptcy and nor are there the disciplines, anxieties, skills and systems which are used to avoid it. Employment is secure and very well paid. Projects thrive on persuasive plans but **rarely on actual outcomes**. To a private

sector manager, the regime is unfamiliar.

We have become used to the idea that only a small portion of charitable donations each their intended recipients; we should get used to the idea that the great part of the money we thought was for public service will never reach any public beneficiary. We live in an economy which is the travelling equivalent of a crowded roundabout. Huge amounts of public funds travel on a journey which goes nowhere in an unpleasant and wasteful manner.

For seven years I have studied the public library service in both central and local government where most of the operation is managed. This is a £1.2bn pa operation which has no accounts, no boards of directors, no planning or budgeting, no measurement of performance and no management of the kind a garage mechanic would recognise. It is a disaster from the tip of its branches to the lengths of it ancient roots. Use of the service has fallen to half its rather successful level of twenty years ago and no one can even agree whether that is a good thing or a bad one. No junior manager learns the basic skills of "yes" or "no" from his senior- because he, or she never learned those skills either. The operation is a national disgrace and nobody even knows.

We have an extremely and potentially devastating problem of the economy in this country and it is the management of public sector activities. We worry about political incompetence, global warming and the management of our soccer team. We should be sensible and start worrying about the management of public services. That really is frightening.

1. http://charkinblog.macmillan.com/CommentView,guid,317c2109-1559-4519-ab14-3f1189f9bd47.aspx

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3.4.3 The CAP is killing Europe as well as Africans (2006-04-06 11:32)

For dealing with illegal immigrants from Africa:

> [t]he EU's official strategy also involves tackling the European black market, and sending large dollops of aid to Africa to 'create better conditions of daily life' in migrants' countries of origin, and to encourage transit nations like Mauritania to shut down migration routes. [1] Source

A better solution would be to allow free trade between the EU and Africa. This would mean dismantling the Common Agricultural Policy and other trade barriers that do so much to keep Africans poor (or [2]kills them). It would give Africans a chance to develop without having to leave their cultures (and in many cases, families) behind. It would mean that the only immigrants into Europe would be *willing* immigrants. What chance is there of that happening? With France still in the EU and still, shamefully, being allowed to blackmail the rest of Europe into submission the chances are precisely nil.

1. http://www.spectator.co.uk/article_pfv.php?id=7588
2. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill_PR.htm

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3.4.4 Nature therapy (2006-04-06 14:08)

Referrring to the communities in which 75 million Americans live, [1]Richard Louv says:

> Try to put up a basketball hoop in some of these communities, let alone build a tree house. The message to kids and parents is very clear: nature's in the past. It doesn't count anymore. The future's in electronics. The bogeyman lives in the woods. Playing outdoors is illicit and maybe even illegal.

It's an important topic. As the introduction to Louv's interview says, 'after tens of thousands of years of children playing and working primarily outdoors, the last few generations have seen such interaction with nature vanish almost entirely.' Louv argues that this has incalculable implications for children's physical and mental health, and for the future of environmentalism. At last research linking nature to healthy child development is starting to be investigated.

What does this have to do with Social Policy Bonds? Conventional ways of trying to solve health problems such as Attention Deficit Disorder or vaguer feelings of anxiety and depression involve specific, targeted, treatments, which can be biochemical, psychological or psychiatric. There's very little interest in trying to *prevent* such problems because there are no institutions that can benefit from doing so. The massed ranks of drug companies, psychologists and psychiatrists, while they *individually* may suspect that 'nature therapy' can invigorate communities, do not belong to organisations that can act on that suspicion. There are no incentives in place to prevent health problems by living closer to nature. Government-run health services are influenced by narrowly-based interest groups. Something as diffuse, unprofitable and poorly researched as nature therapy stands little chance of becoming policy under the current set-up in most countries.

A Social Policy Bond regime would be different. Society would target broad physical and mental health goals. Bondholders would have powerful incentives to seek out whichever ways of achieving these goals will maximise benefits per dollar outlay. There would be no prejudices in favour of existing ways of doing things or existing institutions and lobby groups. Existing studies already show that 'prisoners in prisons, people in the infirmary - those who have a view of a natural landscape heal faster.' A Social Policy Bond regime would act on such research, rather than be sidetracked into safeguarding vested interests.

1. http://www.grist.org/news/maindish/2006/03/30/louv/index.html

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3.4.5 Goals must correlate with welfare (2006-04-09 14:17)

> [1]The Cruncher (February) is wrong to conclude that the [UK's] N[ational] H[ealth] S[service] comes out poorly just because British five-year cancer survival rates are lower than in other countries. An alternative explanation is that Britain does not waste money on extensive testing procedures for diseases it cannot cure. For such diseases, and many cancers are among them, earlier diagnosis merely serves to raise the number of years between the identification of the disease and death—it does not affect expected mortality. [2] Peter Sugarman [3]

This illustrates the danger of relying too heavily on seemingly appropriate but overly narrow indicators, whether under the current regime of micro-managed Mickey Mouse indicators devised by bureaucrats, or under a Social Policy Bond regime. We need, as a society, to think very clearly about the role of government and what we want our taxpayer contributions to achieve. These decisions today are largely made by lobby groups, coporate interests, politicians and bureaucrats whose over-riding goal is to retain power. A Social Policy Bond regime would express its objectives in terms of meaningful outcomes, which would be discussed and refined rather than, as now, falling out of long, complex, inaccessible, adminstrative procedures.

1. http://www.prospect-magazine.co.uk/article_details.php?id=7307
2. http://www.prospect-magazine.co.uk/article_details.php?id=7381
3. http://www.prospect-magazine.co.uk/article_details.php?id=7307

3.4.6 'I don't know what to do' is not good enough (2006-04-12 10:07)

Nuclear weapons under the control of the current Iranian regime are scary. Is there anything we can do apart from try to distract ourselves or take the fatalistic approach? Well yes there is. We could issue Nuclear Peace Bonds. To do this we'd have to be prepared to contribute or raise funds that would be paid out if there were no use of Iranian nuclear weapons over the next, say, 10 years. The bonds could carry provisos stipulating that certain other, slightly less scary scenarios, would not be played out: for example, conventional military action resulting in large numbers of deaths.

That's just an idea, but it does show that we do not either have to continue to disengage from the political process, or pretend that these challenges don't concern us or that we can and should no nothing about them. Of course, some of our lethargy is because we feel powerless in the face of large-scale problems like Iranian nukes, or climate change, or other potential catastrophes. But we are not as powerless as we think. We might not know how to respond, but Social Policy Bonds give us a means by which we can *contract out the response* to those best able to meet whichever problems we target. For more on issuing your own Social Policy Bonds take a look at this 18-page pdf [1]publication, which takes the example of bonds promoting female literacy in Pakistan. We don't have to know all the answers. All we need are concern, and access to enough cash to motivate others to find the answers.

● Chapters 4-6 of my core text, *Injecting incentives into the achievement of social and environmental goals* can be downloaded free of charge [2]here. It's a 224kB pdf file.

1. http://socialgoals.com/handbook.pdf
2. http://socialgoals.com/SPBookdraft,caps4-6.pdf

3.4.7 Social Policy Bonds aren't perfect (2006-04-17 11:19)

It's difficult to specify in quantifiable terms exactly what we want, when 'we' are society acting through a government. It's even quite difficult to do so as individuals. For most of us, happiness cannot be readily expressed as a list of numerical indicators. We should probably all feel happier with *incremental* increases in bank balances, salaries, or years of healthy life,

but for most of us our overall level of happiness is more a state of mind than a list of numerical circumstances.

This makes specifying targets for a Social Policy Bond regime difficult. Take something that seems readily quantifiable, such as climate change. Critical questions immiediately arise: do we want to mitigate or prevent climate change? climate change is likely to increase flooding, drought, storms and (in some countries) food shortages - would we be better off targeting these detrimental human outcomes, rather than climatic variables? But then what about the entire global ecology - is it to be valued solely in terms of the services it provides to humans?

Important and difficult questions to be sure, but *exactly the same questions arise however we attempt to address climate change*. When decision-making on behalf of our large and complex economies, let alone at global level, we do unfortunately have to look at quantifiable measures of success, otherwise we cannot reliably monitor how well we are doing. Gone are the days when a government could, for instance, recognise that Ms A receiving unemployment benefit (say) does in fact benefit from such a payment, while Mr B's long-term interests would be best served by putting some pressure on him to find a job. Perhaps the necessarily out-of-touch nature of a big, remote, government, and its expanding role in our lives, has something to do with our [1]endemic anxiety and depression.

There are no simple answers, except perhaps to note that it's mostly at lower levels of income, nutrition, wealth, or environmental status, that well-chosen numerical variables correlate most strongly with what most of us would consider improvements. Social Policy Bonds are not perfect: they don't avoid this difficulty. In fact, they entirely subordinate policy to specified, targeted, quantifiable outcomes. While this can be irksome, especially to those who benefit from unspecified, obscure or mutually conflicting goals under the current regime, it's actually an advantage from society's point of view. Under a Social Policy Bond regime, hard decisions about what we want to achieve could not be ducked, as at present: they would, in fact, have to be made explicit to all of us, right at the beginning of the policymaking process.

1. http://www.timesonline.co.uk/article/0,,8123-2133722,00.html

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3.4.8 The law of social diversity (2006-04-19 12:43)

> It appears that as in the natural world, our social world requires symbiotic and complex relationships to produce a healthy system. ... "Now why should that be? [Steve] Rayner [of the Pacific Northwest National Laboratory] asks. "If you have only hierarchy, like in most governments and in business, and something goes wrong or you encounter a new situation that's not working, the only solution available to you is more hierarchy."

This quote (and the title of this post) is from [1]*Naked Ape to Superspecies*, by David Suzuki and Holly Dressel. More and more, it seems to me, our way of doing things at the national or global level is a projection of the way our individual intellects work. We find it difficult to relinquish control, whether to markets, the 'vibrant civic society' that Adam Smith saw as a precondition for successful markets or, at the individual level, to our instincts or insight. The complexity of our social and environmental problems is simply too great for a single organisation, however large, to grasp. We need diverse, adaptive solutions, not top-down,

one-size-fits-all, fossilised approaches. Humankind has tremendous ingenuity, but much of it is devoted to frivolous pursuits - tv commercials for dogfood - at a time when our planet and social systems face alarming crises.

Social Policy Bonds would channel our ingenuity into the public good. People would have powerful incentives to solve social problems, and their rewards would correlate with their success in doing so. Social Policy Bonds, by targeting and rewarding the achievement of targeted *outcomes* would stimulate the necessarily diverse and adapative solutions to our complex problems. Governments that issue the bonds would relinquish control over how to solve these problems, but would be responsible for deciding which problems to solve and for raising the revenue with which to reward successful problem-solvers.

1. http://www.amazon.com/exec/obidos/tg/detail/-/155365031X/qid=1145447807/sr=1-1/ref=sr_1_1/103-7274841-4994263?v=glance&s=books

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3.4.9 Farm subsidies: get rid of them all (2006-04-22 10:57)

United States' sugar subsidy policies, including barriers to imported sugar, have been widely and justifiably [1]criticised for supporting a relatively small group of sugar producers at the expense of consumers, taxpayers, sugar-using industries, and the environment. A recent [2]paper (pdf) on US sugar points to the New Zealand experience of withdrawing subsidies from farmers. I've written elsewhere about the [3]irrationality of agricultural support. What's significant is how difficult it is to withdraw subsidies, often for reasons that are quite genuine. Take those agricultural subsidies that are paid according to volume of production (the majority). Economic theory and empirical evidence say that their main effect will be to raise the price of the least elastically supplied input, which in this case is farmland. Now many farmers will have borrowed money to pay for land inflated by the capitalised value of these subsidies. It's politically difficult to take away the subsidies and erode erode the asset base of such indebted farmers.

But it should, I believe, be done. It would at first sight seem reasonable to offer some form of compensation, or to signal in advance that the subsidies are going to end in X years. But it would be kindest of all never to get involved in subsidising farming in the first place. It would be far better to subsidise poor, deserving people, not the most effective lobbyists. The possibility that the government will withdraw of subsidies is a legitimate business risk, and those who invest in subsidy-inflated assets should be prepared to accept it.

1. http://www.cei.org/gencon/025,05263.cfm
2. http://www.cei.org/pdf/5263.pdf
3. http://www.socialgoals.com/orchard2.html

3.4.10 (2006-04-23 06:35)

Hi,
I'm an English teacher fully qualified living in France 7 years. I completely agree with all said above about protectionism and CAP. Persona;lly I stumble along on a tiny salary non

renewable contract because they arrogantly don't accept my UK qualis plus TEFL and twenty years experience!!The French are terrified of free entreprise. Could I just add another extra slant on protectionism?
The CPE riots were valid but convenient for the French government. Why? Because the real issue is the incredible tax burdens and cotisiztions(Pay check take-offs)and the dependence the centralising of power in health take-offs, MGEN insurance, ASSEDIC debts and lugubrious ANPE costs, the government
have convinced the French people dependence on the state and removal of their power is normal.
The CPE shows the government cynically devalueing labour and supression of the chance for people to create wealth even more.

It's incredible . VERY BEST with this site! Mark Lawrence

3.4.11 (2006-04-23 06:44)

Hi ,

Me again, I forgot to menton a slightly off-beat idea I had on those CPE riots too-although I don't believe in jobs for life at all, I think it is wrong to say the students just want a meal ticket for life.
The opponent don't so much as object to the letter of the CPE (they know that the CPE is not intrinsically flawed) -it's that they know the mentality of French biosses-very different to the basically reasonable Anglo-Saxon mentality-the French mentality is one that sees a dire hierarchy and a ruthless fuck the underling mentality. Just look at any documentary of how a French kitchen in a top restaurant is run. The students know that that 1789 got rid of one king but gained a reign of Terror and 10,000 little dictators,

So it's a 'Spirirt' thing as well. Apart from that, the French idea of a contract in our Anglo Saxon sense is non-existent. That is empirical!

VERY BEST AGAIN Mark lawrence

3.4.12 (2006-04-23 10:21)

Thanks Sean and Mark for your comments and good wishes.

3.4.13 (2006-04-24 07:23)

Hi,

You are de man! I have also JUST started getting interested in ET Hall myself because after 7 years in France, two in Tokyo,I realise most of what is professed by my French bosses

is context-specific-ie they talk a different language even if the vocab is the same. This applies to complex government and politics as well as to small repeated phrases -so when a Frenchman talks about ‘transparence’ or ‘open market’or ‘level playing field’‘market forces’ he is really thinking about another thing! If you see what I mean! It’s tricky but the French are laconic like the Japanese precisely because they are linked to a silent traditional cultural world of centralised control (I think)and shared meanings according to their own historical perspective. A simple example would be that they give warnings every five minutes in conversation ‘Attention!’ ‘Il faut faire attention!’ Prudence’ all the time, I started to get sick of this -but I realise they are just linguistic gobbits although they denote a pessimism and fear they also show a desire to control. The French are control freaks and another thing you hear in conversation non-stop is ‘N’importa quoi!’ (any old way) usually directed at the US and UK Anglo Saxon visitors in other words the have disdain written into their discourse. Very odd. Pascal Baudry is a French psychoanalyst along similar lines to ET.Hall, shows how non-explicit the French are because it suits them . Thus they are ambuguity bouyant in opinion.

But anyway the ultimate high context society according to Hall is Japan where words are almost not neccessary . On the Tokyo metro silence reigns partly in my opinion due to state control. All is obvious so no need to talk! (I may be simplifying here. They call it ‘Haregei’ language of the stomach. France is very similar. We Anglo Saxons (Asses) have big mouths. But at least we have a tradition of thrashing out meanings which I like.

What I wanted to say with your social Bonds idea is that it’s great the only problem is who decides when targets are met? After all a ‘drop in crime’
is actually a subjective thing. Perhaps a ‘DIC’ means police are going mad locking up everyone on any old pretext or you double the policemen rather than show civil obedience and good behaviour. Likewise good health standards mean one thing to France with it’s amazingly high consumption of drugs, hospital helicopters, fantastic facilities and hypochondriach mentality -but means someting totally different to the five-month waiting list patients in the UK.
To make the social goals standardised and agreed upon is difficult and politically contentious . Still I think you are on fantastically right lines and have probably considered this problem.

KEEP IT UP !!!! Mark Lawrence

3.4.14 (2006-04-24 09:17)

Many thanks for your feedback Mark; much appreciated. The differences between cultures are interesting, but from the policy point of view perhaps less critical than the similarities - but then ’policy’ itself, as a separate discipline, is only a recent and not (yet) universal phenomenon. Globalisation and migration will eliminate some of the differences, but the distinction between policymaking (with its implied specialised caste of policymakers) and everyday life will widen and proliferate. And the danger that Hall points out is that we shall start to see the world through the eyes of our policymakers, who are necessarily detached from our everyday existence.

So this ties in neatly with your query: who shall decide when targeted goals are met? Well the answer is to pick broad, readily measurable goals, that are inextricably linked with increases in social welfare. This tends to mean helping the worst off people (where the correlation between income, wealth, nutrition etc and well-being is strong), but can also

include global environmental problems, such as climate change. Now one advantage of Social Policy Bonds is that they will subordinate all policy to outcomes, and this makes it easier for the public to participate. It's much easier to understand, for example, broad measures of literacy, housing, poverty etc, than it is to understand the strange, arcane arguments about funding, institutional structures, etc that are features of the current regime.

3.4.15 Economy or well being? (2006-04-26 13:40)

Here in Thailand, the difference between a successful economy, as indicated by a few well-chosen economic variables, and the welfare of much of the population is especially graphic. Focusing, in particular, on Gross Domestic Product per head, and its rate of growth, can obscure what's really going on. The failings of GDP as an indicator of social well being are well known and well documented: it fails to account for destruction of the physical and social environment and it takes no account of leisure time. There are other defects, but these are ones that strike me most forcibly in Bangkok. I doubt whether most Thais or anyone else for that matter, would rank maximising GDP per head as a high priority. A successful economy is a means to various ends, not an end in itself. The challenge to policymakers is to articulate what these ends are, and to help achieve them, rather than simply to chase growth in GDP at all costs.

3.4.16 Become an insider by ..er..screwing everyone else (2006-04-27 12:11)

> Many insiders work in the public sector: many who do not still enjoy the benefits of secure jobs, generous social welfare and high levels of public services. These armies of the privileged will not vote to give these privileges up[.] [1] John Kay

John Kay takes a more sanguine view of the privileges than I do, and his case is well argued. He says that 'Europe's economic problems are real, intractable and not very serious' and that most people who protest against, for example, the recent proposed French employment rules, were hoping to become insiders:

> The victims are those who can never hope to become insiders – immigrant minorities, unemployed young people in sink housing estates.

Where I think I differ from John Kay is that I believe the privileges he refers to enlarge the number of outsiders and widen the gap between them and the insiders. Farm subsidies and barriers to agricultural imports, for instance, make food more expensive for everyone, but for the poor disporportionately. The same defence of privileges has contributed to rising house prices, and expanding the number of people who cannot expect to own their own homes, however hard they work. And while Kay may be right in that Europe's *economic* problems are not very serious that doesn't tell us very much. My previous post referred to the difference between economic success and social well being, which is to a great extent becoming a divergence. I also question whether in fact there is a majority of insiders in the affluent west. Insiders would feel some sense of coherence, not the alienation and pervasive anxiety that seem to be [2]characteristic of our western lifestyle. We would feel more committed to the societies in which we live and

engage more in the political process. We may all want to be insiders, but it's hardly a feature of a successful society if we the main route to becoming an insider is by screwing the government and everyone else.

1. http://www.johnkay.com/political/438
2. http://society.guardian.co.uk/health/story/0,,1763416,00.html

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3.4.17 Kyoto may not go far enough (2006-04-30 08:04)

Whenever I [1]write or speak against the Kyoto Protocol I'm often taken as an apologist for the anti-climate change lobby. Reading Tom Flannery's book, [2]*The Weather Makers* makes me again want to stress that I am certainly not a climate change skeptic. I advocate that governments collectively issue [3]Climate Stability Bonds, which would reward the achievement of a stable climate. It seems likely that this would entail massive government expenditure, but it would be up to the market, via the price it pays for the bonds when they are floated, to decide exactly how much would be spent. It would also be up to bondholders to decide how best to stabilise the climate. It may very well be that they will concentrate on reducing anthropogenic greenhouse gas emissions, as does Kyoto, but it's also likely that other projects will be considered and undertaken.

Flannery is beginning to convince me that Kyoto will be far too little far too late, even if it's actually implemented. If that's so then Climate Stability Bonds could see a greater transfer of resources into mitigating or preventing climate change than Kyoto. When the bonds are first issued, potential investors would decide how much they are worth. If they believe that governments aren't putting enough resources into redeeming the bonds, they will ignore the bond issue or buy the bonds for virtually nothing and just sit on them. At that point, the issuing governments would have to put in more resources and issue more bonds. The value of all Climate Stability Bonds would then rise as would-be bondholders see that they can make worthwhile gains by doing something to stabilise the climate.

What all this means is that the commitment to stabilise the climate would *not be* the result of bargaining and deals struck between the various members of the relevant bodies: that's what Kyoto is. Instead, the resources devoted to mitigating or preventing climate change would be decided by would-be investors in Climate Stability Bonds: these people have powerful incentives to get a handle on the climate change problem, and to *investigate the least-cost ways of solving it*. Climate change, in short, is too serious to be left to the top-down compromise that is the Kyoto Protocol.

1. http://socialgoals.com/NZHKyoto.mht
2. http://www.amazon.com/gp/product/0871139359/qid=1146380896/sr=1-1/ref=sr_1_1/103-7274841-4994263?s=books&v=glance&n=283155
3. http://socialgoals.com/ieakyototext.html

3.5 May

3.5.1 Give to charity directly, rather than via government (2006-05-03 02:27)

It makes a big difference to uptake whether the default is to opt in or opt out of, for example, a pension scheme. This made me think about income tax. Many people try to minimise their tax payments, but are more than happy to give to charities and deserving individuals. They can of course deduct charitable contributions from their taxable income when they make their tax return.

So here's an idea: why not reduce income tax drastically and let taxpayers either opt in to paying their current rate of tax, or choose to give a decent proportion of their income to charities or individuals whom they (and the government) think are deserving?

> Ask yourself," wrote John Fund of the Wall Street Journal a decade ago, "If you had a financial windfall and wanted to help the poor, would you even think about giving time or a check to the government?"

Those who don't opt in to paying the higher rate of income tax would be highly motivated to ensure that their contributions to good causes were spent wisely. This could be a big improvement over the current system because governments cannot or do not discriminate between those who are genuinely poor and really do need a helping hand, and those who would actually benefit by being coerced into finding a job. This scheme could (initially) be restricted to donations to charities, who could expect to see large increases in their funding. There would be inefficiencies of course, and some ripoffs, but in comparison with the current system, whereby taxpayers fund people they do not know and with whom, increasingly, they cannot identify, is breeding cynicism and resentment.

More and more groups could be brought into the realm of registered charities, including those that supply public goods such as environmental benefits, and who are often more efficient and highly motivated than government bodies.

The benefits of this 'give to charity directly' scheme are:

- Taxpayers would be empowered and take more interest in their contributions;
- The deserving poor would most likely receive more benefits;
- Those currently on benefits who don't need really them would be coerced into finding work, and would probably also benefit in the long run by doing so;
- The supply of public goods, including the relief of poverty and the cleaning up the environment would become much more efficient, because charities and other groups dependent on direct public contributions are much more highly motivated than government employees; and
- The supply of these public goods would more closely cohere with the public's wishes than when, as now, it is mediated by a large and remote bureaucracy.

3.5.2 Social Policy Bonds: the core text (2006-05-04 03:56)

My book of about 40000 words on Social Policy Bonds is now available as a [1]free download (pdf). It's a draft, so any comments or criticisms, large or small, would be welcome. I will put a permanent link to it in the right-hand column.

1. http://socialgoals.com/spbook.pdf

3.5.3 Markets reduce adjustment costs (2006-05-07 04:50)

> When forecasting the costs of new environmental regulations, economic analysts routinely ignore a primary economic lesson: Markets cut costs through innovation. And innovation can be promoted through regulation. [1] Eban Goodstein

...or targeting via Social Policy Bonds. If we define explicitly what we want to achieve, whether they be environmental or social goals, and let the market find the best ways of reaching those goals, we'll see our ingenuity channelled into unexpected but creative pathways. It's tragic and ridiculous that our massive collective brainpower is currently channelled overwhelmingly into achieving private goals: that is, improving the bottom line of corporations. These corporations do a lot of good; employing people, reducing poverty, etc (though they also inflict unpriced social and environmental externalities on us all). But their objectives are for the most part frivolous, at least when compared with the environmental and social challenges that we collectively face. There *are* financial incentives on offer to those looking for solutions to, for instance, climate change or human conflict, but they are pitiful in relation to the size of magnitude of these problems and they are only weakly correlated with people's success in solving them.

A Social Policy Bond regime would be different. By explicitly targeting our major problems, and by rewarding people in proportion to their success in solving them, it would focus our innovative capacity and ingenuity where they are most needed. Goodstein's article shows how markets can stimulate unanticipated, creative solutions when there are incentives to do so.

1. http://www.prospect.org/cs/articles?articleId=4757

3.5.4 US and EU follow my suggestion! (2006-05-10 03:52)

Well, in one sense:

> UN Secretary General Kofi Annan said the mediators had agreed to help the Palestinians through "a temporary international mechanism - limited in duration and scope - and fully accountable". The mechanism, he said, would ensure "direct delivery of any assistance to the Palestinian people". [1] BBC

In other words, western aid would bypass the Palestinian Government. Without getting embroiled in Middle East politics, I think it's fair to say that this arrangement has a higher chance of successfully helping real people than the usual way in which western aid is doled out. This announcement follows, within days, my [2]post advocating that taxpayers should be allowed to nominate recipients of that proportion of their tax that goes into social welfare or other good causes. Government wouldn't redistribute; it would just fix how much should be redistributed and ensure it wasn't being siphoned off to underserving causes. The US/EU Palestinian aid arrangement has one similar feature, in that the aid will (one hopes) go directly to the people who need it.

This is very good, and perhaps could serve as a model for future international aid programmes. It's largely the corrupt governments of the poorer countries who are responsible for so much of their people's misery. Now, how about government adding some symmetry and economic rationality, and instead of directing our funds to those it thinks most deserving - a category that, thanks to the Common Agricultural Policy, [3]includes some of the wealthiest people in the land - allowing us to give them to people in genuine need?

1. http://news.bbc.co.uk/2/hi/middle_east/4756407.stm
2. http://socialgoals.com/blog/2006/05/give-to-charity-directly-rather-than.html
3. http://www.oxfam.ca/news/MakeTradeFair/32AgriculturalTrade.pdf.

3.5.5 War is a statist response (2006-05-11 10:08)

> The costs of the Iraq war are officially estimated around $500 billion, a sum which may be compared to the one spent in the Korea and Vietnam wars. However, this is likely to be less than half of the war's real economic cost. If proper accounting principles are adopted, reasonable estimates lie between $750 and $1269 billion - or between 6 % and 10 % of America's GDP. Taking other economic costs into account, such as the medical costs borne by seriously injured soldiers, the loss of income produced by reservists on duty, and increases in oil price and greater uncertainty, adds $380 to $1400 billion in present value terms. [1] Source

How would a Social Policy Bond regime deal with violent political conflict? In the first place, it would clarify, and make explicit, objectives. Under the current regime, those who initiate armed conflict may have very different goals from their stated intentions.

Second, issuing Social Policy Bonds necessitates estimating and *capping* of the maximum cost to society of achieving the targeted goals.

Third, Social Policy Bonds would not assume that armed conflict is the best way of achieving such stated goals. The Iraq war appears to be an example of a typical government response to a perceived threat. Let's say the actual agenda of the conflict was regime change and the installation of a democratic government over the whole of a politically united Iraq. Does anyone seriously believe that contracting out these goals to the market would be as costly – to everybody and in every sense – as the current conflict? War seems to be very much like the ludicrous subsidy programmes, or the crazy construction schemes that characterise so much of big government: real people don't want it, but it goes ahead anyway because of (1) the

power of corporate interests and (2) the obsessive need of government bodies *to retain control*.

● An fascinating [2]article by George Monbiot in *the Ecologist* ends by asserting that 'there's one obvious question with which every journal and journalist should begin: "who is funding you?"' I can answer this question accurately and concisely: nobody. If I were to say that this is because there's no money for original policy ideas or outcome-based policy, but only for vested interests and ideologues I'd be accused of being bitter and twisted, so I shan't say it, even if it's true – which it is.

1. http://www.smarteconomist.com/insight/151http:/www.smarteconomist.com/insight/151
2. http://www.exacteditions.com/exact/browse/307/308/1267/3/17/0/

3.5.6 Summing it up (2006-05-14 06:03)

> The selection of issues that should rank high on the agenda of concern for human welfare and rights is, naturally, a subjective matter. But there are a few choices that seem unavoidable, because they bear so directly on the prospects for decent survival. Among them are at least these three: nuclear war, environmental disaster and the fact that the government of the world's leading power is acting in ways that increase the likelihood of these catastrophes. It is important to stress the "government," because the population, not surprisingly, does not agree. That brings up a fourth issue that should deeply concern Americans, and the world: the sharp divide between public opinion and public policy....

This [1]excerpt from Noam Chomsky's *Superpower and Failed States* sums up humanity's predicament accurately, though I would not myself ascribe particular blame to the US Government but rather to political systems everywhere, which all emphasise image, identity and ideology rather than outcomes. In an increasingly complex world it's too easy to escape or deflect censure for corrupt or incompetent policies: relationships between cause and effect are too obscure; blame can always be shifted. Political debate mirrors they system's obsession with irrelevance. But clear away the fog of strident commentary and party politics and you will find a high degree of consensus over what people actually want. Chomsky's probably right: most of us would see nuclear war and environmental disaster as humanity's most serious challenges. But our system doesn't allow us to articulate them as priorities; at best we can choose people who say - amongst many other things - they care about these issues but who when in power cannot or will not focus on them. It's not the politician's fault: they are part of a corrupt, corporatist system, whose raison d'etre is basically to keep things going as they are. Hence the chasm between public opinion and public policy.

Chomsky blames the US Government, but I rather think that blaming this or that faction is to get dragged into the very system whose failure he so well describes. As long as we see particular ideologies, parties or people as the problem, we're not going to change anything. So here is my suggestion for a transition to meaningful policymaking:

1 Politicians and their parties should check out real people's actual priorities. I believe, as I say, that they would then find themselves having to deal with the possibility of nuclear war and global environmental challenges, of which climate change is the most pressing. If, having too much of a stake in the existing circus, they won't do this then it may be up to you,

readers of this blog, to do the right thing, which is:

2 Issue Social Policy Bonds that target these priorities. Social Policy Bonds are non-interest bearing bonds, sold on the open market, that would become redeemable for a fixed price once the targeted goal had been achieved. Click on the links in the right-hand column for more information. Afterwards, have a look at my [2]handbook for those interested in issuing their own bonds.

Targeted outcomes need to be built into policies right from the start. These outcomes must be meaningful to real people, not government agencies or corporations. Every other way of doing things has been tried and has failed. The power of vested interests has seen to that.

1. http://www.blogger.com/<a%20href=
2. http://socialgoals.com/handbook.pdf

3.5.7 Motivation (2006-05-15 11:16)

> [M]ost firms are ephemeral. It is not immediately obvious that the real business world is like this, because we notice the firms that last, such as General Motors or Ford. But most do indeed go under (or get taken over) on a relatively short timescale. Of the largest 5000 US firms operating in 1982, for example, only 35 per cent still existed as independent entitites in 1996. There is a high 'turnover' of companies, which many economic theories of the firm do not acknowledge.
>
> So why do firms fail? In [Robert] Axtell's model there is a typical trajectory. First, a new firm grows more or less exponentially over time as increasing returns cause workers to flock to it. But at some point the firm reches its peak, after which collapse is usually sudden and catastrophic. ... This collapse is a consequence of the firm's own success. Once it grows big enough, it becomes a haven for free-riders who capitalize on the efforts of others. So the firm becomes gradually riddled with slackers, until suddenly the other workers decide they have had enough and jump ship. (Note that firms fail in this model because the workers leave for better jobs, not because the market for their products disappears or because there is a terrible warehouse fire, or for any other reason.) *[1] Critical mass: how one thing leads to another* , Philip Ball (page 333).

Some firms though are not allowed to fail. It's unfortunate that these are the ones whose remit is to solve our serious social and environmental problems. I refer of course to government agencies. However many slackers they employ, and however many diligent people leave them, these agencies are notoriously difficult to kill off.

So why not hand the solution of our social and environmental problems to the private sector? I don't mean letting private companies perform one or two processes previously done by the public sector, or merely changing the ownership of existing public operations. I mean contracting out the achievement of broad social and environmental outcomes to the private corporations in such a way that *their success is strictly correlated with public goals*. This is what a Social Policy Bond regime would achieve. Unlike under the current system, the

companies that employed slackers under a bond regime would quickly go out of business. Taxpayers would get value for money and society as a whole would benefit from a more motivated workforce striving to achieve public goals.

1. http://www.amazon.com/gp/product/0374530416/qid=1147688108/sr=1-1/ref=sr_1_1/103-7274841-4994263?s=books&v=glance&n=283155

3.5.8 What do we really want? (2006-05-18 03:47)

Some years ago, when the Chinese Government was rounding up Falun Gong meditators and bundling them into vans for 're-education' (ie torture or worse), there were extraordinary scenes of protest in the United Kingdom - against a small rise in the price of petrol. That's what we really care about it seems. Through perverse subsidies, governments have got us all hooked on our cars; so much so that we don't really seem to mind that we are trashing the planet and piling up weapons of mass destruction. It's the same the world over:

> Whatever else is happening, from temporary triumphs in Iraq to Administration scandals, when prices at the pump jump for more than a month, the [US] President's popularity almost always falls. [1] *Businessweek*

I shouldn't read too much into this, and *Businessweek* does point out that the relationship is one of correlation rather than causation, but still, it is a bit disheartening to see so much attention given to trivia, while urgent global challenges go unmet.

1. http://www.businessweek.com/magazine/content/06_20/b3984063.htm

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3.5.9 The unimportance of outcomes in medicine (2006-05-21 12:19)

From *[1]Medical Guesswork*, by John Carey, 'BusinessWeek', 29 May: the first quotes refer to Dr David Eddy, a heart surgeon turned mathematician and health-care economist:

> He began to ask if there was actual evidence to support what doctors were doing [ie cardiac surgery]. The answer he was surprised to hear, was no. Doctors decided wheher or not to put a patient in intensive care or use a combination of drugs based on their best judgement and on rules and traditions handed down over the years, as opposed to real scientific proof.
>
> ...Eddy proved again and again that the emperor had no clothes. In one study, he ferreted out decades of research evaluating treatment of high pressure in the eyeball, a condition that can lead to glaucoma and blindness. He found about a dozen studies that looked out outcomes with pressure-lowering medications used on millions of people. The studies actually suggested that the 100-year-old treatment was harmful, causing more cases of blindness not fewer.

Carey rightly sees, in a [2]related article, the importance of incentives:

> The way the U.S. health-care system is structured offers doctors, hospitals, and companies enormous financial incentives to provide more and more care. Surgeons will get paid if they do a bypass operation, insert ear tubes in children, or take out a prostate. If they recommend waiting or doing drug therapy instead, there's no payday.

Of course, as the article does make clear, there are plenty of areas of medicine where the benefits have been huge and unarguable. But the message is clear. Medicine in the US has been badly skewed by perverse incentives, and the information asymmetry between healthcare providers and consumers.

> Speaking not for attribution, the head of health care atone of America's largest corporations puts it more bluntly: "There is a massive amount of spending on things that really don't help patients, and even put them at greater risk. Everyone that's informed on the topic knows it...."

1. http://www.businessweek.com/magazine/content/06_22/b3986001.htm
2. http://www.businessweek.com/magazine/content/06_22/b3986016.htm

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3.5.10 A new type of organisation (2006-05-22 07:51)

I'm often asked about the apparent mismatch between the fluidity of holdings of Social Policy Bonds and the targeting of long-term objectives. At first it seems unlikely that the tradability of the bonds would enhance the achievement of such objectives.

Essentially bondholders would form a coalition whose main interest is to enhance the likelihood of early achievement of the targeted social or environmental goal. The composition of this organisation might be changing all the time because the Social Policy Bonds could constantly change hands. That need be no impediment to solving short-term, small-scale social or environmental problems, where progress toward solution can be readily monitored. But how could such a protean organisation of bondholders work to solve long-term social and environmental problems?

It's actually quite easy: consider what people buying bonds targeting global climate change might do. They would want to see some appreciation of the value of their Climate Stability Bonds even if they have no intention of holding on to them until the (in all probability) extremely remote target of climate stability has been achieved. They would quickly see that their bonds will lose value *unless they set up some sort of body with a longer-term commitment*. One possibility is that larger bondholders would collude to set up an investment company for the lifetime of the bonds. This company would have a stable structure and its job would be to vet potential climate-stabilising projects and help finance the efficient ones. The bondholders, once they've set up this company up could of course always sell their bonds on the open market: the setting up of the investment company could be one of the first projects they undertake in order to maximise the appreciation of their bonds. In principle, it's

no different from any other project. Climate Stability Bonds sold after the formation of this company would perform in the market like shares in the investment company. In keeping with the Social Policy Bond ethos, of course, all the company's activities will be dedicated toward achievement of, in this case, climate stability.

More generally, in order to maximise the value of their bonds, those who buy Social Policy Bonds at flotation will have incentives to set up the most efficient objective-achieving institutional structure they can. And they will be free to set up any institutional structure that maximises their gains from bondholding.

3.5.11 (2006-05-22 23:30)

Aren't SPB just the optimistic side of Catastrophe Bonds - bonds whose principal is forgiven if specific triggers are met? Cat bonds on climate change risks are being issued already - see http://www.gechs.org/activities/holmen/P ark.pdf

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3.5.12 (2006-05-23 09:19)

Thanks. Yes, cat bonds, like other insurance concepts, are similar to Social Policy Bonds. It looks as though the main difference is that cat bonds are always held by passive investors, who are not expected and do not intend to do anything about preventing the catastrophic event. Social Policy Bonds would be designed to appeal to active investors. Also Social Policy Bonds may have wider application when it comes to goals other than avoiding catastrophe, such as raising basic literacy rates. But in principle, they do seem to be similar concepts.

3.5.13 Social Policy Bonds and free-riding (2006-05-24 16:26)

In my work on Social Policy Bonds I've tried to make the concept accessible and so haven't emphasised the versatility and other advantages that variants can bring to the concept. One such is time binding: in other words, making redemption conditional on the targeted social goal being achieved *by a specific date*. Time binding would on its own reduce the market value of Social Policy Bonds, and increase the proportional payouts for early achievement of the targeted social or environmental outcome. I think it would also have the effect of deterring still further would-be free riders: Social Policy Bonds could be issued that target, say, achievement of a 99 per cent literacy rate for children aged 11 in the UK. But if the issuers anticipated too much free-riding, they could stipulate that they would redeem the bonds only if the target rate were achieved within, say, five years. Would-be free-riders then would be holding a wasting asset, whose value as the target becomes more remote would decline even faster than if there were no specified time limitation.

There are other reasons, which do not depend on time binding, for believing that free-riding would be a self-cancelling activity: assume that most of a particular issue of bonds were held by would-be free riders. Then very little, if anything, would be done to help achieve the

targeted objective. As the objective became more remote, the value of all the bonds would fall. And as the bonds lost value, they would make a more attractive purchase for people who were prepared actively to help achieve the targeted objective. So free riders would be tempted to sell, even at a loss, rather than see the value of their bonds continue to fall. Some history of falling bond prices would tend to make free riding on Social Policy Bonds less appealing with future issues.

Free-riding, in my conversations with economists, always seems to loom large in their doubts about the Social Policy Bond concept. But for the reasons given here, and for others that I mention in my longer work, I don't think it would be a serious problem.

3.5.14 Transport: a means not an end (2006-05-28 16:58)

Bangkok is a particularly dire example of a city that has sacrificed much of its quality of life to road transport. In this it's not unique, of course, but it is particularly sad to such large numbers of such exceptionally decent, dignified and (for the most part) gentle people living in the ever-shrinking interstices of such a hideous, brutal infrastructure. Most Thais have no, or very limited access to cars, but that doesn't stop the government building more roads and imposing its own view of development on society.

Perverse subsidies to the road lobby are common the world over; add in the subsidies to oil extraction and consumption and you get the financial cost of our governments' obsession with road transport. Other costs are equally grievous: the deaths, mutilations, noise pollution and air pollution.

Once this sort of thing starts it's self-perpetuating. The perverse subsidies strengthen the power of the road lobby to oppose alternatives. Busy roads make it more dangerous and expensive to get about in any other way.

How would a Social Policy Bond regime differ? It would not necessarily oppose easier transport links, but it would see that they are not an end in itself. They are at best a means to other ends and a bond regime would target these ends. A bond regime would focus on genuine outcomes: things that matter to people - real people, as distinct from corporations.

As it is though, we get the typical government view of how society should develop: along the lines that favour the big and global at the expense of the small and local.

3.5.15 Why do I always go on about perverse subsidies? (2006-05-30 17:02)

Here in the UK where the role of government in the economy is ever-rising, and where in regions like Wales it accounts for [1]66 per cent of economic activity, it's worth asking whether this constitutes a problem. I don't see big government as a problem in itself. But when big government becomes remote government I think that reduces accountability and responsiveness. It also makes for inefficiency. Actually though it's quite difficult to prove how inefficient government is at spending our money. Relying on particular narrow statistics, such

as the number of cancer survivors, or exam results, is not enough. Perhaps we are simply getting better at diagnosing cancer? Or perhaps poorer exam results are the result of more people staying on for education and are anyway the best that can be done given the multitude of other variables that are acting to depress aptitude and ability?

More robust indicators of poor government performance would be deteriorating broad poverty or health indicators but these also have difficulties. So perhaps the most compelling evidence that all is not as it should are perverse subsidies: not just their size but also their persistence. Perverse subsidies may be the smoking gun: proof that even the governments in the rich democratic countries can be inefficient and corrupt. Perverse subsidies are subsidies that are economically nonsense *and* socially inequitable *and* environmentally disastrous. Europe's Common Agricultural Policy is one such. Because of it, taxpayers and consumers subsidise the richest landowners and corporations and have been doing so for decades after it became widely known just what was going on. Perverse subsidies in just four sectors - agriculture, water, energy and transport - were estimated by the [2]Earth Council in 1997 to amount to between $700-900 billion. This is an enormous sum in itself but also an indicator, in the absence of other indisputable evidence, that the rest of government spending may be similarly mismanaged.

1. http://icwales.icnetwork.co.uk/0300business/0100news/tm_objectid=17144842&method=full&siteid=50082&headline=wales-relies-more-than-china-on-public-cash--name_pa
2. http://www.ecouncil.ac.cr/-about/speech/strong/uncsd.htm

3.6 June

3.6.1 Judging our leaders (2006-06-01 14:01)

How do we judge our politicians? Not by outcomes, such as how healthy or well off we are. Not by outputs, such as how much they achieve. Not even by inputs, such as how many hours they actually work. No, here in the UK the Depute Prime Minister [1]is judged by his *apparent* input as captured at one point in the working week.

1. http://news.independent.co.uk/uk/politics/article622755.ece

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3.6.2 Social Policy Bonds and Catastrophe Bonds (2006-06-02 15:12)

An anonymous reader of this blog pointed out that Social Policy Bonds are very similar to Catastrophe Bonds or 'Cat Bonds'. Catastrophe Bonds are mainly used as a form of insurance. They are issued by a body, such as an insurance company or local government, that stands to lose if a specified catastrophic event occurs. The issuers typically pay fixed payments unless the event occurs - which helps the issuer to meet the cost of insurance claims. In return, cat bonds pay more interest and have a lower rating than an issuer's other bonds. Apart from [1]their higher yield they are attractive to investors because their riskiness - the risk of a catastrophe occurring - is uncorrelated with other market risks.

Catastrophe Bonds are therefore primarily an insurance concept. They're not designed to make people avert any specified catastrophic event, which so far I think are exclusively natural disasters such as hurricanes or earthquakes. In that respect they differ from Social Policy Bonds. It's interesting that the Social Policy Bond concept has been in the public arena for about 17 years: I have spoken about it on numerous occasions at think tanks, universities and once at OECD in Paris, but nobody before now has brought Catastrophe Bonds to my attention.

The two concepts diverge when we change the nature of the specified event to something that can be averted quite readily, or when the redemption funds grow to such a size that it's worth investors in the bonds doing something about avoiding or mitigating the results of even a natural event such as an earthquake.

1. http://www.theroyalgazette.com/apps/pbcs.dll/article?AID=/20060515/BUSINESS/105150090

3.6.3 Targeting conflict (2006-06-02 21:26)

[1]

[2] The graph - taken from the most recent CIDCM-INSCR *[3]Peace and Conflict* report - illustrates the decline in armed conflict since the early 1990s, which may come as a surprise. As the report says:

> "Despite the prevailing sense of global insecurity,the positive trends traced in previous editions of this report have continued into early 2005. The decline in the global magnitude of armed conflict, following a peak in the early1990s, has persisted and few of the many societal wars contained in the last decade have resumed. Major societal wars are down from twelve at the end of 2002 to eight in early 2005."

The report does a great job of listing and as far as possible quantifying the effects of armed conflict. It's worth mentioning in this blog because it shows the extent to which much of the quantitative work that would be needed for targeting such goals as armed conflict is already being done. Put it this way: if there were the political will to issue Social Policy Bonds that aim to eliminate war, civil war and armed political conflict, then measurement issues, difficult as they might seem, will not be an insurmountable obstacle.

1. http://SocialGoals.com/blog/uploaded_images/conflict-747333.bmp
2. http://SocialGoals.com/blog/uploaded_images/legend-792363.bmp
3. http://members.aol.com/CSPmgm/

3.6.4 Kyoto and common sense (2006-06-04 20:57)

> [T]he costs of ambitious front-loaded carbon abatement programs (such as the Kyoto Protocol, fully implemented) would have had (a) only a modest impact on our climate

> prospects, according to the current models, and (b) enormous economic costs. Yes, something must be done – but need it be as costly and as ineffective as that? [1] *Clive Crook*
>
> *, National Journal*

Unfortunately the debate about climate change is so politicized that anybody speaking out against the ludicrous Kyoto Protocol is assumed to be either scientifically illiterate or a corporate shill. Clive Crook is neither (as far as I know) and has some sensible suggestions for the US:

> An initially moderate carbon tax, an initially gentle scheme of mandatory caps on greenhouse-gas emissions, and an honest plan to promote long-term energy efficiency could nudge the economy with minimal disruption on to a path of much lower climate-change risk. At the same time - anathema to many environmentalists - serious thought should be given to policies for adapting to climate change.

[2]Climate Stability Bonds are compatible with all this. Investors in the bonds would implement such measures, but only if they were convinced that they are the most cost-effective ways of dealing with climate change. And they would implement them on a global basis, so that the sources of emissions aren't simply transferred from one country to another. In short, they would take an over-arching, global view of what is, after all, a global challenge. Mr Crook's suggestions are more clearly thought out than Kyoto or the 'do nothing' approach, and are probably much better than either. But they still suffer from their narrow perspective. The goal, remember, is not to reduce anthropogenic greenhouse gas emissions from the US, but to stabilise the global climate. Climate Stability Bonds can divert resources into this objective without prejudging how best to achieve it. They would reward only the most efficient climate-stabilising projects, *whatever form they might take*.

1. http://nationaljournal.com/crook.htm
2. http://socialgoals.com/ieakyototext.html

3.6.5 Perhaps insurers? (2006-06-05 19:58)

When I first started promulgating the Social Policy Bond idea I naively thought that government would be the first to issue them. They have the resources, after all, and solving social and environmental problems is a large part of their remit. Since then, and especially since I addressed a meeting at the OECD in Paris a few years ago, I have become convinced that government is too risk-averse and self interested to experiment with a new financial instrument that hands over the responsibility for achieving social goals to the private sector.

I have urged, so far without success (as far as I'm aware), private individuals to [1]issue their own Social Policy Bonds. I have tried and tried to interest philanthropic organisations but with not a single exception they fail even to acknowledge my messages.

Now I am beginning to think insurance companies might be the first to take the Social Policy Bond concept to the point of implementation:

> Insurers could use their influence as some of the world's biggest investors to make companies in which they have stakes act more responsibly by encouraging "'climate proof' behaviour from the boards of large corporations", the report says. [2] Source

1. http://socialgoals.com/handbook.pdf
2. http://today.reuters.com/stocks/QuoteCompanyNewsArticle.aspx?view=CN&symbol=&storyID=2006-06-04T230049Z_01_L02539261_RTRIDST_0_FINANCIAL-INSURERS-CLIMATE.XML&pa

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3.6.6 So it's come to this (2006-06-07 14:57)

Many of us remember the current UK Prime Minister and his Chancellor proclaiming that the Common Agricultural Policy must be dismantled. Several years later and there's talk of at last winding down the subsidies to the richest landowners. And what do we read in today's *[1]Financial Times*?

> [T]he British government said yesterday it would fight to preserve the big payouts for large farms, claiming that its blue-blooded gentry were exponents of modern, large-scale, efficient agriculture.

These are big payouts indeed and they go to some of the wealthiest people in the UK as Oxfam to its great credit, [2]pointed out. Now the British 'Labour' Government is resisting efforts to cap them at Euros 300 000 a year (about US $388 000). These sums, let us remind ourselves, come from the European taxpayer and consumer. They take the form of direct budgetary payments and higher food prices. Apart from transferring money from the poor to the rich, they have also played a large part in destroying the rural environment in Britain and the rest of the European Union.

Of course, there's politics involved: the UK Government knows that British farms, because they are generally larger than those on the continent, benefit disproportionately from open-ended subsidies. The remark about 'efficient agriculture' is bogus: UK farming might yield more per farmer (or possibly per hectare) but that is because it uses more capital per farm worker than other countries - largely because of subsidies and generous tax allowances for machinery. The capital-intensive nature of UK agriculture uses more fossil fuels and contributes to rural unemployment.

The British Government knows all this, but it is putting politics above principle. Or perhaps it's being subtle, and in trying to shore up the CAP's jackpot payments to the wealthy it is doing its bit to undermine not only the corrupt, insane, CAP, but the EU itself. I wish I believed that.

1. http://news.ft.com/cms/s/7ccbe0c4-f5c2-11da-bcae-0000779e2340.html
2. http://www.oxfam.org.uk/press/releases/subsidies220305.htm

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3.6.7 The need for broad, meaningful targets (2006-06-08 21:56)

Broad targets, rather than proliferating Mickey Mouse micro-targets, are essential if government is going to maximise societal well being. The British Government has opted for narrow,

micro-targets in its attempts to run education and the National Health Service, but another perhaps even more crucial area is that of monetary policy. Mr Han de Jong of the ABN Ambro Bank in a letter to the editor of the *Financial Times* (published today) reckons that controlling banks don't know how to deal with asset price inflation. They have targets for 'normal' inflation - typically the costs of consumer or producer goods and services - but these generally exclude (except indirectly) asset price inflation.

> ... Central banks are reluctant to include asset prices in monetary policy decision-making. They argue that they cannot determine the right level of asset prices any better than the market. Funny that, as central banks have no such reservations about their abilities when it comes to the price of money. In addition, they are not sure how to fight asset price inflation. To me it seems relatively simple. A combination of strong growth, modest consumer price index inflation, easy money, strong credit growth and strong asset price increases suggests that monetary conditions are too loose. The economy in the eurozone is recovering and growing at a rate close to its potential. In spite of two European Central Bank rate increases, real official interest rates are barely positive. This is asking for trouble. As far as the eye can see, euribor futures contracts are pricing in money rates below 4 per cent. Assuming a 2 per cent inflation rate, that means rates will peak in this cycle well below their long-run average in real terms. If this happens, asset markets will continue to bubble. From time to time, those bubbles will inevitably pop.

For myself, I think monetary targets should be subordinated to outcomes that more directly measure social and environmental well being. Things that would take in, for example, homelessness and poverty. Under a Social Policy Bond regime targeting poverty an independent central bank would be motivated to reduce asset price inflation ... if doing so were an efficient way of dealing with poverty. Unfortunately what we have now are monetary targets that aim to restrain 'normal' inflation, but leave asset price inflation untargeted. For hard-working families in the UK and New Zealand (the two countries I know most about) this makes owning their own home a dream for ever.

3.6.8 Whose infrastructure? (2006-06-09 21:27)

Having recently spent time in Bangkok, where quality of life has been almost wholly sacrificed to the car, I was interested to read about Fred Harrison's publication *[1]Wheels of Fortune: Self-funding Infrastructure and the Free Market Case for a Land Tax* in the *Financial Times* (9 June). It makes a strong case for taxing the beneficiaries of infastructure development, who are invariably landowners. Increases in land values give a good indicaton of the benefits of infrastructure investments, but they also supply a just way of financing their costs. Needless to say, this doesn't happen. In most countries, including Thailand, infrastructure development generates windfall gains for existing landowners. Some financial gains probably do percolate down to everyone else, but randomly and at huge non-financial cost in the form of the destruction of communities, accidents, noise pollution and air pollution.

1. http://www.iea.org.uk/record.jsp?type=publication&ID=307

3.6.9 (2006-06-12 05:38)

here http://www.moneysavingfreetips.com/ibonds-rates.html it says you can buy i-bonds from treasurydirect online... anyone ever bought such ibonds from treasury direct?

is it a safe investment? what interest rate did you get?

3.6.10 Letter from America (2006-06-12 21:53)

Somtimes the government machine just seems to be way of obscuring flows of funds. Vested interests, adept at pleading their cause, talk about government funding in the abstract, as if it's inexhaustible. The notions of trade-offs and opportunity costs seldom enter political debate, and it takes an outsider to remind us that they are basic.

This letter from Mr Paul DeRosa in New York appeared in the [1]*Financial Times*on 12 June:

> Europe sacrificing the young to their elders
>
> Sir, Richard Lambert's
> prescription for the failures of European universities is to have them charge tuition fees .... But from where will the money come? In nations that take fifty cents of every dollar earned in taxes, money that might otherwise be available to pay fees is taken away and used for pensions, healthcare, and subsidies for loss-making rail systems. The future of European youth is, in effect, being sacrificed so that their elders can retire young with free healthcare.

1. http://news.ft.com/cms/s/811a6376-f9af-11da-8ced-0000779e2340.html

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3.6.11 Rejigging incentives (2006-06-13 16:38)

As individuals, our activities don't seem up to meeting the serious environmental and social challenges we face as a society. Our work lives, even if we are in the public sector, don't appear to contribute much to solving such global problems as climate change and nuclear proliferation. And while we might do a lot, even if we don't realise it, to help individuals either directly or through tax payments, there does appear to be a disconnect between our work and achievement and the scale of the social and environmental problems we face.

Yet there's no shortage of skill, talent an ingenuity. To take just my recent experience here in England: you can't fail to be impressed by the quality of the voluminous journalism about the English team's World Cup team and its performance. In the bookshops there is a huge number of well-written books about science, history and almost any other subject as well as fiction. Advertisements in all media are slick, humorous, probably very effective, and

have unquestionably benefited from some extraordinary brain power.

It all comes down to incentives. We react rationally to the incentives on offer. And there are few direct incentives for us to seek solutions to global problems. There are scientists, politicians and officials part of whose remit includes addressing these problems, but their financial rewards are in no way linked to their success in solving them. Rather than hope for a mass conversion to altruism, or despair at the improbability of a bright human future, we can do something to rejig the incentives. That's when (in my view) Social Policy Bonds come in. Social Policy Bonds inextricably link rewards to outcomes – not inputs, outputs or activities. Under a bond regime, people would not get paid merely for turning up to work at a bureaucracy that includes the words 'Environment' or 'Climate Change' in its title. They would, in essence, be on performance-based contracts of the most flexible sort: if they fail to deliver, then the rewards will go to those who can deliver.

We need to agree on what we want as a society. For starters we'd probably opt for some climate stability target, and the absence of a nuclear conflict. Then rather than employ swarms of bureaucrats with the stated objective of achieving , these goals, we should issue Social Policy Bonds targeting them. Rewards would then be inextricably linked to achievement of a stable climate and nuclear peace, and we'd find a significant fraction of our species' awesome collective skill, talent and energy channelled that way.

3.6.12 Financial incentives (2006-06-15 21:28)

Reading the excellent book [1]*Critical mass: how one thing leads to another*, you realize quite graphically in just how many ways quite small causes can have very large effects in physics and in society. You get the same impression when looking into the causes of social calamaties such as war or violence of any sort. I find this encouraging. There are many people working for the social good but there is also a very large pool of extraordinary talent, creativity and diligence that is, to put it mildly, not fully aligned with public goals. Much of this skill and ingenuity is deployed in the pursuit of private goals, many of which have negative social and environmental externalities - as well, of course, as benefits, both private and public. For instance, there are prodigious talents, very evident here in the UK, devoted to marketing of just about anything. Humanity could gain a lot if a fraction of them were encouraged to move into fields paying a greater social dividend.

There is no need for compulsion though. A Social Policy Bond regime could do the job quite simply, by increasing the financial incentives on offer. Collectively we are squeamish about paying people large sums of money to achieve social and environmental goals, and I share this feeling too, to a degree. But people do respond positively to incentives, and it's not always greed. People crave respect and in the west nowadays that comes largely through being wealthy.

As an aside consider Japanese society:

> The Japanese have understood that what people are largely pursuing in the work-place is not so much money as the respect of the people around them, and therefore

> maintain a sophisticated - indeed, bizarrely over-elaborate to the Western eye - economy of respect in addition to the economy of money. They have understood that a large part of what money-seeking individuals really want is just to spend that money on purchasing social respect, through status display or whatever, so it is far more efficient to allocate respect directly. [2]*Japan, a refutation of neo-liberalism* , Robert Locke.

But this aspect of Japanese society is exceptional in the world context and we cannot rely on it, or on altruism, to meet the serious social and environmental challenges we face. Under a Social Policy Bond regime people or institutions would become richer and many of them would be rich to start with. But such wealth would be concentrated only if the public good were also served. A bond regime would create a means by which wealth would be inextricably linked to our social goals.

1. http://www.amazon.com/gp/product/0374530416/qid=1147688108/sr=1-1/ref=sr_1_1/103-7274841-4994263?s=books&v=glance&n=283155
2. http://www.paecon.net/PAEReview/issue23/Locke23.htm

3.6.13 Ideology and education in Britain (2006-06-16 20:23)

Ideology is bad enough when adults inflict it on each other. It's even worse when innocent children are the victims. Since state funding for grammar schools in the UK began to be phased out in the 1960s for narrowly ideological reasons, what has happened to social mobility in that country?

> The latest research, published today, reveals that the percentage of top positions in the British media going to former private school pupils has risen by more than 10 per cent since 1986. The report on the media follows reports on the legal profession and on MPs which reached similar conclusions. The research, published by the Sutton Trust education charity, shows that of the leading 100 media opinion-formers, 54 per cent came from private schools, compared with 49 per cent 20 years ago. Thirty-three per cent of the remainder came from selective grammar schools and only 14 per cent were from comprehensive schools, which cater for 90 per cent of all pupils.
>
> The report on the legal profession shows that almost 70 per cent of barristers from leading chambers were educated at private schools. And in the House of Commons, 42 per cent of those holding government office or shadowing ministers are former pupils of private schools. Just 7 per cent of all pupils are educated in the private sector. *[1] Source*

Meanwhile, we can see from another newspaper article an indicator of the value some Britons put on their kids' education:

> World Cup haircut pupils get the boot from school.
>
> Two pupils have been suspended from a Blacon school because they had St George's flags cut into the back of their hair. ... The two 14 year-olds have been told they cannot go back to lessons unless they shave the motif out or wait for it to grow out. [The father of one of the boys] said his son would not back down. "It is just stupid. The boys are not having it shaved out." Source: *Chester Standard* 18 June

Here's another idea: instead of running our schools as social engineering experiments or suppliers of mass babysitting services, how about we subordinate their structures and activities to educational outcomes, instead of ideology? Issue Social Policy Bonds that target basic verifiable achievements, such as numeracy or literacy. Let motivated educators decide how these shall be achieved, and let parents decide on their other priorities.

1. http://news.independent.co.uk/uk/this_britain/article1018541.ece

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3.6.14 Leave it to the government (2006-06-23 16:23)

Having travelled a bit recently around northern England and Wales it seems to me that we are living in a physical and social environment that is becoming more and more a creation of government and the intellect, rather than nature and our own social instincts. There doesn't appear to be much investment in the provinces at least, that isn't initiated or heavily subsidised by government. (In Wales, for instance, government accounts for [1]66 per cent of economic activity .)

Perhaps it all began when government started subsidising an infrastructure that intrinsically favours the large and global at the expense of the small and local. Fifty years ago this month that US President Eisenhower signed the Federal-Aid Highway Act of 1956, which committed his government to invest heavily in a national network of interstate highways. In the rich and the developing countries we see that big business has the ear of government; that it can steer policies in its favour, at the expense of small- and medium- sized enterprises and ordinary taxpayers and consumers, and the environment. Our current politics favours top-down, once-size-fits-all policies, rather than bottom-up, local decision making. It means more and more that ordinary folk look upwards to government, to a specialised caste of policymakers, either as a source of income or for guidelines on how to live our daily lives.

So, in this [2]excellent piece about climate change from the current *New York Review of Books*, we find:

> As with the extinction of species, the disintegration of ice sheets is irreversible for practical purposes. Our children, grandchildren, and many more generations will bear the consequences of choices that we make in the next few years.

I'd just make one small but significant change: it's not really our choice; it's that of our governments, who are not only indifferent or unresponsive to climate change but are actively helping it along by subsidising fossil fuel extraction and use.

On a more day-to-day level, the desolation and danger of some of the UK's provincial towns also owes something to the top-down, inorganic nature of town planning. Zoning and government's subsidies for road transport have divided shops from dwellings and commercial premises. A centralised and ideologically driven education system, in which the worst schools are not allowed to fail, compounds the problem, and even on the long summer evenings in the very pleasant small English city centre where I'm a visitor, the streets are mostly deserted, apart from a few bewildered tourists looking for somewhere that's open.

More contentiously, the social fabric of our countries is changing rapidly and inorganically, in the sense that it's driven by policymakers rather than people:

> In Norway, a tiny Scandinavian nation that was until recently 99 % white and Lutheran Christian, native Norwegians will soon be a minority in their own capital city, later in the whole country. And still, Norwegian politicians, journalists and University professors insist that there is nothing to worryabout over this. Multiculturalism is nothing new, neither is immigration. In fact, our king a century ago was born in Denmark, so having a capital city dominated by Pakistanis, Kurds, Arabs and Somalis is just business as usual. The most massive transformation of the country in a thousand years, probably in recorded history, is thus treated as if it were the most natural thing in the world. To even hint that there might be something wrong about this has been immediately shouted down as "racism." [3]Source

Now I am not saying this migration should not occur. My point is that it's happening without ordinary people's involvement in the decision-making. On such a sensitive issue, more public participation is an end in itself, as well as a means toward wider acceptance of new citizens. I would also argue that much immigration to the west is driven in fact by the rich countries' corrupt trade policies, which do so much to impede imports of goods from the third world. It's crony capitalism, carried out at the expense of consumers. Norway's barriers to agricultural imports, for instance, are some of the [4]highest in the world. Western governments have contributed to the collective impoverishment of poor countries, so stimulating *reluctant* immigration to their own countries.

What can we do about all this? An essential first step, I believe, is to formulate policy in terms of *outcomes that are meaningful to real people*, which would make it harder for governments to justify dodgy expenditures. After all, if mad schemes like the Common Agricultural Policy had to say from the outset that their prime aim is to transfer resources from the poor to the rich, to denude the environment and to impoverish the third world; if, in other words, they did not rely on deception for their existence, then it's unlikely they'd ever be implemented.

1. http://icwales.icnetwork.co.uk/0300business/0100news/tm_objectid=17144842&method=full&siteid=50082&headline=wales-relies-more-than-china-on-public-cash--name_pa
2. http://www.nybooks.com/articles/19131
3. http://gatesofvienna.blogspot.com/2006/06/political-correctness-revenge-of.h
4. http://www.oecd.org/dataoecd/45/22/35331894.pdf

3.6.15 Targeting mental health (2006-06-25 19:37)

Definitional and measurement difficulties aside, it's clear that mental health is a serious social problem. According to the [1]UK's Mental Health Policy Group in the UK 'one in six of all people suffer from depression or chronic anxiety, which affects one in three of all families'.

Mental health is of course difficult to quantify - to put it mildly. So how can government aim for improvement? It can readily measure and increase *spending* on treatments like psychological therapy, as the Group advocates. But how are we to know whether such spending is cost-effective, or even effective? Quantifying well being, or as economists put it 'social welfare' is a broader question than mental health and I have no easy answers. The [2]World Bank and [3]United Nations publish tables of social indicators of development, encompassing such variables as literacy, water supply and sanitation, and natural resources. These are obvious priorities for developing countries, and they do happen to be easy to quantify. But even in these countries mental health is a hugely important issue: should it be ignored just because it's difficult to measure?

One approach could be to take small randomised samples of a population, and measure their behaviour and responses to specific questions or psychological tests. This is the approach taken by crime surveys, which are thought to be more reliable indicators of criminal activity than numbers of crimes reported to the police. These surveys simply poll a sample of people and ask whether and how they have been affected by crime.

A Social Policy Bond regime should probably target mental health explicitly, but so too should our current political system. Like the physical and social environment, with both of which it's inextricably bound up, psychological wellbeing is in danger of being allowed to deteriorate by default, because nobody got round to quantifying it until the effects of its degradation were too catastrophic to ignore.

1. http://cep.lse.ac.uk/research/mentalhealth/default.asp
2. http://www.ciesin.org/IC/wbank/sid-home.html
3. http://unstats.un.org/unsd/demographic/products/socind/

3.6.16 Airbus: the flying Common Agricultural Policy (2006-06-26 15:08)

> "I have the choice between being considered someone dishonest or someone incompetent who doesn't know what is going on in his factories," said Arnaud Lagardère [co-chair of EADS, the Airbus builders]. "I prefer the second version."

What is it about the French elite and their corrupt hauteur that so intimidates the rest of us? As with the land-based Common Agricultural Policy, so with Airbus they are doing their best to ensure that efficiency and common sense are subordinated to backwards-looking visions of French glory.

> Compared with Mr Lagardère, who has no operational role at EADS, the man who actually runs the group was not at all contrite. Noël Forgeard [the other co-chair] claimed in numerous interviews that Airbus, the subsidiary of EADS making the

> A380, was not late in admitting its production problems. (In fact, it took Airbus two months to make them public.) The relationship between Airbus and EADS is completely transparent. (In fact, Airbus is run as a semi-autonomous fief.) The war between German and French shareholders and managers is over. (In fact, they are at each other's throats.) And he categorically denied using inside information when he pocketed €2.5m for himself and his family after exercising share options in March. He was, he said, "shocked by presumptions of his guilt". [1]*Source*

The sadness is that a European Union without the French elite and its hang-ups could actually work very well. For a start, the Common Agricultural Policy could be dismantled, allowing the food-rich developing countries to export to Europe, greatly enhancing the survival prospects of, especially, [2]Africans. Then the EU members could conduct all their business in one official language - English - instead of the 20 or so currently used. Rather than being an unpopular and failing way of projecting French power and its centralised, remote system of government onto Europe populations, it could then become more responsive to the genuine concerns of its people.

1. http://www.economist.com/business/displaystory.cfm?story_id=E1_SDJPTQR
2. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill_PR.htm

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3.6.17 Tragic consequences of management without objectives (2006-06-28 16:34)

What happens when you make bold decisions without knowing why:

> ... it appears that the German leaders first declared war and then determined what they were fighting for. David Stevenson, [1] *1914-1918: The History of The First World War*
>
> (page 134) .

1. http://www.amazon.com/gp/product/0713992085/qid=1151509048/sr=1-3/ref=sr_1_3/103-7274841-4994263?s=books&v=glance&n=283155

3.6.18 Portentous prose about nothing (2006-06-30 09:26)

Here in England following the World Cup is a lot of fun. What I like best is the eloquent, well-informed moaning about England's inevitably lame performances. The calibre of the commentary on football, from professional journalists and the people who ring talkback radio, is very high. (Motoring is another field where the quality ofjournalism is far greater than you'd expect.) Ultimately of course (whatever Bill Shankly said) it's only an entertainment and the commentators realize that.

The mismatch between the tone of equally high-calibre political journalism and its content is more jarring. Much attention is lavished in this country on the precise timing of the end

of Mr Blair's Prime Ministership, the qualities of his likely successor and other trivia. Serious, competent journalists and politicians spend a great deal of energy giving us their views in well-crafted portentous prose. (See [1]here for a recent example.) Good luck to them, and it can be as entertaining as football journalism. Unfortunately it can also distract us from what politics should be about. It's another branch of the celebrity-driven news and entertainment industry that threatens to crowd out politics and policymaking as far as ordinary members of the public are involved.

Is this emphasis on image and personality a symptom or a cause of public disengagement from politics? Politics and economics are about vision and strategy, priorities and trade-offs; but you will rarely hear them discussed or even read about except in the more serious journals. Their presence in the mass media are almost totally eclipsed by fatuous speculation or frivolity. As the gap between normal people and politicians widens, so it's being filled with frothy stuff that signifies nothing. Politicians are becoming a priesthood, as remote from the people that pay their salaries as the elite multimillionaire footballers in their private jets.

Part of the reason is that they express their intentions in terms of money spent, institutional structures or vague promises about almost anything – except verifiable outcomes that are meaningful to natural persons, as distinct from corporations. We expect no better nowadays; the opinion formers are largely acolytes to the political caste, beneficiaries of the same mystique they bestow on our masters.

1. http://www.stephenpollard.net/002652.html

3.7 July

3.7.1 Why England lost the World Cup (2006-07-02 07:39)

I know very little about football, but even I could see, watching England's match against Portugal yesterday, that England played well only after their captain had retired injured and their star player had been sent off. I wonder whether there's something in the English psychology that values a win – in any field – only when it's against the odds? Deep down the players perhaps know just how pampered they are. On the 90th anniversary of the beginning of the Battle of the Somme did they feel undeserving of the fabulous material rewards they'd receive for winning a football game? These players are on contracts of several tens of thousands of pounds per week. They had nothing to prove by winning until they had a real battle on their hands. Only then did they play to their full potential.

There is a wider policy question. In the UK, as in most other western countries, the government tries to help people who are out of work. It gives cash payments to the unemployed. Because such schemes are run nationally, they cannot and do not discriminate between those who need the money and those who would actually be better off without government help. There is such a class of person, and there's no telling how big it is. But it is a downside of remote government that welfare programmes delivering cash benefits to people on the

condition that they do nothing with their lives is likely to stifle any sense of pride and achievement. As with the multi-millionaire footballers (whose salaries aren't paid by the taxpayer, thankfully), this generosity gives people no challenge to overcome, nothing to play for.

3.7.2 Entrepreneurs and managers (2006-07-03 15:56)

Arriving in Germany from the UK dramatises the difference between entrepreneurship and managment. The British have historically been pre-eminent at setting up enterprises, but not at all good at managing them. That appears to be Germany's forte, at least in my initial experience. In contrast to the UK, public transport is well-organised and clean. But, as Richard D North says in [1]a fascinating essay:

> The Continentals pay for their orderliness. Only the most crushing civilisations can keep violence at bay. Perhaps France can do it, except when its over-wrought tidiness of society gives way to revolution or upheaval. They saw violence in the 90s, and was suburban. It was a revolt against Corbusier-in-exile, against the peripheral estate, in which neither of the traditional continental virtues - self-conscious urbanism and full-bloodied ruralism - is expressed. The German historic propensity to break out of dullness into violence is the expression of a society which doesn't understand the need for routine hooliganism, the British triumph.

Is this relevant to Social Policy Bonds? Perhaps: a bond regime could convert management and bureaucracy into a profit-seeking endeavour. It would grant supernormal profits to people who excel at achieving stated social or environmental goals. It would, in short, inject entrepreneurial incentives into solving our problems. Our current system sets up institutions mostly either government or run along bureaucratic lines, that provide only civil service type incentives the to their employees. There is little correlation between the financial rewards to, say, UN peacekeepers, or researchers into climate change mitigation strategies and their success in achieving their objectives. They are paid salaries on the basis that they turn up to work. But meeting our serious global challenges needs more than good management. Social Policy Bonds could play a part in channeling some of our awesome ingenuity and creativity away into achieving public sector goals.

1. http://www.richarddnorth.com/journalism/culture/ukid.htm

3.7.3 Contracting out UK Government services (2006-07-05 22:55)

From the [UK] [1]*Guardian* of 3 July:

> The government is creating a new generation of multimillionaires and turning charities into multimillion-pound businesses by contracting out services provided by the state, a report commissioned by the Whitehall trade union the Public and Commercial Services union, reveals today.

I'm pleased with this. It's not Social Policy Bonds, because the contracts don't appear to be tradeable, and the newspaper article talks about the provision of services, rather than the achievement of outcomes but it's a start. Naturally it provokes opposition from the ideologues:

> Mark Serwotka, PCS [Public and Commercial Services Union] general secretary, said: "There is a real danger that government plans to increase the role of the private and voluntary sector in the provision of public services will mean a step back to a model of prewar welfare provision. The fear is that this is 'soft' privatisation, with the voluntary sector opening up services for contests which can subsequently be won by the private sector."

1. http://www.guardian.co.uk/guardianpolitics/story/0,,1811141,00.html

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3.7.4 Sprawl is subsidised (2006-07-08 20:29)

> I argue that smart growth is actually a conservative notion, because it saves money. It saves money because cities and towns don't have to extend infrastructure so far. You're taking advantage of existing infrastructure with redevelopment, and you're also leveling the playing field. Those who believe in the free market shouldn't like government picking winners and losers, and that's exactly what government has done over the last half century in terms of favoring sprawl. What smart growth does is level the playing field - make it as easy to build in the city or in older suburbs as it is out in the countryside. Anthony Flint in an [1]interview with Grist Magazine

1. http://www.grist.org/news/maindish/2006/07/07/flint/index.html

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3.7.5 What's good about the status quo? (2006-07-10 15:02)

A Social Policy Bond regime would contract out the achievement of social and environmental objectives to the private sector by issuing tradeable bonds redeemable when specified goals have been achieved. The bonds could help meet new global and national challenges, such as climate change or crime reduction, but they should also specifically target the maintenance of some aspects of the status quo. Peace within secure borders, freedoms to live under fair laws, fair administration of justice...these are all of immense value - but tricky to define. Unfortunately, much like 'the environment' or 'quiet' or 'social cohesion' they tend for that reason to be taken as given by policymakers, and so exploited, until they are in such a parlous state that they can no longer be ignored.

Could these desirable features of our current way of life be targeted explicitly? It's an important question, worth posing even if we were not contemplating the issue of Social Policy Bonds targeting, for example, world peace. Why? Because many important defences against social or environmental disaster appear to be eroding. We face catastrophic risks arising from climate change and nuclear proliferation, but it's difficult not only to see progress being made, but also to conceive of a way of measuring whether we are moving towards or away from achieving our goals. So how to specify our goals and quantify progress towards them is not

just an abstract question.

If we assume that it is worth channeling scarce resources into retaining some degree of climate stability then under a Climate Stability Bond regime, we should have explicitly to quantify climate stability, in such a way that maintaining (or increasing) it can be explictly and objectively verified. This sounds very difficult, and indeed it is, but *exactly the same difficulties apply when attempting to monitor the success or otherwise of alternative ways of preventing or mitigating climate change*, including the Kyoto agreement to limit anthropogenic emissions of greeenhouse gases.

3.7.6 France: world champion of hypocrisy (2006-07-11 13:17)

> Europe must be careful not to turn itself into a fortress just to keep out immigrants, a French minister has said. Addressing a European-African migration conference, French Interior Minister Nicolas Sarkozy said the concept of zero immigration was a dangerous myth. Ministers from 57 European and African nations are meeting in the Moroccan capital Rabat to discuss ways of dealing with migrants. [1] BBC

The fact is, Mr Sarkozy, that it is your benighted France that has already turned Europe into a fortress. France, with its loathsome trade policy, has led Europe in refusing to allow imports of agricultural products from poor countries, especially in Africa. Through its support of the corrupt, insane Common Agricultural Policy, France has helped impoverish the third world, and made escape to the west the only option for hard-working [2]Africans who want to make a better life for themselves and their families. Not content with that it is the ludicrous French elite that does its best to ingratiate itself with thugs and kleptocrats like Robert Mugabe, whose actions encourage immigration, legal and illegal, to the west.

1. http://news.bbc.co.uk/1/hi/world/africa/5164514.stm
2. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill_PR.htm

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3.7.7 Government failure is catastrophic (2006-07-12 15:49)

> In the 'world of truth' [ie markets] ... such disasters [as the Mao-induced famine in China that killed from 10 million to 60 million people] cannot happen. Mistakes, certainly, will be made - perhaps more frequently than under central planning. But the mistakes stay small; in market economies we call them 'experiments'. Tim Harford, [1] *The Undercover Economist*
>
> , page 237

Spending time in provincial England is a reminder of just how bleak life can be when government fails. The physicial infrastructure of cities is very much a government creation, as is an education system driven by ideology. Government thought it knew best not only what to achieve, but how to achieve it. The intentions were good, the execution has been disastrous.

A Social Policy Bond regime would play to government's strengths: articulating what society wants and raising the revenue to finance achievement. But it would contract out to the market that process which the market does best: ensuring that scarce resources generate the maximum return to the taxpayer's dollar. Government would decide what to do; the private sector would decide how to do it.

1. http://www.amazon.com/exec/obidos/tg/detail/-/0195189779/qid=1152715807/sr=1-1/ref=sr_1_1/103-7274841-4994263?v=glance&s=books

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3.7.8 (2006-07-15 00:54)

Hi Ronnie,

I am wondering where to draw the line.
On one hand, access to western markets could be benificial for the so called developing countries, on the other hand we see the negative effects of free global trade, such as the transformation of their economies to purely export oriented ones, as happening under the regime of structural adjustemnt programs.
The "poor" will only benefit from exporting their, mainly agricultural, goods if they own the land the goods are produced on. But what actually seems to happen is that the peasants are bought out by foreign investors (thanks to the unrestricted flow of capital under the WTO rule), Production is then moved to export goods like sugar or coffee with all the negative environmental effects.

How could we get the best of both worlds? A good start might be to remove tarifs on fair trade goods. Maybe this would meet less resistance in the western countries, as their market share is small. But it would make them cheaper and more attractive to "mainstream" consumers.

What do you think?

Cheers,
Frank

3.7.9 (2006-07-15 17:43)

Thanks Frank for your comment.

I don't think free global trade leads to purely export economies, or to the extent that it does, that such economies are wholly worse than the alternative. I certainly agree with you though that free trade in goods should precede free flows of capital. But this is how I see it.

First: trade barriers lead to industry concentration. In fact they work the other way as well. Trade barriers in agriculture go mainly to the largest landowners and wealthy agribusiness corporates. This is partly because they take the form of market-based support, which rewards most the inputs that are most inelastic. In agriculture the least elastically supplied

input is farmland, so its price rises and farming becomes more land-intensive as a result. The other major beneficiaries of the current corrupt subsidy regime are suppliers of purchased inputs and agricultural processors. Richer landowners buy more of their products and services and can be charged more. These companies tend to be large corporates who can and do lobby government to maintain trade barriers, and in this they are successful, lamentably.

So negative environmental effects arise partly from intensive farming in the protected economies, but also as a result of the impoverishment of the third world. Yes, there are negative environmental effects of production for export, but there are also negative impacts arising from lack of development. This is a thorny question, but in general the negative effects of trade are also the negative effects of economic growth under the current model, which favours big and global businesses at the expense of the small and local. Subsidies to cronies and government intervention are features of the current model.

Economic growth under the current model, where many large environmental impacts are externalised, does have many negatives, but it also has many positives, not only those that are internal to large corporates. It has lifted many millions out of poverty, most notably, and this has to be weighed against the indisputable negatives. Economic growth accompanies trade, not necessarily cross-border trade, but that does help when it's not distorted by corrupt lobby groups and their friends in government. On economic theory and on all the evidence, trade is necessary, though not sufficient for economic growth and economic growth is essential for rising standards of living. I certainly agree though that the current growth model is flawed, perhaps fatally, but I don't see that limiting trade is a solution. Getting rid of all trade barriers - including subsidies to cronies and including subsidies to roads, energy extraction and consumption, ports, airports - is a start. Internalising the negative environmental effects of economic activity should also be attempted. There is also the important question of freedom. What business is it of government to intervene between willing buyers and willing sellers of goods or services? There are cases where it's necessary to protect plant, animal and human life, but for the most part government trade barriers are as spurious as they are corrupt.

I hope this is helpful, but don't hesitate to respond. Regards

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3.7.10 Incentives for peace (2006-07-16 22:56)

The big problem is, of course, incentives. There's nothing intractable about ancient hatreds. If you think there is then check out the border between England and Scotland. It's very quiet these days, but [1]it wasn't always like that. To bring about peace in the Middle East, I propose [2]Middle East Peace Bonds.

1. http://en.wikipedia.org/wiki/Anglo-Scottish_Wars
2. http://www.socialgoals.com/mepeacebonds.html

3.7.11 (2006-07-17 10:58)

Hi Ronnie,

thanks for your elaborate reply.

what concerns me is that the policy makers and the corporations are urging for free trade but not also for measures to cushion the negative impacts.
And it seems to me that it is very hard to weight the positive against the negative consequences.
Do you have objective numbers, e.g. about what happened in Mexico since NAFTA was implemented? GDP does not count, at least I don't accept it as a measure of well beeing.

Regards,
Frank

3.7.12 (2006-07-17 13:39)

I agree that GDP is very badly flawed. However, there does seem to be a correlation between a high GDP per capita and (1) lower levels of poverty and (2) more concern for the physical environment. There are also of course many negative impacts that correlate with a high GDP, but I don't think they justify trade restrictions. It's better to tackle the problems directly. Government intervention that blocks trade is an abuse that has favoured corporations at the expense of people; that's why I hold French trade policy in contempt. (This sort of debate is so politicised that I should reassure you that I don't think a high GDP should be a government objective.)

The problems we have at the moment are precisely those caused by managed trade and other corporatist/government schemes that are biassed in favour of large corporations and their lapdogs in government.

I don't know the detail of NAFTA. But I can say that the US still has many corporate welfare schemes that favour large companies at the expense of natural persons. One of these are the very high trade barriers to farm produce. Another are the subsidies to oil extraction and consumption. 'Free' trade under these conditions may well be overall negative and damaging, but it is market distortions and biasses that are the problem, not the principle of unimpeded trade between willing buyers and sellers.

In general I think government should allow as many freedoms as possible and work to avoid and mitigate the negative impacts, rather than use such impacts to push its own agenda, much of which dictated by the large corporates anyway. But first it should get rid of all corporate welfare schemes - including trade barriers.

3.7.13 Measuring quality of life (2006-07-18 23:17)

Here in Cologne it is liberating to be able to walk around the city late at night and feel safe. It's difficult to do this in much of the English-speaking world. To some extent, fear of crime is subjective. Issuing Social Policy Bonds targeting this essential element of a decent quality of life relies on some reliable way of measuring it, or at least measuring how it changes. But it's

important to try to quantify such variables under the current policymaking regime too; otherwise it will tend to be ignored, much like other critical components of a decent life, like social cohesion or (until recently) the physical environment. The need for objective data on these features is a function of the size and complexity of our societies. These rise inexorably, partly because of the influence of lobby groups especially large corporations and government agencies, which can use their muscle to maximise their short-term objectives. Social Policy Bonds would subordinate such goals to outcomes that are meaningful to natural persons. Targeting the safety of our streets and homes would be one way of doing this.

3.7.14 Solitudinem faciunt... (2006-07-23 09:35)

It's too late to do anything much to stop the current wars or to avoid the imminent ones, but we can at least set in place mechanisms to prevent those violent political conflicts that are not yet inevitable. I've blogged [1]before on the need to inject incentives into peace building. An equally fundamental question though, is what constitutes peace? This is not just an abstract point. A Social Policy Bond regime targeting peace would differ radically from the conventional, and not always successful, approaches. Most markedly it would not directly try to address war's alleged causes; or rather, *it would not prejudge what those causes are*.

Such an approach has (in my view) great merit. War is so complex that it is not always obvious, even after a long conflict has ended, what its 'root causes' were, and perhaps the very notion of a 'root cause' needs questioning. It implies that factors such as 'poverty' or 'ethnicity' can be removed from their social context, and somehow dealt with, and that then a desired result will follow. But human societies are complex. Poverty can feed grievance, but grievance can be a result of poverty. No single formula, no single set of parameters will always lead to conflict, and guarantee freedom from conflict. Indeed, even the notion of 'causation' in this context is questionable. Perhaps Tolstoy summed it up best:

> The deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event.

If we were going to issue Social Policy Bonds that target the elimination of violent conflict, how exactly would we define our goals? Peace - the absence of open war, the minimising of numerical casualties - would probably not suffice. Regimes can pile up armaments and blackmail neighbouring countries into making concessions or suffer the consequences. Under such circumstances, the open outbreak of military conflict would be unlikely, but it's hardly the sort of peace that we'd like to target.

I have no definitive answers, but I think that apart from the numbers of soldiers and civilians killed in armed conflicts, we could include elements such as the expenditure on armaments, numbers of full-time equivalents in the military, and mass media indicators of impending conflict. This last is interesting: there appears to be strong evidence that the underlying intentions of governments can be accurately gauged by a systematic analysis of opinion-leading articles in the mass media, regardless of the relative openness of the media in question. (See *Getting to war: predicting international conflict with mass media indicators*, W.

Ben Hunt, University of Michigan Press, 1997.) Such analysis allows the prediction of both the likelihood of conflict and what form of conflict - military, diplomatic or economic - will occur. This sort of indicator could be useful as a target where military conflict has not begun, but appears possible, and where other data are scarce.

Once we have a set of indicators for peace, we could set about issuing Conflict Reduction Bonds, with national, regional or global objectives. We'd most probably have to refine the indicators over time, but the important point is that we'd be building a strong and highly motivated coaltion for peace - in contrast to the current mess, under which the most dedicated individuals and groups seeking peace are the least rewarded, and the most highly rewarded are those who sell weapons of war.

1. http://socialgoals.com/blog/2006/07/incentives-for-peace.html

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3.7.15 Nothing positive here (2006-07-26 09:32)

Trade barriers are subsidies to favoured groups. Except when erected to protect animal, plant or human life they are essentially rewards to those corporations who have most muscle over government. So the collapse of the Doha Round is particularly depressing for those, like me, who believe that economies and governments are supposed to serve natural persons, as distinct from corporations, not the other way round.

The broader question is why governments are now so remote from their populations that the interests of corporations matter more to them than those of the people they are supposed to represent. Is it a function of size alone? There does seem to be circular relationship: corporations lobby for subsidies and spending on a certain type of infrastructure; a type that favours large corporations at the expense of small businesses and the environment. So our economic system becomes more complex, and more dependent not just on that complexity, but on the growth of that complexity. Interdependence, alienation and the remoteness of decision making all rise inexorably. People lose sight of how their best interests will be served. Somewhere along the way, the system becomes more important to policymakers than the wellbeing of the people whom it's supposed to serve. But the system resists organic change. Its main beneficiaries, large corporations and government agencies, find it easier to feed at the government trough.

The collapse of the Doha Round blights the prospects of millions in the developing countries. It will keep many of them in poverty and despair. Unfortunately the connection is too obscure and slow-moving for television, and our elected representatives and their paymasters in the large corporations will carry on regardless, subsidising the rich at the expense of the poor.

3.7.16 Making aid work (2006-07-27 17:15)

An important [1]article from Abhit Vinayak Banerjee describes what happened when a group of economists tried to get aid organisations to spend a few minutes saying where their help was going after the 2005 earthquake in northern Pakistan. The economists wanted to make

sure the aid was going to the right people.

> All that was needed was an office or Web site to which everyone could report the names and locations of the villages where they had sent aid and the amounts sent. … So, with the help of some contacts in the IT industry and some students at Lahore University, they designed a simple form and approached donors with a simple request: whenever you send out a consignment, please fill out one of these. There were paper copies available as well as a Web-based form and a call center. The reaction, when it was not actually hostile, tended to be derisive: "Are you mad? You to want us to spend time filling out forms when people are dying? We need to go and go fast." Go where? the economists wanted to ask. But nobody seemed to care.

> In many ways this episode captures very well one of the core problems with delivering aid: institutional laziness. Here many of the standard problems were not an issue: the donors and the intermediaries were both genuinely trying to help.

As Banerjee points out, this episode is symptomatic of aid programmes. I would argue also that it is typical of all programs run by government agencies. There is simply no incentive to be efficient. One result:

> Primary education, and particularly the question of how to get more children to attend primary school, provides a fine test case because a number of the standard strategies have been subject to randomized evaluations. The cheapest strategy for getting children to spend more time in school, by some distance, turns out to be giving them deworming medicine so that they are sick less often. The cost, by this method, of getting one more child to attend primary school for a year is $3.25. The most expensive strategy among those that are frequently recommended (for example by the World Bank, which also recommends deworming) is a conditional cash-transfer program, such as Progresa in Mexico, where the mother gets extra welfare payments if her children go to school. This costs about $6,000 per additional child per year, mainly because most of the mothers who benefit from it would have sent their children to school even if there were no such incentive. This is a difference of more than 1,800 times.

Banerjee is optimistic that two of disciplines applying to, for example, the pharmaceutical drugs industry can help. These are randomised trials (where possible), and using evidence to support funding decisions. Indeed, as he says, a number of the larger philanthropic organisations are now basing their decisions on evidence.

As I believe, it's not just aid. There are few incentives for any government agency or policymaker to get things right for any but the most publicity-rich short-term initiative. There are two main reasons. First, given the complexity of our society the relationships between any

particular policy or programme and an actual outcome are difficult to identify. Second, there are no incentives for anybody to identify such relationships. Politicians and officials aren't paid according to how objective criteria. Government organisations don't benefit if they become more efficient – often the reverse is true and they are disbanded if their ostensible reason for existing is actually achieved.

What we have seen in aid, less obviously tragic perhaps, we see in the western countries too: the persistence of corrupt, environmentally disastrous policies, such as the mad farm support schemes that have just recently derailed the Doha round of trade talks, threatening the entire world trading system.

1. http://bostonreview.net/BR31.4/banerjee.html

3.7.17 Farm subsidies are evil (2006-07-29 08:27)

Daniel Davies writes about agricultural support on the [1]Guardian's website, under the heading *Africa does not need more expensive food*. He believes that farm subsidies in the west reduce prices of food for African countries. It is true that there are some net food importing developing countries who would lose out in the short term if subsidised overproduction from the west were not available. However, the net losses to the developing world as a result of farm subsidies are much greater, I believe. Once I receive confirmation of registration from *the Guardian,* I will post a comment along these lines:

" Daniel, I don't think anybody objects to flat subsidies to farmers that are fully decoupled from production. The problem I think is that these are not the main way in which farmers in the rich countries are supported. I don't have the latest figures, but OECD data for 2003 show that market price support to agriculture in the rich countries amounted to US $160 billion. These mainly take the form of import barriers rather than budgetary subsidies. They raise consumer prices, hence they are transfers from consumers (not taxpayers) to farmers. The CAP's import barriers do therefore constitute a volume subsidy. The effects on the food-rich third world countries are cumulative; these barriers have been around for decades. So they may well help explain exactly why there are no good roads or railways in Africa. High tariffs not only inhibit exports; they also export price instability to the rest of the world. You say you can't have a development strategy based on low value-added commodities. Granted the sums of cash may not be large to us; but they would mean more to Africa. And didn't Argentina, New Zealand and Australia start out on their route to prosperity by exporting bulk agricultural commodities? "

1. http://commentisfree.guardian.co.uk/daniel_davies/2006/07/dumping_dumping.html

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3.7.18 Real people lose interest (2006-07-31 14:14)

Writing about the failure of the Doha round of multilateral trade talks, [1]Clive Crook says:

> Wherever you look, in the United States or abroad, you see capitulation to special interests and an utter lack of ambition and leadership.

Precisely so. We have a political system driven by everything except identifiable outcomes. So there's no correlation between what a party or politician says and what actually happens. Our economies are made increasingly complex by subsidies, favours and trade barriers that do everything to favour the large and global at the expense of the small and local. The result? Any relationships between policies and outcomes are further obscured. Unaware of what's really going on, real people give up. In our place are the corporations and the bureaucrats. It's in their interest, and their interest only, to allow governments to continue with their economic, social and environmental lunacies such as the agricultural subsidies, which as well as derailing Doha amount to a [2]death sentence for Africans.

1. http://nationaljournal.com/crook.htm
2. http://www.free-europe.org/blog/?itemid=58

3.8 August

3.8.1 Outcomes: anything else is self-indulgence (2006-08-02 09:18)

> The US is the evil representative of capitalism. Capitalism will lead to the perdition of humankind and destroy everything, including friendship. Imperialists are lower ranks of human or even sub-animal because they dropped a nuclear bomb on a city.... Hugo Chavez, Venezuela president, speaking at the Vietnam Chamber of Commerce and Industry, 1 August.

I have long thought that outcomes should drive policy. And I've long suspected that many of the people who heave bricks through fast-food cafes when they protest against 'capitalism', or perform similar stunts allegedly in support of environmental objectives actually have another agenda. Certainly they're not doing much for their ostensible cause (how else to explain the re-election of the disastrously incompetent Bush administration?). But they do boost their self-esteem and successfully advertise their moral purity to their cohorts.

Sometimes advocating outcomes above everything can seem a lonely pastime So I was glad to read this message from Kathyrn Compton to the editors of [1]Grist magazine:

> .... Rush Limbaugh and the rest of the blabocracy wouldn't stand a chance if the liberals, progressives, and greens hadn't worked so hard at making the working-class stiff feel stoopid for his lifestyle and his choices. Their movement gets its oomph from the proud working person's backlash against exactly the snarky attitude your article demonstrated.
>
> If you want to keep appealing only to your core readership, carry on. But if your goal is to actually grow the environmental consciousness of this country and

> preserve a hospitable climate, you might want to take a look at your own prejudices and see what they're costing our planet. If we want the green movement to be embraced the world over, wouldn't it be a logical choice to encourage the most global of all global corporations rather than ridicule every step they try to take? ....

It's an important point. My fear is that the genuine human need for bonding with like-minded others can easily be channelled exclusively into a rage against 'the enemy'. Then there's an equal, or more-than-equal and opposite reaction. Pretty soon the issues are so polarised and politicised that dialogue becomes impossible. The cause has been subordinated to our own status seeking and it's always easier to fight for your principles than live up to them. And there isn't enough fighting in the world?

So I keep chanting my mantra: let outcomes drive policy. Not ideology, not spending, politics, activities, nor institutions' need for self-perpetuation, nor our need to boost our fragile self-esteem.

1. http://www.grist.org/etc/letters/2006/07/26/

3.8.2 Social Policy Bonds are not utopian (2006-08-04 14:43)

The suggestion that, as under a Social Policy Bond regime, we might contract out the achievement of such goals as basic health and literacy, crime reduction, climate stability or world peace sometimes scares people. They wonder whether I'm serious. I have to remind them that a government that issues Social Policy Bonds would be contracting out only the achievement of these goals. It would still be defining the goals and raising the revenue that would ultimately pay for their achievement. Of course there would be difficulties: defining what we want as a society could be problematic; and expressing such goals in quantifiable terms even more so. But the comparison I'd wish people to make is not with some utopian ideal, but with the current system. And rather than look at the conceptual difficulties, let's look at what's actually wrong.

It seems very likely that we now inhabit a planet on the brink of environmental catastrophe. Nuclear proliferation, even that which has already occurred, is already a baleful threat. At national level the wealthiest countries in the history of humankind are blighted by soaring crime rates, large rises in mental illness, and other more intangible but no less real concerns. Moving away from the rich countries into the developing world...ok, you get the idea. It's not just that there are problems; it's that their scale and severity threaten large human populations and the current policymaking machinery is too slow and cumbersome to do much about them, even when it's well-intentioned.

Social Policy Bonds, I repeat, have their own difficulties but they do provide a means by which human ingenuity and creativity can be channelled into achievement of public goals. A bond regime would inextricably link rewards to achievement of these goals. The possibilities, once we have a system where benefits are correlated with the public interest are immense. Today, in contrast...well:

> Zidane's head butt spawns unlikely pop hit

> Three weeks after France's defeat in the World Cup, the infamous moment when national footballing hero Zinedine Zidane lost his temper has been immortalised in the form of an unlikely hit song called Head Butt. [1] *The Times*
>
> , 31 July

1. http://www.timesonline.co.uk/article/0,,3-2293363,00.html

3.8.3 Recasting political debate (2006-08-06 14:01)

Public disenchantment with, and disengagement from, the political process are a concern; not only in themselves, but also because of their major secondary effect: politicians get away with murder. Ok, not always literally, though often it's something [1]not very different. They certainly get away with massive misallocations of resources in the form of perverse subsidies and help create an economic and legal system heavily biassed in favour of their mates (and paymasters) in big business.

Efforts to close the gap between politicians and the people they are supposed to represent don't seem to be very sincere or successful. There is talk of changing the basis of party funding in some of the western democracies. That might cut out some of the most obvious cases of corruption, but it's unlikely to make real people take an interest in policymaking.

I think that one of the reasons for the widening gap between people and politics is that policy debates centre on matters whose relevance to ordinary voters is obscure. We are not interested in process, or institutional structures, volume of spending, or arcane discussions about remits and regulations. We are - unfortunately - interested in personalities, emotion and ideology, but I believe these should not drive policy and that they would not if there were a better alternative on offer.

And I believe there is: what really concerns us, when we are given a chance to reflect, are results - outcomes, in other words. A Social Policy Bond regime would recast political debate in terms of outcomes. By doing so it would encourage more natural persons, as distinct from corporations, to participate in the policymaking process. Again, this is not only an end in itself, but a means to more relevant, responsive and responsible decisionmaking.

1. http://www.free-europe.org/blog/?itemid=58

3.8.4 Taking stock after 17 years (2006-08-09 08:37)

With so many ideas of wildly varying quality in circulation, and being frustrated at Social Policy Bonds' lack of visible progress, I thought I'd compile a brief resume of the concept, intended to show that it does have some respectability.

It's 17 years since I first wrote about and spoke publicly about Social Policy Bonds. Since then it has had an unusual fate for an unusual idea. It has not been adopted anywhere, to my

knowledge. But neither has it been dismissed outright. It tends to provoke initial enthusiasm amongst economists and decision makers, but then to be forgotten as day-to-day issues demand immediate attention. In 1991 it won an award for the Best Political Social Invention from the UK Institute of Social Inventions; now the [1]Global Ideas Bank. In early 1997 I received [2]a letter from Robert Shiller, Professor of Economics at Yale University, praising the Social Policy Bond idea, saying that it creates 'a large interest group for the solution of important problems. The political and other effects of creating such an interest group could be incalculable.' Professor Shiller later mentioned the concept in his book [3]The New Economic Order. The first draft of my core text (see *Social Policy Bonds at length*, in the right-hand column) elicited extreme comments at both ends of the range from the two referees: one dismissed the text as an irrelevance. The other called the idea 'original and ingenious' and 'a substantial contribution to debate about public policy'. My draft was rejected and my books have since failed to find a mainstream publisher.

In 1999 an essay on Social Policy Bonds was one of the three finalists at the inaugural US $25000 St Andrews Prize given by Conoco and St Andrews University, UK. I have given presentations on Social Policy Bonds at other fora, including the University of Cambridge, the Institute of Economic Affairs (London), and the Institute of Public Affairs (Melbourne). I have also discussed it with a former New Zealand Prime Minister's Chief Policy Advisor.

In April 2002, I presented a paper on the Social Policy Bond concept to a joint meeting of the Agriculture and Environment Committees at the Organisation for Economic Cooperation and Development (OECD) in Paris. Delegates from most of the OECD's member countries commented on the paper. These were mostly along the lines of 'this is very interesting — but unworkable in practice.' Perhaps one of the delegates articulated the deeper feelings of those present, who were overwhelmingly government employees: 'if this gets adopted we'll all be out of jobs!' My paper went no further at OECD.

Over the years quite a few private individuals have talked with me about issuing their own Social Policy Bonds, for projects as diverse as boosting voter registration, raising literacy in developing countries, reducing homelessness and developing open-source software. Sad to say, as far as I am aware all these discussions have come to naught. I am particularly disappointed because I believe Social Policy Bonds could improve greatly on current approaches to what I see as very grave concerns: climate change and nuclear proliferation. Common to both these challenges are (1) their complexity, which means they need adaptive, diverse solutions, the precise nature of which cannot be known in advance; (2) their urgency and enormity; and (3) the failure of the current policymaking system to address them adequately.

1. http://www.globalideasbank.org/
2. http://socialgoals.com/shiller.jpg
3. http://newfinancialorder.com/weblinks.htm

3.8.5 War and asymmetric incentives (2006-08-12 10:13)

We are not quite rational about war. We regard its opposite, peace, as an ideal: as unattainable as it is desirable; something to be worshipped from afar, and something that will never actually happen. War appears to many of us, as it did to the ancient Greeks, to be part of the natural order of things.

Perhaps our inbuilt expectation of a never-ending succession of wars is why we don't take efforts to stop it very seriously. Sure, we have international bodies ostensibly committed to peace-building, and we have countless well-meaning dedicated individuals working behind the scenes trying to prevent or defuse armed conflict. It's not obvious but thankfully their efforts helping reduce the numbers of people killed in armed conflict, as I have [1]blogged before.

But the potential for catastrophe is rising with nuclear proliferation, and it would seem worthwhile trying a new approach. The resources going into conflict prevention are derisory when we look at some of our other expenditures. Why is that? I suspect it's because the achievement of peace is either a national or international government initiative, or because the non-governmental organisations involved are essentially charitable organisations. They cannot be seen to pay very large salaries to their personnel. While these bodies unquestionably attract some of the best and brightest, as well as the most altruistic, these heroic men and women in turn cannot deploy the resources they might need.

The contrast with the private sector is striking. Large corporations operate in an environment in which if they are not efficient they go under; efficiency here doesn't always measure how much output they can generate per unit input.
Particularly for the largest corporations it can describe how effective they are in lobbying government for special favours, such as trade barriers. Nonetheless, their achievement in rewarding their shareholders, performing all the tasks necessary for such unglamorous goals as exchanging warehouses full of toilet rolls for cash, is impressive. Would they be as effective if they faced the same rewards on offer as government employees or NGOs? I think not.

So why don't we channel some of these incentives into the achievement of public goals, such as world peace? Not just the avoidance of armed conflict, but the avoidance of its preconditions. The asymmetry between the incentives on offer to the public and private sectors is as marked as that between their efficiency in achieving their objectives. There is no inevitability about such a disparity. It's mainly historical accident that some hugely important tasks, such as peace-building, impeding trade, building roads educating children are largely the responsibility of government; while others, such as distributing food, printing books or making computers, are mainly carried out by private corporations. There's no need to perpetuate this state of affairs.

A Social Policy Bond regime targeting world peace, broadly defined so as to include secure borders, reduced threat levels etc, could combine the efficiency of the private sector with the needs and goals of ordinary members of the public - those who don't benefit from armed conflict. It wouldn't assume that the idealists and ideologues, the politicians, the generals, and the men of religion are the best people to bring peace to the world. But neither would it assume that none of them have any contribution to make. A bond regime would not represent a single way of ending violent political conflict, but rather it would be a way of stimulating solutions to war that does not prejudge its causes.

As an aside, and to put things into perspective:

> ...two bringers of mass death were at work in 1918.... By late October the influenza pandemic was killing 7000 people in Britain every week and in all it claimed over 500,000 American lives, exceeding US deaths in battle in the two World Wars, Korea,

and Vietnam put together. WOrldwide fatalities far exceeded combat deaths in the [First World] War and may have topped 30 million. David Stevenson, [2] *1914-1918: The History of The First World War*

(page 498) .

1. http://socialgoals.com/blog/2006/06/targeting-conflict.html

2. http://www.amazon.com/gp/product/0713992085/qid=1151509048/sr=1-3/ref=sr_1_3/103-7274841-4994263?s=books&v=glance&n=283155

3.8.6 Outcomes trump ideology (2006-08-14 08:50)

Negotiating with rogue regimes may not be pretty, but the evidence shows that it works far better than tooth-gnashing. Nicholas Kristof, [1] *International Herald Tribune*

(subscription only), 14 August

I read this column in a cafe's issue of today's *IHT*, and don't have a subscription, but my recollection is that, unusually, the writer compares the outcomes of two different policy approaches. He looks at former US President Clinton's policy of talking with North Korea, and contrasts that with President Bush's approach: no engagement with rogue states. Mr Kristof, I'm pleased to say, looks not at the principles, the politics, or the morality of the two styles, but at their results. And on that basis, the Clinton approach is the clear winner. Under Clinton, no nukes manufactured in North Korea. Under Bush, ten - with more to come. I'm pleased that somebody else cares more about policy outcomes in this critical subject than they do about ideology, image or anything else.

1. http://www.iht.com/bin/challenge.php?URI=http://iht.nytimes.com/protected/articles/2006/08/13/opinion/edcolumn.php

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3.8.7 It's the outcomes, stupid (2006-08-16 09:51)

Incentives for distant goals, like the ending of terrorism, can take years to work, so I've steered clear from commenting on the short-termist approaches followed nowadays. In an important sense, we've already failed when we've got to where we are today. Even now, though, there would be far better ways of doing it than the one mentioned on [1]theDenverchannel.com:

Marshals: Innocent People Placed On 'Watch List' To Meet Quota
Marshals Say They Must File One Surveillance Detection Report, Or SDR, Per Month

DENVER – You could be on a secret government database or watch list for simply taking a picture on an airplane. Some federal air marshals say they're reporting your actions to meet a quota, even though some top officials deny it. The air

> marshals, whose identities are being concealed, told 7NEWS that they're required to submit at least one report a month. If they don't, there's no raise, no bonus, no awards and no special assignments.

This is the antithesis of the outcomes-based approach that I advocate. It attempts to convert fighting terror into a civil service type activity, with boxes to be ticked, norms to be met, procedures to be followed - and who cares what actually happens? What is needed, and quite desperately, is a system that rewards people and institutions not for turning up to work, but for achieving results: in this case prevention of terrorist acts. It's the outcomes, stupid.

1. http://www.thedenverchannel.com/news/9559707/detail.html

3.8.8 (2006-08-18 15:05)

Yes, this is a prime example of misguided attempts to reward/punish people based on "outputs". It's really amazing if people can be so stupid today. I mean, that Stalin arranged his purges that way should perhaps give us a hint that it isn't very smart, or very morally acceptable?

3.8.9 (2006-08-18 15:13)

It's really bizarre that people admit the idea is good, and that they like it, and it could work, and it's worth trying, and yet... nothing happens.

I wonder if it's the prophetic thinking of economists that is the cause. If it's good, why isn't it here already? If it works, the market will make use of it so ... it's no need for _us _ to take the first step.

That is really one of the most profound "market" failures (it's not really just a market failure, it applies to other things, too. Many of the predictions of Marxism, for instance, failed as a result of their own prediction.

I didn't realize you've been doing this so long. I hope you hold on, Ronnie Horesh. It's a good idea, it can be made to work, eventually.

3.8.10 Obscuring and entrenching our irrationality (2006-08-19 09:24)

> Filmmaker Michael Moore happened to note on CBS' popular *60 Minutes* last year that "the chances of any of us dying in a terrorist incident is very, very, very small." His interviewer ... promptly admonished, "But no one sees the world like that." Both statements, remarkably, are true — the first only a bit more so than the second. It would seem to be reasonable for someone in authority to try to rectify this absurdity. In [risk analyst Howard] Kunreuther's words, "More attention needs to be devoted to

> giving people perspective on the remote likelihood of the terrible consequences they imagine." That would seem to be at least as important as boosting the sale of duct tape, issuing repeated and costly color-coded alerts based on vague and unspecific intelligence, and warning people to beware of Greeks bearing almanacs.

This, and the other quotes in this post are from John Mueller's, [1]*A false sense of insecurity* (pdf).Is there a case to be made for valuing deaths caused by terrorism more highly than those caused by, say, road accidents? There may be, but it is not made. Yet:

> ...an American's chance of being killed in one nonstop airline flight is about one in 13 million (even taking the September 11 crashes into account). To reach that same level of risk when driving on America's safest roads — rural interstate highways — one would have to travel a mere 11.2 miles.

Media attention and consequently public resources are overwhelmingly devoted to the terrorist risk, while something like 900 000 people die on the world's roads every year. As so often, policy is made according to an agenda dictated by visual imagery, fear and irrationality. I don't think there would be anything necessarily wrong with this, provided we did it knowingly, explicitly and with our eyes open. If society truly believes it's worth, say, destroying the airline industry - which could happen if there were another 9/11 disaster - because we'd rather 10x people die on the roads than x people die through terrorism, then let us be transparent and say so when we make resource decisions. Unfortunately obscurity is built into the current policymaking system. We fund institutions and activities, which all sound good and well-meaning and highly principled. But the outcomes that result are perverse. And even more unfortunately, these outcomes can be self-reinforcing, creating and enriching government agencies or corporate bodies, giving them the muscle to oppose any move to wind them down. So, decades after it was known that, to take just one example, farm support policies are economic nonsense, socially inequitable and environmentally disastrous, these programmes persist, at great cost to everybody except a few well-padded landowners and agribusiness corporates. Anti-terrorist measures look like going down the same path:

> What we need is more pronouncements like the one in a recent book by Sen. John McCain (R-Ariz.): "Get on the damn elevator! Fly on the damn plane! Calculate the odds of being harmed by a terrorist! It's still about as likely as being swept out to sea by a tidal wave. Suck it up, for crying out loud. You're almost certainly going to be okay. And in the unlikely event you're not, do you really want to spend your last days cowering behind plastic sheets and duct tape? That's not a life worth living, is it?"

1. http://www.cato.org/pubs/regulation/regv27n3/v27n3-5.pdf

3.8.11 (2006-08-19 09:46)

Thanks Harald. I think the novelty of the Social Policy Bond idea makes it difficult for most people to advocate. It probably needs someone already quite eminent, but without much to lose - who is also not too busy to take the time out to consider the concept deeply. Such a

combination of characteristics is rare. Another obstacle to the bonds being issued is that they work best on a large scale, which does make it more difficult to try them out. But I will keep going. It's encouraging to read your comments.

3.8.12 The sterility of British politics (2006-08-21 08:34)

When you're a senior politician and you don't have any idea what leadership is, nor do you dare do anything radical like target outcomes for a change, there isn't much left really:

> The [UK] Tory leader will announce that in future at least half the names on the final shortlist for selection in these seats must be women.

Yes, that's right; just follow everybody else, except more so. What a bunch of losers. With the world facing serious environmental challenges; with the UK's soaring crime rate and disintegrating social structure... this is the reaction from the British Parliamentary Opposition. Someone should teach these people the difference between ends and means, between actions and results - and between gestures and reality.

3.8.13 (2006-08-22 14:11)

Ronnie Horesh, I never understood your opposition to Kyoto. While it's not a social policy bond program, it's a tested and valuable market based mechanism, cap and trade. You insist that the effort should be focused on outcomes, but CO2 in the atmosphere IS a very good indicator of climate change. Perhaps the best there is. There is no scientific dispute about this, only a lot of noise raised by paid advocates for the oil and coal industries.
Finding a good indicator of "outcomes" is hard. In other fields, you seem to accept much poorer ones. CO2 has a big advantage over counting the storms in the atlantic and other attempts to attach a measure to climate change: It's not nearly as affected by random fluctuations. Much randomness in the indicators will give rise to speculation. You risk that people treat it as just another gambling market, focus on "outsmarting" the other traders, and don't care about influencing the outcomes, since it's so unpredictable anyway.

Also, with climate change, it's the issue that our institutions should ensure that people pay for the damage they cause, rather than be rewarded for not polluting. We risk encouraging anti-social behaviour this way.

One thing about indicators: You want them to be as early as possible. If they only indicate a catastrophe after it's happened, they are less useful, no matter how accurately they measure it.

3.8.14 (2006-08-23 09:09)

Thanks Harald for your comment. I just think the stakes are too high for something that may or may not work. I agree the scientific consensus is coming round to the view that CO2 is a good indicator of climate change and even that it is a cause of climate change. Even accepting this, and even accepting that anthropogenic emissions of greenhouse gases including CO2 (ghgs) are *the* main cause of climate change, I still think Kyoto is flawed. These are my reasons:

1. Reducing anthropegenic ghgs might not be the best way of reducing the concentration of ghgs in the atmosphere;

2. Reducing the concentration of ghgs in the atmosphere might not be the best way of preventing or mitigating climate change;

3. Preventing climate change might not be the best way of preventing the worst effects of climate-induced catastrophe;

(Less relevant perhaps, I also think that preventing climate-induced catastrophe might not be the best way of avoiding catastrophic reductions in welfare.)

Two other points:

Assuming that you are right, and Kyoto is the best way of targeting climate change, I think that holders of Climate Reduction Bonds would target anthropogenic ghgs in a similar fashion to Kyoto, but more efficiently: for example, they wouldn't be bound by political correctness or realpolitik of the sort that exempts some countries that emit huge quantities of ghgs from any disciplines at all. They would simply buy these regimes off or otherwise undermine opposition to the disciplines. And this brings me to another important point: the presentational aspects. Kyoto doesn't focus on a desirable outcome: it's focused on processes and activities. So it is now so politicised and its money flows so unpalatable that it is seen as an imposition; in the rich countries it's seen as an imposition by the greenies on everyone else, and in the poor countries it's seen as an imposition by the rich countries on them. Kyoto means huge upfront costs for a very small payoff well in the future. So large parts of the world disagree with it, or are totally exempt from it. A triumph for the bureaucrats but a tragedy for the planet. In times of financial stress, or slowdown, everyone will repeat the George Bush and Tony Blair line: "I'm not going to sign onto anything that involves economic sacrifice."

Now what I am entirely focussed on here is the outcome - and this excludes justice, morality, the historical record, or the venalities of politicians. Unfortunately Kyoto, being a political construct, is I think so compromised that even its most ardent advocates will agree that it's ineffectual. And there's little argument that it's going to be ruinously expensive. They justify it as a first step, but that step is unlikely ever to be taken.

A bond regime would target an outcome that people could empathise with and understand, and that would entail taxpayer spending only when it had been achieved. So even if we took reducing anthropogenic ghgs as an end in itself (which I certainly don't); even then it would be more acceptable as well as more efficient than Kyoto.

I have said this baldly because my computer's on the fritz, but please don't hesitate to try to convince me I am wrong - in a way I hope I am and that Kyoto will avert a calamity. It's

certainly got more traction than Climate Stability Bonds at the moment....

3.8.15 Why I don't like Kyoto (2006-08-25 09:50)

In response to a [1]comment on a previous post, I will elaborate on my opposition to the Kyoto Protocol, and explain why I think Climate Stability Bonds could do a better job.

Like most people on the planet I don't really know what's going on. As far as I can tell the case that the climate is changing faster than ever before is strong and growing stronger. It is the speed of change, not necessarily the end point of the change, that is of concern: it's changing too fast for many of the earth's species and ourselves to adapt.

It also looks increasingly as though there is as strong causal link between anthropogenic greenhouse gas emissions and climate change. Proof is of course lacking, but the stakes are too high to wait for it. Accepting this, and even accepting that anthropogenic emissions of greenhouse gases including CO2 are *the* main cause of climate change, I still think Kyoto is flawed. These are my reasons:

1. Reducing anthropogenic greenhouse gases might not be the best way of reducing the concentration of greenhouse gases in the atmosphere;

2. Reducing the concentration of greenhouse gases in the atmosphere might not be the best way of preventing or mitigating climate change;

3. Preventing climate change might not be the best way of preventing the worst effects of climate-induced catastrophe.

A Climate Stability Bond regime would be more adaptive than Kyoto. Right now it certainly looks as though capping greenhouse gas emissions is the best way of preventing or mitigating climate change. But our knowledge of the scientific relationships is growing all the time.

However, even assuming that capping anthropogenic greenhouse gas emissions is consistently found to be the best way of averting climate change; even then I still think Kyoto is deeply flawed. How would a Climate Stability Bond be better in those circumstances? Holders of Climate Reduction Bonds would still target anthropogenic greenhouse gases in a similar fashion to Kyoto, but they would have strong incentives to do so more efficiently. They would want and would have wider scope for action. For example, they wouldn't be bound by political correctness or *realpolitik* of the sort that exempts some countries that emit huge quantities of greenhouse gases from any disciplines at all. They would simply buy these regimes off or otherwise undermine opposition to the disciplines. And this brings me to another important point: the presentational aspects. Kyoto doesn't focus on a desirable outcome: it's focused on processes and activities. So it is now so politicised and its money flows so unpalatable that it is seen as an imposition; in the rich countries it's seen as an imposition by the greenies on everyone else, and in the poor countries it's seen as an imposition by the rich countries on them. Kyoto means huge upfront costs for a very small payoff well in the future. So large parts of the world disagree with it, or are totally exempt from it. A triumph for the bureaucrats but a tragedy for the planet. In times of financial stress, or slowdown, everyone will repeat the George

Bush and Tony Blair line: "I'm not going to sign onto anything that involves economic sacrifice."

Now what I am entirely focussed on here is the outcome - and this excludes justice, morality, the historical record, or the venalities of politicians. Unfortunately Kyoto, being a political construct, is I think so compromised that even its most ardent advocates will agree that it's ineffectual. And there's little argument that it's going to be ruinously expensive. They justify it as a first step, but that step is unlikely ever to be taken. (As distinct from being talked about, recommended and embodied in law.)

A bond regime would target an outcome that people could understand, empathise with and support, and that would entail taxpayer spending only when it had been achieved. So even if we took reducing anthropogenic greenhouse gases as an end in itself (which I certainly don't); even then Climate Stability Bonds would be more acceptable as well as more efficient than Kyoto.

I have said this dogmatically to save time, but I am ready to be convinced otherwise. In a way I hope I am wrong and that Kyoto will avert a calamity. It's certainly got more traction than Climate Stability Bonds at the moment.

1. http://socialgoals.com/blog/2006/06/kyoto-and-common-sense.html

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3.8.16 Coming next: a fake kidnap (2006-08-29 10:46)

Here in Thailand the buzz is all about the bizarre alleged bomb plot against the Thai Prime Minister Thaksin Shinawatra, who appears to be as unpopular in Bangkok as he is popular in rural areas. A car packed with explosives was found near the PM's home a few days ago, but there are several indications that [1]all is not as it seems – as so often in Thai politics. So the rumours are that it was a stunt, set up by the PM or his allies to win sympathy for Thaksin at a turbulent time. The shame is that it's quite plausible, and not just in Thailand or the developing countries. Objective criteria count for so little in our political system that winning sympathy is as good a way of getting elected, or re-elected as any other. City dwellers are deeply skeptical, but early indications are that this assassination attempt, real or staged, will be to Mr Thaksin's benefit.

1. http://news.bbc.co.uk/2/hi/asia-pacific/5291984.stm

3.8.17 Moral blindness (2006-08-31 05:26)

It's tempting sometimes when confronted with the arrogance of power and the results of its abuse to think that any opposition to it is justified. Who could not react to the heart-rending images of team A's bombings of team B's children by concluding that anything done in the name of team B deserves our support? It's a very human response, a natural reflex to man's inhumanity to man. But being just such a reflex it does nothing to stop the violence. It is purely a reaction, with no other organising principle. It perpetuates the cycle by strengthening a coalition allegedly in support of team B, which strongly believes in its right to oppose team A. Which it does by adopting similarly murderous tactics.

So it's not surprising, though it will be disappointing to some, to [1]read today that:

[Venezuelan President] Mr Chavez was given the red-carpet treatment as Syrian President Bashar al-Assad welcomed him at the presidential palace on a hill overlooking the capital, Damascus.

In one corner, then, we have the US and its allies, in the other those who are defined entirely by their opposition to the US. We are all part of this process and most of us lose from it, but perhaps outcome-orientated policymaking can break the cycle. It could start fairly small: by issuing Social Policy Bonds that target localised conflicts. A bond regime could build a coalition that is motivated by ending violence, rather than promoting it. Under the current system, the financial incentives on offer tend to augment our base human instinct to oppose violence with violence. A Social Policy Bond regime that rewarded peace would supply countervailing incentives. In other words: [2]give greed a chance.

1. http://news.bbc.co.uk/2/hi/americas/5298178.stm?ls
2. http://socialgoals.com/mepeacebonds.html

3.9 September

3.9.1 Oxfam: almost right (2006-09-02 07:55)

Key conclusions of an [1]Oxfam report published yesterday are:

- Governments must take responsibility for providing essential services that are free or heavily subsidised for poor people and geared to the needs of all citizens.

- Civil society organisations and private companies can play a crucial role but they must be properly regulated and integrated into strong public systems, and not seen as substitutes for them. Only governments have the capacity to deliver on the scale required.

I haven't read the full report, and may be in touch with Oxfam when I have, but I'd just make a subtle change to the wording of the conclusions. I should much prefer that the conclusions were:

- Governments must take responsibility for **ensuring that** essential services are free or heavily subsidised for poor people and geared to the needs of all citizens.

- Civil society organisations and private companies can play a crucial role but they must be properly regulated and integrated into strong public systems, and not seen as substitutes for them. Only governments have the capacity to **ensure delivery** on the scale required.

A Social Policy Bond regime would not mean that government ducks its responsibilities to its citizens. It would still set a country's health and education objectives, and it would still raise the finance to achieve them. But it need not necessarily provide the services itself. With the proper regulatory environment that Oxfam rightly sees as necessary, the whole process of service provision for poor citizens might be much better handled by a motivated private sector. Yes, government should ensure that the services are there; yes, government should ensure that they are delivered on the scale required; yes, government should ensure that they are free or subsidised for poor people; but *no, government does not need to provide them itself*.

1. http://www.oxfam.org.uk/what_you_can_do/campaign/he/public_interest.htm

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3.9.2 An Inconvenient Truth (2006-09-05 10:23)

I saw the movie *An Inconvenient Truth* today. Well worth seeing, I think, as Al Gore presents the evidence from different angles. One telling point for me was his comparison of the number of peer-reviewed articles in scientific articles that believe we are experiencing climate change, 928 articles, or 100 per cent, and the number of popular media articles that doubt this: 53 per cent of the several hundred (I think) surveyed. Gore appears fairly optimistic about the prospects of reducing global emissions to 1970s levels by efficiency gains and application of existing technologies (not nuclear). But he didn't say what even such large cutbacks would mean for the climate. I suspect the answer is not very much. [1]Climate Stability Bonds were not mentioned.

I don't go much for party politics, but the man appeared impressive, human and coherent in this movie, and I couldn't help wishing he were in the White House now. One passing comment was that he had presented his slide show on climate change at least 1000 times.

1. http://socialgoals.com/ieakyototext.html

3.9.3 The public interest (2006-09-07 17:42)

A couple of interesting excerpts from the [1]Oxfam Report, *In the Public Interest – Health, Education, and Water and Sanitation for All*:

> The World Bank promotes the private provision of basic services through interlocking conditions on aid and debt relief to poor countries. This appears to be driven more

> by the Bank's internal targets than by evidence of what works in each country — for example, the Bank's Private Sector Development Strategy aims for private sector participation in 40 per cent of its loans to the poorest countries. (page 9)

Why 40 per cent? Why not 60 per cent, or 77.77 per cent? This is what happens when you get Mickey Mouse micro-targets. It probably took at least 10 minutes to think of 40 per cent. Probably the person who did so just looked up the current percentage, and added something plausible to it to come up with something nice and round. And why not? If anybody bothered monitoring the results of World Bank policies the meaninglessness of such figures might be challenged… but this is project management subordinated to ideology, not outcomes.

Later, discussing the rich countries' recruitment of health workers from developing countries:

> With the cost of training a general practice doctor [in Africa] estimated at $60 000 and that of training a medical auxiliary at $12 000, the African Union estimates that low-income countries subsidise high-income countries to the tune of $500 million a year through the loss of their health workers. (page 67)

The rich countries put up import barriers to the few goods – agricultural, textiles, clothing and footwear – that offer the developing countries their best chance for prosperity. This helps impoverish people in Africa (or even [2]kill them). But we then freely import their most valuable personnel to prop up our own health services. This is a destructive and self-reinforcing trend. The worse we make life for people in the third world, the more desperate they become to escape to the west. If successful, they become reluctant migrants; leaving their cultures and, in many cases, their families behind. The only long-term beneficiaries of these absurd policies are the people who are paid to make and administer them.

1. http://www.oxfam.org.uk/what_we_do/issues/debt_aid/public_interest.htm
2. http://www.free-europe.org/blog/?itemid=58

3.9.4 Why I go on and on about farm subsidies (2006-09-08 17:28)

From today's *Economist*:

> The [US] federal government spent over $20 billion on farm subsidies last year: much less than the European Union lavishes on its mollycoddled farmers, but more than Washington spent on foreign aid and almost twice what it spends on subsidising college for poor children. … Over half the subsidies go to large commercial farms. *Uncle Sam's teat Economist,* 9 September

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3.9.5 (2006-09-09 11:59)

Hi Ronnie,

since you keep referring to the article on "free-europe.org" I finally need to make some comments about it, especially for -I belive- the benefit of those people who only read the "key findings" and not the rest of the article.

The authors claim that "6,600 people die every day in the world because of the trading rules of the EU". This figure is purely base on assumptions and no attempt whatsoever is made to justify those figures. What's more the article does not even try to explain why people die because of trade barriers.
I am not speaking in favour for trade barriers, but if they are to be challenged, this can not be done by populist articles like the one in question.

Cheers,
Frank

3.9.6 (2006-09-09 16:15)

Hi Frank, many thanks for your comment. I will agree the report is based on assumptions and that the authors of the study express this particular conclusion bluntly and almost offensively, probably in an effort to raise awareness. However, the assumptions seem to make qualitative sense to me. In economic theory, and on all the evidence, trade leads to financial prosperity, largely through specialisation and division of labour. Take a small country like Singapore: how many people could it support if it did not trade? Of if we don't like globalisation, what about trade within a country? I don't think anyone would say that autarky actually enhances quality of life. Or quantity of life, which is also important.

Now Oxfam estimates the financial costs of the rich world's trade barriers to the poor countries at £69 billion (2002 figures). I have seen similar estimates by OECD and other bodies. The methodology, I agree, is not described in the link I supplied, and it is open to question, but it is not widely considered to be controversial. Now, I am not sure whether you are questioning these financial costs (which seem to me reasonably robust) or the translation of such costs into people killed - which may be less defensible. However, I think that if, as the authors say, 24000 people in the poor countries die of starvation or malnutrition every day (and again, this seems close to reality) then the implication for human life of the cost of lost trade, as expressed in the link, doesn't seem unreasonable. And if it's not unreasonable, then I think it does deserve publicity: it is the cost of the selfishness of corporate lobbies in the west and spinelessness of their political friends.

I will of course agree that trade does have negatives: alienation and interdependence, for example. But here we are talking about barriers erected against people living at the very margins of subsistence. Most things in politics are rightly contentious and can be seen from many angles. But I am not the only one who makes an exception for trade barriers that affect the third world. They cost the rich countries (financially) even more than the poor countries - and they are also economic nonsense, socially inequitable and environmentally destructive.

3.9.7 (2006-09-13 07:48)

Hi Ronnie,

thanks for your elaborate response.
Claiming that 20000 people die each day because of trade barriers is a rather serious allegation and I would deem it appropriate for the authors to explain how the link between the finanicial loss and the loss of life works.
But what bothered me most, was how they actually arrived at the figure of 6600 people dying each day from trade barriers. It is completly arbitrary but is announced to be _the _ outcome of their work ("This paper quantifies, for the first time, the cost to Africa of EU protectionism.").

Regards,
Frank

3.9.8 (2006-09-13 09:12)

Thanks Frank as always for your coment. You are right to challenge the allegation. The url I linked to I think pointed to a version of the report that excluded references. [1]This includes them.

That said, I still think the authors have a powerful argument. The fact is that trade barriers do lead to loss of income, and that loss of income to people living in poverty does mean severe deprivation. There is not, nor can there be, proof that a particular trade barrier kills a particular person. But then neither is there proof that a small increase in atmospheric C02 generated the hurricane that wiped out this particular community, or that lowering the drinking age led to the deaths of this particualr family. These are examples of statistical deaths, and have plausible deniability at the individual level, which is one reason nobody bothers much about them. But they are real, and at the aggregate level the linkages are meaningful. They are the sort of figures that planners use when deciding where to allocate limited public funding. (You know all this, I am sure, but other readers may not.) So the argumentation may be ugly, or as the authors themselves say, may sound unreasonable. But I think the burden is on the upholders of trade barriers to disprove it. They certainly are wealthy enough to try.

1. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill.pdf

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3.9.9 Social Policy Bonds and complexity (2006-09-14 09:18)

One of the the bonds' main pluses is that it doesn't specify *how* a particular policy objective shall be achieved. So when the relationship between cause and effect is obscure, and when there are a multiplicity of possible solutions to a problem, a Social Policy Bond approach might

be preferable. As society grows ever more complex, I expect such policy areas to increase in number. I have argued at length about the need for outcome-based policy to deal with climate change. I also think that something like Social Policy Bonds could be issued to eliminate violent political conflict, whose causes vary wildly and are extremely difficult to anticipate and close down.

Less grandly, I am also interested in literacy in the developing countries. In Bangladesh something like 20000 non-governmental organisations operate, many of them supplementing the Bangladeshi Government's literacy initiatives with their own. With literacy-raising, most methods will be well-tried and tested, but at a country level there is scope for diversity and experimentation. Social Policy Bonds, unlike centrally directed projects, would encourage such adaptive approaches because of their inextricable linking of rewards to efficiency. They could lead to a mosaic of different approaches over a whole country, each precisely targeting the local circumstances in which they operate. Something like that his happening now in Bangladesh, but unfortunately (as I see it) with little orientation toward a national objective. Thus, many of the non-governmental organisations, principally those financed by Islamic institutions, favour the teaching of boys over girls, and literacy in Urdu (which is the language of Pakistan), rather than Bengali.

A Social Policy Bond regime would have a single, unifying, literacy objective, and this would be quite compatible with diversity of approach - if such diversity were found the most efficient way of achieving it.

3.9.10 What's a couple of rainforests? (2006-09-16 18:20)

There's been some discussion in the letters section of *the Economist* about whether it's 'morally appropriate' to convert food crops into fuel. This week, a correspondent points out that 'clearing rainforests to increase the cultivation of palm oil will bring ecological destruction to Indonesia and Malaysia.' I wish I could believe that pointing out this fact would change anything. But let's face it: our car madness already kills hundreds of thousands of people every year, disables several millions more, helps poison our atmosphere, paves over thousands of hectares of land, and destroys wildlife on a massive scale. We shall need stronger arguments than saving the rainforest if sanity is to prevail. In the same journal we read that a Japanese body supposed to rein in the corrupt alliance of bureaucrats, politicians and the construction industry (and, I interpolate, organised crime) has voted to build another 9000 km of expressways....

([1]This is an interesting paper describing how road deaths affect the poor more than the rich in the developing countries.)

1. http://www.grsproadsafety.org/themes/default/pdfs/Final%20Poverty.pdf#search=%22%22annual%20road%20deaths%22%20world%20total%22

3.9.11 'Fooled by Randomness' (2006-09-19 17:23)

From [1]*Fooled by Randomness*, by Nassim Taleb (page 38):

> [I]t is … a scientific fact, and a shocking one, that both risk detection and risk avoidance are not mediated in the 'thinking' part of the brain but largely in the emotional one.… The consequences are not trivial: It means that rational thinking has little, very little, to do with risk avoidance. Much of what rational thinking seems to do is rationalize one's actions by fitting some logic to them. In that sense the description coming from journalism is certainly not just an unrealistic representation of the world but rather the one that can fool you the most by grabbing your attention via your emotional apparatus.…

Exactly right; and since policymaking is very much driven by media reporting, it's a crucial point. The media are focused on the short term, on the visual and on the emotions. What gets lost are the crises that are long term, not telegenic, nor creating an immediate emotional impact. A Social Policy Bond regime, by stipulating outcomes, would help avoid such biases, by making them explicit. So, for instance, a policy that aimed to raise longevity (however defined) would have to be impartial as to causes of early death. A bond regime would not, as current policy appears to be doing, target such emotional but statistically marginal causes of death as terrorism, at the expense of road deaths.

1. http://www.amazon.com/Fooled-Randomness-Hidden-Chance-Markets/dp/0812975219/sr=1-1/qid=1158681788/ref=sr_1_1/102-1306155-1961767?ie=UTF8&s=books

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3.9.12 (2006-09-21 09:03)

Hi Ronnie,

just checking whether everything is O.K. with you.

Frank & Gabi

3.9.13 (2006-09-21 17:17)

Hi and thanks for your concern. All is fine with me thanks; I will do a post about my not very remarkable experiences here in Bangkok. R

3.9.14 Life in Bangkok... (2006-09-21 17:20)

...is remarkably normal, 48 hours after the bloodless military coup. For a while I was less informed than if I were overseas: the tv was playing old footage of the royal family. Guests at my hotel were advised not to stray too far away yesterday (Wednesday). The streets around the hotel were strangely calm. There were no stalls up at the daily street market. Some shops were open, but the mood was subdued, with none of the usual chatter and animation. Today, Thursday, life has returned to normal. In retrospect something like this now seems inevitable; there has been no parliament for seven months and the Thai Prime Minister was deeply divisive, power-hungry and corrupt. For myself, I'm very relieved it has turned out bloodless. The Thai King's carefully calibrated 'reported' endorsement of the caretaker government will no doubt help.

The BBC, desperate for something dramatic to report, had to settle for a 1 per cent fall in the value of the Thai baht - something that can happen on any perfectly normal trading day.

3.9.15 Thailand, democracy and policy outcomes (2006-09-24 13:59)

My last day in Thailand for a while. The recent political events have made it clear that democracy is just that, democracy. It does not mean freedom from corruption, it does not mean peace or unity. Democracy can accompany rampant abuse of power and serious divisions. If the circumstances are wrong, democracy can even legitimise such flaws.

3.9.16 (2006-09-26 22:20)

Can this explain why women get scared by spiders ?

3.9.17 (2006-09-27 10:35)

Jimmy! I'm into outcomes, not explanations, activities, inputs, outputs. You could or course issue bonds against anything you like, including female arachnophobia. Explanations are less important than defining a targeted outcome. Indeed, looking for explanations can distract us from seeking solutions.

3.9.18 Defining democracy (2006-09-27 10:37)

En route to Bangkok Airport I passed Government House and a couple of rows of tanks parked behind metal barrier fences. Most of the tanks were garlanded with flowers and young couples took each other's photos with the tanks as backdrop. The Thai coup d'etat brings home the difficulty of defining the important features of democracy. Mr Thaksin, the deposed Thai

Prime Minister had installed his placemen in the Senate, the law courts, and the Electoral Commission. Through, as far as I can tell, legitimate means, he controlled a high proportion of Thai media. Most recently, and this might have precipitated the coup, he wanted to appoint his army classmates to top positions in the Thai military. It's difficult to anticipate and guard against all abuses of power. New Zealand's three-year period between elections, which does have disadvantages, may be one helpful weapon against them.

3.9.19 Incentives for peace (2006-09-28 13:34)

> Did "codes of honor" inhibit men like Hitler and Stalin? [1]Chirot and McCauley reply that genocidal followers typically think less fanatically than leaders. Farsighted policies of engagement can thus stem genocide from the bottom up rather than the top down. "Those who want to set forest fires," the authors write in a rare punchy image, "will always be around, but if they have less material to work with, they are more likely to fail." For all that, they warn, "no single method seems to us to offer a comprehensive solution." [2]*Is the Crematorium Half-Full or Half-Empty?* Carlin Romano

Exactly. No single method will work. We cannot therefore delegate the prevention of genocide to existing organisations, however well resourced, however well meaning. Organisations have their own objectives, of which the over-riding one is self-perpetuation; they have few incentives to be imaginative in their approaches to social problems. What is needed are highly motivated new organisations, whose goals are exactly congruent with society's. These organisations might not have a stable structure, nor a stable composition, but their societally determined goal *would* be stable. Prevention of genocide and other violent conflict could be the raison d'etre of such organisations, if their rewards were inextricably tied to their achieving it. I suggest Conflict Reduction Bonds, redeemable only when absence of conflict had been sustained for a defined period. These bonds would contract the achievement of peace to the market, instead of to the inevitably poorly-resourced, distracted or corrupted bureaucracies that are currently charged with the task.

1. http://www.amazon.com/Why-Not-Kill-Them-All/dp/0691092966/ref=sr_11_1/002-6728304-0029638?ie=UTF8
2. http://chronicle.com/temp/email2.php?id=2tsnJPXq4wHkJftRGwh2T3bmZm6yddTv

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3.9.20 Brilliant (2006-09-29 13:51)

[1]Good Jobs First, is a briliant website, which I've added to my blogroll. From [2]just one of their many pages:

" What causes sprawl? Urban experts cite many factors. ... But another important factor [sic] are economic development subsidies like tax increment financing (TIF) and enterprise zones that have gone awry and are being abused in ways their creators never intended. In essence, taxpayers buy sprawl with the following types of subsidies.

–TIF is an arrangement in which a portion of the property tax associated with a redeveloped property is diverted into a subsidy for the developer. ... [O]ver the years, about a third of the states have loosened their TIF rules, so that even affluent areas qualify. The wealthy Chicago suburb of Lake Forest, for example, has a TIF district–and a Ferrari dealership! Pennsylvania's TIF statute allows a trout stream near Pittsburgh called Deer Creek to be TIFed because the land has "economically or socially undesirable land uses."

"–Enterprise zones, another geographically targeted program originally intended to help poor inner-city areas, have also been weakened in many states so that affluent areas can grant lucrative zone subsidies. New York, for example, allows zones to be gerrymandered non-contiguously. As a result, Buffalo's two original enterprise zones have morphed into more than 130 non-contiguous areas, thus raising questions about favoritism. A scathing Buffalo News investigative series found that "[t]he program, crafted to create business in distressed areas and jobs for the down-and-out, has transmuted here into a subsidy program for the up-and-in. "

Also of interest, though a couple of years old, is [3]this study (pdf), which showed that Wal-Mart:

> ...the giant retailer has received more than $1 billion in economic development subsidies from state and local governments across the [US]. Taxpayers have helped finance not only Wal-Mart stores, but also the company's huge network of distribution centers, more than 90 percent of which have gotten subsidies.

1. http://www.goodjobsfirst.org/
2. http://www.goodjobsfirst.org/smart_growth/subsidies_sprawl.cfm
3. http://www.goodjobsfirst.org/pdf/wmtstudy.pdf

3.10 October

3.10.1 Social Policy Bonds to reduce crime (2006-10-03 10:49)

After the high stakes of UK politics and the military coup in Thailand, public affairs in New Zealand seem both parochial and small minded. But news of the larger issues can still be found in the public arena. Violent crime in New Zealand [1]rose by 10 per cent last year; in the Wellington Police District (where I live) [2]there were 5988 violent incidents in the year ended June 2006.

Current policy approaches seem to be failing and there are no simple solutions. These are key criteria that indicate that Social Policy Bonds might improve things. Bonds targeting reduced crime rates could encourage a mosaic of diverse solutions, adapting to local circumstances and events that cannot be anticipated. Highly motivated investors would be rewarded for their success in tackling crime. Their objectives would be congruent with those of society. This contrasts with the current approach, which is inherently cynical: while composed of heroic men and women, police forces as institutions are more likely to be disbanded than rewarded if they were to succeed in slashing crime rates.

1. http://www.stuff.co.nz/stuff/0,2106,3817264a11,00.html
2. http://www.police.govt.nz/news/release/2675.html

3.10.2 Politics and accountability (2006-10-05 10:30)

From [1]*Fooled by Randomness*:

> Our attribution of heroism to those who took crazy decisions but were lucky enough to win shows the aberration – we continue to worship those who won battles and despise those who lost, no matter the reason. … The situation is not much better in a bureaucratic economy. … The contributions of civil servants might be even more difficult to judge than those of the executives of a corporation – and the scrutiny is smaller.

In our complex societies politicians and officials can always evade or deflect censure for their terrible decisions. We can rarely prove that one particular decision was a bad one: there are just too many variables and linkages, too many obscurities and time lags between cause and effect. This is one of the reasons I emphasise the rich countries' agricultural subsidies. These represent not only a calamitous waste of society's scarce resources; they transfer wealth from the poor to the rich, and they accelerate the degradation of our physical environment. They are also now threatening to derail the entire world trading system. It is their size and persistence over decades that make quite clear that there are no systemic checks on government policymaking; that much of the bad news may result from government activity and much of the good news may occur despite government activity.

As P J O'Rourke put it a while ago (in [2]*Parliament of Whores*):

> I spent two and a half years examining the American political process. All that time I was looking for a straight forward issue. But everything I investigated – election campaigns, the budget, lawmaking, the court system, bureaucracy, social policy – turned out to be more complicated than I had thought. There were always angles I hadn't considered, aspects I hadn't weighed, complexities I'd never dreamed of. Until I got to agriculture. Here at last is a simple problem with a simple solution. Drag the omnibus farm bill behind the barn, and kill it with an ax.

One of the aims of a Social Policy Bond regime is to bring some accountability into the policy-making process. Framing policy decisions in terms of costed outcomes is an essential first step.

Currently policymakers can - indeed must - express their decisions as vague declarations of intent, backed up by funding programmes for favoured bodies, be they government agencies or other interest groups. Issuers of Social Policy Bonds would in contrast have to be explicit about their objectives: transparency and accountability are built into a bond regime, as surely as they are excluded from the current policymaking apparatus. Insane, corrupt programmes, such as Europe's Common Agricultural Policy, have platitudinous, vague, mutually conflicting goals, which sound lofty and high-principled but actually end up shovelling vast sums of taxpayers' and consumers' money into the myriad bank accounts of massive agribusiness corporates. If outcomes were built into policymaking, as they are with Social Policy Bonds, such policies would get nowhere. Instead they have lasted for decades, at great cost to everybody except a few millionaire businessmen, and a burgeoning, parasitical administrative bureaucracy.

1. http://www.amazon.com/Fooled-Randomness-Hidden-Chance-Markets/dp/0812975219/sr=1-1/qid=1160039111/ref=sr_1_1/002-3499246-2230450?ie=UTF8&s=books
2. http://www.amazon.com/parliament-whores-p-j-orourke/dp/B000GHTEZO/ref=sr_11_1/002-3499246-2230450?ie=UTF8

3.10.3 Policy and rationality (2006-10-07 10:10)

John Kay [1]points out that:

> Each year, a million children die from malaria. Those who live in areas where the disease is endemic, and survive, acquire a degree of immunity. They remain vulnerable through their lives to episodes of disease, which sap their energy and productivity. Perhaps a billion or more malarial episodes occur every year. We mostly judge risks by their salience. ... Salient risks are those that everyone is talking about or that we have recently encountered.

It's natural, though still irrational, that in our own lives we respond to events that are 'salient', even if they are unlikely to occur or recur. We are fallible human beings, and it's our nature to respond emotionally to salient events. But policymakers should do better. They fail us when they react irrationally, with taxpayer funds, to events that have assume a media profile out of all proportion to their real impact.

In the five years since 11 September 2001, Patrick Buchanan [2]writes, "85,000 people have been murdered in the USA ...not one in a terror attack." But you'd never know that from the actions of our politicians.

The solution? Social Policy Bonds, which would target, say, premature deaths impartially; that is, without regard for whether they are caused by terrorism, murder or road accidents. Or, if we truly believe that deaths from terrorism count more than those caused by conventional acts of violence, then under a Social Policy Bond regime we'd be forced to be upfront and explicit about it. Transparency in policymaking is an end in itself, as well as a means to greater rationality and efficiency. Under a bond regime we could still over-react to high-profile media events and throw money at fast-moving, highly visual problems, at the expense of slower-moving and less dramatic tragedies – such as malaria. But Social Policy Bonds mean we'd have at least have to be honest about it.

1. http://www.johnkay.com/print/462.html
2. http://www.amconmag.com/2006/2006_10_09/print/buchananprint.html

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3.10.4 The limits of quantification (2006-10-09 12:35)

> Anything that exists, exists in some quantity, and can therefore be measured. Lord Kelvin

Social Policy Bonds would target quantifiable outcomes. In traditional societies, where people lived closer to each other, people probably knew a lot more about each other's general state of happiness. They knew when the people that mattered most to them were happy, and they had a fairly good idea of the events and circumstances that would make them happy. They probably would not be able to quantify or even articulate these matters, but neither would they have needed to.

> [W]e prefer to take our chance of cholera and the rest than be bullied into health - a leading article from the [London] *Times,* 1 August 1854, in response to government measures to provide basic sanitation.

The same applied when our own societies were less complicated. Problems themselves were more obvious; the causes of problems could be more readily identified, and so could solutions to some of them. Governments were largely successful in their policy interventions on behalf of the disadvantaged: they instituted basic health and education for their own populations. They provided other public goods, such as law and order, and sanitation. And they did so with great success and sometimes, as the quote above shows, against strident opposition.

In our industrial societies, with their large, complex economies, government bodies have far more complicated tasks, but they still believe that the best way solving problems is to look for causes and try to treat those. And they still believe that they are best placed to perform these tasks. Government has enlarged its role and largely supplanted families, extended families and local people in supplying a range of welfare services to those who need them. Increasingly government is turning to numerical indicators to manage its resource allocation.

But this use of indicators is relatively recent, unsystematic and unsophisticated. Few indicators are targeted explicitly for a sustained period: the targeted range of inflation is a rare (and not especially helpful) exception. Other indicators, such as the size of hospital waiting lists, don't measure what matters to people, or are prone to manipulation. Even when numerical goals are clear and meaningful they are rarely costed, they are almost always too narrow, and they are largely driven by existing institutional structures. Those broad targets that are targeted with some degree of consistency tend to be economic aggregates, such as the inflation rate, or the rate of growth of Gross Domestic Product — which appears to be de facto indicator par excellence of rich and poor countries alike.

But GDP's shortcomings as a single indicator of the health of an economy are well known: amongst other failings, GDP does not take into account changes in the quality of the environment, or the distribution of income, it ignores human capital (the education and skills that are embodied in the work force) and leisure time, and it ignores such social problems

as crime and homelessness. Under a bond regime statistics like GDP would never assume the authority they appear to have nowadays.The goals of government policy should be social and environmental outcomes that are meaningful to natural persons (as against government agencies and corporate bodies), not growth rates or other abstract economic indicators.

Lord Kelvin's remark is nonsense, of course. Much of what matters most to us - family, relationships, connection with nature, meaningful work etc - is impossible to quantify. But if we take the large-scale organisation of our society as a given, then we can expect that societal goals will increasingly have to be represented by numerical indicators. It would appear that the choice will increasingly be between (a) the current *de facto* targeting of per capita GDP along with an almost random array of narrow, easily manipulated indicators that have no necessary relationship to societal goals, and (b) the targeting of consistent, transparent, mutually supportive indicators that represent meaningful social outcomes. A Social Policy Bond regime would be a step away from the apotheosis of GDP and toward the systematic use of indicators where they can be of most value.

3.10.5 The limits of quantification, continued (2006-10-10 10:47)

When numerical indicators are strongly correlated with what we as societies want to achieve, then they are invaluable. In setting up the basic health, education and welfare programmes of large societies, quantification is indispensable. We need the numbers to measure where we are, and where we are going. But my question, raised in the previous post, is whether we are in danger of applying numbers where they don't actually measure anything meaningful. GDP per capita, for instance, was, and for many countries still is, an easily measured and occasionally useful indicator of a country's well being. But at higher levels of wealth, the relationship between it and well being breaks down. Nevertheless, maximizing GDP per capita appears to be one of the main de facto priorities for governments of countries at every level of development.

The limits of quantification become more important as government expands its role. They help make the case against that expansion. on efficiency grounds at least, because once we have the basics, the things that really matter to us cannot be quantified. In some ways we in the rich countries are getting the worst of both worlds. We have under-provision of programmes that eradicate poverty and provide a tightly-woven safety net to the most disadvantaged members of society. Here numbers, such as basic health and literacy indicators are meaningful and strongly correlated with welfare. At the same time, government funds its corporate buddies with massive funding of the construction, agribusiness and other sectors, through perverse subsidies, which, as well as representing a transfer from the poor to the rich, impose deadweight losses on the entire economy and devastate the natural environment.

Perverse subsidies and other forms of corporate welfare invariably rely on vague, qualitative arguments, or they use numbers where there is no correlation between the numbers and societal well being. The case for universal safe water and literacy education for children, for instance, is solid; that for exacting funds from taxpayers for post-graduate programmes, or lining rivers with concrete (as in Japan) needs to be made explicit and subject to challenge. A Social Policy Bond regime would achieve this level of transparency; right at the outset it would specify its targets in objective terms. By subordinating policy to outcomes, instead of

to obscure, misleading or mutually conflicting objectives, it would impose some rigour on the function of government.

3.10.6 Roads are for the rich (2006-10-12 10:35)

> Aucklanders should oppose tolling every step of the way. Tell Transit we do not want to spend $14 every time we drive between Manukau and Albany. We don't want fast roads for the rich and slow roads for the poor. It is the government that should be funding roads, not the people of Auckland – they have already paid their taxes." Auckland City Councillor, Cathy Casey, [1]saying why she opposes Transit NZ's tolling solution for the funding of State Highway 20

Does Councillor Casey think that toll-free roads benefit the poor? Ok, maybe in Auckland even very poor families have one vehicle of their own - otherwise they'd be unable even to shop for groceries. But it's a mistake to think, that just because they pay nothing for access to almost all roads like rich people, they benefit as much as the well off from lavish provision of roads. They don't. They have fewer vehicles per household, less money to spend to keep them running, and less leisure time for driving. They also suffer disproportionately from noise and air pollution. The big beneficiaries of roading programmes are construction companies and the wealthy.

1. http://http//www.scoop.co.nz/stories/AK0610/S00112.htm

3.10.7 There is such a thing as society (2006-10-13 12:45)

> The right therefore has an affinity for market economies, both because people will always be more motivated to work for themselves and their families than for something called "society," and because no planner has the wisdom, information, and disinterest to run an economy from the top down...And since we are always teetering on the brink of barbarism, social traditions in a functioning society should be respected as time-tested workarounds for the shortcomings of an unchanging human nature, as applicable today as when they developed, even if no one can explain their rationale. ... The idea that people have a right to paid vacations, central heating, and a college education, for example, would have been unthinkable throughout most of human history...my freedom to have my teeth fixed impinges on my dentist's freedom to sit at home and read the paper. Steven Pinker, quoted in [1] EconLog

While I agree with the comment, I cannot dismiss 'society' as readily as Dr Pinker appears to, and as many policymakers definitely do. There*is* such a thing as society, and its loss or erosion means a lot to people who aren't lucky enough to fufil all their social needs in their daily lives. We are not just adjuncts to an economic system, and perhaps we think we have rights to housing and holidays because we regard these things as a *quid pro quo* for our society's being systematically dismantled by government policies - of all parties - that favour their large, global buddies (via subsidies to big business, infrastructure; the externalising of social and environmental costs; and a biassed regulatory system) at the expense of the small

and local.

1. http://http//econlog.econlib.org/archives/2006/10/i_heart_steven.html

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3.10.8 Ignorance all round (2006-10-16 13:39)

> At a fringe meeting at the Conservative Party Conference the head of the EU Commission's representation in the UK, Finnish national Reijo Kemppinen, argued that the general rise in 'euroscepticism' polled across the EU recently is "fuelled by ignorance, and a lack of knowledge." He said, "People don't know much about the EU and the benefits it can bring," arguing that the Commission has a job to do in explaining the EU and its policies to people. When questioned about his remarks by members of the audience, Kemppinen later denied having used the word "ignorance". He then went on to concede that he didn't know as much of the detail of many EU policies as some eurosceptics. [1] Open Europe Bulletin, 13 October

Commissioner Kemppinen is probably correct, but there's plenty of ignorance too about the *costs* the EU imposes on its citizens. Not just the regulatory costs, which the EU's own 'Enterprise Commissioner' reports as being around 600 billion Euros every year (about 5.5 % of total EU GDP!); but the costs of subsidies, and protectionism, the latter of which does not appear on the EU budget. It's ignorance about these costs that, in my view, that is the more scandalous.

1. http://mailshot.moodia.com/sent/HtmlView.aspx?id=a2145719-c4ff-4a00-aede-1e8e37e898c6

3.10.9 Measuring government performance (2006-10-19 10:45)

The contribution of government to the economies of the rich world exceeds that of Communist China or the Soviet Union in many regions. (In Wales, for example, the public sector accounts for [1]66 per cent of the economy.)

One problem arising from this is that governments have to use numerical indicators to measure the success or otherwise of their policies (if they attempt that sort of monitoring at all) and that these indicators, as in the former USSR, may have very little correlation with anything meaningful to people - other than the bureaucrats whose careers rise or fall on how well they can make those figures look.

The problem becomes more serious as government crowds out our non-numerical ways of doing things. In many areas of life, and for most but not all of us, these ways are more efficient, adaptive and responsive than government approaches. They are also more obviously sensible, though more resistant to codification, systemisation and other bureaucratic processes. What areas of life am I talking about? Things like child rearing, personal health, and the arts. Well-meaning government programmes, initially developed to deal with extreme cases, expand to dominate more and more of our routine activity: like the private sector, but without its disciplines, growth is the public sector's imperative.

Etc. The one thing for which neither you nor anyone under your management will be held responsible are outcomes for young people. It would be the same if the issue were crime, or health care, or education.... Plausible reasons for poor outcomes can always be found outside the performance of your agency, and many of them will be perfectly valid. There are just too many variables for your performance to count for much.

All this should imply a certain humility on the part of government. If it works in areas where it cannot think of measurable outcomes that are inextricably linked to social welfare or environmental benefits it probably should not be involved in that field of activity. In those areas government is very likely to be crowding out less formal, but more efficient ways of doing things. Government should stop its subsidies to its corporate friends, which it currently gets away with because they allegedly benefit 'domestic industry' or 'the family farm' or 'transport links'. Instead it should concentrate on the most extreme cases of social and environmental deprivation, where its help is unquestionably needed and where the numbers do correlate with social and environmental well being.

What we have now, and are increasingly suffering from, is in some ways the worst of both worlds: big, intrusive and growing government working hand-in-with big business the expense of everyone else. Tragically this co-exists with expanding pockets of social deprivation, and in many areas, a deteriorating social and physical environment.

1. http://icwales.icnetwork.co.uk/0300business/0100news/tm_objectid=17144842&method=full&siteid=50082&headline=wales-relies-more-than-china-on-public-cash--name_pa

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3.10.10 What drives immigration policy? (2006-10-21 11:07)

We happily delegate many decisions to government because politicians and officials are specialists; they have deeper understanding of most of the issues, and we trust them to act on our behalf. Sometimes our trust is misplaced. But even more often, I think, government drifts into policies that have major impacts on citizens' lives, without realising what it is doing. Some of these policies can be self-reinforcing, acquiring an intertia of their own, which makes them very difficult to stop. Much of the western world is, in my view, experiencing this with immigration policy. Immigration has undoubted benefits, but my beef today is about its effects on house prices. I am thinking of New Zealand and the UK, and what I see in those countries is that ordinary working couples who cannot rely on family help are struggling to buy houses. I also think that governments in these countries are now in a position where they feel compelled to keep house prices high, or risk (1) offending middle-class property owners and (2)
a house price crash, leading to a slump in consumption, unemployment and electoral unpopularity. It is in these governments' interest, at least in the short run, to keep immigrants coming to buttress the housing market.

The purpose of this post is merely to point out that this immigration has much wider effects on society than this, and that maintaining house prices is hardly a legitimate policy outcome. Certainly it's on nobody's election manifestoes. Yet it does seem to have become an implicit policy goal; one that's been reached by default, and will be very difficult to reverse, even if some far-sighted politicians see and care about the long-term effects it has on the social fabric of New Zealand or the UK - or the societies that migrants leave behind. Like farm subsidies

or a drug habit, policies to support the housing market are far more difficult to end than to start.

More transparency at the outset is essential. If governments want to subsidise wealthy landowners and agribusiness (as most rich countries do) then they should come out openly and say that that is their policy. And if they see high house prices as an end itself, then they should openly admit it, and we could vote accordingly.

I am not of course objecting to immigration. I am though objecting to policies that have huge effects on people being made by default and without any sort of consultation. A Social Policy Bond regime would from its very outset specify explicit policy goals. People would vote for the outcomes they favoured, not for the least unappealing party leader or phatic statements of intent. Greater informed public participation in the political process would not only be an end in itself: it would be a way of securing more 'buy in' to crucial policies, like immigration policy. Immigrants would felt and actually been more welcome and more willing to integrate if the host population had first been consulted about whether they were to be admitted.

3.10.11 Target outcomes, not alleged means of achieving them (2006-10-23 10:14)

> We assume that if we raise pollution prices, pollution will come down. But not even the smartest economist can know how quickly it will come down, or by how much. We can only proceed by trial and error. Much of the tax-setters' time will be spent debating how much of a price hike will produce how much of a reduction in pollution, when in fact what we should be debating is how quickly we want pollution to drop. Once that debate is settled, we should be able to set a value at the agreed-upon level. We can't do that with pollution taxes. Pollution taxes, in short, though better than nothing, are far from an ideal way to protect nature.

An excerpt from the excellent [1]Capitalism 3.0: a guide to reclaiming the commons, by Peter Barnes. Economists love pollution taxes, which are beguilingly elegant. Unfortunately, as Mr Barnes points out, their apparent sophistication has over-ridden their value: a common failing of policy that is driven by anything - except outcomes that are meaningful to natural persons. The elegance is often seen as an end in itself. No doubt I shall have more to say about this book when I have finished reading it. Meanwhile, another excerpt, quoting Kevin Phillips, a former (US) Republican party strategist:

> "The timber industry spent $8 million in campaign contributions to preserve a logging road subsidyworth $458 million—the return on their investment was 5,725 percent. Glaxo Wellcome invested $1.2 million in campaign contributions to get a 19-month patent extension on Zantac worth $1 billion—their net return: 83,333 percent. The tobacco industry spent $30 million for a tax break worth $50 billion—the return on their investment: 167,000 percent. For a paltry $5 million in campaign contributions, the broadcasting industry was able to secure free digital TV licenses, a giveaway of public property worth $70 billion—that's an incredible 1,400,000

> percent return on their investment." The reason our political system works this way isn't that our politicians are particularly venal. Rather, the cause is structural.

1. http://www.amazon.ca/Capitalism-3-0-Peter-Barnes/dp/1576753611

3.10.12 Monetising public goods (2006-10-25 10:01)

> The case of Wal-Mart makes us realise just how badly we lack a way of talking about the public good that is not framed purely in terms of economics. The huge fortunes made at the end of the 19th and start of the 20th centuries were broken up by anti-monopoly and anti-cartel legislation , because they had been accumulated at the expense of the public good. That is a useful idea, and one that needs to be revived and used as a yardstick. John Lanchester, *[1]The Price of Pickles* (reviewing books about Wal-Mart).

I agree. Corporate power has grown immensely and politicians are increasingly in its thrall. Our physical and social environments are more and more determined by corporate wishes than by any idea of the public good. The government policies I know best are perverse subsidies. Their effects have been disastrous: they help denude and destroy our countryside and cities; the protect large, global concerns at the expense of small, local businesses, and they represent a massive waste of scarce resources. I say 'have been' but these policies persist - and that's even more shameful. If you look carefully amongst the news stories, (skipping the serious stuff about Princess Margaret's alleged illegitimate son, the skateboarding rhinoceros etc) you will see [2]reports of the WWF's study saying that humanity's use of resources is unsustainable. The evidence does seem to be piling up, but what is disheartening is the widening gap between where we are headed, and what most people presumably want.

Many of those in power, if they think at all about the public good, probably identify it with the financial health of corporations. A Social Policy Bond regime puts off some well-meaning people, because it offers cash rewards to those who would supply public goods. I understand their apprehension: a bond regime would use markets to solve classic problems of market failure. Unfortunately we live in a monetised world. Without financial incentives there's little hope of reining back the corporations and their puppets in government. It's paradoxical and perhaps regrettable but also, in my view, necessary, to pay people to do the right thing. After all, we'd not be rushing headlong into planetary collapse if it were not for the monetary incentives and taxpayer-funded corporate welfare programmes that currently reward the destruction of public goods.

1. http://www.lrb.co.uk/v28/n12/lanc01_.html
2. http://www.iht.com/articles/ap/2006/10/24/europe/EU_GEN_WWF_Using_Up_Resources.php

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3.10.13 Insuring against catastrophe (2006-10-28 11:17)

In retrospect most of us probably wish more resources had been devoted to stopping the spread of nuclear weapons. Many of the things we most value are difficult to define precisely,

and so require some effort to incorporate into a Social Policy Bond regime. 'Peace' for instance is perhaps the most valued outcome of all. It would probably need to be expressed in terms of an array of outcomes and indicators. Nuclear proliferation, again, would need to be defined quite technically before it could be made the object of Social Policy Bonds aimed at preventing it. Nevertheless I believe such targeting could be done and should be attempted as a complement to existing efforts to solve these problems.

More readily definable is the detonation of nuclear device in anger. This would be a catastrophe in itself, and would represent a discontinuity in human history that could precipitate untold further suffering. The policymakers, as with nuclear proliferation, seem to be failing. This is where Social Policy Bonds targeting such an explosion could score heavily over the current approach. Their objective would be simple to define - the *sustained* avoidance of a nuclear explosion - and easy to verify. It's an objective that almost everyone would support, and one that, in my view, requires more imagination and brainpower than is currently being channelled in that direction. It's also an ideal goal for Social Policy Bonds in that it's not at all clear from where the most obvious threat to its achievement is likely to originate. Helen Caldicott, for instance, [1]points to the fact that Russia and the US together own 96 per cent of the world's 30000 nuclear weapons. With current efforts at keeping the nuclear peace apparently faltering; with an easily expressed, easily verified goal that is highly correlated with human well being, and with a real need for imaginative solutions and rewards beyond those available to bureaucrats, maybe Nuclear Peace Bonds would be the way forward.

1. http://www.commondreams.org/views06/1021-24.htm

3.10.14 Government taxation is not government spending (2006-10-30 10:06)

> Suppose the federal budget is balanced at $1 trillion. Now suppose Congress reduces taxes by $200 billion without reducing spending. One result is a $200 billion deficit. Another result is that voters pay for only 80 percent of what government actually costs. This of this as a 20 percent discount on government. As everyone knows, when you put something on sale, people buy more of it. Logically, then, tax cuts might increase the demand for government instead of reducing the supply of it. *Stoking the beast*, Jonathan Rauch, 'Atlantic Monthly', June 2006

Rauch goes on to cite research showing that there is no sign that deficits have ever constrained government spending. To the contrary; the evidence shows that a tax cut of 1 per cent of GDP increases the rate of spending growth by about .15 per cent of GDP per annum. The same research shows that taxation above 19 per cent tends to shrink government and taxation below it makes government grow.

> Thanks to the Bush tax cuts, revenues have been well below 19 percent since 2002.... Perhaps not surprisingly, government spending has risen under Bush.

There are several policy implications arising from this. The critical one is that reducing government income does not necessarily reduce government spending. The two are not synonymous. This sounds obvious, but it's the sort of fact that is rarely made accessible to the electorate.

It means that reducing taxation does not mean small government – it can mean quite the opposite. This means that we, the public, should (ideally) vote for meaningful outcomes; not slogans. If a political party is advocating small government as an end in itself, then it should come right out and say so. If, on the other hand, it really wants tax cuts, regardless of whether (as in the US) they increase government spending, then it should admit that that is its objective.

Politicians currently get away with this sort of shell game, because we, the voters, are not used to distinguishing between policy ends and means. Small government, except to ideologues, is not an end itself. It may be a means to various ends, but in my view it would be more efficient to *target those ends explicitly*, rather than the alleged means of achieving them. We should demand and respond to greater transparency from the politicians as to their true intents. We should, indeed, be voting for explicit outcomes that are meaningful to citizens; rather than vague promises and slippery slogans. Such outcomes would be at the very core of a Social Policy Bond regime. People would know exactly what they were voting for. A revolutionary concept, no doubt, but one that would hold politicians accountable and bring greater public participation into the policymaking process – at the expense of the spin doctors and ideologues.

3.11 November

3.11.1 Subsidising environmental destruction (2006-11-01 09:43)

My suggested response to climate change, which applies regardless of whether it is actually happening, is Climate Stability Bonds, which would reward who stabilise climate, however they do so. (Something has gone very wrong with blogger.com's html links: for a short article on Climate Stability Bonds please see http://socialgoals.com/ieakyototext.html .)

A bond regime would need no prejudging of what is happening to climate, what is causing it to happen, or how best to stop it happening if it is, indeed, happening. I'd rather a bond regime replaced Kyoto, which would be inadequate even if it weren't failing - which it is. But Climate Stability Bonds could also complement such efforts to cut back on greenhouse gas emissions as are being made.

Actually, the human species could go a long way to cutting such emissions simply by withdrawing subsidies for the extraction and use of fossil fuels. These can take the form of direct subsidies or tax breaks to the oil and road construction industries. Or they arise from the unpriced negative environmental impacts of fossil fuel use.

You'd think that such first steps would be the easiest to take, at least in comparison to the heroic demands of Kyoto. But we are not taking them. Perverse subsidies continue to wreak environmental havoc. Given these facts, is there anyone who genuinely believe that we are capable of making the sacrifices necessary to comply with Kyoto - as divisive and ineffectual as it is? Climate Stability Bonds would need a lot of discussion and refinement before they can be deployed. But to my mind it's essential that they, or some other scheme that directly targets a stable climate in ways that people can support, be considered - urgently.

3.11.2 Thank you Anatole Kaletsky (2006-11-02 12:36)

Commenting on the Stern report on climate change in *the [London] Times* Mr Kaletsky makes a point that deserves emphasis:

> Global subsidies for energy research are now running at a pitiful $10 billion annually, compared with the $250 billion spent on subsidising the extraction of fossil fuels (mainly on the most polluting of all energy sources, coal).
>
> *A new slogan for the environmental pressure groups: Some Gain, No Pain*, 2 November.

Does anyone believe that our political system can meet the urgent environmental challenges we face, when our leaders haven't even the courage to stop subsidising their corporate buddies in the energy business? I don't.

3.11.3 Tying it all together (2006-11-06 10:34)

Conversations with friends over the weekend have encouraged me to tie together the strands of my thinking on policy. Social Policy Bonds are an attempt to address certain policy problems: what follows is my explanation of the origin of these problems.

Essentially, corporations have too much power. As James S Coleman, in [1]*the Asymmetric Society* describes, the major influence on our society has changed from natural persons to corporate actors. The two parties might have nominally equal rights, but they have vastly different resources, which in any actual transaction can be decisive. Corporations have drifted apart from natural persons, partly by default. Their objectives are not necessarily congruent with those of society. Through a vast array of subsidies and trade barriers, through their unpriced negative social and environmental impacts, and through manipulation of the regulatory environment, they can and do entrench their power, and make live worse for natural persons. (To some degree offsetting these impacts, and seldom mentioned in the literature, are their unpriced positive externalities.)

Corporations and governments support each other in creating ideal conditions for corporate growth. They protect, foster and subsidise the large and global at the expense of the small and global. The large scale of social organisation, and the very high degree of specialisation and complexity of our economies, while helpful to corporations, does not therefore arise from undistorted market forces, and do not therefore originate in decisions made by natural persons; though they are certainly maintained by such decisions, as viable alternatives become ever more scarce.

Big corporations and big government go hand-in-hand. A large scale of aggregation tends to go with remoteness: people feel they have nothing to contribute to decision-making and tend to disengage from the political process: another self-reinforcing trend. The big losers from all this are natural persons and the commons.

Social Policy Bonds are an attempt to redress this balance. Their starting point would be explicit, verifiable outcomes that are meaningful to natural persons. At a local or national

level their goals could be things like: universal literacy, or high levels of health and housing, low levels of pollution and unemployment. At a global level, targets could include reduced levels of violent political conflict and climate stability. Social Policy Bond regimes would inject market forces into the achievement of such social and environmental goals. Perhaps equally important, their emphasis on meaningful outcomes would draw more public participation into the policymaking process. No longer would policymakers get away with protecting their corporate friends (and paymasters) with policies whose principles sound well-meaning, but whose effects will be obscure and as far as real people are concerned, entirely wasteful. Policymakers' goals would of necessity be transparent right at the start.

1. http://www.amazon.com/Asymmetric-Society-Frank-Abrams-Lectures/dp/0815601743/sr=11-1/qid=1162805306/ref=sr_11_1/102-3612322-7992952

3.11.4 Markets better than Kyoto at minimising costs (2006-11-07 12:24)

Markets are good at allocating scarce resources. This is not just a conclusion from economic theory, but accords with all the historical evidence. That said, it's unfortunate that policy decisions that entail the expenditure of colossal resources, are taken without reference to the market.

Take climate change: under the Kyoto Protocol the resources spent on trying to prevent it will be decided largely by national governments. They will be a negotiated outcome based partly on today's current knowledge of the scientific relationships, but mostly on what politicians think they can get away with. The political process will attenuate any the relationship between the magnitude of the climate change problem and the global response.

Now consider what would happen were [1]Climate Stability Bonds to be issued. The main decisions about the likelihood of climate change, the magnitude of the efforts required to prevent it, and the probabilities of doing so successfully would be taken by the market, when it decides how much the bonds are worth. This, in my view, is vastly superior to the bureaucratic process. As with central planning, bureaucrats make mistakes. Their systems are cumbersome, uniform and cannot adapt – even if the bureaucrats are well meaning. Contrast this with a Climate Stability Bond market: there, the decisions as to how much need be spent on stabilising the climate will be taken by those with powerful incentives to minimise the cost. They will be people (or institutions) who stand to benefit if they get their sums right and particularly, *if they are cost-effective in reducing climate change*. Contracting out the achievement of climate stability in this way vastly expands the pool of people with an interest in researching and minimising its costs.

1. http://socialgoals.com/ieakyototext.html

3.11.5 (2006-11-07 16:31)

FYI, blog archive links are broken.

3.11.6 (2006-11-07 23:44)

Thanks; I've asked my website host to look into it.

3.11.7 Archives available again (2006-11-08 11:05)

The problem with this blog's archives (thank you anonymous commenter) has been fixed.

3.11.8 Unleash the private sector - a little! (2006-11-08 12:58)

As seemingly in all the industrialized countries, in the UK health care is in crisis. For reasons of ideology it does not charge at point of use. Inevitably, demand is unsatisfied. One response – see [1]this post by NHS Blog Doctor – is to ration by bureaucracy. Integrate inefficiency into the system so inextricably that patients either die, or pay for private sector treatment. Another approach is to ration according to the more-or-less random factor of media appeal: the British national health care system's terminal-care budget seems to be allocated on that basis: 95 per cent of it is allocated to the 25 per cent of the UK's population who die from cancer, and just 5 per cent to the 75 per cent who die from all other causes. (See *Alternative endings*, [UK] Radio Times, 13 July 2002. This was the subject of a [UK tv] Channel 4 documentary *Death: you're better off with cancer* broadcast on 16 July 2002.)

These are not necessarily consciously inhumane processes, but they do raise the genuine question as to the role that government should play in health care.

I have long argued in favour of government targeting broad, basic, health outcomes. Instead of micro-managing particular bureaucratic processes, or rationing on the basis of mind-space or celebrity affliction, government could set up well-thought out, meaningful indicators of health, such as quality-adjusted life expectancies at different ages, infant mortality, and ideally some reliable measures of mental health. At basic levels there will be a strong correlation between the numerical value of well-chosen indicators and social welfare. Included in such indicators could be the universal availability of insurance against catastrophic health costs.

Once chosen, government could contract out improvements in these indicators to the private sector, via a Social Policy Bond regime. Bonds could target any or all of the chosen health indicators. A fruitful division of labour would be the result: government would define its chosen health care *outcomes*. And precisely because it targets such outcomes, rather than bureaucratic processes or meaningless micro-targets, it will attract greater public buy in – extremely helpful for a universal scheme. Government would also be the ultimate source of finance for achieving these outcomes. It could perform both these functions – defining targets and raising funds to achieve them – very efficiently and with maximum public support. But under a bond regime the actual achievement of these outcomes will be done by the private sector, which will maximise its profits only by maximising the efficiency with which it achieves society's health goals, as defined by government.

1. http://nhsblogdoc.blogspot.com/2006/11/more-new-labour-barriers-to-health.html

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3.11.9 David Lange (2006-11-09 11:20)

An excerpt from[1] David Lange's engaging autobiography:

" It was often remarked that I had no education in economics. This is somewhat ironic. In the early 1980s, nobody was better qualified than a lawyer to understand the New Zealand economy. It was a legal construct. Only the law could allow farmers to earn an income by killing sheep and burying them.... There was a ramshackle wall of legal protection around the economy.... [Prime Minister] Muldoon's regulatory excesses were increasingly absurd. You did not need to be an economist to understand that; the question was what to replace them with." [2]*My life* (page141), David Lange

1. http://en.wikipedia.org/wiki/David_Lange
2. http://www.amazon.com/My-Life-David-Lange/dp/067004556X/sr=11-1/qid=1163066172/ref=sr_11_1/102-3612322-7992952

3.11.10 Things will change (2006-11-10 10:53)

Of course the mid-term election results will change American politics. The Democrats are beholden to a slightly different set of interest groups than the Republicans.

3.11.11 (2006-11-11 06:50)

3.11.12 Why bother to think? (2006-11-12 11:17)

The New Zealand Government will make all your decisions for you.

One snippet from this week's issue of Brian Harmer's admirable [1]WYSIWIG News:

> Simon Collin of the Christchurch City Council says depending on which scientist you speak to, disposables can take between two and 500 years to decompose and the human waste in them contributes to greenhouse gasses. He says in a bid to reduce the amount going to the rubbish dump, they have decided to subsidise washable nappies, as the cost of them is thought to be prohibitive to many families. Mr Collin says they have put aside ten thousand dollars to subsidise 500 starter packs.

In fact, it's not at all certain that cloth nappies are kinder to the environment:

> If in a drought, it's best to use disposable diapers. If the area has landfill problems, it's best to use commercially laundered cloth diapers. If there are air pollution problems, resort to disposable diapers. The best diaper ultimately depends on the community's situation. Source: [2] *Institute for Lifescycle Environmental Assessment*

...which is why I always stress that it is environmental *outcomes* that are important, not the alleged ways of achieving them, however trendy or superficially attractive those might be. Besides, the best ways of achieving outcomes are prone to change with time as scientific relationships change, and as knowledge expands.

A second excerpt from WYSIWIG News :

> The [New Zealand G]overnment is injecting close to $2 million into a regional initiative to strengthen Wairarapa's international food and wine reputation.

And a third:

> A showcase of New Zealand-made products at Parliament later today, is expected to be tinged with sadness as it coincides with the first anniversary of the death of Rod Donald. The invitation-only event is the first of six regional showcases and kicks off the Government's Buy Kiwi Made programme.

As Brian Harmer rightly comments:

> These kinds of jingoistic programmes are understandable at one level, but are not logically sustainable in a country whose economic lifeblood is exporting products to other countries. How would we react to our products being shunned as a result of similar programmes in those countries. Protectionism like this will bite us in the posterior sooner or later.

Yet another item discusses Auckland's proposed waterfront sports stadium, which could cost up to NZ $1 billion. Much of this will come from central and local government funds.

1. http://wysiwygnews.com/mailman/listinfo/news
2. http://www.ilea.org/lcas/franklin1992.html

3.11.13 I don't know (2006-11-14 11:00)

> Every year, 35,000 children in England - 6 % of all 11-year-olds - leave primary school without basic literacy skills. This casts a shadow over their own future and has huge costs for society as a whole. [1]*Rapid Response* , 'The Guardian', UK, 7 November

> [Christopher Monckton] has a degree in classics and a diploma in journalism and, as far as I can tell, no further qualifications. [2]*This is a dazzling debunking of climate change science. It is also wildly wrong* , George Monbiot, 'The Guardian', 14 November

I know even less about education than I do about climate change. But I know that when policy is being made in both areas outcomes are almost irrelevant to the debate. Allegiances are bought and sold, insults are traded, activists use their support as a *quid pro quo* for more power and deep down, at the very heart, is either personal ambition or - which is very much the same thing - the drive to validate an ideological position. The losers are those of us with no input into policymaking; that is, ordinary members of the public and our children. While the politicians and think-tanks [3]debate local control of schools, literacy standards suffer. While they debate greenhouse gas emissions, the global climate may or may not be changing catastrophically and irreversibly.

Policies and ideologies; ambitions and systems; all should be subordinated to targeted outcomes. It doesn't matter who controls schools, as long as basic educational outcomes are achieved. And it doesn't matter what happens to greenhouse gas emissions, as long as the climate is stabilised. Some sort of humility is called for: the ability of policymakers to say 'I know what I want, but I don't know how to get there. Let the private sector decide: that's what it does best.'

1. http://education.guardian.co.uk/schools/story/0,,1940845,00.html
2. http://www.guardian.co.uk/comment/story/0,,1946996,00.html
3. http://www.adamsmith.org/blog/index.php/blog/individual/on_us_education/

3.11.14 Dirty energy is subsidised too (2006-11-17 11:00)

This week's 'Economist' says (*[1]Green Dreams*, 16 November) that '[a]lmost all clean energy ...relies on government subsidies to make it competitive with fossil fuels.' Recent figures are hard to find, but in 1997, the World Bank estimated annual fossil-fuel subsidies at US $ 48 billion in twenty of the largest developing countries and US $10 billion in the rich countries. ([2]Source) Add in taxpayer-financed road construction and non-pricing of the negative environmental impacts of fossil fuel consumption, and it's clear that dirty energy too is heavily subsidised.

The same article also says that 'government subsidy is a wobbly foundation on which to build a business'. I wish that were so. But subsidies on such a large scale are self-entrenching: they fund the very interest groups that are so successful in lobbying against their withdrawal.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=E1_RTSPDVQ
2. http://www.iisd.org/subsidies/subsidy_watch.asp

3.11.15 Compliance costs discriminate against small business (2006-11-20 14:27)

A [1]revealing graph from the current *Economist*:

[2]

I don't know about the 'tax burden' element, represented by the height of the bars. I can't imagine that Italian companies pay nearly 80 per cent of their actual profits to the government. Eighty per cent of declared profits maybe. But the figures in the rectangles, which is the number of hours per annum that businesses have to spend preparing and filing tax payments are interesting. They give some idea of how complex tax (and regulatory) regimes tend to favour large businesses over small. They range from about 80 minutes per week for businesses in New Zealand and Switzerland, to more than 11 hours per week in Spain. Time costs of compliance with other regulations, such as health and safety concerns, employment documentation etc, are likely to be equally high. Such costs obviously fall disproportionately heavily on smaller businesses. In fact most government interventions, however well meaning and high sounding in principle, tend to favour the large and global at the expense of the small and global.

1. http://www.economist.com/markets/indicators/displaystory.cfm?story_id=8173123
2. http://imageshack.us/

3.11.16 (2006-11-21 22:05)

Dear Sir

I would agree with your position on educational policy makers. Those that make the policies who live in "elsewhereness" do truly gravitate in that place, somewhere else! (bear in mind that this is a sweeping generalisation). At the chalk face of education I have observed the pressure policies and ideological theories put on teachers, in turn reducing the quality of the educational praxis which is delivered in classrooms, in turn, affecting the quality of the education of the children in their classes. Is this the intention of devising policy? To heap pressure on people (mostly women) who already feel put upon? To make the working conditions so unrealistic in terms of expectations that the working lifespan of a teacher these days is about five years? Even worse, the teachers who are worth more than the $40, 000 NZD they are paid leave teaching altogether? With the reduction of quality, I fear, there will be more and more children who will leave school, not only illiterate, but also, disconnected from school and education overall.

With regard to targeted outcomes, I ask you whose outcomes are the target? Are you talking about society on the whole, in that we are all working for the "greater public good" or are you talking about community based outcomes? On that note, I am OVER the fact that New Zealand advocates community involvement as an integral part of policy making and strategy devising. The people they choose from the community (Maori/Pacific or the "small" people's voices) are not people I delegated to talk on MY behalf! These people are selected strategically by "hierarchy" who seeks only to fulfill its own purpose. These people are generally those that

do not rock the boat, who are compliant and will help to reinforce the systems that are already in place. Do I have a problem with this? Hell YES! Because, the “outcome” is no longer a true appraisal of what the community or people want but in fact, a hidden version of what the institution wants. However, on the face, the institution can feasibly say, “Maori led policy”, “Pacific’s Nations were consulted”. How true and how accurate and how useful is this?

New Zealand’s education system needs an overhaul. Imagine, if the rest of the world offers education like we do here in New Zealand than what will our next generation look like?

3.11.17 (2006-11-22 11:18)

Many thanks for your comment. The points you make are all well taken. I sympathise especially with your views on consultations with ’community leaders’. Unfortunately this sort of obeisance to existing institutions is rife in all policymaking areas. Institutions have their own objectives - primarily self-perpetuation - and these are not always those of the people they are supposed to represent. Indeed, very often the institutions and their supposed beneficiaries have mutually conflicting goals. As you imply, in our current policymaking environment, consultation with certain institutions, or the appearance of it, has become an end in itself; at the expense of meaningful outcomes for real people.

So we come to your question ’whose outcomes’? I do not think that all the goals of an educational system, or rather parents and children, can be quantified and targeted. That said, there are important goals that can be so quantified, and I should think that universal literacy is one of them. Now in the transition to an outcome-based regime, I envisage that we’d start with such basic, quantifiable goals. In essence these would be ’lowest common denominator’ goals; those desired by the vast majority of adults. They could be phrased negatively, recognising that government cannot do everything, but at least can strive for and ensure, in this case, universal literacy, or other minimal societal goals, such as avoidance of catastrophic social and environmental collapse. Similarly in health, poverty-eradication, crime and housing: at first certain widely-agreed, minimal goals would be explicitly targeted. In the transition phase, government could continue with its other activities, but the targeting of these basic specific outcomes would at least ensure a tightly-woven safety net, so that the co-existence of a massive public sector with , for instance, illiteracy in schoolchildren would be stamped out. It helps that, in general, it is easier to quantify minimal goals in ways that are strongly correlated with what society (probably) wants to achieve. For instance: literacy and numeracy of schoolchildren are relatively easily quantified; so too are such basic health indicators as infant mortality, longevity etc. At higher levels of educational attainment or health status, the numbers become less reliable and people might prefer the combination of less government involvement, lower tax rates, and more money to spend on their own goals. Depending always on what society wants, you could imagine a decline in public spending on tertiary education, transport infrastructure or corporate welfare schemes, once the public becomes actively involved in choosing societal goals.

During this transition to an outcome-based poliycmaking regime, ordinary people would become more engaged in the policymaking process. I say this with confidence, because expressing policies in terms of outcomes that are meaningful to real people (as against institutions) is inherently more interesting to members of the public. Under the current system, policy goals, assuming they are made explicit at all, are expressed in terms of

institutional structures, activities, or allocations of funds - anything except outcomes in fact. The result is not only inefficiency but widespread disengagment of ordinary people from politics. But if policy were subordinated to outcomes, then people would understand and take an interest in the goals of government policy. Expectations of what government can achieve with public funds would be constantly refined. Under a Social Policy Bond regime, the market values of the bonds would also generate extremely valuable information as to the costs of government policies. I envisage, that at the end of a transition to a Social Policy Bond regime, a well-educated - universally-literate and numerate! - population would be consulted regularly about what government goals should be. They would be presented with various options and trade-offs. In contrast to what seems to be happening now, this would not only would narrow the gap between government and the people it is supposed to represent; it would make for a far more efficient and responsive public sector.

3.11.18 Subsidising environmental destruction (continued) (2006-11-22 11:49)

A reminder: we're not just destroying the planet, but we're subsidising its destruction:

> House Democrats also are shying away from tampering with more than [US] $1 billion worth of oil- and gas-related tax breaks, enacted last year. Source: [1] *Washingpost.com*

1. http://www.washingtonpost.com/wp-dyn/content/article/2006/11/18/AR2006111800480_2.html

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3.11.19 It doesn't really matter... (2006-11-23 11:14)

...what is causing climate change. By the time we definitively identify the cause it may be too late to do anything about it. From a [1]letter to the [UK] *Guardian* by Piers Corbyn of Weather Action:

> The global warmers' claim that current extra CO2 causes warming which gets dangerously magnified through the greenhouse effect of extra water vapour in the atmosphere, consequent to the temperature rise, also fails. The sea absorbs extra CO2. Furthermore, increased transpiration-cooling by enhanced growth of plants, which is caused by extra CO2, cancels out the extra greenhouse warming of that same CO2. Increased greenhouse heating due to doubling CO2 is 3.7 watts per sq metre. This is negated by about the same amount of enhanced transpiration-cooling of plants, all of which grow faster in extra CO2. Therefore there is no CO2 driven net heat flow and surface temperature rise. Temperature and climate change in our epoch is therefore driven by other factors, especially solar particle and magnetic effects.

Fine: there appears to be reasonable doubt about whether greenhouse gas emissions cause climate change. Should we therefore wait several decades before mitigating the effects of climate change or taking steps to stabilise the climate? In general, do we have to find root causes of a problem before we try to solve it? We can do both, but allocating resources between the two courses of action needn't be done at the initial stages. We strongly suspect, for instance, that smoking causes cancer. But we don't give up all research into prevention and cure of cancer until that particular causal relationship has been proven. Similarly with climate change: let's focus on mitigating its worst effects, *however caused*. And let the market decide, via [2]Climate Stability Bonds, how to allocate scarce resources between prevention and mitigation: something that the market, with its built-in incentives, can do far more adaptively and less divisively than the absurdly expensive, ineffectual bureaucratic testimony to 1990s science that is Kyoto.

1. http://environment.guardian.co.uk/climatechange/story/0,,1951175,00.html
2. http://socialgoals.com/ieakyototext.html

3.11.20 Milton Friedman and the public sector (2006-11-24 02:25)

> Since 1989, the year Ronald Reagan, the American president most in tune with Mr Friedman's ideas, left office, and the Berlin Wall came down, America's government has grown just as fast as its economy—an economy which has barrelled along for much of that time. The state's slice of GDP is forecast to be 36.6 % in 2006, up from 36.1 % 17 years ago. The public sector has also swollen in Europe's three biggest economies—Britain, France and Germany—and in OECD economies as a whole.

This excerpt from an [1]editorial in the current *Economist* reflecting on the achievements of the late Milton Friedman. The point being made is that there is still a lot of work to be done. I don't quite share the assumption that the rising influence of the state is necessarily bad. Sure it means that people have less to spend on what they themselves want but might it not be that they want more spending on public goods and services of the type that only government can supply? Sadly, the answer is probably 'no'. Governments keep getting bigger largely through deception, obfuscation and inertia. Deception, in that it knows and has known for a long time that its subsidy programmes do nothing to help the people whom they are represented as benefiting. So massive farm subsidy programmes, sold as essential to maintain family farms, actually do no such thing: they overwhelmingly go to the largest landowners and massive agribusiness corporates. Obfuscation, in that government (with very few exceptions) does not target explicit policy outcomes, such as universal literacy, low crime rates, or basic health or employment goals. Instead it allocates public funds according to criteria that have little to do with people's considered wishes: media appeal or political expediency. Its decisions concern spending, rather than publicly accessible outcomes. Existing institutions, especially government agencies, and their ways of doing things are taken as a given.

And inertia, because many government programmes are self-entrenching. Subsidies to corporations, or protection for public sector workers, strengthens the forces of resistance to any meaningful reform. The *Economist* editorial goes on:

> Governments are as convinced as ever that they know best how to spend their citizens' money.

But it's just as true to say that they may not be so convinced; they may see quite clearly that socially unjust, economically wasteful, and environmentally destructive subsidies (for example) are stupid. It's just that they lack the courage to end them.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=E1_RPTJVTV

3.11.21 (2006-11-24 20:25)

I didnt find thing that i need... :-(
[1]google

1. http://google.com/

3.11.22 Killing with kindness, killing with complexity (2006-11-27 10:23)

Not, in this instance, literally:

> More than five million Britons now rely on state aid to live and the number of younger people claiming sickness benefit is higher than anywhere else in the industrialised world, a major new study has found. ... Around £64 billion per year — more than 10 per cent of all public spending — is handed out free of obligations. Spending on benefits, not including pensions, amounts to nearly £80 billion a year, more than is spent on education and twice as much as is spent on law and order. ... The central problem has been the way [Finance Minister] Mr Brown has structured the system to keep a strong central grip on welfare. His design for tax credits means that the UK has the highest penalties for increasing income or increasing hours worked – the poverty trap – of any developed country. [1]*Five million Britons on state aid* 'Daily Telegraph', 27 November

Anybody who's been on a vacation of more than a couple of months will be familiar with the problem. We return and, after switching the power back on, we have to re-learn how to set and use the finer features of the microwave, the telephone answering machine, the VCR or DVD recorder...and so on. All this electronic equipment was designed by specialists for people (apparently) who will be using it every day and who have the time and energy to consult the voluminous instructions if they take a break.

It's similar to the composers of modern serious music, whose audience consists entirely of other musicians, or the highbrow novelists who write exclusively for the novelists on prize committees. And so it is with the welfare industry. The experts who construct welfare policy are several stages removed from their supposed beneficiaries. The econometrics is elegant, the proliferation of new features is technically impressive, but the result of all the

complexity - if the policymakers but cared about it - is a fiscal, social and pyschological disaster.

Here's an idea: why not say, explicitly, what welfare policy is designed to achieve? Express your targets in terms that can be easily monitored and that are meaningful to real people. And if you don't know how to achieve your stipulated goals, don't be embarrassed: just contract the whole process out to a motivated and efficient private sector. Perhaps the UK Government is actually coming round to this way of thinking. The 'Telegraph' article continues:

> The report proposes the outsourcing of welfare provision to voluntary and private sector organisations which would be paid on results, in particular for getting claimants into sustained employment.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=RLQAR5OVN5DSHQFIQMFCFFWAVCBQYIV0?xml=/news/2006/11/27/nwelfare27.xml

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3.11.23 What politicians think of us (2006-11-28 14:27)

On the rejection of his proposed constitution for the European Union:

> It was not France that said 'no' to the constitution, it was 55 per cent of French people. Valery Giscard d'Estaing, quoted in [1]*the Brussels Journal*.

There's a lot that can be read into this that one sentence: the arrogance of a member of the French political elite; that elite's disdain for voters; the concept of a France that is not some representation of a vision shared by the French, but one that is actually in conflict with the French people's wishes. I will just say that the statement represents the logical end point of a policymaking process that has nothing to do with outcomes that are meaningful to real people. The EU constitution on which the French voted was largely incomprehensible. More generally, policymaking is an arcane excercise to the non-specialist, where decisions are about changes to institutional structures or funding arrangements, and are driven by ideological concerns or the need to buy off various interest groups. Matters, in short, that have little relevance to the outsider. Indeed, they help create and widen the distinction between outsider and insider.

Giscard is the consummate insider. The outsiders used to be those who didn't bother to vote at all. But as far as Giscard is concerned, even those who do vote should be considered outsiders if they don't agree with what he and the other members of his priesthood think is best for us.

1. http://www.brusselsjournal.com/node/1693

3.11.24 Don't rely on government (2006-11-30 06:31)

One of the disadvantagess of a large public sector is that it crowds out our natural, organic, bottom-up way of doing things. Whether it be care of the elderly or the sick, maintaining our

physical environment or defining our cultural identity; the temptation for many of us is to let government do the work. This is not all bad: there are things that only government can do efficiently; but it does tend to reduce our own faith in our problem-solving abilities. It's also an excuse for laziness in the face of urgent challenges. We think that, since we are giving more than a third of our income to the government, we don't really owe society very much more.

Unfortunately, government inefficiency is legendary, and the recipients of its largesse (wealthy landlords, multinational corporates, the military etc) are not always those in most urgent need. But if our priorities are significantly different from government, we can actually do something to solve our social and environmental problems – *even if we don't know exactly how*.

Philanthropists can issue their own Social Policy Bonds to achieve a specific goal with which they identify closely. They can back the bonds with their own funds, to be placed in an escrow account. Once their objective has been achieved these funds would be used to redeem the bonds. The philanthropists, once having got the ball rolling, could solicit funds from members of the public, who could contribute directly into the escrow account, and so increase the incentive for the targeted objective to be achieved quickly.

For those interested, I have written a small handbook, taking as an example female literacy in Pakistan: click [1]here for a pdf file on how philanthropists could issue Female Literacy Bonds. I have tried and tried to communicate with philanthropic organizations and publications directly but, understandably perhaps, they do not seem to respond to my unsolicited emails.

1. http://socialgoals.com/handbook.pdf

3.11.25 Event Loss Swaps (2006-11-30 14:26)

In an earlier [1]earlier post I mentioned the similarity of Social Policy Bonds to Catastrophe Bonds. Readers might be interested to hear of an initiative by Deutsche Bank which, according to the [2]Financial Times, "has begun making two-way markets in what it calls event loss swaps (ELS), which work in a similar way to credit default swaps and allow investors to buy or sell protection against insurance industry losses from large natural catastrophes."

These derivatives, as with catastrophe bonds themselves, do not a seek to modify behaviour, but in principle there is no reason why they need not encourage a movement toward projects aimed at preventing the losses resulting from those 'large natural catastrophes'. With larger funds at stake, and a broader definition of catastrophe than insurance losses, cat bonds and their derivatives could be equivalent in effect to Social Policy Bonds.

1. http://socialgoals.com/blog/2006/06/social-policy-bonds-and-catastrophe.html
2. http://www.ft.com/cms/s/9dc78f90-8018-11db-a3be-0000779e2340.html

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3.12 December

3.12.1 Never mind the outcome, feel the sanctimony (2006-12-03 12:10)

An [1]article in the UK *Sunday Telegraph* says that Chancellor Gordon Brown 'has been launching transport reviews at the rate of nearly one a year since 1998'. According to the same article, in 2000 Brown proposed scrapping older lorries with a £100 million investment fund. 'Asked about this recently, ministers said they did not fund any such schemes.' In 2003, Mr Brown claimed that everyone on Jobseekers' Allowance would be assessed with a mandatory skills test. But 'Ministers recently told the House: "There are no mandatory skills courses linked to Jobseeker's Allowance".'

This sort of thing is typical. Image is more important than reality; and who's going to keep the politicians honest? Between policymaking and policy delivery there are manifold labyrinthine paths, obscured by the fog of committees, agencies, and the glossy outpourings of PR professionals. The goal is not to deliver outcomes, but to remain in power, and for that, in the ADD era, grandiose but vapid promises suffice. Unveil new well-intentioned initiatives, and you will look good on the tv news. And under the current regime there's no need to bother about outcomes. All the good news can be ascribed to your policies; all the bad news to the confounding effects of unexpected events or the long-term fallout from the previous ruling party's activities.

This randomized or – frankly – deceptive approach is just not good enough. It never was, but given the challenges face as a planet and a species, it could bring us to extinction. Kyoto, for instance, is typical: high-sounding principles; top-level agreements; elegant trading mechanisms…and the outcome? A possible negligible reduction in anthropogenic greenhouse gas emissions. Pitiful: the triumph of process over substance.

Policy and political careers should be subordinated to outcomes. Real, meaningful goals should be made explicit, then targeted. People should be rewarded for how efficiently they achieve societal goals. We can no longer afford the smoke and mirrors of the current political process. It's not a matter of who gets elected any more: it's a matter of survival.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=FAMXAEXGUE50JQFIQMGSFGGAVCBQWIV0?xml=/news/2006/12/03/nbrown03.xml

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3.12.2 Read this and weep... (2006-12-05 11:27)

...or *Subsidising Planetary Destruction, part 94*.

Last month the United Nations General Assembly discussed banning high-seas bottom trawling, which scrapes the sea-floor bare, devastating habitat and coral. But strip mining of the high seas for fish in this way is not only continuing: it is being subsidised.

The villains – or lunatics – in this particular policy area include Japan, Russia, South Korea, and Spain. And how are their destructive fishing operations subsidised? Mainly by the provision of low-cost fossil fuel! The [1]Fisheries Economics Research Unit at the University of

British Columbia's Fisheries Centre [2]estimates (pdf) that bottom trawl fleets operating in the high seas receive an average of US $152 million per year, which constitutes around 15 per cent of the total landed value of the fleet.

1. http://www.fisheries.ubc.ca/ru/feru/
2. http://www.fisheries.ubc.ca/ru/feru/news/Subsidies_CanwestNov2006.pdf

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3.12.3 Environmental policy must be diverse and adaptive (2006-12-08 02:34)

It's not at all clear whether oft-proposed shifts in the way we do things would actually benefit the environment. I've [1]blogged already about the uncertainties over whether cloth nappies (diapers) are better for the environment than disposables, as is commonly assumed. In June 2004, 'Modern Railways' published an article (*Rail loses the environmental advantage)* pointing out that high-speed rail can consume more fuel per passenger than cars or even planes.

The current issue of the 'Economist' has published a [2]letter questioning the environmental advantages of solar panels over fossil fuels:

> Silicon fabrication factories are energy and water intensive and the manufacture of silicon wafers uses energy from traditional fossil-fuel power generators, with the same old pollution. Add the potential problems of disposal towards the end of a panel's life—they are frequently doped with toxic materials like arsenic—and solar power hardly seems like the environmentally benign solution it is often touted to be. Peijing The, 'The Economist', 9 December .

The sort of life-cycle analysis required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties and the difficulty of weighting one type of environmental impact against another. They are better than blandly assuming that rail is 'better' than air travel, that solar power is better than coal-fired power stations, but for the making of robust policy they would need to be continually reassessed in the light of our ever-expanding knowledge of the environment and our ever-changing environmental priorities. Government policy cannot be so responsive: if government did use life-cycle analysis with the aim of altering our behaviour, it would probably do so on the basis of a one-time, necessarily limited, and possibly quite subjective assessment of environmental costs and benefits. It's not good enough, but even worse would be what we largely have now: government environmental policy based on corporate interests, media stories and the launching of visually appealing initiatives that attract air time but otherwise achieve nothing.

Social Policy Bonds would take a different approach. They would subordinate environmental policy to targeted environmental outcomes. It might be, for instance, that society wishes to reduce its use of fossil fuels. A Social Policy Bond issue that rewarded achievement of such a reduction would generate incentives for bondholders to bring it about *at least cost*. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government would do so: bondholders have incentives to achieve their goal efficiently. This is likely to mean responding to and stimulating: increased knowledge of scientific relationships, and technical advances.

A single environmental goal, such as reduction in fossil fuel use, entails diverse, adaptive responses. These are precisely the sort of responses that government does very badly. Government can and should articulate society's environmental goals, and can help pay for their achievement: in the democratic countries it performs these functions quite well. But actually achieving these goals requires continuous, well-informed and impartial decisions to be made about the allocation of scarce resources. For that purpose, Social Policy Bonds, with their incentives to achieve targeted outcomes efficiently would, I believe, be far better than the current ways in which environmental policy is formulated.

1. http://socialgoals.com/blog/2005/05/nappies-and-environmental-policy.html
2. http://www.economist.com/opinion/displaystory.cfm?story_id=8380052

3.12.4 World targets in megadeaths (2006-12-09 16:23)

Two snippets from a newsletter sent out by [1]*Carbusters*:

- The city of Guangzhou has banned battery-powered bicycles to make more room for the 870,000 cars on the streets. This will negatively affect the almost 100,000 residents who drive these bicycles, but will make space for automobiles, which are appearing on Guangzhou's streets at a rate of 150,000 per year [Reuters].

- On average, 3450 people die on the world's roads every day [RoadPeace].

I write about cars and the depredations they inflict on us all not because I think cars are evil, but because they show very clearly what happens when government and its policies become remote from ordinary people. As with so many government activities, the promotion at public expense of transport was a good idea – at first. Roads used to be as essential as decent sewerage. Now, largely because of the enormous growth in road traffic, any other way of getting about has become expensive or dangerous. We are so hooked on our cars, and the road lobby is so hooked on corporate welfare, that government can do little to stop the juggernaut, even when it kills people at the rate of one 9-11 a day – as well as maiming and mutilating tens of thousands. Oh, and poisons our atmosphere, devastates our cities and countryside, and goes a long way toward shredding our social fabric.

Some years ago when the Chinese Government was bundling Falun Gong meditators into trucks for torture and worse, the British people mounted a remarkably successful demonstration…against a small rise in petrol prices.

1. http://www.carbusters.org/

3.12.5 The rich world's farm policy is corrupt (2006-12-11 13:25)

I'll leave it at that for today:

"A maverick dairyman named Hein Hettinga started bottling his own milk and selling it for as much as 20 cents a gallon less than the competition, exercising his right to work outside the rigid system that has controlled U.S. milk production for almost 70 years. Soon the effects were rippling through the state, helping to hold down retail prices at supermarkets and warehouse stores.

For three years, starting in 2003, a coalition of milk companies and dairies lobbied to crush an initiative by a maverick Arizona dairyman. Hein Hettinga chose to work outside the rigid system that has controlled U.S. milk production for almost 70 years. The milk lobby said he presented unfair competition because he chose to operate without federal price control. Hettinga fought back but was outgunned on the Hill. In March, Congress passed a bill that effectively ended his experiment.…" Source: [1]Washingtonpost.com:

1. http://www.washingtonpost.com/wp-dyn/content/article/2006/12/09/AR2006120900925.html

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3.12.6 GDP: the default target for government policy (2006-12-14 13:48)

It's about two years since I started this blog. In that time I haven't detected much movement toward outcome-based policy. Instead, we are seeing the ascendancy of a political caste; people who are politicians first and foremost *and always have been.* Their concerns are not those of ordinary people, and their definitions of success or failure are entirely removed from those of the populations they are supposed to represent.

Take this example, from a 2005 [1]statement by the New Zealand Prime Minister, Helen Clark:

> Treasury estimates that our GDP per capita would rise by 5.1 per cent if we lifted our participation rates overall to the average of the top five OECD nations. That's a worthwhile objective and at this time of labour shortage, it's a good time to be pursuing it. In last year's Statement I highlighted the need to increase women's participation in the workforce, and a number of steps have been taken to do that.

In other words, an increase in GDP per capita has become an objective in itself. Anybody who has always lived and breathed politics is going to think like that: the things that matter to

such a person are aggregated quantifiable data. The flaw is that such data do not accurately measure the well being of society. Devised primarily to measure the output of manufacturing economies, GDP does not take into account changes in the quality of the physical environment, nor the distribution of income, nor social problems such as crime and homelessness. It ignores human capital (the education and skills that are embodied in the work force) and it fails to account for leisure time or the unpaid work of parents or family members. It cannot account for these things because they do not generate a flow of money. When GDP becomes a target these failings become more important than a measurement error. They underlie policymakers' favouring of the big and measurable.

Statistics like GDP should never have assumed the authority they have nowadays, but they have done so by default, because we have failed explicitly to target outcomes that are actually meaningful, whose quantifiable measures are correlated with societal well being, at least at the lower ends of their ranges. We should, for instance, be targeting such measures as infant mortality, basic numeracy and literacy, basic levels of education and housing, employment levels. At a global level meaningful targets would be the spread of nuclear weapons, violent political conflict, and critical environmental indicators, such as climate stability.

But politicians, especially career politicians, find it hard to think in this way. They are not ordinary people. Their identification of success with GDP per capita is exactly analogous to a corporation's appetite for profits: an end in itself. Nothing else matters. So Ms Clark for all her ambition may well see a small tick upwards in the New Zealand GDP. It's the children whose mothers join the workforce who will bear the consequences.

1. http://www.scoop.co.nz/stories/PA0502/S00012.htm

3.12.7 Smoke and mirrors (2006-12-15 03:12)

In [1]Why I've lost my faith in Gordon Brown in the UK 'Times' yesterday, Anatole Kaletsky says:

> Perhaps the most worrying revelation about Mr Brown's approach to politics has been his obsession with institutions and processes, rather than results. Everyone knows that Mr Brown's proudest achievement has been the restructuring of the Bank of England, but is it possible that restructuring other government departments is Mr Brown's "big idea" for the next decade? Following the merger of the Inland Revenue with the Customs and Excise, Brown allies hint at reorganising the Department of Trade and Industry, revamping the Cabinet Office and maybe even abolishing the Treasury itself. Even more depressing is Mr Brown's apparent addiction to commissions and quangos run by former businessmen, financiers, civil servants and newspaper editors. It is as if the mere appointment of these commissions is enough to

satisfy Mr Brown's insatiable desire for information and the appearance of governmental activity.

Unfortunately, on this record Mr Brown is exactly in tune with current policymaking priorities. For political purposes, results hardly count. It's cheaper and less effort to get Public Relations people to spin the facts, rather than to change them.* The parties tacitly conspire in this shell game, stressing in their election campaigns rhetoric and image, under an electoral system that allows voters a choice between Tweedledum and Tweedledee once every four or five years. Voters are seen as taxpayers or beneficiaries with Attention Deficit Disorder – a self-fulfilling belief system given that (as Kaletsky continues) educational policy itself is subordinated to meaningless spending targets:

> On the substance of policy, meanwhile, Mr Brown seems to have nothing of interest to say — or do. Education, for example, is supposedly Mr Brown's top priority for the "next Labour decade". Yet his only positive idea in this sphere is to keep spending more money on school buildings and renovations, without any apparent regard to what these schools teach or how, until he achieves his newly proclaimed target — that the average cost of educating state school pupils should reach the amount now spent in private schools.

This is gesture politics at its worst. *Spending is not a legitimate policy goal*. It is a means to ends, not an end in itself….unless, of course, Mr Brown's real educational objective has more to do with placating the teaching unions than with actually educating the electorate of the future. The solution of course is to express policy goals in terms of results that are meaningful to real people. Meaningful goals for education, oddly enough, are educational goals: things like numeracy, literacy and the physical and intellectual well being of young people. Trickier to measure, to be sure, but far more relevant to real people than the lazy (or corrupt) pseudo-goal of 'higher spending per pupil'.

And if you think I am being overly cynical about the role of image-making in politics, check out this [2]Mail on Sunday report that the British Government has agreed on a multi-million pound PR campaign to make British citizens feel better about the European Union. The plans, entitled *Reframing the Debate*, suggest promoting the 'EU brand' by linking it to popular or 'warm' European themes, like the Eurovision song contest, or the Cannes Film Festival - even though these have nothing to do with the EU. It also suggests banning Ministers and officials from referring to unpopular EU institutions like the European Commission, places such as Brussels and Strasbourg, the euro, terms like 'Eurocrat' and 'EU directive' and controversial policies such as the Common Agricultural Policy and the EU Constitution.

1. http://www.timesonline.co.uk/article/0,,1061-2502124,00.html
2. http://www.mailonsunday.co.uk/pages/live/articles/news/news.html?in_article_id=420090&in_page_id=1770

3.12.8 Who cares about quality of life? (2006-12-16 14:59)

A couple of posts ago I castigated the New Zealand Prime Minister for her making GDP per capita as the Government's target par excellence - even at the expense of the welfare of infants and children. Perhaps this isn't the worst possible default target. The current 'Economist', [1]describing UK Finance Minister Gordon Brown's Pre-budget Report says:

> Mr Brown has little to say about the quality of people's lives; tellingly, he seeks to boost growth in GDP rather than GDP per person. Stripped of the verbiage, much of his speech could be seen as opening the way to more development in the crowded south-east, whose residents would be less able to object under the proposed planning reforms.

While you can increase GDP per capita by substituting paid childcare for unpaid, you can increase GDP merely by letting more people into your country. Et voila! A visionless politician's problems solved! A high GDP means influence, power; a seat at G8 summits. Quality of life? Who cares?

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=8382073#search

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3.12.9 Bureaucrats and lobbyists versus the people (2006-12-19 10:57)

New Zealand has released a [1]draft forestry strategy to take into account climate change. Or rather, the fossilized science underpinning Kyoto – and that's the problem. There's a lot of internal consistency: to tax nitrogen fertilizer so as to reduce emissions of nitrous oxide; to spend NZ $100 million over five years to encourage new forest plantings. There's also a lot of elegant economics: tradeable permits for agricultural emissions and offset schemes from tree planting.

All very worthy and, as I say, entirely consistent with the premises underlying Kyoto.

Unfortunately these premises are flawed. Kyoto is not, ultimately, concerned with climate change. Its sole focus is to reduce net anthropogenic greenhouse gas emissions. They are not at all the same thing:

1. Reducing anthropogenic greenhouse gases might not be the best way of reducing the concentration of greenhouse gases in the atmosphere;

1. Reducing the concentration of greenhouse gases in the atmosphere might not be the best way of preventing or mitigating climate change; and

1. Preventing climate change might not be the best way of preventing the worst effects of climate-induced catastrophe.

Even if our ultimate goal *were* solely to reduce net greenhouse gas emissions, Kyoto would be inefficient. Kyoto, and the New Zealand Government, are telling us not only that greenhouse

gas emissions must be cut, but *how* to cut them. They are putting in place their own fixed assumptions about the relative contributions that greenhouse gases make to the climate change problem, and similar assumptions as to the contributions that planting trees rather than crops make to solving it. Such assumptions are based on old science: it is in the nature of top-down, micro-managed, bureaucratically administered regimes that they cannot readily adapt; and our scientific knowledge is expanding very rapidly indeed. Even accepting the premises of Kyoto, then, the current responses are inherently inflexible and inefficient – which matters a lot, given the colossal costs involved.

How would [2]Climate Stability Bonds be better? First, they wouldn't *assume* that cutting greenhouse gas emissions is the best way of tackling climate change. But even if it were found that doing so *is* the best way, holders of Climate Reduction Bonds would have strong incentives to do be more efficient. They would want and would have wider scope for action. For example, they wouldn't be bound by political correctness or *realpolitik* of the sort that exempts some countries that emit huge quantities of greenhouse gases from any disciplines at all. They would simply buy these regimes off or otherwise undermine opposition to the necessary disciplines.

There is an important presentational aspect too. Kyoto doesn't focus on a desirable outcome: it's focused on processes and activities. So it is now so politicized, and its money flows so unpalatable, that it is seen as an imposition; in the rich countries it's seen as an imposition by the greenies on everyone else, and in the poor countries it's seen as an imposition by the rich countries on them. And to industries, such as the forestry industry, it's seen as a government-imposed threat to their wealth, or an opportunity to seek subsidies from that same government. Either way, it diverts the attention of some clever people away from managing their business efficiently, and into lobbying the government for special treatment.

In the proverbial battle between elephants, it's the grass that gets crushed. With governments and the other Kyoto lobbyists, success is defined bureaucratically. As the *New Scientist* in its editorial of 25 November put it: "Some at the heart of the [UN climate] negotiations claim that the [recent meeting] in Nairobi has been a success. That's baloney. The conference persuaded itself that a review of the [Kyoto] protocol in 2008 is a major outcome, but to an objective outsider it looks more like an excuse for inaction." And for corporate interests, success is measured in terms of how much they will gain or lose as a result of whatever schemes, allegedly to mitigate climate change, are put in place by governments. While these games are being played, the losers, as so often, are we, the people.

1. http://www.stuff.co.nz/3904177a19715.html
2. http://socialgoals.com/ieakyototext.html

3.12.10 Biases of big government (2006-12-22 14:39)

The problem with big government is that it is generally remote government. Remoteness means that government is unresponsive to the real needs of real people and has wildly different priorities from real people. Big government has more in common with other big organisations (corporations, trade unions, other governments) than with the people it's supposed to represent. All these institutions have two main things in common:

- Their over-arching objective is self-perpetuation; and
- When monitoring their performance, they rely heavily on easily quantifiable data.

Self-perpetuation for most of us, most of the time, is a goal with which we can identify as individuals. Some organisations, brought into being to address genuine grievances can, knowlingly or not, perpetuate or entrench the causes of their grievances: they see the entire world through the prism of the cause that validates their raison d'etre; and that can be problematic.

But the reliance on quantifiable data is, I think, equally dispiriting. A benevolent welfare state cannot discriminate between the deserving poor, and those who would benefit more from being refused (say) unemployment assistance and so more motivated to find work. The criteria for receiving such assistance will be numerical data, mainly wealth and income.

Given that we have big government, one way of solving the sort of mismatch between numerical aggregate measures of wellbeing, and actual wellbeing, would be to have sensible numerical targets. Take the unemployment example: instead of detailed, legalistic criteria for the *process* of applying for unemployment benefit, a truly benign government could set a broad target for total unemployment, and contract out the achievement of that lower target to the private sector. (Click [1]here for one suggestion.) The private sector would be motivated to encourage those unemployed at the margin - those least unwilling or unable to go to work - to find jobs. This is in contrast to a bureaucracy, which has no such clear motivation. The proliferation if meaningless micro-targets, and the bureaucratic need for self-perpetuation, combine in this and many other instances, to form a vicious circle, or a downward spiral, which cannot respond sensibly to cases of individual human need.

1. http://www.socialgoals.com/btwbs.html

3.12.11 Government will not save humanity (2006-12-25 10:31)

As the New Year approaches, there are two particularly urgent challenges facing humanity: nuclear proliferation and climate change. Our current approaches, in my view, are going nowhere, slowly. Iran is [1]rejecting nuclear sanctions, while Kyoto, even if it were to be a success in its own terms, is going to be divisive, expensive and ineffectual. Unfortunately, we are so accustomed to handing over responsibility for social and environmental problems to some level of government or other, that we assume either that solutions to humanity's problems are at hand, or that there's nothing we can do about them anyway.

A third approach is that of Social Policy Bonds. Charge the private sector with tackling these problems. Admit that we don't yet know *how* to solve them, but encourage people to research, investigate and implement diverse, adaptive solutions. Inject the market's incentives and efficiencies into the whole process; so expanding the pool of human ingenuity devoted to solving these real problems. We don't even have to wait for government to do it. We could [2]issue our own (pdf) Nuclear Peace Bonds (here's a [3]similar idea) or [4]Climate Stability Bonds. All it would take would be for some interested philanthropist to put up the funds, and let the market for the bonds do the rest. Of course, once the ball got rolling, contribution from members of the public could be solicited, which would swell the total redemption rewards.

The first hurdle is the one that looms largest, to me anyway. I have tried and tried to contact philanthropists and publications for philanthropists. With not a single exception

my emails have not even been auto-acknowledged. No doubt these organisations have devised effective filters to screen out unsolicited messages. Are any readers of this blog philanthropists? Do you know any philanthropists? Do you know how to get in touch with philanthropists? I fear the current alternative, waiting for government to do something helpful, is just not going to be good enough.

1. http://news.bbc.co.uk/2/hi/middle_east/6207319.stm?ls
2. http://socialgoals.com/handbook.pdf
3. http://socialgoals.com/mepeacebonds.html
4. http://socialgoals.com/ieakyototext.html

3.12.12 EU kills off small businesses - what's new? (2006-12-26 11:24)

Who could argue against this?

> A race is on to inform more than a million small businesses that they become responsible for disposing of electrical waste — from dishwashers to calculators – from July next year. EU rules come into force making businesses responsible for taking back the two million tons of waste electrical and electronic equipment…that normally goes to landfill each year. [1]Source

Well I will argue against it. Like much EU regulation it contrives to be both well-meaning – and to miss the point. If the objective is to reduce waste going into landfill, then why not set explicit, verifiable landfill goals and let people other than bureaucrats work out how best to achieve them? Why set up a new bureaucracy – because that is what these rules will do – to play around with activities that may or may not achieve reduce the rate of expansion of landfill?

It's a typical, top-down, one-size-fits-all, government-mandated, pseudo-solution to what is probably a genuine problem. It's also gesture politics, because it's unlikely to achieve much, apart from employment for bureaucrats. Oh, it will probably achieve something: this sort of nonsense imposes proportionately bigger costs on small businesses. As the newspaper report continues:

> But business leaders fear that only large retailers have any idea about the new obligation.

Precisely so: the main effect of these rules will be to increase still more the concentration in the retail industry that has already [2]made clones out of every main shopping street in the UK.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=ZGYP0FAZ0CHH1QFIQMGCFFWAVCBQUIV0?xml=/news/2006/12/26/nwaste26.xml
2. http://www.thisismoney.co.uk/news/article.html?in_article_id=406993&in_page_id=2&ct=5

3.12.13 Costing policy targets (2006-12-28 10:10)

The primary source isn't entirely clear, but according to an article in the current '[1]Economist' (subscription) around 6 per cent of UK children leave primary school each year unable to read properly. Clearly more government resources could reduce that figure. But, as with all social and environmental problems, the question is: where to draw the line?

I have my own preconceptions. For instance, I strongly believe that an excellent use of government funds would be to buy some low-cost law enforcement that could reduce the number of people killed on New Zealand's roads from its current rate of 400 per annum - along with tens of thousands of serious injuries. We all have our own priorities about where scarce resources should be allocated. But unfortunately we, and policymakers, are very much in the dark as to the costs of our predilections. It's in few people's interests to calculate disinterestedly how much return, in terms of welfare, would be saved by more funding on, say, traffic policing as against (for example) funding of women's refuges or literacy for schoolchildren.

A Social Policy Bond regime would be an improvement over the current system of allocating social funds, but also because it market prices of the bonds would constantly generate information of great value to policymakers about the total costs of their policies.

Take, for example, the objective of lowering some index of water pollution from 50 to 40 units. Assume that a national government issued one million bonds targeting water pollution, each redeemable for $10 once this lower level has been attained. The *maximum* cost to the government of achieving this objective would then be $10 million. But if the bonds, when issued, fetched $5 each, then the market would be saying that it thought it could achieve this objective for just $5 million. It wouldn't say *when* it thought it could achieve that objective, but that could be inferred from market behaviour and the market value of the bonds compared with other financial indicators. But what if the bonds sold for virtually nothing, and the market value of the bonds failed to move from that floor? That would mean that the government had miscalculated: in the market's view there would be no realistic chance of the objective being achieved for an outlay of $10 million in the foreseeable future. The government could respond in different ways:

- It could wait for new technology to arrive, or for circumstances to change in other ways, such that the market would see the objective as becoming more easily achievable, and the value of the bonds would consequently rise. Or,

- It could issue more bonds, with the same specification, also redeemable for $10. It might do this in stages, gauging the market reaction to each new tranche of bonds, which would tell the government the maximum cost of achieving the objective.

Either way, the government could be reasonably sure that it would be getting the best possible deal, expressed as 'reduction in water pollution per unit outlay'. Valuing the *benefit* of achieving a targeted social or environmental outcome is bound to be an uncertain, and to some extent, subjective task, whichever policy instrument is used. But minimising the *cost* of whatever outcome is targeted is a different matter. A government issuing Social Policy Bonds could determine the maximum cost of achieving the objective because that would simply be

the total number of bonds issued multiplied by the redemption value *plus* administration costs *minus* any revenues gained on floating the bonds. And, under a Social Policy Bond regime, it would be the collective wisdom of those in the market for bonds that determines how much the government (that is, taxpayers) would actually pay to achieve the targeted outcome: they will have every incentive to minimise that cost.

The prices of Social Policy Bonds are even more beneficial in that they would not merely minimise the *total* cost of achieving a specified objective. They would also indicate the *marginal* cost of achieving further improvements. But that discussion is more technical, and I will not go into it here.

Instead: two snippets from *Harper's Index* (taken from 'Harper's', October 2006):

- Minimum amount of USDA [US Department of Agriculture] farm subsidies since 2000 that have been paid out to people who do not farm: $1.3 billion.

- Minimum value of "small business" contracts given out by the US last year that went to Fortune 500 firms: $1.2 billion.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=8462290

3.12.14 Meaningless Mickey Mouse Micro-targets (2006-12-29 11:57)

Meaningful social and environmental targets must be broad; otherwise we risk a proliferation of Mickey Mouse micro-targets, that may seem unarguably valuable at first sight, but whose achievement comes at the expense of other valid goals. Take this [1]example, where the always-interesting UK-based National Health Service [2]Blog Doctor is writing about a patient, Robert, showing unexplained weight loss:

> I have written about this before. The days of the hospitals taking on patients and sorting them out has long gone. NHS hospitals no longer see patients. They process problems. This is a direct result of government targets. To hit the targets, each hospital contact or "event" has to be concluded as quickly as possible. And so it is. Robert's contact with the hospital is deemed a successful outcome, and points will have been scored. Meanwhile, his weight loss continues.

1. http://nhsblogdoc.blogspot.com/2006/12/97-year-old-man-survives-heroic.html
2. http://nhsblogdoc.blogspot.com/

2007

4.1 January

4.1.1 Government responses to terror (2007-01-01 14:03)

Government responses to random bombings, hijackings and other threats to our personal security are predictably incapable of adaptation, expensive and [1]ineffectual. They owe more to the need to be seen to be doing something, however devoid of value that 'something' is. The problem, as with the provision of other government services, is that government does not know when to hand over to the people.

Provision of city sewerage systems in Victorian Britain was an essential task, and one that only government could do. But [2]labelling cheese as junk food in 2007? A military-industrial complex, with professional forces and huge quantities of materiel was a valid response to threats of invasion. But [3]checking every air passenger's email and credit card accounts? Somewhere between these extremes, government has wandered away from the concerns of real people. It is now driven more and more by the inertia of a large and growing bureaucracy, whose over-arching goal is self-perpetuation.

Social Policy Bonds are an alternative approach. We do need government to articulate society's goals, and to raise revenue to finance their achievement. But we don't need go to stipulate *how* these goals are to be achieved. If the goal is to minimise threats from terrorism, then we need adaptive, diverse responses; not Pavlovian, one-size-fits-all reactions to news headlines. The New Year's Eve bombings in Bangkok killed three people: over the three preceding days 179 people [4]died on Thailand's roads. We can be fairly sure which of the two threats to its citizens' wellbeing the Thai Government will devote more attention to in the coming months. But I have another suggestion: issue Social Policy Bonds targeting premature deaths, and let the market allocate scarce resources to where they will achieve the highest return.

1. http://www.schneier.com/essay-121.html
2. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=OUOMPGYNIG1YPQFIQMFSFGGAVCBQ0IV0?xml=/news/2007/01/01/njunk01.xml
3. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=OUOMPGYNIG1YPQFIQMFSFGGAVCBQ0IV0?xml=/news/2007/01/01/nusnoop01.xml
4. http://www.nationmultimedia.com/2007/01/01/national/national_30023020.php

4.1.2 Politics without vision (2007-01-04 12:04)

Not much is unambiguous in politics, but the European Union's corrupt, insane Common Agricultural Policy qualifies as an unambiguous disaster. It's ruinously wasteful, it destroys the environment, it transfers money from the poor to the rich, and right now, not for the first time, it's threatening to derail the global trading system.

We might expect therefore that the British opposition Conservative Party, not having any power to lose, would come out strongly against the CAP. Previous UK party leaders, did so, at least when they too were in opposition. Their efforts foundered against the intransigence of the France political caste, but at least they tried.

But not the current Conservative leader who takes the absurd CAP as a given. The extent of his vision is to want [1]more subsidies for English farmers. Or it appears to be; I'd be delighted if I'm wrong.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=YOFAPL1KTX1KFQFIQMFCFFWAVCBQYIV0?xml=/news/2007/01/04/nfarm04.xml

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4.1.3 National security: currently subordinated to institutional structures (2007-01-05 14:09)

Measuring the success or otherwise of a government agency is not always a simple matter. How, for example, would we monitor the effectiveness of the military? Is the non-invasion of your country a reliable indicator of a successful defence agency? No. There could be a mass assembly of hostile troops on your borders. No invasion, sure, and not yet a loss of sovereignty; but the threat of an invasion, and so a potentially imminent loss of security and current rise in fear and anxiety.

The point is not just that there are social and environmental outcomes that are difficult to quantify, but that our current methods of allocating resources do not attempt to do so. Under the existing political system, the main determinant of funds to government agencies is the amount of funding they received in the previous financial year. Percentages are adjusted upwards or downwards, but *the institutional structures are taken as a given*. National security is currently something that the military and intelligence services do, but in this age of [1]asymmetric warfare that approach may no longer be enough. After terrorist incidents there are calls for the funding of these bodies to rise. It's not in their interests to quantify their own effectiveness; only to report on (and exaggerate) any apparent threats.

Something is missing, and that is the scientific allocation of scarce resources. The answer, I believe, is a Social Policy Bond regime that first of all, attempts to measure precisely what we want to achieve, and second, rewards achievement of that goal, or combination of goals, *without assuming a particular institutional structure*.

As I say, defining what we want to achieve in the area of national security is difficult, but *precisely the same difficulty arises when we attempt to measure the effectiveness or otherwise of the existing system*. Under the current system there's less and less definition of meaningful outcomes, and more and more resources being allocated to institutions that may

or may not be doing much to achieve them.

A Social Policy Bond regime as applied to national security would subordinate all its projects and initiatives to the targeted goals. Terrorism, for instance, would not be the remit of ever more bureaucracies given ever more intrusive and expensive things to do. Perhaps equally important, though, is that citizens themselves could help define national security goals. Greater participation would means greater buy in, and so not just the enhanced effectiveness of whatever projects are undertaken, but a wider range of possible initiatives.

1. http://en.wikipedia.org/wiki/Asymmetric_warfare

4.1.4 Corruption is built into opaque policymaking (2007-01-06 15:42)

It's sad to see how closely intertwined are the interests of corporations and politicians. 'Barack Obama Inc', an article in Harpers of November 2006 by Ken Silverstein mentions some of the compromises necessary under the current system for even the best-intentioned political movers:

> [A]lthough Obama is by no means a mouthpiece for his funders, it appears that he's not entirely indifferent to their desires either. Consider the case of Illinois-based Exelon Corporation, the nation's leading nuclear power-plant operator. The firm is Obama's fourth largest patron, having donated a total of $74,350 to his campaigns. During debate on t 2005 energy bill, Obama helped to vote down an amendment that would have killed vast loan guarantees for power-plant operators to develop new energy projects. The loan guarantees were called "one of the worst provisions in this massive piece of legislation" by Taxpayers for Common Sense and Citizens Against Government Waste….

The problem is with the indirect way we fund our politics. It's comparable to the obsolescent ways in which tv programmes have been funded under the now-shrinking 'free to air' model. Viewers pay either a sort of tax to a state broadcaster, or they watch adverts. Either way, there's an intermediate step between the public and the programmes they watch. That model is faltering, and perhaps we'd be better off if similarly indirect policymaking disappeared from politics too.

Currently we have a specialised class, politicians, who are funded by corporations or other institutions. Why can't we cut out the middleman and fund our politics directly? One reason is that the policymaking process is so arcane, so opaque, that only specialists can understand it. Whether this is an inevitable by product of complex economies and societies, or whether there is some patch protection going on by a self-interested and insecure group of professionals, many of whom used to be lawyers, is debatable, but the effect is the same.

Ordinary people and their interests shy away from engagement in politics, and that suits the politicians and bureaucrats just fine.

My solution is instead to subordinate politics to outcomes. I believe a Social Policy Bond approach would allocate funds more efficiently than the current system, which is largely driven by the interests of lobbyists and the interests of existing institutions, notably government agencies themselves. But efficiency is only one benefit of a bond regime. Another important one is that, by recasting our politics in terms of meaningful outcomes, we would draw more people into the policymaking process. People understand outcomes: we are less interested in the recondite discussions over funding of the myriad departments of government, or the wording of legal documents, that is such for feature of the current regime. More public participation means more public buy in. These are ends in themselves, as well as a means to more effective and efficient policy.

Mr Silverstein's article on Barack Obama ends by quoting an anonymous Washington DC lobbyist, who pointed out:

> that big donors would not be helping out Obama if they didn't see him as a "player". The lobbyist added: "What's the dollar value of a starry-eyed idealist?

4.1.5 Limits of big government threaten us all (2007-01-09 09:27)

Making policy is very much like thinking, in that it's limited by the way it abstracts from reality the finite range of facts available to it. For makers of policy whose remit covers more than a family, clan, tribe or village, this should be a lesson in humility, because policymaking for large numbers of people inevitably entails the use of quantifiable data. Such data are equivalent, at the level of the individual, to our thoughts. Either way, they are extremely limited; what our minds can grasp, articulate and work on do not describe reality. They are individual facts, selectively taken from memory or, when making policy, aggregated, quantifiable information. Unfortunately, as the saying has it, 'if the only tool you've got is a hammer, you're going to see every problem as a nail'. And the only policymaking tool we have is our intellect backed up, sometimes, by statistics.

In the individual our thoughts have not (yet) completely crowded out our insight. We know, most of us, at some level, that our wellbeing is not defined by a set of discrete quantifiable circumstances, but is rather a state of mind, which we'd find very difficult to describe using the limited vocabulary of whatever language we speak.

Policymaking though is in a more parlous state; at the national and super-national levels anyway. For a start, it cannot interpret unprecedented threats, such as climate change or nuclear proliferation, in any but its own terms: that is, things to be negotiated, dealt with through the political process by existing institutional structures or new ones modelled on them. It cannot see social wellbeing as anything other than aggregated targets, with maximum Gross Domestic Product (or GDP per capita) as the target above all others. But GDP is grotesquely flawed for that purpose, and most other numerical goals are hardly more reliable indicators of social welfare. There *are* quantifiable measures that do correlate fairly strongly with meaningful social goals, but these tend to be at the lower levels of wealth, income, nutrition or education. At these levels, quantifiable increases *do* generate real, meaningful rises in opportunity and welfare.

But government has expanded far beyond helping the disadvantaged. It's expanded into areas where its reliance on aggregated data is not only leading it awry, but into activities that crowd out the more adaptive, responsive and responsible instincts of real people. At the same time, the planet is confronted with challenges, such as climate change and nuclear proliferation, that government cannot meet. Most of the population is now so used to handing over responsibility to a large and remote public sector that we think that government will solve such problems. Or we think that if government cannot solve them, they cannot be solved. The remarkable ability of humans to adapt and survive, our prodigious energy and ingenuity, is stunted, or channelled into cynicism, despair or such flippant, but lucrative, pursuits such as the marketing of dog food, where the goals are immediate, identifiable and no threat to the existing order.

There is a widening gap between government and the people it's supposed to represent. It wouldn't matter very much of the public sector were small, and satisfied to remain so, and if real people controlled their own destiny. But the public sector is none of those things. It's big, remote and intrusive, and it's failing to meet our most urgent challenges. This combination could mean calamity, not just for millions, or hundreds of millions of human beings, but for the entire planet.

4.1.6 Target outcomes, not institutions (2007-01-12 11:01)

> James Johnson, the chairman of the British Medical Association, said that if the health service failed to break even this year, ministers would "look very carefully" at what should happen next. "Don't assume there's anything automatic about the system we have at the moment continuing in perpetuity," Mr Johnson said.

That excerpt is from an article titled [1]*One year to save NHS,* from today's 'Daily Telegraph' and refers to the UK's National Health Service. I'm pleased that people are phrasing some of the debate in terms of outcomes: Mr Johnson later in the article says "If you get nine per cent of GDP spent on health and you still can't make it work, people will be saying: 'Do you want to carry on doing the same thing or should we be trying something fundamentally different?"'

Quite encouraging, but the rest of the argument seems to be about which sort of institutional arrangements can bring about desired, but unspecified, outcomes. There's a widespread sense that the NHS is inefficient, but that tells us nothing about what would be

better and it hardly constitutes proof that the NHS is inefficient.

The problem as I see it is that the politicians – if they ever do get round to tackling the vested interests benefiting from the current setup – will choose some new institutional structure. Only some years or decades later might be shown (or more likely, thought) that the new structure is better (or worse) than the NHS.

Here's a better idea: specify those health outcomes that the Government, in its capacity as representative of the population, wishes to see and is prepared to raise revenue to generate. And instead of choosing a system that appears to work in other countries, or is favoured by other teams of experts, or that conjures up most funds from corporate interests to the ruling political party, let the institutional structures be determined by the targeted health outcomes, rather than vice versa. The UK Government should develop a range of health indicators, such as [2]Quality Adjusted Life Years. It should then issue Health Care Bonds, following the pattern of Social Policy Bonds, and in effect contract out the achievement of these outcomes to the private sector. This need not mean the demise of public sector agencies, but it would mean their funding would be allocated by the private sector which, unlike in the NHS, has incentives to achieve broad, explicit, and publicly agreed, health outcomes.

Allocating scarce resources is something that markets do well, but government has an important role in setting such desirable goals as universal basic health provision, and in raising funds to achieve them. This role can only be played by government, and in fact democratic governments do it quite well. Social Policy Bonds would allow government and private sector each to do what they are best at doing. With health care, as with other social and environmental goals, outcomes are foremost. Discussion about systems, institutions, activities or inputs is wasteful and a distraction.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=QZX3DM3L4NZH1QFIQMFSFFOAVCBQ0IV0?xml=/news/2007/01/12/nbma12.xml

2. http://www.oheschools.org/ohech5pg4.html

4.1.7 Burying vegetables (2007-01-14 11:47)

> Millions of Thai root vegetables are used in the production of starch and then dumped in ponds where they emit methane, a gas 21 times more harmful than carbon dioxide. The [British] Government claims that by sealing the pulp in plastic containers, thus preventing the methane escaping, it will offset some of the harm caused by the 600 million miles flown by politicians and officials every year. Source: [1]Sunday Telegraph.

At first sight this idea it seems far-fetched, but for all I know it might work. Of more concern to me is how these schemes are arrived at. Who decides that burying vegetables is a worthwhile way of compensating for aircraft emissions? Or, rather, of stabilising the climate, since that is the ultimate stated objective? And how do they decide? One thing is for sure, decisions like this aren't reached impartially, by people highly motivated to achieve highest reduction in climate change for each taxpayer's pound. That's why, if the real objective is actually to stabilise the climate, rather than just to appear to be doing so, you need something like [2]Climate Stability Bonds.

So what is the likely impact of this burying-vegetables scheme? In the short run it may well reduce net measured anthropogenic greenhouse gas emissions. But in the long run, it's effectively a subsidy to factories that convert vegetables to starch. In common with the even more spectacularly futile idea of running cars on maize and soybean derivatives it sounds to me like yet another form of taxpayer-funded welfare to large agribusiness corporates.

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/01/14/ncarbon14.xml
2. http://socialgoals.com/ieakyototext.html

4.1.8 Fad diets; fad policymaking (2007-01-15 13:08)

> The Director of Yale University's Center for Eating and Weight Disorders explains the miracle formula used by diet books to become bestsellers for over a century now: "easy, rapid weight loss; the opportunity to eat your favorite foods and some scientific 'breakthrough' that usually doesn't exist." As one weight loss expert notes, "Rapid water loss is the $33-billion diet gimmick." [1] Source

Having recently become curious about the Atkins diet, I am struck by the parallels between diet and policy. Both of them are vital, but we choose them in the same utterly careless way.

First, there is the emphasis on one single narrow measurable indicator – one that is inappropriate, but highly visible. In the Atkins world, it's weight, rather than something more meaningful like overall health or life-span. In the world of policy it can be something like anthropogenic greenhouse gas emissions, rather than climate stability; or spending on police forces or education, rather than the crime rate or literacy rates.

Second, there is the *apparent* short-term success – often enough to ensure that the diet or policy sells well to a population with an ever-shorter attention span. Following the Atkins diet does bring about initial weight loss, but it's loss of water:

> The rapid loss of initial water weight seen particularly on low carb diets has an additional sales benefit. By the time people gain back the weight, they may have already told all their friends to buy the book, and the cycle continues. This has been used to explain why low carb diets have been such "cash cows" for publishers over the last 140 years. [2] Source

Most policies have their equivalent of water loss; the short-term payoff from reacting to an immediate problem. But as with Atkins, there's very little scientific analysis of whether the regimen is successful *in the long term*.

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their

> opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies. Steven van Evera, [3] *Why states believe foolish ideas*

Lastly there is the emphasis on presentation over substance. Millions of Atkins' books have been sold; the late Dr Atkins died a very wealthy man and the Atkins corporation was once estimated to be worth billions of dollars (*Fortune* 17 May 2004). Yet, as my source shows, the diet even in its own terms is a failure. It doesn't lead to long-term weight loss; as well it creates serious health risks, and has been recommended by no credible scientific body. Dr Atkins wrote no peer-reviewed articles; his books, it appears, cite only anecdotal evidence of the diet's success. But under the barrage of daily (mis)information that we all face, presentation is everything; substance nothing. As in the world of fad diets, so in policy. This from Monday's [UK] Times:

> The [British] Government has been forced to admit that three years after promising to rebuild 3,500 secondary schools not a single project has been completed.

1. http://www.atkinsexposed.org/printer-friendly.html
2. http://www.atkinsexposed.org/printer-friendly.html
3. http://web.mit.edu/polisci/research/vanevera/why_states_believe_foolish_ideas.pdf

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4.1.9 Migration: get rid of barriers to goods and services first (2007-01-17 12:43)

I haven't yet read Philippe Legrain's book [1]*Immigrants: Your Country Needs Them*, but I have read this article (amongst others) on the subject: [2]*Don't believe this claptrap. Migrants are no threat to us*, in which Legrain says:

> Just as EU trade barriers that prevent African farmers selling the fruits of their labour in Britain are unfair, so are immigration controls that stop Africans selling their labour here.

I agree 100 per cent with this comment. But I'd rather see the trade barriers come down first. Then let migrants decide to come to the west because they want to, not because they have no chance of prospering in their own country. We need and want willing migrants, not those compelled to come here because we stifle their country's development by corrupt, insane trade barriers like the EU's Common Agricultural Policy.

A related point, and one that I have not seen mentioned in other reviews, is the effects that emigrants from the third world have on the country from which they depart. Much of the discussion that there is centres on the financial remittances that flow back from the rich countries. But there are incalculable social costs that arise when a country's most ambitious, energetic and talented people would rather work in a foreign country than try to improve their country from within.

1. http://www.philippelegrain.com/legrain/immigrants.html
2. http://www.philippelegrain.com/legrain/2007/01/dont_believe_th.html#comment-27850086

4.1.10 Five minutes to midnight (2007-01-18 11:37)

Professor Stephen Hawking and I [1]agree that climate change and nuclear proliferation are probably the most urgent challenges that we face as humans. As Professor Hawking says:

> We foresee great peril if governments and society do not take action now to render nuclear weapons obsolete and prevent further climate change.

It's correct, but tragically so, for Hawking to distinguish between government and society when talking about these challenges. The distance between the two, even in the democratic countries, is wide and getting wider. Governments, whether dictatorships or democracies, seem to be transfixed into inaction by these twin perils. Their overwhelming priority is to stay in power, *even if the people who comprise these governments are genuinely* concerned about the long run wellbeing of the people they serve. It is, unfortunately, institutional goals that drive policy that drives outcomes.

Social Policy Bonds reverse this approach, which we can no longer afford: the stakes are too high and the time lags between the perceived need for institutional reform and its payoff are far too long. Instead of waiting for decades, or resigning ourselves to oblivion, we could issue our own bonds targeting whatever social or environmental problem is of most concern. We don't have to second-guess the best ways of mitigating or preventing climate change, or of halting and reversing nuclear proliferation. All we have to do is specify exactly what we want to achieve in those areas, and raise sufficient funds to motivate investors to find their own adaptive, diverse solutions to these looming problems. This [2]link (pdf) gives some guidance to those thinking in issuing their own bonds, but I'd be happy personally to advise those seriously interested in doing so.

1. http://www.timesonline.co.uk/article/0,,3-2552841,00.html
2. http://socialgoals.com/handbook.pdf

4.1.11 Petition against Common Agricultural Policy (2007-01-20 03:46)

British Citizens and expatriates: you can sign a petition calling on Prime Minister Tony Blair to end the EU's unfair trade barriers against developing countries, and to scrap the Common Agricultural Policy [1]here.

1. http://petitions.pm.gov.uk/makeitfair/

4.1.12 Dealing with unknown unknowns: Social Policy Bonds (2007-01-20 14:27)

One of the big advantages of Social Policy Bonds, in my view, is that they can target problems whose magnitude is uncertain. People have wildly different views about, for instance, climate change or the likelihood of nuclear conflict. (I have wildly different views myself depending mainly on the line taken by the most recent material I have read.) How can policymakers, confronted with luminaries on both sides of an argument about what might be a huge threat, like climate change, best respond?

Issuing Social Policy Bonds is one way in which they could let the market, rather than a handful of government employees, make the judgement. Take [1]Climate Stability Bonds: an enormous amount of valuable information about climate change and the direction in which the climate is moving could be gathered from the market value of the bonds, and from changes in their value. Assume Climate Stability Bonds are issued that would reward bondholders with $10m once the targeted definition of climate stability had been reached. Then even the initial information garnered from their float value would be extremely useful. If the bonds sold for $9m each that would mean the market considers climate change a less serious problem than if they sold for $1m each.

Such information would be continuously available. It would respond to our expanding knowledge of the scientific knowledge and to the expected effectiveness or otherwise of actual and planned policies. Contrast that with the dead hand of Kyoto, where fossilised science and institutionalised cuts in greenhouse gas emissions will continue regardless of changes in the seriousness of the climate change problem.

Social Policy Bonds score heavily over Kyoto and other responses (or non-responses) to potentially serious challenges, because they give people incentives not only to find solutions to urgent problems, but *for finding out how urgent these problems actually are*.

1. http://socialgoals.com/ieakyototext.html

4.1.13 (2007-01-21 01:30)

Thanks Mike. You say "Gains from migration appear to be larger than those from liberalizing trade. Even if that weren't the case, I'd take either, or both. I don't control what becomes politically possible and when." Fine, but we are talking about what we'd ideally like to see.

I'm also not sure I agree with the narrow definition of "gains" that I *suspect* is being used by the research. It's quite likely, for instance, that migration [1]undermines the willingness of a host country to maintain a welfare state.

On your second point. I can't argue with the research, though I suspect (again) that emigration of a country's best and brightest, positive for that country at first, turns negative when the proportion leaving becomes very large. And again, there may be a conflict between narrow and broad definitions of gains. Pacific Island countries who lose virtually all their ambitious people to Australia and New Zealand might be financially better off. But the gap in terms of governance between these island states and the west grows wider over time.

1. http://www.media-diversity.org/downloaded%20articles/Goodhart%20%20Feb%2004.htm

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4.1.14 The institutional goal par excellence: self-perpetuation (2007-01-22 13:14)

I'm not going to comment directly on the latest British Airways strike, or on the way it's being (mis)reported; (though [1]this is colourful: "British Airways workers are to strike for the right to take time off for a cold or ingrown toenail, without it counting as sick leave."). I'll just use it as an excuse to point out that all big institutions have one thing in common: their objectives are different from those of the people they are supposed to represent. Sometimes the two sets of goals are in conflict with each other. In this respect trade unions are no worse, or better, than religious bodies, government agencies, schools, universities or large corporations.

How can this be, and what are the consequences? With large institutions of any kind there is a disconnect between the attention that those lower down (ordinary people) can give to those higher up the hierarchy. Trust is not *always* misplaced, but in practice it works best within families, extended families, small communities and small organisations. Large organisations, including big government, tend to be remote organisations. And the consequences can be disastrous.

Large organisations have as their over-arching goal that of self-perpetuation. This can not only conflict with the goals of individual trade union members, churchgoers or taxpayers – those who fund the institution – but also with the individual goals of the people working in the organisation. Most senior politicians the world over, I am sure, would do anything to avoid a nuclear exchange or global environmental catastrophe – in their capacity as individuals. But how seriously are they confronting these challenges as politicians?

They may think they don't have the answers, but that should not stop them issuing Social Policy Bonds targeting [2]peace, or [3]environmental stability. Under a bond regime, politicians would contract out the achievement of social and environmental goals to the private sector.

If politicians targeted the outcomes that mean most to their citizens; well, that would be a change from their usual business of trying to maintain power, but it would have its own rewards and, - who knows? – might actually result in their staying in power anyway.

1. http://www.thisislondon.co.uk/news/article-23382606-details/Exposed:+BA+strike+farce/article.dohttp:/www.thisislondon.co.uk/news/article-23382606-details/Expose
2. http://www.socialgoals.com/wpbsshort.html
3. http://www.socialgoals.com/ieakyototext.html

4.1.15 (2007-01-23 11:31)

Thanks again Mike. I guess we'll have to agree to disagree on this. I'd still like to see totally free trade first, then let people move if they still feel they need to. I also should like more people to be consulted as to what their country's immigration policy should be. We are more

than economic units, and even if the (financial) gains of free immigration are greater than the losses, that doesn't mean a majority of people (in the immigration-prone countries) would support it. The distribution of those gains is one thing; the other is that intangible; what we call 'society', or a feeling of community, of wanting to share values with (and pay taxes to support) people with whom you can identify.

4.1.16 Forget climate stability; let's pay people to do nothing instead (2007-01-23 12:05)

From [1]the Economist (subscription)

> In recent weeks, a rush of climate-change bills has started circulating in America's new Congress. … A national cap on emissions of carbon-dioxide, the main greenhouse gas, looks closer than ever. … Part of the approach is likely to be a carbon-trading system, which companies prefer because it is more flexible than a carbon tax. The basic idea is that power plants and manufacturers will be allowed to emit a certain number of tons of carbon dioxide. If they exceed that amount, they must buy "credits" from companies that pollute less than their allowance.

I find this quite disturbing. A whole new bureaucracy will be set up to allocate CO2 credits to thousands of emitters. What will this achieve? A cap on the levels of CO2 that they emit. That's all.
This ludicrous administrative exercise is not designed to, and will not, achieve: a net reduction in CO2 levels emitted by the US, still less a net reduction in anthropogenic greenhouse gas emissions emitted by the US, still less a net reduction in greenhouse gas emissions by humans on this planet, still less a reduction in the proportion of greenhouse gases in the atmosphere. And if anybody does care at all about the health of the planet, as against setting up an elegant but futile trading system, *it will not bring about climate stability, because it is not designed to do so.*

1. http://www.economist.com/daily/columns/greenview/displaystory.cfm?story_id=8578415&fsrc=nwl

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4.1.17 Saving lives by capital punishment? (2007-01-26 10:45)

> Nearly 30 convicted killers released from jail over the past 10 years have gone on to kill again, according to Home Office figures released yesterday. [1]Convicted murderers who were set free to kill, [London] 'Daily Telegraph', 26 January

Along with most of my generation I have an instinctive horror of capital punishment. I wonder though just how rational is that visceral feeling? The process is undoubtedly distasteful, but much of my own disquiet centres on the possibility of a government executing an innocent person. This probably would happen (and has happened) but, as the article cited attests, no less real are the innocent people killed by people who would probably have faced capital punishment if it were applied. If one of our high-priority goals then is to save innocent lives, perhaps there is a case for restoring capital punishment for convicted murderers?

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=455SEBUQRFYXVQFIQMGCFFWAVCBQUIV0?xml=/news/2007/01/26/nreid126.xml

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4.1.18 Centralisation versus diversity and dynamism (2007-01-26 13:11)

Referring to the UK's central Government the current 'Economist' says:

> When the government is searching for new ideas it always has to look abroad (usually to less centralised places such as America), since councils in Britain have little freedom to experiment with new ways of doing things. [1]Trust the locals (subscription?), 25 January

One of the advantages, as I see it, of a Social Policy Bond regime is that, while there would be uniformity of desired social outcome, there need be no uniformity of approach. For most social and environmental problems, a mosaic of different, dynamic projects and initiatives will work best. There needs to be the freedom to experiment with new ideas, and for those ideas that fail to be terminated. It's also a matter of incentives: when government stipulates one approach, there is every incentive to follow it and to keep it going even when its failures are obvious. Too many interests become vested in its perpetuation – not least those of the programme administrators.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=8597243http://www.economist.com/world/britain/displaystory.cfm?story_id=8597243

4.1.19 Lessons from the gym (2007-01-28 14:11)

If we're not careful we become obsessive about a single particular quantifiable measure – to the exclusion of things that really matter but that are less quantifiable. It could be the exchange rate for foreign currency, our weight, or the number of kilos we can bench press. The effects can be pernicious: witness the large numbers of adolescents with eating disorders, or the athletes who [1]sacrifice their health to win.

Does this happen for the same reason that our minds are, by default, not in the here-and-now but are apparently [2]set to daydream? Perhaps our education is so totally verbal that we cannot handle the complexity of the present, but not being able to switch off, we focus on something simple, measurable that we can do something about.

Well, enough speculation about the why. The fact is, as individuals we do have this tendency, though it can be, thankfully, checked by our intuition, intelligence and insight.

I'm not so sure, though, about when that same focus on a single indicator bedevils the policymaking process. Government agencies, for instance, that focus on narrow numerical targets often miss seeing the wood for the trees. At the national level, the consequences can be dire. Generally there is no systematic use of indicators that reliably correlate with social wellbeing. But what fills the vacuum? Anecdotes, image, spin and inertia. Combined with the non-explicit targeting of, most usually, Gross Domestic Product, or GDP per capita – which is [3]terrible as an indicator of social welfare.

As I see it, there are two remedies.

- Downsize the policymaking remit. By which I mean, devolve policymaking as far as possible to a level at which normal people can tell what's going on without depending exclusively on quantifiable indicators. Or:

- Choose *broad* social and environmental indicators, that correlate accurately with social and environmental wellbeing; as against the Mickey Mouse micro-targets that characterise current policymaking. That is the principle underlying Social Policy Bonds, which apart from being more efficient at raising welfare than the current setup, would focus on outcomes. Which means that ordinary people could participate in defining them; an end in itself as well as bringing about more buy-in into social affairs.

[4]Jonathan Rowe puts our predicament well:

> *The Atlantic* this month cites a recent study by economists that purports to show that the suburbs actually are bastions of social cohesion,based on membership in civic groups. It is a classic case of confusing available data with reality.

1. http://news.bbc.co.uk/1/hi/health/4693254.stm
2. http://today.reuters.com/misc/PrinterFriendlyPopup.aspx?type=scienceNews&storyID=2007-01-19T175856Z_01_N19311574_RTRUKOC_0_US-BRAIN-DAYDREAMS.xml
3. http://socialgoals.com/blog/2006/12/gdp-default-target-for-government.html
4. http://onthecommons.org/node/1073#comment

4.1.20 Trust the locals (2007-01-30 13:38)

The current ‘Economist’, in an article entitled [1]Trust the Locals (subscription), talks about the usual British response to being diagnosed as ill-governed: an ‘endless cycle of restructuring followed by disappointment followed by more restructuring.’ The journal proposes an alternative: ‘the centre could be forced to do less and local government trusted a little more.’

I agree. Social problems, when reduced to single quantifiable indicators, such as ‘unemployment’, ‘crime’, or ‘illiteracy’ might have the illusion of being uniform across a country. The tendency, especially for remote policymakers, is to dream up solutions that are similarly monolithic. So the usual response is the bureaucratic one: something imposed from the top down, on a one-size-fits-all basis. Something cumbersome and unresponsive to events, and incapable of adapting to wildly varying circumstances across a diverse country. One result is that, in Britain, as the ’Economist’ says:

> [W]hen the government is searching for new ideas it always has to look abroad (usually to less centralised places such as America), since councils in Britain have little freedom to experiment with new ways of doing things.

I’d like to see Social Policy Bonds issued, because they would bring about still more devolution: from the public to the private sector. My reasons are not inspired by blind ideology, but because enlarging *and motivating* the pool of people interested in solving social problems would make their solution both more likely and more cost-effective. The benefits of this sort of contracting out would, I think, be incalculable.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=8597243%5d

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4.1.21 (2007-01-30 23:42)

great tips, thanks. can you tell me a url or company i can contact to "buy" a social policy bond ?

and ... does it work, in that, ...

i develop the proposal and the bond issuing company declares a social policy bond based on the proposal i disclose ?

[1]please reply

http://socialpolicyinvestments.blogspot.com

1. http://socialpolicyinvestments.blogspot.com/

4.2 February

4.2.1 The measurement tail wags the policy dog: family violence in New Zealand (2007-02-01 12:53)

A disturbing story from the BBC about [1]family violence in New Zealand:

> The perception that New Zealand has one of the worst rates of domestic violence in the developed world is now common. But violence within families is by nature hard to quantify, and Mike Doolan, former Chief Social Worker and currently a researcher at Canterbury University [Christchurch, New Zealand], said the claim is "impossible to prove". New Zealand falls into a group of developed countries with "moderate to moderately-high" child homicide rates, he said. But international systems for recording other types of abuse vary, comparisons are unreliable and New Zealand may simply be better at monitoring the problem than other nations.

For me there are two main policy issues, both of which point to the need for some humility amongst policymakers. First, the difficulty of quantifying the size of the problem, alluded to in the excerpt above. Second, the question of what any government can or should do to address family violence.

The two are linked. Government routinely amasses a plethora of economic statistics, partly because it's easier to do so; partly because they can all be reduced to dollars and so compared readily with each other. The availability of financial data tends to make them a high priority for policymakers, whether explicitly or not. And the casualties of that sort of bias tend to be those things that cannot be easily monetised: including the physical environment and the social environment.

I offer no simple solutions to those problems, except to say that, under a Social Policy Bond regime, ordinary people would have more say over the outcomes they want to see targeted. If massive cuts in family violence became a policy priority, then the measurement problems referred to would become far less daunting. People would be motivated to solve them, and in doing that they would make the actual policy goal more feasible.

1. http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/asia-pacific/6309791.stm

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4.2.2 RSS (2007-02-02 12:41)

I don't use RSS or fully understand it. I have been trying and (almost certainly) failing to add RSS feed to my blog via blogger.com. However, it seems that [1]feedyes.com allows readers to create RSS feeds for themselves. You simply type in the site url and immediately receive the RSS feed.

1. http://www.feedyes.com/

4.2.3 Ideology trumps educational standards (2007-02-02 14:15)

The current ‘Economist’ in its survey of Britain (subscription):

> But a passionate ideological debate about selection in English education (Scotland, Wales and Northern Ireland have their own systems) has got in the way. Politicians have been so intent either to defend or to oppose selection by academic ability that they have failed to set up a system of rigorous and useful qualifications for those whose interests are not academic. Standards have suffered in the name of inclusion, and vocational training has been chaotic. Meanwhile the great divide between public and private education has remained as important as ever. [1] *Clever Stuff*
>
> , ‘Economist’, 1 February .

This is what happens when ideology drives policy. The policymakers and their hangers-on – well-intentioned, no doubt, and smart, certainly – lose sight of their original goal. They assume that they know best how to achieve their desired outcome. Eliminating selection was the supposed means to their end of equal opportunity for all, in the context of the English educational system. One outcome has been that grammar schools became fee-paying, and divisions widened. The ideologues didn’t achieve their stated goal, but that was probably supplanted in their minds by the outcomes they did achieve: they strengthened their identity, reinforced their ideology, and bonded more closely with people who felt the same way. Oh, and the pupils suffering from their muddle-headed idealism? Who cares…who really cares?

1. http://www.economist.com/surveys/displaystory.cfm?story_id=E1_RVRNPPS

4.2.4 For pity’s sake, target poverty outcomes (2007-02-04 11:14)

From an interesting and controversial essay in ‘Sp!ked’:

> In re-describing poverty as ‘vulnerability to climate change’, the result appears to be a rejection of aspirations to modernise agriculture. Instead, there is the opposite emphasis: the design of plans that reinforce the social and economic marginalisation of many African people. Rather than development being safeguarded by the modernisation and transformation of African society, underdevelopment is subsidised through the provision of social support for subsistence farming and nomadic pastoralism. …
>
> The ‘adaptation agenda’ allows Western governments, international institutions and international NGOs to claim they are doing something positive to address the impact of global warming but the consequences for Africa could be disastrous. ‘Learning from the poor’, ‘empowering the poor’ and strategies to increase their ‘resilience’, end up patronising Africa’s poor and supporting an anti-development agenda that

> would consign Africa to a future of poverty - and climate dependency. [1] *Forcing Africans to 'adapt' to poverty*
>
> , Prof. David Chandler, 1 February

I have no expertise in development economics, but this argument, and others like it, seem to me to cry out in favour of the outcomes-based approach that I do advocate. Thousands of learned books and papers discuss the reasons for poverty in the poor countries. One decade it's institutions or governance that is seen as the problem; the next it's colonial history, or [2]evolutionary psychology. The assumption seems to be that once we locate the cause of poverty, we can set about tackling it. But who is trying to identify that cause? Essentially the professional priesthood of policymakers: government employees, academics and ideologically committed think-tankers. Many of them are well-intentioned, no doubt, and there are legions of heroes around the world, working for charities who eschew the theory and are actually trying to eradicate poverty. They are not helped, in my view, by the policy people, pre-occupied as they are with finding theories that validate their prejudices.

Here's my idea. Subordinate all approaches to the desired outcome: the eradication of poverty. Contract out the solution to the market. Then a larger group of *motivated* people will actually go about reducing poverty *without prejudice as to what causes it*. They may spend time trying to find the causes but under a Social Policy Bond regime they would do so only if that were to maximise the reduction in poverty per dollar spent in reducing it. Otherwise they will leave the identification of causes to the theoreticians and ideologues - where it belongs, along with their endless, futile, debates.

1. http://www.spiked-online.com/index.php?/site/article/2799/
2. http://www.amazon.com/Moral-Animal-Science-Evolutionary-Psychology/dp/0679763996/sr=1-1/qid=1170006139/ref=pd_bbs_1/104-1950352-8883159?ie=UTF8&s=books

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4.2.5 Corporate welfare for casino operators (2007-02-05 14:54)

Thank you [1]Oligopoly Watch for highlighting [2]this story:

> A few years after New Jersey legalized gambling and allowed casinos to open in Atlantic City in 1977, the state mandated that a portion of revenues to be set aside to improve "blighted areas," especially in run-down Atlantic City, a noble aim.
>
> But according to a New York Times story ("Atlantic City Casinos Reap Anti-Blight Fund" 1/28/2007), over the past decade the moneys have been diverted to quite unintended target - the casinos themselves. According to the story, over $400 million out of a total of $1.8 billion since it was started) has been diverted from the state-run Casino Reinvestment Development Authority to projects that should have been paid for by the casinos themselves.

The pattern is a familiar one: government and large corporations engaging in mutual back-scratching at the expense of the social and physical environment. The corporations, grown rich on taxpayer-funded subsidies, can afford the very lobbying that perpetuates their subsidies. It's a vicious circle. When I talk about Social Policy Bonds I usually emphasise their efficiency. But they have another great advantage: transparency. Expressing policy in terms of targeted outcomes does mean that ordinary people can follow what's going on. Under a bond regime we might even choose to subsidise casinos or other large and wealthy corporations – but at least we'd be doing so with our eyes open. Under the current regime, there are legions of lawyers, politicians and bureaucrats who have every interest in obscuring the truth. As Ologopoly Watch continues:

> Getting the tax dollars you pay in to be given right back in the form of subsidies is a great deal for the big companies. The ability to threaten to move, to play off one state against another, leads to tax breaks for companies that hardly need the money, while big social needs are unmet. Further more in this case, the casinos are directly responsible for some of the poverty and misery (drugs, prostitution, bankruptcy) that later cost the state in terms of law enforcement, hospitalization, and/or incarcerations.

1. http://www.oligopolywatch.com/
2. http://www.oligopolywatch.com/2007/01/28.html

4.2.6 Global Subsidies Initiative (2007-02-07 12:44)

I've added a link to the [1]Global Subsidies Initiative in the blogroll (right-hand sidebar). As New Zealand taxpayer, I'm pleased that core funding for the GSI is provided by the Government of New Zealand – as well as the Swedish and Dutch Governments.

"In December 2005 the GSI was launched to put a spotlight on subsidies—transfers of public money to private interests—and how they undermine efforts to put the world economy on a path toward sustainable development. Subsidies are powerful instruments. They can play a legitimate role in securing public goods that would otherwise remain beyond reach. But they can also be easily subverted. The interests of lobbyists and the electoral ambitions of office-holders can hijack public policy. Therefore, the GSI starts from the premise that full transparency and public accountability for the stated aims of public expenditure must be the cornerstones of any subsidy program. But the case for scrutiny goes further." [2]Read on…

1. http://www.globalsubsidies.org/rubrique.php3?id_rubrique=1&lang=en
2. http://www.globalsubsidies.org/rubrique.php3?id_rubrique=4

4.2.7 Subsidies for the rich in Chicago (2007-02-07 15:42)

Looking at the distribution of subsidies to state-granted economic development subsidies to the Chicago region, [1]Good Jobs First found, amongst other things, that:

> [T]he ability of core-area workers to take advantage of the new employment opportunities in the collar counties is limited by the fact that the vast majority of subsidized workplaces in the newly developing suburban areas are not easily accessible by public transportation from the city. This means that for the many car-less workers in low-income, especially minority, communities, those jobs are effectively out of reach. [2]Gold Collar (pdf)

The '[3]collar counties' are more prosperous than Cook County, which forms central Chicago. This sort of thing is one reason why I much prefer the targeting of outcomes when it comes to spending taxpayer funds. If its goal is the economic development of poor areas, then that is what a government should explicitly target. Funds should be contingent on meeting that goal. It's just not good enough instead to set up institutions that have that goal as their stated objective. That's where a Social Policy Bond regime scores heavily over the current system: it rewards people only when targeted goals have been achieved. Government goals and those of investors in the bonds are congruent. Bondholders gain most when they achieve social and environmental goals, as articulated by government, most quickly and efficiently.

The contrast with the current system is stark. The story told in 'Gold Collar' applies to colossal quantities of government revenues, all over the world. It's one of waste, inefficiency, environmental destruction and corruption.

1. http://www.globalsubsidies.org/
2. http://www.goodjobsfirst.org/pdf/goldcollar.pdf
3. http://www.encyclopedia.chicagohistory.org/pages/3.html

4.2.8 (2007-02-08 07:37)

"the political process would probably demand that the farmers pay"? That's what we're trying to determine aren't we: the political process to reduce pollution. You're just saying let's use a political process to have polluters pay.

4.2.9 (2007-02-08 12:03)

Hi zylstra and thank you for your comment. Actually I was trying to say that once the political process has decided that there shall be a reduction in pollution, and (yes) that polluters or beneficiaries shall pay for that reduction THEN Environmental Policy Bonds would ensure that the targeted reduction per dollar spent would be maximised. Regards, RH

4.2.10 Call of the private sector (2007-02-09 13:39)

Paco Underhill's [1]*Call of the Mall* is an easy, entertaining description of America's shopping malls. What strikes me most is the quality and quantity of human ingenuity devoted to making shoppers buy more stuff. Why is it that it's the talented people in the private sector that reap massive rewards for achieving tasks that are essentially trivial? Why is that the public sector limps along attracting some dedicated, well-intentioned people, but failing to offer incentives to most of those who'd rather solve urgent social and environmental problems than head up the strategic planning unit of a single department store?

My contention is not only that such an asymmetry is wasteful, in that fewer resources are devoted to the tasks that would generate most payback, but that it's also a historical accident. There's no other reason for it.

Market forces have a terrible press, and in many instances, rightly so. There's been no restraint from those at the top of they private sector pyramid, with their grotesquely inflated 'compensation packages'. But the market's efficiencies and incentives can be made to serve social goals - if only we were to consider them with an open mind.

Social Policy Bonds are one way in which market forces can be channelled into the public good. They would reward people who achieve social and environmental goals at least cost to the public. These people might reap sumtuous rewards for so doing, but that's no reason to deny them their chance. In giving bondholders and their agents an opportunity to make large gains, a Social Policy Bond regime would both motivate those already working to achieve social goals, and attract a larger number of talented individuals into serving the public interest (as well as their own) rather than those of large corporations - like shopping mall operators.

1. http://www.amazon.com/Call-Mall-Geography-Shopping-Author/dp/0743235916

4.2.11 (2007-02-10 03:37)

Any comments on Branson's gesture?

http://www.washingtonpost.com/wp-dyn/content/article/2007/02/09/AR2007020 900693.html

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4.2.12 (2007-02-10 10:31)

Hi, and thanks for your query. I am pleased that the Virgin Earth Challenge is **not** about reducing anthropogenic greenhouse gas emissions a la Kyoto, but aims to encourage the: "removal of anthropogenic, atmospheric greenhouse gases so as to contribute materially to the stability of Earth's climate". The prize is handsome, the objective is clearly stated and meaningful, so I think this is a worthwhile gesture.

4.2.13 Eat food. Not too much. Mostly plants. (2007-02-10 12:29)

From [1]Unhappy Meals, by Michael Pollan:

> "The problem with nutrient-by-nutrient nutrition science," points out Marion Nestle, the New York University nutritionist, "is that it takes the nutrient out of the context of food, the food out of the context of diet and the diet out of the context of lifestyle." If nutritional scientists know this, why do they do it anyway? Because a nutrient bias is built into the way science is done: scientists need individual variables they can isolate. Yet even the simplest food is a hopelessly complex thing to study, a virtual wilderness of chemical compounds, many of which exist in complex and dynamic relation to one another, and all of which together are in the process of changing from one state to another. So if you're a nutritional scientist, you do the only thing you can do, given the tools at your disposal: break the thing down into its component parts and study those one by one, even if that means ignoring complex interactions and contexts, as well as the fact that the whole may be more than, or just different from, the sum of its parts. This is what we mean by reductionist science. 'New York Times', 28 January

Applying the same reductionism to policymaking can be just as problematic. The linkages between cause and effect in our increasingly complex world are ever more obscure. The number of variables, the interactions between them, and the time lags combine in such a way that successful policymaking is about as hit-and-miss as nutritional science. Mr Pollan ends his article with a list of ten recommendations for healthy eating. He begins it by simplifying those to just three: *Eat food. Not too much. Mostly plants*. Are there equivalent short but pithy maxims for policymakers? I believe so: *Target outcomes. Make sure the outcomes are transparent, and meaningful to real people. Don't be frightened of using markets*.

1. http://www.nytimes.com/2007/01/28/magazine/28nutritionism.t.html?ei=5087&en=734349e39975c3a6&ex=1186290000&excamp=mkt_at1&pagewanted=all

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4.2.14 As a last resort, try incentives (2007-02-10 15:08)

From [1]Manchester Online:

> Hospitals are to be given cash bonuses - for keeping people alive. Regional health bosses are planning to try out a US system of rewarding trusts [that] have low death rates, levels of infection and readmissions.

I haven't seen the details. It could be a step in the right direction; or, depending on the targets chosen, it could worsen matters, as has happened with the Mickey Mouse micro-targets used throughout the UK's National Health Service. (See [2]this blog, passim.) Expect opposition to any meaningful reform from the British trade unions.

1. http://www.manchestereveningnews.co.uk/news/health/s/235/235689_cash_for_keeping_patients_alive.html
2. http://nhsblogdoc.blogspot.com/

4.2.15 'You might as well smoke' (2007-02-12 15:26)

> Compared to smoking cigarettes, use of Western smokeless tobacco (ST) products is associated with a very small risk of life-threatening disease .... This means that smokers can realize substantial health benefits by switching to ST, an obvious substitute. But consumers and policy makers have little chance of learning that ST is much less dangerous than smoking because popular information provided by experts and advocates overstates the health risks from ST relative to cigarettes. [1]Source

Carl Phillips and the other authors of *You might as well smoke; the misleading and harmful public message about smokeless tobacco* refer mainly to US health sources, including federally funded bodies. They do a thorough job of showing the biased information against smokeless tobacco but, understandably, they do not attempt to explain *why* it's biased. I think it's worth speculating on the reasons, because they apply to other policy areas, and I am thinking here of such varied, crucial issues such as broader health concerns, climate change, the use of market forces, and education.

In trying to promulgate the Social Policy Bond idea I frequently encounter opposition to the deployment of market forces to achieve social goals. In essence, my opponents are less interested in outcomes than in the motivations of people working to achieve these outcomes. Or perhaps they are trying to identify themselves as more compassionate or caring than the 'private sector' taken as a whole. I hasten to add that there are 'pro-market' people who oppose Social Policy Bonds for the opposite reason: that there's no need for government intervention of any kind to help achieve social or environmental objectives. For both groups, outcomes are deemed less important than ideology or process.

It's the same in other policy areas. Most of us aren't climate experts, and the arguments about climate change are now so politicized now that people will make their minds up based such irrelevant concerns as the stridency or smugness of one faction or another. The chances of getting coherent *effective* global action against climate change is in my view negligible. When our leaders choose make policy, the effect of that policy on the climate outcome comes very low on the list of the things they worry about.

There is an answer. A diverse society, with all sorts of information sources, will never agree about much, even if it could forget its ideological biases or prejudices. But if we target meaningful outcomes, and let the market decide how to achieve those outcomes, and how much achieving these outcomes will cost, then there is a chance of a coherent approach. That's why I advocate Social Policy Bonds. Under a Social Policy Bond regime, if an outcome such as climate stability is deemed worthwhile, then it will be the market that decides exactly how many resources should be devoted to achieving it. Markets in Social Policy Bonds would be valuable not only because they allocate resources efficiently, but because of the enormous quantity of information they would generate about the cost of achieving targeted goals.

1. http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=1090592

4.2.16 Politics as priesthood (2007-02-15 12:45)

Excerpts from [1]India, by Shashi Tharoor:

> In modern India ...intellectuals remained aloof from the quotidian concerns of governmental policy.... Intellectuals were a deprived breed, shorn of that which made their elitist forebears respected – influence over the wielders of power. The spread of education had ended the Brahminical monopoly on intellectualism, but learning was now a means to an end, and the end that mattered was power. Anyone could be an intellectual, but only a few could exercise real authority. ...
>
> Despite the prolific punditry, the only 'abstract' thinkers' whom [Indian] politicians bothered to consult were their astrologers.

I read this on the same day that a [2]UNICEF report was released showing that New Zealand's children and teenagers are more likely to die before their 19th birthday than those from any other developed country. Wellington's a small town but even here I think I detect not so much a disconnect between intellectuals and policymakers, but disconnects between (1) intellectuals and the people and (2) policymakers and the people. And learning does appear to be a means to certain ends; the ends becoming more and more about private goals, and less and less about benefiting wider society.

This is all subjective of course, but if true, what does it amount to? I think it does matter, because the specialisation of labour that works well in purely economic terms does not work when policymaking becomes a priesthood, removed from the concerns of ordinary people.

A few years ago New Zealand's Government [3]declared its economic objective: to return New Zealand's per capita income to the top half of the OECD and to maintain that standing. It's a concern to me that GDP per capita is put on such a pedestal. Its flaws as a measure of social wellbeing are [4]large and well known. A big national income can might be necessary to achieve certain ends, but it is not sufficient. Or perhaps the New Zealand Government's goals do not include the welfare of children. In this sense, our political class might be just as removed from those of ordinary people as India's. Then again, the UNICEF Report is [5]not entirely to be trusted.

1. http://www.amazon.com/India-Midnight-Millennium-Shashi-Tharoor/dp/1559708034/sr=1-1/qid=1171537469/ref=sr_1_1/102-2374040-4709716?ie=UTF8&s=books
2. http://www.scoop.co.nz/stories/PO0702/S00199.htm
3. http://www.questia.com/PM.qst?a=o&se=gglsc&d=5002560529&er=deny
4. http://en.wikipedia.org/wiki/Gross_domestic_product
5. http://burningourmoney.blogspot.com/2007/02/lies-damned-lies-and-unicef-reports.html

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4.2.17 Entrenching welfare (2007-02-18 11:14)

> One in three households across Britain is now dependent on the state for at least half its income, it emerged today. Official government figures showed that more than seven million households are getting most of their income from government handouts. [1]Source

Sure government is generally inefficient and ineffective, but so are large corporations and almost any large organisation of any sort. And it's probably not healthy that so many households do depend on the welfare state for so much of their income. But worse in my view is that such dependence becomes entrenched. It is, in fact, dependence. Like a drug habit, welfare programmes are easy to start and very difficult to end. And I don't mean just the benefits that go to needy households, but also those far more sumptuous welfare payments – also known as subsidies, or import barriers – that flow into the coffers of large business corporates. It's very rare that their provisions contain effective sunset clauses. The payments help fund the lobbyists that oppose their removal. Other beneficiaries are the programme administrators: another effective resistance force against policy reform.

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/02/12/nwelfare12.xml

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4.2.18 Subsidising planetary destruction (2007-02-19 11:59)

What does our political system do when an industry is systematically destroying its own resource base? Subsidise it of course. This is lunacy:

> Most of the high seas catch from deeper waters is carried out by bottom trawling which involves dragging massive nets along the sea bed – a practice which can destroy deep-sea corals and sponge beds that have taken centuries or millennia to grow. [1]Source

This practice, environmentally disastrous as it is, is profitable only because of subsidies; half of which are fuel subsidies. From the same article:

> "The unregulated catches by these roving bandits are utterly unsustainable. With globalised markets, the economic drivers of over-fishing are physically removed and so fishermen have no stake in the natural systems they affect. While it may be a good short-term business practice to fish out stocks and move on, we now see global declines of targeted species."

The major villains in this particular madness are South Korea, Japan and Russia, but most rich countries continue to subsidise insanely destructive practices in agriculture, transport and energy.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=UHWRG1NIGLRANQFIQMFSFGGAVCBQ0IV0?xml=/news/2007/02/19/wfishing119.xml

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4.2.19 Centralized shop window policy (2007-02-20 12:43)

Writing about the increasing uniformity of shop window displays in the US, Paco Underhill [1]writes:

> [Owing] to the structure of retail chains, window displays are designed by specialists and contained in loose-leaf binders stored in a central office somewhere, intended to work equally well in every setting, meaning they don't work particularly well in any setting.

There's a striking similarity here with government; another large organisation trying to control everything from one centre. The consequences of failure though are more serious than a few lost sales when government is involved. They can be seen in schools that fail to educate, soaring crime rates, and worsening environmental problems. There is an extreme aversion to adaptive, diverse policies. Schools aren't allowed to fail; crime is seen as a problem solely of punishment and prisons; climate change must be tackled almost exclusively by reducing anthropogenic greenhouse gas emissions.

Life would be quite different under a Social Policy Bond regime. Yes, there would be uniformity – but of targeted outcomes, rather than the ways to achieve them. It would be up to the private sector to explore and implement the most cost-effective programmes. Investors in Social Policy Bonds would have built-in incentives to be efficient. Until then, though, social and environmental policy will suffer from being overly centralized, and as unappealing as an 'average' shop window display. Mr Underhill concluding his chapter on shop windows might as well be writing about government policymaking:

> There still are window dressers here and there – in Manhattan you'll find them in the best stores, and everywhere else in America you'll find them in the smallest ones. But in between those extremes, windows are now dressed long distance. They're one-size-fits-all.

1. http://www.amazon.com/Call-Mall-Geography-Shopping-Author/dp/0743235924/sr=1-1/qid=1171970875/ref=sr_1_1/102-2374040-4709716?ie=UTF8&s=books

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4.2.20 I don't know how they work this out (2007-02-22 13:17)

My [1]blog is worth **$2,258.16**.
[2]How much is your blog worth?

[3]

1. http://socialgoals.com/blog/blog.html
2. http://www.business-opportunities.biz/projects/how-much-is-your-blog-worth/
3. http://www.technorati.com/

4.2.21 The rise of therapeutic politics (2007-02-23 13:56)

When looking at policymaking bodies, what is particularly striking is how unimportant outcomes are in determining both how policy is made, and who makes it.

> …policies are often adopted on the basis of less careful analysis than their importance warrants, leaving wide room for mistakes and misperceptions. Forces of knowledge destruction are often stronger than those favoring knowledge creation. Hence states have an inherent tendency toward primitive thought, and the conduct of public affairs is often polluted by myth, misinformation, and flimsy analysis. Why states believe foolish ideas: non-self-evaluation by states and societies, Stephen Van Evera, MIT Political Science Department and Securities Studies Program, 10 January 2002, version 3.5.

In our complex economies, outcomes can be difficult to trace accurately to the events and people that generated them. Our extreme specialisation increases the length of the chain between producers and consumers and the time lags between cause and effect. Moreover, it increases people's alienation from each other, particularly between policymakers and stakeholders. The result is that appearances, personalities, and emotional appeal assume a great importance.

> Therapeutic politics eschews matters of policy and principle and attempts to establish a point of contact in the domain of the emotion with an otherwise estranged electorate. …. The shift in rhetoric from standing up for what is 'right' to upholding what one feels good about signifies the incorporation of emotionalism into the heart of political decision-making. Therapy culture, Frank Furedi, Routledge, 2004 (Chapter 3, pp 60-61).

4.2.22 Buy-in (2007-02-24 14:38)

In my efforts to promulgate Social Policy Bonds I've usually emphasised their efficiency, which arises from a number of sources, including their harnessing of market forces, and their diversity and capacity to adapt to changing circumstances. I've also stressed their transparency: because the bonds target outcomes, people understand them more.

This, in turn, means another hugely important benefit: buy-in. If people understand

what a policy is all about, they can participate more in its development, refinement and implementation. A Social Policy Bond regime would express its goals as outcomes that are meaningful to real people. Such outcomes would be more comprehensible to more people than the current unstated or unconsidered, vague, or platitudinous goals that characterise current policymaking. Discussion about outcomes, rather than the alleged means of achieving them, would be more accessible. If people have the chance of participating in such discussion, they will understand the limitations and trade-offs that are intrinsic to public policymaking. This means quite a few things, but to my mind the most important is buy-in: the reconnection of citizens with their policymakers; the sharing of responsibility and concern for policy initiatives.

This matters hugely when government has to rein in activities to which we have become accustomed, in the face of new threats. I am thinking of climate change specifically, where we need a coherent response to an unforeseen but urgent challenge. Of course buy-in would be desirable in other areas too. The current system discourages buy-in, partly because our societies are so complex, that virtually any effect – good or bad – can be plausibly traced back to virtually any cause. And partly because political debate, centred as it is on arcane legal argument or stultifying discussion of institutional funding or structures, contributes so much to the widening gap between politicians and the people they are supposed to represent. Social Policy Bonds, because of their focus on outcomes, would help close that gap.

4.2.23 Environmental stunts: do they help? (2007-02-26 15:06)

Sometimes I wonder whether the environmental movement is so much posturing; an exercise in belonging, rather than an expression of concern for the environment.

Demonstrating against coal-fired power, nine Greenpeace protesters scaled a 150 metre high chimney stack at Huntly Power Station, in New Zealand's North Island yesterday. It appears the protestors did some minor damage to the stack.

I wonder what they are trying to prove with these puerile, illegal stunts. Their cause may be good, but their actions will do a lot to alienate much of the public from the entire environmental agenda – well, that's what I think. As the spokesman for the power company puts it:

> There are 1.3 million people who get their power from this station in the upper North Island and if we cut this station off now there would be a lot of people who [will be] cold and in the dark this winter. [1]Source

It's all part of the politicization of the environment. We need to recognize that we are *all* beneficiaries of the damage that power plants and much other infrastructure do to the environment. We are all in this together. Sure, the protestors probably do have a smaller environmental 'footprint' than most of the rest of us. But they need us on their side if we are to improve

environmental outcomes – as against the media profile of Greenpeace. Stunts like smack of sanctimony and smugness. They don't help.

1. http://www.stuff.co.nz/stuff/3974691a10.html

4.2.24 We're in this together (2007-02-28 12:37)

> Al Gore's mansion, located in the posh Belle Meade area of Nashville, consumes more electricity every month than the average American household uses in an entire year, according to the Nashville Electric Service. [1]Source

An informed discussion [2]here looks more closely at some of the details: Mr Gore buys carbon offsets, the number of people in his household is (probably) larger than average, *but* the costs of the offsets are tax deductible, and policymakers are couching the problem of anthropogenic climate change 'in moral terms and by their own standard acting highly immorally.' And then, what is Mr Gore supposed to do? 'apparently the only way for him not to be a hypocrite is to move into a cave'. All these points are interesting, and seem quite valid to me. But they don't really address the issue: for whatever reason, we are all in this together.

It's easy to forget this, because we have left it all to government, and that has come up with a one-size-fits-all, top down, imposed pseudo-solution – Kyoto – with high up-front costs, and very little in the way of benefits. Most people, with justification, instinctively resent this sort of policy.

We desperately need people to buy in to solving the climate change problem. Kyoto doesn't do this. Kyoto has become politicized; so much so that anybody who questions it is assumed to be an environmental vandal. (This itself is indicative of Kyoto's limitations: people who are secure in their beliefs don't feel threatened when those beliefs are questioned.)

It is for all these reasons that I believe [3]Climate Stability Bonds would be an improvement over Kyoto. Climate Stability Bonds would be backed by the world's governments. They would be redeemable once a specified climate stability goal had been achieved and sustained. They would be freely tradable and their value would rise or fall as the targeted goal become more or less likely to be achieved. The goal could be specified as a combination of climate and other indicators. The bonds would not prejudge the best ways of achieving their goal. They would reward the achievement of climate stability, *however it is achieved*. Investors in the bonds would have incentives to respond quickly and appropriately to new knowledge about what is causing climate change and to new ways of dealing with it. Governments would be the ultimate source of finance for achieving climate stability, but the private sector would allocate society's scarce resources.

A Climate Stability Bond regime would express its aims in terms that people can understand. Its explicit goal would be climate stability. If people understand what a policy is all about, they can participate more in its development, refinement and implementation. This matters hugely when, as with climate change, we might have to rein in activities to which we have become accustomed.

1. http://www.tennesseepolicy.org/main/article.php?article_id=367

2. http://scienceblogs.com/deltoid/2007/02/gore_derangement_syndrome_1.php
3. http://socialgoals.com/ieakyototext.html

4.3 March

4.3.1 Crazy (2007-03-02 11:24)

From the current issue of [1]The Ecologist:

> A report from the European Environment Agency, to be released next week, highlights the role subsidies play in choices of transport. The report found €270bn-€290bn is spent annually in Europe in transport subsidies. Almost half goes to road transport, which the EEA said was "one of the least environmentally friendly" transport modes. Disentangling the web of transport subsidies is complex, and the EEA will next month release a study showing in more detail how taxpayers fund road transport systems.

It's perhaps a heroic assumption, but I do think that if there were transparency about where taxpayer and consumer funds go, I don't believe we'd be quite so keen to subsidise the destruction of our planet. Or that we'd want to transfer funds from the poor to the rich, which is what most transport subsidies do, along with most other [2]perverse subsidies – also known as [3]environmentally harmful subsidies. It's why I advocate, outcome-based policy, even if the full Social Policy Bond regimen is a bit too radical for today. We can't do a great deal about the complexity of our economies or society, and that is what allows these ludicrous, corrupt subsidies to persist, but we can try to subordinate policy to transparent, meaningful, outcomes. Our failure to do this is not only environmentally irresponsible, fiscally wasteful, and socially inequitable: it also widens the gap between policymakers and the people they are supposed to represent.

As Norman Myers [4]says: For every $1 going into solar power or wind power, there are $15 of government subsidy going into fossil fuels, which is crazy.

1. http://www.theecologist.org/archive_detail.asp?content_id=767http://www.theecologist.org/archive_detail.asp?content_id=767
2. http://www.iisd.org/publications/pub.aspx?pno=281
3. http://socialgoals.com/blog/2005/10/environmentally-harmful-subsidies.html
4. http://globetrotter.berkeley.edu/people/Myers/myers-con5.html

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4.3.2 (2007-03-03 22:53)

Hi Ronnie,

Over the last decades Greenpeace and other groups have raised a lot of awareness about environmental problems with their non-violent protests. I am not sure about the New Zealand public, but in Europe this is certainly the case.
A lot of environmentally destructive practices are used because the wider public is either not aware of them or not aware of how damaging they are, as I am sure is the case with the Huntly power station.
What alienates the people is the spin from the power company "if we cut this station off _now _", etc. Well, nobody demands the station to be shut off now. That's not what this protest action was about.
Also I am suspicious of Genesis' claim that 1.3 million people (about a third of the total population) get their power of this one 1000MW station such that they depend on it to keep warm. I could not find figures to back this suspicion - or prove it wrong, other than the fact that Genesis Power generates about 14 % of New Zealands power.
Anyway, I think that "environmental stunts" are an important part of what groups like Greenpeace have done and still do.

Regards,
Frank

4.3.3 (2007-03-04 09:19)

Hi Frank and thanks for your comment. I share your suspicions about the self-serving claims of the power company. But I still think that actions such as this Greenpeace protest do much to alienate people from environmental concerns. Of course, my view is subjective and anecdotal. I have a couple of close friends who are socially aware and contribute a lot of time and energy to good causes, and who are quite repelled by stunts like this particular one, which are in their view unnecessary and provocative. In New Zealand we are lucky in that there are many ways of protesting and raising awareness that are perfectly legal. We have Green Members of Parliament. There are legitimate channels of protest that will not alienate anybody, and I am sure that the environmental movement - most of it - uses them - most of the time. In these fortunate circumstances illegal and destructive stunts, in my view, are unnecessarily provocative. They make it easier for most of us, who don't particularly want to change or to pay higher prices for power, to dismiss green concerns as those of a lunatic fringe. They smack of smugness and self-indulgence. They are an 'us versus them' statement and 'we' are the good guys. Well, that is how it looks to those of us who aren't involved and are now less likely to become so. In my view again, they are driven by the internal dynamic of the organisations involved, rather than wider environmental concerns. I almost wonder whether such stunts are sponsored by the power companies themselves, who can now depict themselves as victims and who are surely their largest beneficiaries. I just wish the media discussion were framed in terms of environmental outcomes and goals, rather than the antics of a few people at the margin and the reaction they provoke.

Perhaps we shall have to agree to disagree on this one, as we are mainly talking about attitudes and subjective matters, though I do think that in a genuinely democratic country, like New Zealand, protesting illegally and aggressively for any reason is a loss to us all. Whether it blights the prospects for the environment (my view) or not is more debatable and I thank you for your contribution to the debate.

4.3.4 Oops! (2007-03-04 10:22)

In the past few weeks I've received orders of magnitude more spam comments than legitimate ones. In my haste to delete February's spam comments, I mistakenly deleted at least a couple of legitimate comments by HK, and possibly others. If you would like to repost them I shall do my best to address them. I am going to try to improve my spam filtering.

4.3.5 Don't lose sight of societal goals (2007-03-05 10:30)

Reviewing *The River of Lost Footsteps: Histories of Burma* by Thant Myint-U the current [1]*Economist* (subscription) says

> There is much in [his] argument; and it is easy to share the exasperation he seems to feel with some exiled lobbyists. Some have so lost sight of the ends in pursuing the means that each new government sanction or consumer-boycott-induced withdrawal of a foreign investor is celebrated as a triumph in itself.

This confusion between means and ends is rife in the world today. Instead of societal goals, aspirations and values, ever more of our lives is determined by institutional goals, especially those of the larger organisations including government and its myriad agencies. It is all totally understandable, and quite rational given the incentives under which we currently operate. But it is also quite at odds with our broader purposes as a society. The exiled Burmese about whom Thant Myint-U writes would probably rationalise their support of a boycott of Burmese-made products as a way of further isolating the Burmese junta, and presumably hastening its end. This is questionable, but what is not up for debate is that the quality of life of the average Burmese suffers. As [2]Thant Myint-U puts it:

> [I]magine for a moment that somehow, miraculously, extremely tight sanctions were possible – involving China, India and Thailand – and that these brought the government to its knees, without a dollar or renminbi left to pay for vital imports. While there is a possibility that reasonable heads would prevail, there is also a very good chance that the army leadership would stay in their *Führerbunker* until the bitter end, as the country collapsed into anarchy around them. Many of those who support sanctions hope that greater outside pressure would lead to disagreements within the army. Nothing could be more dangerous: the country could easily fall apart into dozens of competing military factions, insurgent armies and drug warlord militias. If that happened, all the troops in Iraq and Afghanistan wouldn't be enough to put Burma back together; it would be a disaster for Asia.

But then what are well-meaning supporters of the Burmese to do? In my view, they should define exactly what they want to achieve: presumably an end to the military dictatorship and

some increase in the broadly-defined quality of life of the poorest and average Burmese. Then they could contract out the achievement of their targeted objective to whoever is best-placed to do the necessary work, perhaps by issuing 'Burma Democracy Bonds', on the Social Policy Bond principle. It would be up to the investors in these bonds to achieve this goal as efficiently as possible. They might try to achieve the goal in ways that a group of high-minded exiles cannot: they could bribe the most pliable of the current junta with one-way first-class tickets to the golfing resort of their choice for an indefinitely long holiday. They could finance the operation of a credible government-in-exile, with attendant media coverage. Whatever their course of action, it would never lose sight of its actual aims, because that would mean less financial reward for the investors. I realize that this sounds far-fetched, but the alternative has been tried for a long time, and it isn't working.

Burma is just one example. There are others, where the aims as expressed through actions of certain spokespeople - perhaps more cynical and less high-minded - are completely at odds with those of the people they are supposed to represent. The Palestinians spring to mind most readily, but such hijacking of the societal good by those who think or say they know how best to achieve it is unfortunately a common, and seemingly inevitable, aspect of current politics. I have blogged [3]below, about environmental organisations and how, in my view anyway, the naive actions of some of their membership are more likely to repel than attract potential supporters and so reduce the chances of actually helping bring about the environmental goals they say they wish to achieve. Especially in politics and the environment, we find that institutions - sometimes unconsciously, I am sure - come to see their own goals as more important than those of society.

My suggestion is that we try subordinating all our actions to agreed, explicit, transparent and meaningful outcomes. Contract out the achievement of our social and environmental goals to the private sector, without prejudice as to *how* they shall be achieved. Given the complexity of our society, with its distractions, its profusion of linkages and time lags that, I believe, is the only way we can be sure that our goals aren't corrupted and our energies aren't dissipated.

● This site's RSS feed is [4]http://socialgoals.com/blog/sitefeed/rss .xml.

1. http://www.economist.com/books/displaystory.cfm?story_id=E1_RSGJJRN
2. http://www.lrb.co.uk/v29/n03/than01_.html
3. http://socialgoals.com/blog/2007/02/environmental-stunts-do-they-help.html
4. http://socialgoals.com/blog/sitefeed/rss.xml

4.3.6 "Carry on polluting" (2007-03-07 13:36)

Larry Lohmann, writing in the *New Scientist* is skeptical about carbon trading:

> Arguably, the US sulphur dioxide trading programme of the 1990s helped business save money in meeting modest short-term reduction targets for a single substance. But global warming require a more radical solution: nothing less than a reorganisation of society and technology that will leave most remaining fossil fuels safely underground. Carbon trading...just encourages the industries most addicted to coal, oil and gas to carry on as before. [1]*Carry on polluting*

I broadly agree with Mr Lohmann in that carbon trading will not meet the challenge. And it seems that, in New Zealand anyway, there is a very large bureaucracy devoted to administering carbon trading, and a similarly large effort on the corporate side devoted to gaming the system. Carbon trading looks elegant, but its goals are modest and:

> Only big firms can afford to hire carbon accountants, liaise with officials and pay the costs of getting projects registered with the UN. Yet these are often the companies that local people battle hardest against in defence of their livelihoods and health.

Carbon trading then seems likely to be a corporatist non-solution to the climate change problem. Something designed to keep economists busy, and to annoy and deceive the public with higher prices and the appearance that something's being done.

Well, regular readers of this blog will know that I favour [2]Climate Stability Bonds, which would prove as radical as necessary in meeting the challenge: their impact would be commensurate with the scale of the problem, rather than what is politically possible under the current – corrupt – system.

What's necessary? Mr Lohmann suggests: "Public investment, shifting subsidies away from fossil fuels and toward renewables, conventional regulation, support for the work of communities already following or pioneering low-carbon ways of life, requiring that businesses pay the costs their competitors incur in developing green technologies…" Climate Stability Bonds would probably encourage investors to develop all these, and more, initiatives, and they would do so without the laborious, energy-sapping, process-obsessed negotiating that after a lengthy gestation has given birth to… carbon trading.

1. http://www.thecornerhouse.org.uk/item.shtml?x=546606
2. http://socialgoals.com/ieakyototext.html

4.3.7 Targets and experiments (2007-03-10 11:41)

Commenting on the educational ranking devised by the UK's Department for Education and Skills (DfES), the [London] [1]*Financial Times* points out that:

> Secondary schools that encourage their pupils to sit non-traditional subjects such as leisure studies and performing arts are bolstering their league table position at the expense of leading schools that focus on core disciplines, a unique analysis of exam results has shown. … Lancaster High School, a comprehensive ranked 478th by the DfES plummets more than a thousand places to 1,623 when "softer" subjects and vocational qualifications are excluded.

This is but one illustration of how the use of badly thought out numerical indicators and targets influence behaviour for the worse. They point to a genuine problem for well-meaning policymakers whose remit covers any but the smallest community: which numbers to use and

how to use them? The Social Policy Bond approach relies totally on numerical targets and so, increasingly, does current policymaking, for better or worse.

It seems to me that useful indicators and targets should be inextricably correlated with wellbeing. And we should be targeting the wellbeing of ordinary people – not corporations or institutions, which have entirely different goals that can and often do conflict with those of the public. Importantly too, our chosen targets should also be expressed in broad terms, mainly so that objectives that can conflict with each other are targeted by a single policy – or issue of Social Policy Bonds. This is in order to minimise the chances that people will achieve one targeted goal at the expense of another, untargeted component of wellbeing. Broad objectives also maximise efficiency gains, as they give wider scope for the deployment and shifting of scarce resources.

The need for broad targets highlights one of the difficulties I experience when trying to raise interest in the Social Policy Bond concept: they function best over a large scale, making small-scale experiments difficult to devise. Ideal policy areas for Social Policy Bonds are those where a large range of approaches and projects need to be explored, adapted, tried and (if unsuccessful) terminated or (if successful) adopted widely. Climate change is one example. Others are eradicating poverty, raising literacy, reducing crime rates, over large regions or whole countries. It's difficult to devise experiments at that level, but an alternative might be a virtual experiment in a simulated world, such as at [2]http://www.secondlife.com/.

1. http://www.ft.com/cms/s/201cf8f2-ce81-11db-b5c8-000b5df10621.html
2. http://www.secondlife.com/

4.3.8 Climate change: too important to be left to experts (2007-03-12 12:08)

On 8 March the UK's Channel 4 tv station screened *The Great Global Warming Swindle*. It's discussed fairly favourably [1]here, and it's rebutted, to my satisfaction anyway, [2]here. I'm no expert, but it does seem as though the experts are in agreement that, at the very least, climate change is happening and that it's dangerous.

But one of the reasons I advocate [3]Climate Stability Bonds is that those who back them need not have a strong opinion one way or the other as to the seriousness of climate change. Assume that the governments of the world decide to issue Climate Stability Bonds, which would become redeemable for a large sum once climate stability had been achieved and sustained. If the consensus of the market for the bonds is that the climate is already stable, then the bonds would sell for a quite high price. The governments would not lose much by redeeming the bonds, as the bonds would not appreciate very much. If the buyers of the bonds were wrong, it would be *they, not the governments*, who would lose money.

If the market believes climate change is happening and that therefore climate stability will be difficult to achieve, it will attach a low value to the bonds when they are issued. Bond purchasers would stand to make large sums if they help bring about climate stability.

The crucial point is that under a Climate Stability Bond regime it would not be up to governments, the United Nations, or any panel of experts to make a one-time only assessment of the seriousness of climate change. Under a bond regime it would be *the market* that would

be highly motivated to inform itself about all aspects of climate change, because it stands to gain most if they get it right. And investors in the bonds would be so motivated *on a continuous basis*, as the market for the bonds would be constantly generating opportunities for gain to successful gatherers and interpreters of the flow of data about climate change.

A Climate Stability Bond regime would thereby bring onside the skeptics, or those who are just reluctant to pay large upfront costs for an uncertain gain. It would contract out not only the achievement of climate stability, but also the assessment of how serious a problem it is. The costs of a poor assessment would be borne by investors in the bonds, rather than taxpayers. Action to bring about climate stability – and I mean action, not empty, expensive gestures like Kyoto – would, I believe, therefore be more forthcoming.

1. http://www.spiked-online.com/index.php?/site/article/2948/
2. http://www.realclimate.org/index.php/archives/2007/03/swindled/
3. http://socialgoals.com/ieakyototext.html

4.3.9 Simplify policy by targeting outcomes (2007-03-13 15:07)

> Perhaps the sophistication of modern financial structures means that the distribution of risks and the design of governance structures can be finely tuned to the needs of individual investors and the businesses they fund. Or perhaps there is a miasma of complexity and confusion in which everyone persuades themselves that the uncertainties of business have been landed on someone else. [1]John Kay, *Financial Times*, 13 March

Professor Kay is writing about private equity, but I am not sure his forebodings don't apply to policymaking and its impacts on the environment and society. If they do, then it would be for similar reasons. I suspect the complexities in the worlds of finance and policymaking *can* work in society's favour if behaviour is ethical and people trust each other. Economic complexity, based on the division of labour, works well under such circumstances. But it's not obviously better than stone age economics in complex economies, with their alienation, asymmetries of information and power, extreme interdependence, and widespread availability of highly destructive weapons. One becomes nostalgic for a simpler, more comprehensible world.

Can we have the benefits of complexity without its costs? Social Policy Bonds would recast politics, by starting out with broad, comprehensible and meaningful outcomes, to which all policy programmes would be subordinated. The world's complexities, manifold, everchanging and hence unknowable to the elite caste of current policymakers, would be pored over by anyone with an interest in investing in the bonds. Efficiency, not status or chance, would determine how well people are rewarded for achieving social outcomes.

1. http://www.johnkay.com/strategy/488

4.3.10 Let's have spontaneous fun! (2007-03-15 12:20)

> We live in a world of concepts, in a world of thought. We try to solve all our problems, from the most mechanical to psychological problems of the greatest depth, by

means of thought. J Krishnamurti, *You are the World,* Harper and Row, 1972

> What, then, of the [British] government's new, untried and dictatorially imposed new method of selecting junior doctors? It is part of its drive, conscious or unconscious, to destroy the independence first of the professions and then of citizens themselves. Its goal is a perfectly administered state (perfect, that is, in the sense that everything is administered and nothing is spontaneous or developed organically, not perfect in the sense that everything functions as well as possible). [1]Theodore Dalrymple, 8 March 2007.

Just as thinking has taken over from instinct, insight, intelligence or intuition in our individual lives, so is government control taking over many of the functions that as families, communities or societies we were used to doing for ourselves. I'm pessimistic about where the logical end point of this is: perhaps one of the better destinations would be a (relatively) benign police state like Singapore, where freedoms are restricted (by western standards), energies are almost entirely devoted to raising national income, punishments for stepping out of line are severe and the crime rate is low. Not the worst society, by any means, but the famous *Straits Times* headline hints at some of what's missing: "Let's have spontaneous fun – and here's how".

In Krishnamurti's view, continuous, unflinching, choiceless, self-observation is sufficient to put thought in its place. What would do the same to government? As it is, there is widespread dissatisfaction with government, but it's either diffuse, inarticulate, and expressed as dis-engagement from the political process; or it's ideologically driven, funded and beholden to corporate interests. There are well-meaning lobby groups who work through the political process but, when it comes to reinstating the societal intelligence that is being eroded by government, they are for the most part ineffectual. Perhaps we have reached the point where government is so dominant that any action to rein in government and restore societal autonomy has to work through government. Turkeys voting for Christmas?

I think that Social Policy Bonds, through their focus on outcomes, offer a way out of the predicament. Policy subordinated to outcomes – outcomes that are meaningful to natural persons, not corporations – would close the gap between people and their representatives in government. I suspect that specifying such outcomes would clarify what people think should be government's role in our society. Social Policy Bonds would also contract out the *achievement* of social and environmental goals to the private sector; again serving to rein in government control, and encourage diverse, more local, less monolithic, solutions to our social problems. It's likely that while government resources and articulation of our goals are necessary, withdrawal of governmental control over *how* goals shall be achieved would reinstate some of society's own skills and problem-solving abilities, many of which are being steadily undermined by government. That would be an end in itself, but would also, in my view, mean a more resilient, more resourceful and healthier society.

1. http://www.socialaffairsunit.org.uk/blog/archives/001435.php

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4.3.11 CYA security (2007-03-17 14:29)

> Another form of CYA [Cover Your A**] security is the overly specific countermeasures we see during big events like the Olympics and the Oscars, or in protecting small

> towns. In all those cases, those in charge of the specific security don't dare return the money with a message "use this for more effective general countermeasures." If they were wrong and something happened, they'd lose their jobs. [1]Bruce Schneier 15 March

Mr Schneier hits the nail on the head. The real goal of so many bureaucratic activities comes not from being successful, nor even from avoiding failure, but from avoiding one's exposure as a failure. Tried, tested and failed methods will almost always win out over new and imaginative measures: if something hasn't been done before the penalties for failure are far higher than sticking to the script even if failure is thereby assured.

1. http://www.schneier.com/crypto-gram-0703.html#1

4.3.12 "Our goal is to make houses unaffordable" (2007-03-18 14:04)

Former Federal Reserve Chairman Alan Greenspan, speaking on 15 March:

> If we could wave a wand and housing prices go up 10 percent, the subprime mortgage problem would disappear. [1]Source

Our policymakers have become so bewitched by the numbers that they fail to see what they represent. Sure, a rise in house prices would solve one problem; but one's person's increase in housing equity's is another's missed chance of home-ownership. In a conflict between competing groups of people, it seems that it's policymakers will favour those groups that

- have greater lobbying power
- are hit most visibly,
- are hit most suddenly.

Governments in the rich countries worldwide seem to be doing everything they can to keep property prices high, trying to postpone a crash at least until the next general election. High house prices have joined per capita Gross Domestic Product as a *de facto* government target. The sadness is that these numbers do not correlate with social wellbeing. The losers are not just the less powerful groups – would-be homeowners – but the natural and social environment as well. Targets such as house values and GDP per capita don't tell us anything about real social problems: homelessness, poverty, mental and physical health, or the state of the physical environment. Note to politicians: high house prices mean misery for large numbers of people. And a high GDP is at best a means to ends, not an end in itself.

1. http://www.allheadlinenews.com/articles/7006765258

4.3.13 Pseudo-choices for dogs (2007-03-20 13:27)

A hitherto obscure Canadian company, Menu Foods, has recalled some of its cat and dog food because it might be contaminated. But, as [1]Oligopoly Watch points out:

> the interesting thing for us is the list of brands produced by Menu Foods. The company makes 42 different brands of cat food and 61 brands of dog food ... [and] each of the brands has a large number of flavor varieties. The list of brands is breathtaking. Some are store brands for all the US's major and minor supermarket chains. ... [O]thers are lesser-known general varieties.... Still others are so-called "nutritional" pet foods, premium high-cost brands....[2]Pseudo-variety describes the way in which a highly concentrated industry using similar methods can produce a dazzling array of [3]"choices" at every price point and quality level.

Oligopoly Watch reminds us how and how much, industries become concentrated. The relevance from my viewpoint is not so much that such concentration is necessarily a bad thing, but that it occurs because government is systematically biased in favour of big business, at the expense not only of small business but of ordinary people too. It is government that subsidises, whether directly indirectly by such means as import barriers or military contracts, its cronies in big business, and it is government that creates a regulatory environment that imposes higher costs on small than big firms. The petfood moguls might tell you that it's 'the market' that made them so successful; so too might other large agribusiness corporates, the oil companies, and the car manufacturers or aircraft makers. But that's misleading: the market they refer to is the market as mediated by government. And that's quite a different thing.

1. http://www.oligopolywatch.com/2007/03/19.html
2. http://www.oligopolywatch.com/2003/04/30.html
3. http://www.oligopolywatch.com/2005/09/11.html

4.3.14 Costing social goals (2007-03-22 12:20)

From the summary of[1]*New Zealand's Spending Binge* (pdf, 365k):

- Core government spending is now almost NZ $20 billion a year higher than it was in 2000, a 32 % increase in real terms.
- Total government spending now makes up 40 % of GDP, compared to 35 % in Australia.
- The available social indicators we have show negligible improvements since 2000. Life expectancy, infant mortality, hospital outputs, literacy, violent crime, suicide, poverty and income inequality have barely changed despite a massive increase in social spending.

- Around the world there is little relationship between higher public spending and better social outcomes.

- A major explanation for why this spending has been ineffectual is because of middle class welfare. A large proportion of government spending is simply recycled (or 'churned') straight back to those who paid the tax in the first place.

At first sight, the conclusions seem unarguable, and I'm not going to argue against them. What I would say is that they are not going to precipitate a radical improvement in the way we do things. You can imagine the counter-arguments: sure the indicators listed above haven't improved much, but there are others that have. Or: there are mitigating circumstances, such as a rise in oil prices, larger numbers of people on welfare, an aging population, a decline in our terms of trade etc. In short, there is a sense that we are not getting value for money from the taxpayer dollar, but there's little in the way of proof.

That itself, though, is grounds for concern. We have strong suspicions that government spending could be more efficient; that middle class (and corporate) welfare is wasteful and, if it were transparent, would be unpopular; that more broadly, the gap between government – even the government of a population of 4 million – is widening. But, as another of the report's conclusions says:

- The [New Zealand] government has little specific information on how effective [its] extra spending has been. We lack information on outputs and outcomes from the public sector, which makes it difficult to measure exactly what return taxpayers are receiving for their investment.

It's not just that we can't measure the return on the taxpayer dollar: it's that we cannot monitor whether particular policies, programmes, strategies or activities are better or worse than what we have at the moment.

A Social Policy Bond regime would be different: the targeted outcome would be costed by the market, under competitive bidding. The value of the bonds would rise and fall continuously, according to how remote the market thinks the outcome is to being achieved. Such information is invaluable to potential investors in the bonds, as well as policymakers. It tells them, and anyone else, which projects are likely to succeed. More compellingly, it tells us which projects should be terminated – something that happens all too rarely under the current system, where taxpayer-funded institutions and activities have their own momentum that keeps them going well after their 'best-before' date.

1. http://www.cis.org.nz/issueanalysis/ia83/ia83.pdf

4.3.15 Zoning (2007-03-23 16:46)

An interesting comment from an Arizona contributor to a [1]discussion on organic farming:

> The organic farmer gets a minuscule share of the price of a loaf of bread. The solution to this is for the organic farmer to become a producer of food, not just organic agricultural commodities. But the local zoning people tell me that if I grind my grain into flour and bake bread with the flour that these are "industrial processes" and that they will take whatever action it takes to stop me. …

On the other hand, I have a friend in Bangkok whose next-door-neighbours house a small gem processing operation, which runs most of the night, at high volume.

1. http://www.grist.org/comments/food/2007/03/22/organic/index.html

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4.3.16 Subsidising ourselves to death (2007-03-26 00:17)

It's not only the developed countries that subsidise rich motorists to pollute the planet. Iran does it as well. The current [1]*Economist* (subscription) mentions a petrol subsidy that amounts to four times what motorists pay at the pump. It costs the Iranian taxpayer billions of dollars a year. Raising the petrol price is politically difficult.

Of course, it's not just Iran, and it's not just petrol. It's most of the rich countries, many of the poor countries, and it's agriculture, energy and water. How do governments find themselves taking funds from poor people to give to the rich to help them destroy the environment? Often such subsidies start out as well intentioned. There's a food shortage? Subsidise farmers to produce more. But the subsidies mainly goes to the owners of the least elastically supplied input. In the case of agriculture, this is farmland. Wealthy landowners are the big gainers therefore, along with the agribusiness corporates that supply the increased volume of inputs and process the expanded volume of outputs. Cutting subsidies is far more difficult than starting them. Their beneficiaries have the means and the motivation to resist meaningful reform. Government is frightened of punishing its friends (and, very often, paymasters) in the business world, so takes the path of least resistance. It's ordinary people who suffer, as well as the environment.

Such nonsense is only possible where there is a disconnect between government and the people it's supposed to represent. And such a disconnect is guaranteed when policy is expressed in terms of vague, mutually conflicting, and uncosted goals. That happens when we trust government to do the right thing. But in our complex economies, neither government nor anyone else has much understanding of all the relationships between cause and effect. Obscenities like Iran's subsidies to motorists, or the European Union's subsidies to [2]wealthy aristocrats are the result.

Either we tolerate this insanity, until its financial, social and environmental costs destroy the planet completely, or we reduce our economic units to the size at which we can understand its linkages – probably something like the village level. The latter course has its attractions, but couldn't hope to sustain the population we already have. Or we introduce outcome-based government: something along the lines of Social Policy Bonds, where all policies, activities, and institutional goals are subordinated to social and environmental objectives that are chosen by, and meaningful to, ordinary people; as distinct from wealthy individuals or corporations.

1. http://www.economist.com/world/africa/displaystory.cfm?story_id=8896201
2. http://www.oxfam.org.uk/press/releases/subsidies220305.htm

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4.3.17 (2007-03-26 12:40)

The problem is indeed that sensible regulations are too often co-opted by particular interests. It used to be that the Norwegian electronics standards were just different enough from the Swedish ones to give our own washing machines an edge at home. Nowadays that's moved to EU level, but I'm sure it's still goes on, not just with respect to other nations, but between competitors as well.

It's not obvious to me how to prevent this.

4.3.18 (2007-03-26 15:56)

I'm not sure either. But very often the regulatory environment, like import barriers and subsidies, is biased in favour of big business at the expense of small businesses and ordinary people. Outcome-based policy might help redress that balance.

4.3.19 Government and big business versus everyone else: Putin's Russia (2007-03-27 14:56)

A couple of quotes from Michael Specter's chilling article in the *New Yorker* on Putin's Russia:

> Propaganda has become more sophisticated and possibly more effective than it was during the Soviet years, when television was a tool used to sustain an ideology. The goal today is simpler**: to support the Kremlin and its corporate interests**.
>
> Putin is proud of Russia's economic achievements.... "When I became President, our foreign-currency and gold reserves stood at twelve billion dollars, and now they have increased by eighty billion over the first half of this year alone, and currently come to a total of around two hundred and seventy billion," he said. "We have paid off our debts in full. ..." He added, "But none of this would mean anything if it did not bring change to people's lives," noting that incomes and pensions have risen nearly ten per cent each year since he became President. Nevertheless, **the country is literally dying**. When Boris Yeltsin took office, the Russian population stood at nearly a hundred and fifty million. By 2050, most official projections suggest, the number may fall below a hundred million. In describing the new Russia, neither Putin nor his loyalists mention the country's rapidly expanding AIDS epidemic, its endemic alcoholism, or the vast differences in incomes among its citizens. [1]Kremlin, Inc, 'New Yorker', 29 January (my emphases)

These quotes, and the entire article, show clearly that in Russia, as in other countries:

- Government and corporations have their own agenda, which often conflicts with that of ordinary citizens; and
- A high or rising Gross Domestic Product – which I believe is the de facto target of most governments – says very little about the wellbeing of a society.

1. http://www.michaelspecter.com/ny/2007/2007_01_29_kremlin.html

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4.3.20 The Swiss model (2007-03-30 03:13)

A [1]letter by Stephen Morris, published in the current 'Economist', about the role of the British House of Lords:

> In a parliamentary system so debased by conflicts of interest that Lord Hailsham once described it as "an elective dictatorship", the Lords could well play a role in balancing the interests of the people against the ruling party and its rent-seeking clients. An even better alternative would be a system of direct democracy that allowed citizens to look after their own interests.

It's perhaps as understandable as it is regrettable that the Swiss model of 'direct democracy' is rarely proposed in other countries. Switzerland has a federal structure whose 26 cantons have use assorted instruments of "direct democracy", notably "initiatives" to change the canton's constitution, and referendums to stop new laws, change existing ones, or prevent new public spending. Cantons vary in the ease with which these instruments can be used. Research by Bruno Frey and Alois Stutzer of the University of Zurich showed that, even after allowing for other variables, the more democratic the canton, the more people living there reported being happy. The effect is significant:

> [T]he marginal effect of direct democracy on happiness [was found to be] nearly half as big as the effect of moving from the lowest monthly income band (SFr980-1,285, or $660-865) to the highest (SFr4,501 and above). [2]Source

By looking at the reported happiness of foreigners living in the Swiss cantons, the researchers found that it wasn't just the effect of the decisions made by direct democracy that led to greater wellbeing. The participation in the process itself accounted for most of the increased happiness.

This is a position I have long advocated. A Social Policy Bond regime would specify outcomes to be targeted with public funds, but the language of outcomes is intrinsically more meaningful and more accessible to ordinary people. The current political system in most democracies rarely declares its goals in terms that mean anything to natural persons. Instead, its goals have more to do with gaining or retaining power, and usually mean favourable treatment to the most powerful lobbyists, especially government agencies and big business, largely at the expense of small businesses and ordinary citizens. The system gets away with this, because its goals are expressed vaguely and usually in the form of legalistic discussion about institutional structures and funding. Social Policy Bonds in contrast would subordinate all such processes to meaningful, explicit goals. This would draw more people into the political process. As the research into Swiss direct democracy shows, this is an end in itself, as well as a means to greater wellbeing.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=8922025
2. http://www.economist.com/displayStory.cfm?Story_ID=321075&CFID=86509&CFTOKEN=73

4.3.21 The market? Don't make me laugh (2007-03-30 16:12)

> Stacy Mitchell's new book, *Big Box Swindle*, offers a compelling case for why uncontrolled proliferation of corporate chains undermines communities, competitive markets, and democracy. Mitchell provides a fine balance by detailing the big picture with extensive research while driving home the impact of problems with stories of real people, businesses and communities.
>
> An especially interesting chapter is "Uncle Sam's Invisible Hand," which reveals how government policies have played an immense role in shaping the retail and other commercial development. Some of these policies, such as directly subsidizing politically-powerful corporations, may be familiar to our readers, but Mitchell unearths many cases of more subtle government favoritism or discrimination that make clear the growth of corporate chains has not resulted from market forces alone. [1]Source

I haven't read the book yet, but I'm glad it's been written. Businesses and government talk about 'the market' as though it's an accurate summation of individual's preference, weighted perhaps disproportionately in favour of the wealthy. But it's worse than that. The wealthiest of all are not individuals but large corporations, and they have many ways in which they can bias the market against small enterprises, the public, the natural environment and the social environment. In this, they and our governments, nominally democratic as they are, engage in mutual back-scratching. Governments help large corporates by, amongst other measures, imposing protectionist barriers to imports, and creating a regulatory environment that imposes disproportionately high costs on smaller businesses. Wal-Mart and other mega-retailers are not

the only beneficiaries; agribusiness, military suppliers and the construction industry also leap to mind. But it's the big box sellers who most readily claim that their success is due to 'the market'. It's not, unless the market they are talking about is for policies, regulations and the souls of our representatives in government.

1. http://reclaimdemocracy.org/independent_business/review_big_box_swindle.php

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4.4 April

4.4.1 Better than Kyoto (2007-04-02 15:02)

Climate change is too important to be left to the bureaucrats. The latest manoeuvrings of the various interest groups: farmers, forest owners, car drivers, politicians and officials tell us all we need to know about where our ingenuity and inventiveness are going: into bickering, lobbying in defence of vested interests, and competing with other interest groups for subsidies. Much serious brainpower will be spent on resisting change or extracting privileges from government.

It's a natural reaction to the same top-down approach that, at the global level, despite all the treaties and blandishments has led to nuclear proliferation and the frightening prospect of nuclear catastrophe. And it's that same approach, which at the national level in most developed countries, has generated soaring crime rates, failing educational and health systems, and the entrenchment of an underclass.

Leaving climate change to the government is just not good enough. And this not a criticism of government employees, who in my experience are almost all hard-working (sometimes to a fault), and undoubtedly well intentioned. The problem is that these employees are reacting perfectly rationally to the incentives on offer from the institutions that employ them. And these incentives are perverse. They have little to do with actually solving meaningful problems, and far more to do with the prime, over-arching goal of all institutions: that of self-perpetuation.

The outcome we should be targeting is some definition of climate stability, which should include indicators of plant, animal and human wellbeing as well as climatic variables and the rate of change of those variables. Targeting climate stability means that we don't prejudge the best way of achieving it. This is, in my view, Kyoto's most glaring flaw: it supposes that the best way of tackling climate change is to reduce anthropogenic greenhouse gas emissions. There is no evidence for this, even though the evidence that links such emissions to climate change appears convincing – with our current knowledge.

The point is that this knowledge is rapidly expanding. We are learning more and more about the links between greenhouse gas emissions and the climate, and about ways in which

we can prevent or mitigate climate change. Kyoto is a single, one-size-fits-all, top down, fossilised, *supposed* solution to the climate change problem. But the climate change problem is so huge, and so urgent that we need instead a mosaic of approaches, that can adapt to our rapidly growing knowledge.

We also need to enlarge and *motivate* the pool of people prepared to do something to tackle climate change. Currently there is probably more human ingenuity devoted to marketing cans of dog food than there is to finding ways of preventing or mitigating climate change. The fact is that the rewards to a successful pet food campaign manager can be in the millions of dollars, while someone trying to generate new ideas for tackling climate change that don't fit in with Kyoto will have difficulty getting attention, let alone adequate funding. This points to the need to divert some private sector resources away from trivia and towards solving our most urgent environmental problem.

Recently the Virgin corporation has seen that gap, and [1]offered a reward for the best ideas to remove CO2 from the atmosphere. This is getting closer: we need to target a stable climate *however that goal is to be achieved*. We cannot afford to let the bureaucrats who run the Kyoto industry dictate the pattern of the world climate: we cannot afford the waste and inefficiency of brainpower that people will expend on gaming Kyoto.

There's more. We also need people to buy in to solving the climate change problem. Kyoto doesn't do this. Just the opposite in fact: most people instinctively resent imposed pseudo-solutions originating in remote bureaucracies. Kyoto has become politicized; so much so that anybody who questions it is assumed to be an environmental vandal. (This itself is indicative of Kyoto's limitations: people who are secure in their beliefs don't feel threatened when those beliefs are questioned.)

It is for all these reasons that I believe [2]Climate Stability Bonds would be an improvement over Kyoto. Climate Stability Bonds would be backed by the world's governments. They would be redeemable once a specified climate stability goal had been achieved and sustained. They would be freely tradable and their value would rise or fall as the targeted goal become more or less likely to be achieved. The goal could be specified as a combination of climate and other indicators. The bonds would not prejudge the best ways of achieving their goal. They would reward the achievement of climate stability, *however it is achieved*. Investors in the bonds would have incentives to respond quickly and appropriately to new knowledge about what is causing climate change and to new ways of dealing with it. Governments would be the ultimate source of finance for achieving climate stability, but the private sector would allocate society's scarce resources.

A Climate Stability Bond regime would express its aims in terms that people can under-

stand. Its explicit goal would be climate stability. If people understand what a policy is all about, they can participate more in its development, refinement and implementation. This matters hugely when, as with climate change, government will probably have to rein in activities to which we have become accustomed. Kyoto discourages buy-in because it is focused entirely on one single policy: the cutting back of net anthropogenic greenhouse gas emissions which, at best, will do little to prevent climate change and despite being ineffectual will impose heavy, and up-front, financial costs.

Climate Stability Bonds, on the other hand, have a comprehensible, meaningful goal: the achievement of climate stability. They would channel the market's incentives and efficiencies into the solution of our most urgent environmental problem. But with their focus on a targeted outcome, rather than a supposed means of getting there, they would also encourage greater public participation and buy-in to the solutions they generate. We need a widely supported, coherent, and efficient response to climate change. Climate Stability Bonds have all those features. Kyoto has none.

1. http://www.virginearth.com/
2. http://socialgoals.com/ieakyototext.html

4.4.2 Subsidising planetary destruction: part 94 (2007-04-05 01:31)

A recent [1]report released by the European Environmental Agency has found that greenhouse emissions from transport vehicles remain a key obstacle to the European Union (EU) reaching its Kyoto climate change targets. While greenhouse gas emissions fell in most sectors in the EU15 between 1990 and 2004, they increased by 26 % in the transport sector. Road transport is by far the biggest polluter, emitting 93 % of the greenhouse gases put out by the transport sector, which accounts for 22 % of total EU15 emissions.

The report estimates that around 270-290 million Euros in *known* annual subsidies are being handed down to the transport sector in EEA countries, (which include the 27 EU Members and Turkey, Iceland, Liechtenstein, Norway and Switzerland). The effect of these subsidies is to reduce the costs of transport to users.

Apart from helping destroy the environment, such subsidies also represent a transfer from taxpayers to wealthier citizens, who use the transport infrastructure disproportionately more than the poor, as they have better access to transport and more time in which to use it. Meanwhile:

> There is little prospect of slowing the growth in China's oil consumption, because **the government** is committed to a car-led policy of development. The World Bank's Mr Dollar has recently described this as "a very questionable development choice"—though it had earlier been conceived with the World Bank's backing. (My emphasis.) [2]Source (subscription)

1. http://www.globalsubsidies.org/article.php3?id_article=25&var_mode=calcul
2. http://www.economist.com/surveys/displaystory.cfm?story_id=E1_RRRDRRT

4.4.3 More versus better (2007-04-06 15:06)

> [P]erhaps most surprisingly, *growth no longer makes us happier*. Given our current dogma, that's as bizarre an idea as proposing that gravity pushes apples skyward. Bill McKibben, [1]Reversal of Fortune, 'Mother Jones' March/April

In our individual lives we make choices for ourselves, and if we don't think more income or wealth is worthwhile, we trade more for a better quality of life. Things go awry when those decisions are taken out of our hands. Most western governments target growth above all else. Since they have around 40 per cent of national income to spend and the power to create statutes that heavily influence much of the rest of our lives, governments' goals play a big part in society's sacrifice of (in Mr McKibben's terms) *better* for *more*.

Of course, governments' goals should be close to those of the people they are supposed to represent. But, as with all big organisations, institutional goals tend to take over. Growth and complexity tend to go hand-in-hand, as does complexity and the gap between people and their government. So there is a self-reinforcing cycle that leads to the disengagement of people from politics, and the substitution of politicians' goals for those of ordinary people. They two sets of goals are quite distinct: and the choices of governments, given their huge economic and legal power, quite critical. One disastrous result is environmentally harmful subsidies, which mainly benefit large corporations at the expense of the physical and social environment, small businesses and ordinary citizens. Most of us would probably trade off some of the more measurable indicators of economic wellbeing for an enhanced quality of life. But the choice is largely out of our hands: it's made by our governments on our behalf and they have every interest in maintaining their symbiotic relationship with large corporations. So when it comes to a choice between *more* and *better*, it's *more* every time.

Social Policy Bonds are not just about efficiency: they're about subordinating government policy not to the wishes of large businesses, but to outcomes that are meaningful to, and chose with the participation of, ordinary people. Under a Social Policy Bond regime, government would articulate people's wishes and raise revenue for their achievement, but the actual goals, and the ways in which they would be achieved, would be decided by wider society. The benefits are not just greater public participation in choosing policy goals, but greater efficiency in achieving them.

1. http://www.motherjones.com/news/feature/2007/03/reversal_of_fortune.html

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4.4.4 Immigration and buy-in (2007-04-09 12:29)

> A bleak picture of the corrosive effects of ethnic diversity has been revealed in research by Harvard University's Robert Putnam, one of the world's most influential

> political scientists. His research shows that the more diverse a community is, the less likely its inhabitants are to trust anyone – from their next-door neighbour to the mayor. *[1] Financial Times* , 8 October 2006

This is an oldish article, but the conclusions of the research cited are relevant. It's worthwhile asking whence the impetus in favour of immigration arises, and what are its long-term effects on the social fabric of the countries receiving and losing migrants? My own view is that our governments have tended to regard our social environment very much as they have looked at the physical environment: something that can be run down for as long as an obvious emergency can be avoided, so that the financial figures look good.

Immigration is one subject on which buy-in is especially important. If people feel they haven't been consulted about who is allowed into the country they live in, then the result will be, as Professor Putnam's research indicates, negative. Consultation on such a sensitive subject could make a lot of difference: not necessarily to the immigration statistics, but to the far less quantifiable, but at least as crucial, matters of attitudes and trust.

We're fast losing the habit of such consultation. National policy is decided by professional politicians whose policies are mainly expressed in terms of institutional structures and funding, a proliferation of micro-targets, or arcane legalistic discussion. Absent from such policymaking are outcomes that are meaningful to citizens. Government instead is concerned mainly about the *means* of achieving its (very often) unexpressed or mis-expressed goals. To reconnect politicians with its electorate, I have long advocated Social Policy Bonds: not only because of their likely efficiency gains, but also because they start out with an explicit statement of a meaningful policy goal. By doing that, they encourage greater public participation in policymaking. When it comes to hosting migrants from many different cultures and backgrounds, such participation, and the buy-in it generates, are essential.

1. http://www.ft.com/cms/s/c4ac4a74-570f-11db-9110-0000779e2340.html

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4.4.5 Literacy in Pakistan (2007-04-11 13:32)

From the current issue of the [1]*Economist*:

> Officially, 53 % of Pakistanis are literate. Others say the figure is nearer 30 %. Literacy, often defined as no more than the ability to write one's name, is as low as 3 % among women in some rural areas.

The byline to the article sums it up: 'Pakistan's madrassas may be less of a problem than its mainstream schools'. With its population of 160 million, Pakistan's disastrous educational

system is both distressing in itself, and a likely source of further misery. It's a problem that doesn't seem amenable to the current policy mix. Some years ago I proposed that private organisations and individuals take the lead and issue their own Female Literacy Bonds, based on the Social Policy Bond principle. My [2]handbook (pdf) for such entrepreneurs or philanthropists, explains how the bonds could be of interest to all:

- If you are cash-rich but time-poor and know what you want, then you could get together with some cronies and do as suggested: set up an escrow account and issue your own bonds. If you are less wealthy you could swell the redemption funds by depositing your spare cash into escrow account set up by others.

- If you have more energy than money you could buy some Female Literacy Bonds, and then work to raise female literacy in Pakistan. Your bonds would appreciate in value if literacy levels rose quickly. You could even borrow on the strength of the expected increase in capital value of your bonds, in order to finance literacy-raising projects. You could co-operate with other bondholders and finance those activities that you think will be most efficient in raising literacy.

- If you are already involved in trying to raise literacy in Pakistan you could contact holders of Female Literacy Bonds and if they believe your activities are efficient in reducing conflict they will find it worthwhile to help finance your existing projects.

1. http://www.economist.com/world/asia/displaystory.cfm?story_id%E2%80%B075454
2. http://socialgoals.com/handbook.pdf

4.4.6 Fight global warming by chopping down trees? (2007-04-13 02:55)

From the current issue of the [1]Economist (subscription):

> A climate model suggests that chopping down the Earth's trees would help fight global warming. … The reason for this is that trees affect the world's temperature by means other than the carbon they sequester. For instance forests, being generally green and bristly things, remain quite a dark shade even after a blizzard.

The article is reporting on a study led by Govindasamy Bala, of the Lawrence Livermore National Laboratory, in California, and it doesn't mention many other ways in which trees might warm the climate. For me the implications are that, with our very limited knowledge of the causes of climate change, we ought to target not the ways in which we currently think we

can stabilize the climate, but the goal of climate stability itself. We simply don't know enough about the mechanisms underlying climate change to make policy today on *how* to stabilize the climate.

The scientific complexities of climate change are analogous to those of a social system, and our policymaking cannot cope with great complexity. It cannot reliably identify the cause and effect in complex systems, and it certainly cannot cope with rapidly expanding knowledge, nor with the diversity inherent in large geographical areas. It's too quick to identify a causal relationship, and then base policy on it. The Kyoto agreement is one such response to climate change. Whether Dr Bala's study is right or wrong on the question of trees and climate change, is not the point. What is crucial is that our policymakers have some degree of humility, and create policies that don't assume they know the entire truth.

Instead of promoting what are thought to be the means by which a goal is to be achieved, they should reward the society's desired *outcome*. When it comes to climate change, instead of rewarding the planting of trees, or whatever seems, with current science, to be ways of reducing our net emissions of greenhouse gases, it should [2]target climate stability, and let the market decide on the best ways of achieving that goal. These ways will not be obvious, and they will vary with time according to circumstances that we cannot anticipate. Rewarding successful *achievement* of society's goals, as under a Social Policy Bond regime, encourages a wide range people to find diverse, adaptive and efficient ways of achieving social and environmental goals. Leaving such an exploratory process in the hands of politicians and bureaucrats just isn't going to work: society and the environmental challenges are now just too complex for an approach that was devised (and worked very well) in the late 19th century.

1. http://www.economist.com/science/displaystory.cfm?story_id=8998216
2. http://socialgoals.com/ieakyototext.html

4.4.7 Complexity exaggerates role of ideology (2007-04-15 13:22)

Commenting on Edmund Wilson's view of the American Civil War and the literature that resulted, and then about the current Iraq imbroglio, Inigo Thomas writes:

> [N]ever before had Americans found themselves so articulate while also failing to convey any sense of what actually happened. … The Iraq war, untidy and unkempt to say the least, has produced an even more stunning mass articulatenesss….. New books, magazine articles and blog entries go on endlessly about Bush and the neo-cons, how they skittled the war in Iraq because they were incompetent or because of their bad planning. If only the administration had listened to…. *First Puppet, Now Scapegoat*, 'London Review of Books', 30 November 2006

It's not Mr Thomas's main point, but one issue raised is: how can the experts get it so wrong? Well, Mr Thomas goes on to say that as far as the 'Bush, Cheney and their friends' were concerned: 'Whether democracy in the Middle East thrived or failed – that doesn't seem to have mattered…' I'm not sure I agree with Mr Thomas on that, but regardless of what one thinks of this particular failure, there are plenty of other, less spectacular, but equally

appalling policy disasters at a time of unprecedented articulateness. There are knowledgeable experts on virtually every subject. Sometimes their facts or interpretations appear to conflict, but more often, I believe, the increasing volume of available information fails to improve policymaking because either:

- the real drivers of policy are ideological (as seems to be the case with Bush et al), or
- the rising tide of information is rendered next-to-useless by the increasing complexity of our society and environment.

Perhaps the two are linked; in the face of so much complexity, the thinking is that we might as well just go with our prejudices. That's one reason I favour subordinating policy not to ideology, and not even to the latest readings of the masses of information available on any subject, whether it be climate change, how to stop wars and civil wars, or how to reduce crime levels. The information available to policymakers at any one time is almost as fixed as our prejudices: it's not always a solid basis for policy, especially for long-term goals. My previous post talked about climate change and new findings that in some parts of the world, more trees might accelerate global warming. This may or may not be true, but building long-term policy on fossilised science is not going to work: we need dynamic, adaptive strategies; and we need people other that policymakers to have incentives to investigate the most efficient solutions.

Social Policy Bonds do both: they target explicit, transparent goals, and they make rewards contingent on achieving those goals. By contracting out the achievement of social goals to the market, they maximise the efficient use of our scarce resources. There might still be failures: bringing peace and democracy to the Middle East is a lofty and probably an extremely remote goal. Under a bond regime, it might never be achieved, but what is certain is that US taxpayers would not then have to pay for the failure.

4.4.8 Fraud (2007-04-16 13:50)

George Monbiot explains why the British Government is extending the tax rebate for biofuels:

> It used to be a matter of good intentions gone awry. Now it is plain fraud. … The reason governments are so enthusiastic about biofuels is that they don't upset drivers. They appear to reduce the amount of carbon from our cars, without requiring new taxes. It's an illusion sustained by the fact that only the emissions produced at home count towards our national total. The forest clearance in Malaysia doesn't increase our official impact by a gram. [1]*If we want to save the planet, we need a five-year freeze on biofuels,* 'The Guardian', 27 March

I was inclined to think insanity, but Mr Monbiot is probably more accurate when he calls it fraud. He goes on to say that fuel suppliers in the UK have been ordered to ensure that 2.5 per cent of the fuel they sell is made from plants. If not, they must pay a penalty of 15p a litre.

By 2050, the British Government wants 33 % of UK fuel to originate in crops, while President George Bush announced 'that he would quintuple the US target for biofuels: by 2017 they should be supplying 24 % of the nation's transport fuel.'

These ludicrous targets are government at its worst. They have nothing to do with any meaningful outcome for ordinary people, and everything to do with pandering to the wishes of large agribusiness corporates, and getting something in the media that appears to show concern.

1. http://environment.guardian.co.uk/climatechange/story/0,,2043727,00.html

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4.4.9 Cars: the insanity (2007-04-17 12:47)

The syntax is a bit odd, and it's now a month old, but I haven't seen this bit of news reported anywhere else. I think it's sad:

> For the occasion of the closure day of the Geneva Motor Show, some 10 activists from different organizations were planning to do a small demo at the inside of the Geneva motor show, deploying a banner to point out the hypocrite discourse of the car manufacturers. As a **preventive measure**, Police Detectives of the Geneva Canton have taken the whole group of activists and the camera crews in their presence in custody, and kept them for more than 8 hours for questioning. Jeroen Verhoeven, Coordinator of the 4x4network and participating in the action, has been hand-cuffed and taken away to the police station for questioning. The activists have been charged of being "the alleged authors of threats alarming the public", **even if the action did not take place!** In order to avoid any dissident voice at the motor show, the activists have been **phone-tapped, hand-cuffed, strip searched, their DNA and fingerprints have been taken**, and video material, laptops and mobile phones have been seized by the Geneva Police." [1] UK Indymedia
>
> (my emphases)

On a related note, I was pleased to see a fellow Wellington (New Zealand) blogger respond to a comment in the local paper about a "bus lane policy that will strip residents of their rights to park cars on busy thoroughfares".

> Excuse me? When did it become a "right" to store one's private property on a public thoroughfare? [2] Tom Beard

This is no trivial question. Recent research seems scanty, but in 1992 the World Resources Institute (MacKenzie *et al* cited [3]here) estimated the value of this 'right', for the US alone, to be $85 billion per annum, assuming an average value for a parking space of $1000 per year. The authors argued that parking should be considered part of the normal costs of operating and owning a car and that the free supply of parking is effectively subsidizing the use of cars and trucks. (The same study concluded that road transport subsidies in the USA amounted to

around $174 billion in 1989 or 3 per cent of GDP with road users covering only about 20 per cent of public expenditures and costs.)

1. http://www.indymedia.org.uk/en/2007/03/365635.html
2. http://wellurban.blogspot.com/2007/04/whose-lane-is-it-anyway.html
3. http://www.sierraclub.org/sprawl/articles/subsidies.asp

4.4.10 Killing our citizens: no videos, no debate (2007-04-20 04:52)

More than 100 people were killed violently yesterday in the US. More than 100 people are being killed today, and more than 100 will be killed tomorrow.

There will be no blaring headlines, no anguished hand-wringing, no serious debate about the costs and benefits of controlling the causes of these deaths by violence. That's for one simple reason: they were the result of road accidents. On average [1]119 people die every day on American roads. Worldwide, road deaths are [2]estimated to be 1.17 million per annum, with over 10 million crippled or injured.

What is it about road transport that makes us irrational? An infantile wish for high speeds? The erotic symbolism of entering an enclosed body and moving it along? I don't know, but figures show that even in the US car ownership is about 50 per cent, which means that at any one time much less than half the world's population has access to a car. But cities today are designed not for human beings, nor even for public transport, but for cars and their drivers. Our physical and social environment is being sacrificed for the car: well it looks that way. The irrationality of it all is more striking in developing countries, where the vast majority of people see very little return from the massive investment in road transport being undertaken by their governments. Their children are killed or injured, their air is poisoned, their climate is being altered irreversibly, their communities destroyed – for what? I know; it's not just for the sake of the wealthiest fraction of their population who can sit in air-conditioned comfort while they scoot around the cities. There are benefits for all from a complex market economy.

My concern is that most people have little real say in how their economy develops. The construction industry – and not just in the developing world – is a byword for corruption. My previous blog was about the subsidies implicit in allowing people to park their cars in a public space. But there are other perverse subsidies that benefit road transport: those that encourage oil extraction and consumption (thankfully these are [3]coming down in most countries). There is very heavy bias, more generally, in favour of the large and global as against the small and local. (Scroll down [4]this page for the excellent publication Small is beautiful, big is subsidised.)

Social Policy Bonds would re-orientate policy. Transport is a means to various ends, not an end in itself. People should choose the social and environmental outcomes they want to achieve with public funds. Politicians whose interests are largely dictated by corporate lobbyists, get away with road-building programmes because politics today is about image, spin, gesture and deceit. Political debate centres on arcane discussion about legal niceties, and institutional funding and structures. Give people access to policymaking, by centring the debate on outcomes, and public participation would be much higher.

To be sure, some of us might choose a transport system that is based on privately-run chunks of metal zipping around killing more people more than any number of gun massacres, that devastates our physical and social environment, and that requires the transfer of large amounts of funding to unstable and repressive regimes several thousand miles away. But let us make such choices explicitly, and with our eyes open.

1. http://www.martinfrost.ws/htmlfiles/sept2006/usroad_deaths.html
2. http://travel.state.gov/travel/tips/safety/safety_1179.html
3. http://www.globalsubsidies.org/article.php3?id_article=20&var_mode=calcul#Removing%20final%201
4. http://www.isec.org.uk/pages/books.html

4.4.11 More gesture politics (2007-04-22 13:36)

Researchers at [1]Open Europe, an economics think tank in Britain, recently reported on the European Union's Emissions Trading Scheme. One of its many flaws is that it is inflexible. It covers only:

> … CO2 emissions and only from certain plants in certain sectors of the economy. The scheme looks only at limiting emissions from a few industries, rather than looking at how to reduce net emissions from the whole economy at the lowest net cost.
>
> [2] Source
>
> (pdf)

As well, and unlike even Kyoto, investment in CO2 'sinks' do not count. Of course, the theory might be flawed, but what about the practice? Open Europe's conclusion is that the ETS represents "botched central planning rather than a real market." Carbon trading has not resulted in an overall decline of the EU's carbon dioxide emissions. So even its own narrow terms, the ETS has failed.

This is typical. Projects like the ETS and Kyoto push all the right buttons. They make us feel good because it looks as though we're doing something. They give the illusion of success; they point the finger at countries that don't subscribe to them; they involve the creation of bureaucracies of (often) hard-working, well-meaning people;, and they allow the rest of us to relax, because a lot of people are doing something positive. But they aren't. The agreements continue, the organisations that administer them go from strength to strength; but the targeted outcome to which these organisations are allegedly supposed to be contributing? No impact whatsoever. The outcome has been hijacked by a political process that rewards activity above all else. And it will continue to be like this until we subordinate all such activity to the outcome that society - not government agencies nor other organisations, but real people - want to achieve.

1. http://www.openeurope.org.uk/media-centre/bulletin.aspx?bulletinid=44
2. http://www.openeurope.org.uk/research/ets.pdf

4.4.12 Role of current lobbyists in Social Policy Bond regime (2007-04-24 14:39)

A reader in Australia has asked, amongst other things, about the role of existing lobby groups under a Social Policy Bond regime. Could they recognize the"threat" posed by the bonds (that is a redirection of government resources away from themselves) and lobby to ensure that the conditions attached to any Social Policy Bond issue favour them, or even worse, are impossible to complete? I am more sanguine. There would be some attempted manipulation, but as long as there were a strong performance incentive, the goals of these lobby groups would have to become much more congruent with society's. That is where the money would be. They would find it hard openly to come out and oppose targeted *outcomes*. For instance, they would find it difficult to say *we are against lower unemployment*, or *the eradication of illiteracy*. Under a bond regime, government's goals would be expressed in terms of such outcomes. Which means that the public will be able to follow the policymaking process, and the attempted hijacking of it, much more closely. And there is more consensus over outcomes than the alleged means of reaching them.

So my thought, or hope, is that the lobby groups who would be inclinded to oppose Social Policy Bonds would see the writing on the wall. The bonds mean the democratisation of policymaking. Lobby groups who want to see Social Policy Bonds fail would suffer public opprobrium and, more to the point, they would be doing so very openly. Lobby groups could still influence policy, but not in secret.

4.4.13 Total Information Awareness (2007-04-26 14:38)

> Nearly four years after [US] Congress pulled the plug on what critics assailed as an Orwellian scheme to spy on private citizens, Singapore is set to launch an even more ambitious incarnation of the Pentagon's controversial Total Information Awareness program – an effort to collect and mine data across all government agencies in the hopes of pinpointing threats to national security. [1] Wired

I've long suspected that as policymaking become more and more removed from people, the resulting social stresses will lead in one of two directions: either malign or benign dictatorship. One cause of the widening gap between politicians and the electorate is the perhaps inevitable targeting of numerical indicators by governments of more than several hundred people. Unfortunately the targeted indicators are often implicit; chosen because they are readily available rather than because they tell us anything about societal well-being.

The targeted indicator par excellence seems to be Gross Domestic Product per capita. Singapore is perhaps the most focused exemplar of this subordination of virtually everything to quantifiable economic indicators. I can't fault the logic of the Singaporean Government's interest in the TIA - given where it, and most of the rest of us, are now. As society becomes increasingly seen as an adjunt to an economic system, the loss of community and possibility of social collapse call for government - never slow to expand its role - to provide a solution. If that government is both benign and prescient, then something like the TIA becomes inevitable. Not the worst option by any means, but regrettable all the same.

1. http://66.102.9.104/custom?q=cache:ipkBCRZoAQ4J:www.wired.com/politics/onlinerights/news/2007/03/SINGAPORE+Congress+pulled+the+plug+on+what+critics+assailed+as+

4.4.14 Stupidity (2007-04-27 13:40)

> In March EU leaders agreed to set a binding climate change target to make biofuel - energy sources made from plant material - account for 10 per cent of all Europe's transport fuels by 2020. But the European Commission has admitted that the objective, which aims to cut carbon dioxide emissions, may have the unintended consequence of speeding up the destruction of tropical rainforests and peatlands in South-East Asia - actually increasing, not reducing, global warming. [1]Source

This shows the stupidity of targeting irrelevant numerical indicators. Humanity is not interested in how much transport fuel comes from plants. What we *are* concerned about is climate change. So why don't our 'leaders' target something meaningful, like climate stability? Why not target a real outcome, instead of one of the supposed ways of reaching it? Several answers spring to mind: the need to maintain the revenues of agribusiness corporates; government's reluctance to relinquish control over means as well as ends; government's long history of thinking a handful of experts knows more than the entire population about how to achieve social and environmental goals. In this instance these answers are probably all valid. It's particularly depressing, though, that the result will be to accelerate the irreversible sacrifice of yet more of our precious heritage to the perceived interests of the road lobby.

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/04/27/wgreen27.xml

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4.4.15 Africa (2007-04-30 11:22)

From [1]the Economist (subscription):

> How can the outside world help Africa? There is no easy answer. ... The latest aid-givers' consensus is to identify "good" countries, still quite a small bunch, and let them spend the cash as they see fit. Yet time and again, good guys—most recently, Ethiopia's Meles Zenawi and Uganda's Yoweri Museveni—slip back into old despotic ways, putting aid-givers into a quandary. By punishing governments, are they not hurting the innocent poor?

It seems to me that Africa is crying out for outcome-based policy. A Social Policy Bond regime would inextricably tie rewards to outcomes. In Africa that is an urgent need. Also important is that Africa's problems are so desperate that the continent's wellbeing can be accurately targeted by quantifiable indicators, such as literacy, infant mortality, longevity etc. (That's not always true in the rich world.) We see in Africa (and North Korea) governments' total cynicism: they are quite happy to bargain away their citizens' lives for a few more years in power. We need ways of mobilizing people to remove government corruption, or to bypass or, failing that,

to undermine recalcitrant governments, in order to achieve basic human needs for their people. Social Policy Bonds, whether backed by concerned in the west, or by wealthy individuals or NGOs, would do generate incentives for such a mobilization. The current political system is failing. True, 'there's no easy answer', but motivating people to channel their ingenuity into finding answers has hardly yet been tried.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=E1_JDSJRTV

4.5 May

4.5.1 (2007-05-01 07:29)

I don't think that too many powerful lobby groups will try and oppose SPB directly (as you say who can argue against lowering unemployment), but that they will take a strong role in the drawing up of the SPB conditions. This process will be by its nature complex for most bonds as there is a need to carefully define the bond conditions so that the bond holders do not achieve the required outcome through undesirable approaches (eg employing every unemployed person for one hour a week so that they no longer count as unemployed). The complexity of the bond conditions will provide many opportunities to turn the condition towards a lobby groups own ends, or include conditions that make the bond effectively impossible and worthless.

I don't know how this problem can be avoided - if the bond conditions are made simple (and hence visible to the public) then the bond holders will have many opportunities to collect on the bond via technicalities. If they are complex (ie all the requirements carefully defined), then existing lobby groups have lots of opportunity for condition manipulation.

An Australian Reader

4.5.2 (2007-05-01 07:41)

It is hardly surpassing when African leaders act corruptly when there is no effective legal system to hold them to account for their actions.

One solution might be to create a corruption resistant legal system, one that was not funded and staffed by the corrupt government. Once leaders knew that they faced an independent legal system then they may be less likely to engage in corrupt activities. We (ie the donor countries) could tie any aid given to the establishment of such a legal system.

An Australian Reader

4.5.3 (2007-05-01 08:12)

Thank you for your comment and interesting an idea. I fear though that to impose an independent legal system on corrupt governments (and it would have to be imposed) could play into

the hands of those governments; much like Robert Mugabe or most of the Arab leaders could cynically claim that colonialists or Israel caused all their country's problems. Rallying support against outsiders in this way, though not justified, can be quite successful.

4.5.4 (2007-05-01 08:44)

Thanks for your comment. You are right, but I would say that whatever the difficulties with formulating optimum conditions for redemption of Social Policy Bonds, they would be less than under the current system. To be sure, there would be technical opportunities to evade the spirit of any particular Social Policy Bond issue, but so too would there be a larger group of people both concerned to see that the bonds really do achieve society's goal, and with the necessary expertise to do so - at least to the extent that technical manipulation of targeted outcomes will be more difficult than technical manipulation of the myriad obscure regulations, processes and structures that govern the current policymaking system. Another point of course, is that the bonds need not be issued by the public sector. Philanthropists, non-governmental organisations, and groups of interested individuals could all issue their own bonds. Such issues would not only be more resistant to manipulation, but could serve as templates for future issues of government-backed Social Policy Bonds.

4.5.5 (2007-05-02 11:07)

Hmm, I see a potential problem. Imagine that there are bonds targeted to some good indicators of human well-being, and that they are quite ambitious, requiring perhaps a 25 % improvement for payoff. The country in question is peaceful, but hopelessly corrupt. Then figure that the bondholders see two options:

1. They can work for gradual change. This will almost certainly work, but it will be very hard to reach the 25 % target. Perhaps only a 5-15 % increase is feasible in the best case.

2. They can get some trusted people in, stage a coup/revolution, and roll out vast plans of improvement if they succeed. If it succeeds, the 25 % goal will be met, but it only has a 10 % chance of succeeding. If it fails, the country will be thrown into bloody civil war and horrible misery.

To the bondholders, the second case may seem more desirable, and that's not nice.

It seems to me that all bonds based on threshold levels (such as I believe your suggestion for Afghan literacy bonds were?) are vulnerable to this, but it could perhaps be avoided if payoff was linked to the indicators in such a way that the holders would be guaranteed some payoff, unless they completely botched it.

I do not think this is an academic question. It seems foreign aid specialists face similar questions all the time, in deciding if sacrificing the best for the good is worth it.

4.5.6 (2007-05-03 02:20)

Thanks Harald, I think you are correct in that this is not just an academic question. Social Policy Bonds would be radically different from the current system, and such potential pitfalls would need to be anticipated as much as possible. Issuers I think, at least for the first bond issues, would need to have provisos that stipulate that certain other indicators (such as one for violent political conflict, your example) shall not rise or fall by a certain specified level if the bonds are to be redeemed. Another possibility is that at first relatively unambitious targets would be chosen, so that bond issuers could see how progress is going before targeting bigger goals.

As you say, foreign aid organizations have similar problems in today's regime; as do foreign governments that genuinely want to improve conditions for the world's poor or to overthrow oppressive regimes. Being explicit about goals is one way in which minds would then be concentrated on the tradeoffs that may or may not be involved.

4.5.7 Bangkok (2007-05-03 02:21)

I arrived late last night from a long flight. My first experience of the new airport, and perhaps even more impressive, the lavish road connections into the city. Impressive in a technical sense. Thailand has severe social and environmental problems, most of which would benefit from well-directed government largesse. But it's prestige projects like airports and multi-lane highways that seem to attract much of the available funding. Perhaps they are seen as necessary to the country's development, and perhaps the Thai Government is making wise, long-term, necessary decisions, that will benefit its people in ways that are less obvious than giving a higher priority to the disadvantaged or the physical environment. I can't prove anything one way or the other. It just doesn't feel right, that the rich - who are the main users of air and private road transport in Thailand - are so obviously well served *by public funds*.

4.5.8 (2007-05-04 15:22)

"Issuers I think, at least for the first bond issues, would need to have provisos that stipulate that certain other indicators (such as one for violent political conflict, your example) shall not rise or fall by a certain specified level if the bonds are to be redeemed."

No, that wouldn't work. Violent conflict would only come if option 2 went bad, and then the bondholders would have lost anyway. My point is that bondholders could still want to take the chance at option 2, if there was a treshold level for payoff, rather than a propotional one.

4.5.9 Lateral Thinking and Dangerous Precedent (2007-05-05 02:37)

> Look at Iraq. If the US said they were going to leave on a certain date, then for every week without any killings, the date would move forward, and for every week with a killing, the later and later the date would be delayed. This way those who killed

would not be seen as heroes but those keeping the Americans in the country. [1] Source

I don't know whether this would work, but Edward de Bono is surely correct when he says that we "have to be open to possibilities and willing to explore". That would include politicians, or at least those whom they employ to formulate policy. Unfortunately, the incentives work against those trying to think laterally.

Francis Cornford put it this way, a century ago in [2]*Microcosmographia Academica*:

> The Principle of the Dangerous Precedent is that you should not now do an admittedly right action for fear you, or your equally timid successors, should not have the courage to do right in some future case, which, ex hypothesi, is essentially different, but superficially resembles the present one. Every public action which is not customary, either is wrong, or, if it is right, is a dangerous precedent. It follows that nothing should ever be done for the first time.

1. http://education.guardian.co.uk/higher/profile/story/0,,2063752,00.html
2. http://www.cs.kent.ac.uk/people/staff/iau/cornford/cornford7.html

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4.5.10 Widening the gap... (2007-05-05 03:09)

...between politicians and people, still further. This from today's [UK] [1]*Daily Telegraph*:

> The internal politics of both Scotland and Wales now resemble those of most Continental countries more than they resemble the English. The voters do not directly elect a government. They create circumstances in which the political parties negotiate to decide which of them will form the government.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=Z10QNQNONU5VJQFIQMGSFGGAVCBQWIV0?xml=/news/2007/05/05/nelec305.xml

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4.5.11 (2007-05-05 13:07)

(Revised) Thanks again for making me think about this. Actually the provisos would be embodied in the bonds, so that at the time of issue, potential investors would know that if violent political conflict were to occur (for any reason) the bond issue would be invalid.

The problems you forsesee though could arise with negative-but-unanticipated actions. This reminds me of the incentives to fund managers to take big risks with their clients' capital in order to have a higher chance of coming top of the tables in terms of returns. In both cases,

the costs of the downside do not fall on the risk-takers.

This concern does seem to point to the need for either smaller incremental increases in targets, or to proportional payouts (rather than thresholds), at least until the Social Policy Bond principle has been tried and refined, and at least for those goals where it cannot be assumed that bondholders would follow the spirit of the bond issuers, rather than the letter.

But perhaps Social Policy Bonds with ambitious goals in practice would turn out to generate proportional payouts. Very ambitious goals would mean a very low market value for the bonds. People buying the bonds therefore could multiply their investment simply by, for instance, raising literacy in Pakistan by 5 per cent, instead of (say) 50 per cent. I think this initial group of investors would probably be unwilling to jeopardise the chance of such a large gain for the much smaller chance of a spectacularly large gain if they were to organize a coup along the lines you imagine. The same reasoning would apply all along the path to redemption, especially if bondholders are a loose and shifting coalition of interests.

4.5.12 (2007-05-07 07:16)

Sounds good to me, if by government they mean the executive branch. There should be no more power in the executive branch than it needs to be to keep day-to-day affairs running.

I don't like the British/US idea that government works best when one party has absolute control. When the people is divided, it's a good thing that parties have to work together in the executive branch. What it usually means is that they have to compromise on their more controversial points, and we get a government that nobody likes (when did that ever happen anyway?) but most can at least stomach.

Did I mention that I don't like the Daily Telegraph, either? Well, Matt's pretty good. And the crossword, although the threshold is quite high for us non-native speakers!

4.5.13 Social Policy Bonds and government sub-contracts compared (2007-05-08 17:09)

Discussion with friends makes me want to highlight one of the less obvious features of Social Policy Bonds: they function as a tradeable contract not to deliver a service, but *to achieve an outcome*. The distinction is an important one: the risk of bondholders' failure to perform is borne by the bondholders, not the government - or taxpayer. This is contrast to the usual sort of government sub-contracting.

The other difference between a tradeable contract to deliver a service, and a Social Policy Bond issue, would be that Social Policy Bonds could be bought and held by anybody, not just people already involved in carrying out the target-achieving projects, or well set up to do so. So the range of possible bidders would not be limited to a few likely operators, but would be open to all who are prepared to do, or to finance the doing of, projects that would help achieve the targeted objective. The fact that anybody could be involved in the bidding

for bonds at any stage would discourage people from making excessive bids, so ensuring that social objectives would be achieved as cost-effectively as possible. Compared with tradeable contracts, this would make ownership of Social Policy Bonds more fluid, which would mean more market liquidity, more transparency and an enhanced ability for the government to fine tune its priorities after the outcome has been specified and the bonds issued.

If the Social Policy Bond concept were to generate more market activity, it would make more practical the targeting of remote objectives; ones that may take years or decades to achieve. Many businesses would be reluctant to take on these goals without the possibility that they could benefit in the shorter run. Social Policy Bonds would allow them to do what they could to achieve the target, then benefit from selling their bonds at a higher price, letting the new bondholders continue the advance toward the goal.

4.5.14 (2007-05-08 17:19)

I take your point, but I think it's unhealthy for people not to know what policies they are voting for. The tendency then is to disengage from politics completely, to be cynical about all politics, and to resent every policy as being imposed from above. I'd like, of course, to see people voting for outcomes, along Swiss lines. I like the *Telegraph* for its website (all free). I'll take look at the crossword now.

4.5.15 Countless ordinary people (2007-05-10 08:26)

I suspect Thailand has some similarities with Japanese society when it comes to a hierarchy that seems to be rapidly losing its influence. [1]Robert Locke, writing about Japanese society, argues persuasively that 'what people are pursuing in the workplace is not so much money as the respect of the people around them.... [The Japanese] have understood that a large part of what money-seeking individuals really want is just to spend that money on purchasing social respect, through status display or whatever, so it is far more efficient to allocate respect directly.'

Rather than offer financial rewards we could perhaps reward people who help achieve societal goals with higher social status. An honours system could go some way toward rewarding people who forgo financial fortune for the good of society. Indeed, many countries have honours systems that are - or were - intended to do this. People also gain status merely by being admitted to exclusive societies, by working for a reputable organisation, or are pleased simply to be recognised in their role by cognoscenti. And many social reformers are quite happy to toil away without needing their efforts validated by any external body. They might be happier for knowing that they are helping to improve the society in which they live but, for a very large number, their reward lies simply in knowing that they are making a contribution.

But whether for good or ill, the context within which social status is barely correlated with financial status is rapidly disappearing from many rich countries: social status is becoming more and more congruent with high levels of wealth and income. The British honours system, for example, which used to compensate dedicated people for the financial sacrifices they made for the public good, is more and more following the trend, making awards to entertainers and

sportspeople who, whatever their other troubles, are not financially impoverished. There are still fields of activity, in the academic and religious worlds, for instance, wherein social status and monetary reward do not always go hand-in-hand, but they are shrinking or indeed reward activities that most of us would see as anti-social. Re-instatement of a popular culture that confers high status on those who achieve social and environmental goals would be a difficult task in our highly mobile world. It would have to be an evolutionary process. But in the meantime, facing severe and urgent social and environmental challenges, what are we to do?

Rejig the incentives, so that people achieving social goals are rewarded in what is becoming the only way we know (currently) how: financially. That's where a Social Policy Bond regime comes in.

> The world is being destroyed - no doubt about it - by the greed of the rich and powerful. It is also being destroyed by popular demand. There are not enough rich and powerful people to consume the whole world; for that, the rich and powerful need the help of countless ordinary people. Wendell Berry, *Conservation is good work*, The Amicus Journal, Winter 1992

Which is not to blame the countless ordinary people. We are, after all, reacting rationally to the incentives on offer. Change the incentives and we can save the planet.

1. http://www.paecon.net/PAEReview/issue23/Locke23.htm

4.5.16 Kyoto was never serious (2007-05-11 15:59)

In an article entitled [1]*Kyoto is dead*, William Pesek writes:

> Yes, public awareness [of Kyoto] is rising and we're talking about the effects of greenhouse gases more than ever. Former U.S. Vice President Al Gore even won an Oscar for his film "An Inconvenient Truth." Massive pro-environment rock concerts also are being planned. The word, as they say, is out. Sadly, that hasn't provoked the torrent of policy changes needed to stabilize the environment. Leaders even point to the controversy over the treaty itself as the reason carbon emissions are still increasing exponentially, diverting blame from their own inaction.

I'm not sure about 'exponentially', but Mr Pesek is otherwise quite right, I believe. Kyoto will never work, and its failure is worse than doing nothing. He is also right to imply that our goal is - or should be - to 'stabilize the environment'. Not, please note, to reduce anthropogenic greenhouse gas emissions, nor even to stabilize or otherwise manage the composition of the atmosphere. We need to stabilize the climate, broadly defined to include indicators of the effects that a too-volatile climate has on human, animal and plant life. For myself, I'm quite pessimistic about the chances that anything meaningful will be done. The government-corporate interests that essentially determine policy are too locked in to existing systems to do much about them, and so big and powerful that they tend to crowd out or subvert any initiatives that could counterbalance their biasses. For proof of this we need only read this prognosis about the chances of reforming US farm subsidies, entitled [2]*Insatiable*, from the current *Economist* (subscription):

> So will politicians seize the chance? The proposals that Mr Bush's administration has put forward would do little more than tweak the system. .... In all ...the administration's plans would do little to disrupt the existing cosy arrangements for farmers.

There we have it, readers. Decades after it was shown conclusively that farm subsidies are an environmental disater, fiscal nonsense and socially inequitable, nobody has quite found the political courage to end them. But... on the off-chance that anyone with any influence actually wants to do anything meaningful about climate change I will continue to try to promulgate [3]Climate Stability Bonds, which, rather than generate attempts to game the system (a la Kyoto) would generate incentives actually to bring about climate stability. That is, if anybody out there sees that as a worthwhile goal.

1. http://www.bloomberg.com/apps/news?pid=20601039&sid=axooJvz0O1ek&refer=home
2. http://www.economist.com/world/na/displaystory.cfm?story_id=9150774
3. http://socialgoals.com/ieakyototext.html

4.5.17 What chance have we got? (2007-05-14 11:14)

Is there anything positive to say about agricultural subsidies? OK, they are largely capitalized into the value of farmland, making farmers work the land much harder, so exerting more environmental stress on land and water systems; to be sure, they are wasteful and regressive, because poor people spend a larger proportion of their incomes on food than the rich and it is the rich - agribusiness corporates, as well as wealthy landowners - who are their largest beneficiaries. Oh, and they help destroy the living of would-be exporters in the food-rich developing countries, so reducing the chances of those countries ever getting prosperous. But surely, a devil's advocate might say, they subsidise production and so make food cheaper? Not so, because much of the subsidies take the form of import barriers that raise the price of food.

Now Michael Pollan, writing in the *New York Time Magazine*, [1]describes and explains the disastrous effects that farm subsidies in the US are having on that country's health. His entire article is well worth reading, but here are some excerpts:

> [H]ow is it that today the people with the least amount of money to spend on food are the ones most likely to be overweight? ... [T]he rules of the food game in America are organized in such a way that if you are eating on a budget, the most rational economic strategy is to eat badly — and get fat. ... This perverse state of affairs is not, as you might think, the inevitable result of the free market. Compared with a bunch of carrots, a package of Twinkies, to take one iconic processed foodlike substance as an example, is a highly complicated, high-tech piece of manufacture, involving no fewer than 39 ingredients, many themselves elaborately manufactured, as well as the packaging and a hefty marketing budget. So how can the supermarket possibly sell a pair of these synthetic cream-filled pseudocakes for less than a bunch of roots?
>
> For the answer, you need look no farther than the farm bill. This resolutely unglamorous and head-hurtingly complicated piece of legislation, which comes around

> roughly every five years and is about to do so again, sets the rules for the American food system — indeed, to a considerable extent, for the world's food system. Among other things, it determines which crops will be subsidized and which will not, and in the case of the carrot and the Twinkie, the farm bill as currently written offers a lot more support to the cake than to the root. ...
>
> The result? A food system awash in added sugars (derived from corn) and added fats (derived mainly from soy), as well as dirt-cheap meat and milk (derived from both). By comparison, the farm bill does almost nothing to support farmers growing fresh produce. A result of these policy choices is on stark display in your supermarket, where the real price of fruits and vegetables between 1985 and 2000 increased by nearly 40 percent while the real price of soft drinks (aka liquid corn) declined by 23 percent. The reason the least healthful calories in the supermarket are the cheapest is that those are the ones the farm bill encourages farmers to grow.

The evidence against US farm policy is damning, overwhelming, and has been around for several decades. Yet still it, and the European Union's equivalent, persist. There has been some tinkering with both policies, but essentially they are unchanged. Our politicians cannot summon the will to challenge the entrenched interests they represent. Nor are the sums involved trivial. Estimates put the total support to OECD countries at around US $300 billion every year. It is the persistence of farm policy and other perverse subsidies, despite the weight of the accumulated evidence that they are without a single positive feature, that make it seem unlikely, to me, that our political system can ever convincingly address challenges such as climate change, which demand coherent, urgent and radical action.

1. http://reclaimdemocracy.org/articles/2007/pollan_you_grow.php

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4.5.18 Social Policy Bonds: the third way (2007-05-15 16:04)

Writing about organochlorines, Paul Hawken says:

> Because of the slow maturation of human beings, we have not had sufficient time...to understand the multi-generational health consquences of exposure...However, we do know that these compounds play havoc with human physiology, with effects that include cancer, infertility, immune supporesssion, birth defects and stillbirths. *[1] The Ecology of Commerce*

We didn't know about a lot of such things. We didn't know that emitting greenhouse gases could cause catastrophic climate instability. As I see it, there are three ways of responding to such imponderables. We can adopt a strong version of the precautionary principle, which says that if there is a strong suspicion that a certain activity may have environmentally harmful consequences, it is better to control that activity now rather than to wait for incontrovertible scientific evidence. There's much to be said for this when looking at new processes, but applying it to current technology would, I think, mean a drastic reduction in the quality and quantity of human life that we could support. Another response is the current one: ignore the problems created by technology until they become emergencies that affect photogenic animals, or people with whom we identify. Then try to bribe or coerce the vested interests

into scaling down their operations.

But there is a third way, which acknowledges that we cannot know in advance the likely results of new scientific or industrial processes. That would be something like Social Policy Bonds, which would specify targeted outcomes for human, plant and animal health; probably in the form of indices, but with minima for each identified species or environmental indicator. The profit motive would both enlarge and motivate the pool of people interested in exploring the likely effects of new technology on the environment and in working towards reducing their impact. A handful of politicians or government-appointed experts cannot anticipate every such impact in advance of the application of new technology. But participants in a market for Social Policy Bonds that target environmental health would have *continuous* incentives to look for and deal with planetary depredations before they become intractable.

1. http://www.amazon.com/Ecology-Commerce-Paul-Hawken/dp/0887307043/ref=sr_1_1/104-5552187-7028753?ie=UTF8&s=books&qid=1179241533&sr=1-1

4.5.19 Try all else (2007-05-17 05:15)

John Bolton 'who still has close links to the Bush administration':

> And if all else fails, if the choice is between a nuclear-capable Iran and the use of force, then I think we need to look at the use of force. [1] Source

My suggestion: try 'all else'. Decide and define what we want to achieve - a bomb-free Iran? a reasonable regime in Tehran? - and contract out that achievement to the market. Issue 'Iran Peace Bonds' that would become valuable in the event of nuclear peace in the Middle East. Give people incentives to achieve such a peace. This may sound radical, but the war alternative on offer would inflict much misery without any guarantee of success. Imporantly too, most in the west appear to be [2]opposed to it. Iran Peace Bonds, depending on who backed them and how much finance they put up, would merely countervail the existing incentives for arms manufacturers and certain government bureaucracies to make war.

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/05/16/wbolton16.xml
2. http://www.allheadlinenews.com/articles/7007341496

4.5.20 Free trade and 'free trade' (2007-05-18 09:52)

There's free trade, and then there's 'free trade' as espoused by large corporations and their friends in big government:

> Generally, great powers are willing to enter into some limited degree of free trade when they're convinced that the economic interests under their protection are going

to do well. That has been, and remains, a primary feature of the international order.

The ethanol boom fits the pattern. As discussed by agricultural economists C Ford Runge and Benjamin Senauer in the current issue of Foreign Affairs, “the biofuel industry has long been dominated not by market forces but by politics and the interests of a few large companies,” in large part Archer Daniels Midland, the major ethanol producer. Ethanol production is feasible thanks to substantial state subsidies and very high tariffs to exclude much cheaper and more efficient sugar-based Brazilian ethanol. In March, during President Bush’s trip to Latin America, the one heralded achievement was a deal with Brazil on joint production of ethanol. But Bush, while spouting free-trade rhetoric for others in the conventional manner, emphasized forcefully that the high tariff to protect US producers would remain, of course along with the many forms of government subsidy for the industry.

Despite the huge, taxpayer-supported agricultural subsidies, the prices of corn — and tortillas — have been climbing rapidly. One factor is that industrial users of imported US corn increasingly purchase cheaper Mexican varieties used for tortillas, raising prices. Noam Chomsky, [1]*Starving the poor*, 16 May

It’s the self-entrenching and self-reinforcing nature of such distortions that is most problematic. "It does not matter who has property rights as long as they are clearly defined, says a prominent school of economists, citing an insight that won the Nobel Prize for Ronald Coase." But, as [2]John Kay goes on to say (in the context of present-day Russia and Argentina a century ago), "the wrong choice coloured politics and society for a very long time." Subsidies for agriculture, in all their guises, have gone on for several decades already. They are probably seen by their beneficiaries as a property right. They not only impede any movement toward a rational farm policy; they also empower those opposed to any meaningful reform.

1. http://www.commondreams.org/archive/2007/05/16/1238/print/
2. http://www.johnkay.com/political/495#top

4.5.21 Two welfare systems (2007-05-20 09:05)

"In reality we have not one but two welfare systems.", writes Paul Hawken in the [1]*Ecology of Commerce*, "The first is meager, consisting of aid to the unemployed, dependent children, the poor and helpless. It is seen as charity, a hand-out, a grudging acceptance of social responsibility, but it is almost always accompanied by judgment, adminishments of failure, and a high moral tone. The second welfare system is large, expansive, and expensive. It comes in the form of large government grants and programs for building highways, subsidies to the rich in the form of interest payment deductions on their houses, giveaways of timber and mining rights on government lands, government-financed research in universities, revolving-door policies between the dense industry and government resulting in expensive, poorly planned procurement policies and so on. The list of recipients of these handouts from the government is long, but they are not seen as recipients of welfare. However, the fact is that three times as much housing subsidy goes to the top fifth of the population as to the bottom 20 percent who need it most."

The other crucial difference between the two welfare systems is transparency. The first

is quite open, with assistance rates (rightly) widely published and accessible to all. The other is largely hidden from public view. That's why the work done, for instance, by [2]farm-subsidy.org is especially valuable: it uses freedom of information law to force European governments to release detailed data on who gets what from Europe's €55 billion Common Agricultural Policy. And it puts this data online. Also interesting is the OECD's work on [3]environmentally harmful subsidies, and research done by [4]Good Jobs First (see [5]this about subsidies to Wal-Mart, the world's largest corporation).

Transparency is one of the big advantages of a Social Policy Bond regime: it is built in right from the start. Under a bond regime, you might get public support for large corporations, wealthy landowners, corrupt construction companies or the [6]organized criminals who benefit so much from complex regulations enacted by big government. You might even get generous public support, though I think it unlikely. But if that were the case, the people giving their tax dollars to the wealthy and corrupt would be doing so knowingly, not, as at present, because the hidden part of our current welfare system is based on deception.

1. http://www.amazon.com/Ecology-Commerce-Paul-Hawken/dp/0887307043/ref=sr_1_1/104-5552187-7028753?ie=UTF8&s=books&qid=1179648874&sr=1-1
2. http://farmsubsidy.org/
3. http://www.oecd.org/site/0,2865,f+r_21571361_35059585_1_1_1_1_1,00.html
4. http://www.goodjobsfirst.org/
5. http://www.goodjobsfirst.org/corporate_subsidy/walmart.cfm
6. http://www.gulf-daily-news.com/Story.asp?Article=179917&Sn=BUSI&IssueID=30033

4.5.22 Subsidising fisheries destruction (2007-05-23 07:53)

From today's *Bangkok Post*, and also appearing in the[1] *Daily Telegraph* :

> Pierre Gagnaire, whose Michelin three-star restaurant in Paris regularly wins plaudits as one of the world's best, said that there were now too many restaurants like his own, ploughing their way through large quantities of certain raw materials considered as delicacies. ... "in the next five to 10 years there will be no wild fish, only farmed fish. That will have a huge impact on not only cooking techniques, but also flavours and the dishes we cook."

Mr Gagnaire's fatalism is unfortunate, but probably justifiable. As a species, we still haven't got round to stopping subsidies to fishing, which are [2]variously estimated at $6.7 billion annually (by OECD), $15 billion (by the WWF) or $14-20 billion (by the World Bank, in 1998). Disciplines on subsidies are supposed to be considered in the stalled Doha Round of trade talks, but as the [3]Global Subsidies Initiative puts it "the probability that new, tighter international disciplines on fish subsidies will enter into force any time soon is low." Note that any such disciplines would be imposed for reasons of economic competition, rather than conservation; no bad thing, but still.... Meanwhile, and from the same source, "According to the FAO, around 75 % of the world's commercial fisheries are fully exploited, over-exploited or significantly depleted."

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=AQ4TII04GUGZJQFIQMFCFFOAVCBQYIV0?xml=/news/2007/05/23/wfood23.xml
2. http://66.102.9.104/search?q=cache:0oGJrv9r5RMJ:www.oecd.org/dataoecd/31/43/36581729.pdf+%22subsidies+to+f

ishing%22&hl=en&ct=clnk&cd=2

3. http://www.globalsubsidies.org/research-platform/rubrique.php3?id_rubrique=30

4.5.23 Site feed change (2007-05-24 17:21)

For reasons that are obscure now, but seemed compelling when I made them earlier today, I've changed the site feeder to [1]Feedburner. There's a logo in the right-hand column. I'm not sure of the implications, but it's possible you may have to modify the settings of your RSS reader accordingly.

1. http://feeds.feedburner.com/SocialPolicyBondsBlog

4.5.24 Any change would be an improvement (2007-05-25 16:10)

Not too many surprises in the UK House of Commons *[1]report*, released on 16 May, on the UK Government's *Vision for the Common Agricultural Policy*, (which was launched in December 2005). It was, says the report, a 'disappointing lost opportunity'. The report concludes:

> The only long-term justification for future expenditure of taxpayers' money in the agricultural sector is the provision of public benefits. Payments should represent the most efficient means by which society can purchase the public 'goods'—environmental, rural, social—it wishes to enjoy. For these payments to remain publicly acceptable, it is essential that they relate directly to the public goods provided and that, in turn, these public goods are measurable and capable of evaluation.

That would certainly be an improvement on the current nonsense, but how far would even that vision take us? It would probably take us into the realms of 'multifunctionality', whereby farmers and their lobbyists identify such nebulous by-products of agriculture as employment in rural areas, or the failure of farmers totally to destroy wildlife everywhere in Europe, and demand payment for supplying them. If this sounds cynical, it's not: agriculture's 'multifunctionality' is a means by which large quantities of taxpayers' and consumers' funds are already siphoned off to farmers and agribusiness in the European Union. As if agriculture alone is multifunctional! You might also cite the mutlifunctionality of violent crime or arson - they generate employment for health care personnel, construction workers, ambulance drivers and the rest. There's a case for looking at *net* positive multifucntional benefits, but it's a difficult and inescapably subjective one, especially if other sectors were to start demanding equal treatment.

There is another way: immediately announce the phasing out of all subsidies to farming to be completed in ten years. Use the taxpayer funds saved to alleviate genuine poverty, and allow consumers to benefit from lower food prices. One result would be a drop in the value of farmland. This would relieve stress on the environment and allow more people to take up farming. You would see a substitution of capital by labour, and quite possibly an increase in total production, though that would not be an explicit policy goal. Then would come the time

to take on baod some of the UK House of Commons report: identify any further goals, social or environmental, *that the public is willing to pay for*, and reward people, perhaps by issuing Social Policy Bonds, for achieving them.

1. http://www.parliament.uk/parliamentary_committees/environment__food_and_rural_affairs/efra_uk_government_s_vision_of_cap.cfm

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4.5.25 The ways forward are not obvious (2007-05-27 14:09)

All is not as it seems with systems as complex as the environment. You'd think that encouraging people to walk rather than drive would reduce fossil fuel use or CO 2 emissions? Think again.

> The grinding, milling, wetting, drying, and baking of a breakfast cereal requires about four calories of energy for every calorie of food energy it produces. A two-pound bag of breakfast cereal burns the energy of a half-gallon of gasoline in its making. All together the food-processing industry in the United States uses about ten calories of fossil-fuel energy for every calorie of food energy it produces. That number does not include the fuel used in transporting the food from the factory to a store near you, or the fuel used by millions of people driving to thousands of super discount stores on the edge of town.... Richard Manning, [1] *The oil we eat* .

What about US agriculture as a whole?

> In 1994, David Pimentel and Mario Giampietro estimated [that for every] 0.7 Kilogram-Calories (kcal) of fossil energy consumed, U.S. agriculture produced 1 kcal of food. [2] Source

Similarly, you might assume that travelling by train is kinder to the environment than flying or going by car. But in June 2004, 'Modern Railways' published an article, *Rail loses the environmental advantage*, which pointed out that high-speed rail can consume more fuel per passenger than cars or even short-haul aircraft.

This happens when electricity for the rail network is generated by oil- (and presumably coal-) fired power stations, which convert fossil fuel into oil-equivalent at only 40 percent efficiency. As well, for supposed health and safety reasons in the UK, rail passengers cannot travel in the front third of the two vehicles that drive the fastest trains, and there have to be 'seat-free crumple zones' as well as toilets for the disabled (each occupying the space of eight seats. The result is that you end up with trains of 186 seats that weigh 227 tonnes, or a massive 1220kg per seat.

All this is to say only that it's not always obvious how to proceed when confronting environmental problems, and that our first instincts are likely to be wrong. Unfortunately, such are the disconnects in our complex societies and economies that our first instincts are likely to be

expressed as government reaction, and that can entrench or aggravate problems rather than solve them.

With very complex systems, I suggest an outcomes-based approach: don't try to think of the best way of solving a problem, but define the desired outcome, and reward people for achieving it, however they do so. That's where Social Policy Bonds come in: they would be redeemable for a fixed, high, sum, once the specified social goal had been achieved, *however it is achieved, and whoever achieves it.* Under the current political system government bodies are set up, or regulations enacted that attempt to guess the most efficient way of achieving goals - if these goals are made explicit, which doesn't always happen. Or some funding is diverted from taxpayers to various interest groups that have stated objectives that sometimes sound as if they are congruent with those of society. But the reality is that there are no strong *financial* incentives for government or private agencies actually to achieve social social goals. In many instances the incentives are perverse. What happens to the police force in an area where the crime rate plummets? The organizational objective above all others is self-perpetuation, and that often conflicts with its stated objective.

So if our goal is to reduce greenhouse gas emissions, target that. If it's to reduce traffic congestion target that. Let the market work out whether doing these things means putting people into cars or trains, or replacing highly processed cereals with locally grown vegetables. In short: start off with the targeted objective, subordinate everything else to its achievement, and contract out that achievement to the market.

1. http://www.harpers.org/archive/2004/02/0079915
2. http://www.dieoff.com/page55.htm

4.5.26 We are all hikikomori now (2007-05-29 04:40)

Jonathan Freedland, reviewing *Nemesis* by Chalmers Johnson, in the '[1]New York Review of Books', dated 14 June 2007:

> Johnson provides an anatomy of one particularly egregious example, the expansion into space weaponry represented by the so-called National Missile Defense program (NMD). Patiently he demonstrates why a system aimed at intercepting nuclear bombs before they can land on America does not and could not work. For one thing, no one has yet worked out how to identify a hostile launch and no interceptor has yet been designed that can tell the difference between an incoming warhead and a decoy. The result is that NMD is nothing more than a boondoggle in the sky, at last count pulling in $130 billion of American taxpayers' money, a figure which on current plans would reach $1.2 trillion by 2015.
>
> But the NMD pork-in-space project is far from exceptional. Seeking fat contracts, the big defense companies give donations to those politicians who will pay them back by commissioning expensive defense projects; the contractors then reward the politicians by locating their firms in their districts; finally the voters, glad of the jobs, reward the politicians by reelecting them. Johnson offers dozens

> of examples, including Florida's Democratic senator Bill Nelson, a member of the Armed Services Committee, who in the 2006 federal budget "obtained $916 million for defense projects, about two-thirds of which went to the Florida-based plants of Boeing, Honeywell, General Dynamics, Armor Holdings, and other munitions makers." Since 2003, Nelson has received $108,750 in campaign contributions from thirteen companies for which he arranged contracts. It's **a cycle** perpetuated by everyone involved: contractors, politicians, voters. Everyone benefits from this untamed form of military Keynesianism—except the next generations of Americans who can be expected to drown in a debt that now measures $9 trillion and grows daily. (My emphasis.)

This is classic *policy as if outcomes are irrelevant*. It's as if a broad body of taxpayers' money were meandering slowly across a dry plain, forming runnels and rivulets and making a pattern that was almost random to begin with, but over the years has deepened into channels and rivers within steep banks, ever more distinct from the surrounding parched landscape. The flow of spending creates its own interest groups who lobby to keep it going in the established grooves. What about the barren land in between the channels? As far as policymakers and the beneficiaries of their largesse are concerned it doesn't matter. The problem for the rest of us is that this way of allocating resources has gone beyond enriching a few at the expense of the many; gone beyond even entrenching an underclass and reducing the quality of vital public services such as policing, housing and education. Worse is that the favoured sectors are big and powerful enough to set the conditions for much of the rest of our economy and society as well. Look at agriculture where the history of government intervention and subsidy is one of the longest: what has been the result of decades of 'support for the family farm' in the US and Europe? A social and environmental catastrophe: intense specialization, an empty, barren, overcapitalized countryside, and a dangerous level of industry concentration. My previous post mentioned the dependence of industrial agriculture on oil. Another disastrous side-effect is that the very large companies that produce much food in most rich countries have also become potential vectors for mass infection. A single lot of hamburger meat at one US processing plant was once found to contain parts from 443 different cows (*Cheap chow*, the 'Economist', 8 March 2003, pages 77-8).

The externalities resulting from the way in which government not only picks losers but backs them with gigantic quantities of taxpayer funds are catching up with us all. Subsidized agriculture, subsidized oil consumption and extraction, subsidized construction and maintenance of an infrastructure that consistently favours the large over the small, the global over the local: the externalities go beyond the environmental quagmire in which we find ourselves and beyond even the lunatic weapons programmes. They extend beyond even the social collapse that makes the centre of the pretty historical town in England, where I am shortly headed, a no-go area after 7pm even in the long summer evenings. Perhaps the most insidious externality of all is the widening gap between ordinary people and the political system that determines so much of our lives. Policymaking is remote and unresponsive to the needs of natural persons. We become justifiably skeptical about our ability to change the system. Why bother? What chance have we got? Policymaking is shaped mainly by the interests of big business and its friends in government. It has little to do with the individual and nothing to do with the individual that stands out against the system. We respond by withdrawing from it, into a world of blogs and distraction, emerging briefly, maybe, once every few years to put a cross on a piece of paper. When it comes to influencing policy, unless we are chief executives of large corporations or at the very top of the government machine, we are all [2]hikikomori now.

1. http://www.nybooks.com/articles/20251
2. http://www.randomhouse.com/nanatalese/catalog/display.pperl?isbn=9780385513036

4.5.27 (2007-05-29 07:51)

Now as a genunine peak oil worryer, I don't want to belittle the importance of our dependence on oil, but I have to point out that these "oil calories" numbers are grossly inflated. They are artifacts of highly creative bookkeeping: yes, tractors use fuel, and transport uses fuel, but very little per unit of food. A simple investigation into how connected food prices are to oil prices should show the weakness of these arguments.

Unfortunately, I can't trust any study that says hybrid cars are more lifetime efficient than SUVs, or that trucks are more efficient than trains, or vice versa, because there is just too much wriggle room in how the environmental costs are accounted for.

4.5.28 (2007-05-29 13:34)

Thanks Harald; I saw a wide range of estimates for the 'oil calories' embodied in food and chose the lowest (by a factor of 10), so of course you are right to be skeptical. Much depends on the boundaries we choose for the analysis: do we include the oil cost of mining the metal that goes into the manufacture of the tractor etc? However, I'm not sure about arguing this on the basis of the absence of a relationship between oil and food prices. My recollection of Economics lectures is that the sale price of something is completely independent of its cost of production - at least in the short run. Both agricultural and oil prices are a complete fiction anyway; largely set by government subsidies and regulation. Farming in the rich countries seems these days to be largely about making capital gains from land value appreciation. However, the broader point and the one you also make is that a handful of government bureaucrats today has no idea whether walking or driving, cars or planes, hybrids or SUVs, etc is better for the environment today; still less which will be better in the future. Which is why I would argue that we should subordinate our policy to outcomes: contract the job of finding out the efficiency or otherwise of all the options to an adaptive and motivated market. Regards

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4.5.29 Individuals make mistakes, but governments' are worse (2007-05-30 15:39)

[1]Jonathan Rowe hits the nail on the head:

> The supposed "rationality" of homo economicus is necessary for the computer models. But in terms of reality it's out to lunch. ... Th[e] ultimate metric is the Gross Domestic Product or GDP, which is more commonly known simply as "growth." But growth is just the sum total of all our buying, much of which is questionable even

> by the people who do it. Spend a fortune on cigarettes, develop lung cancer, spend another fortune on medical treatments – and voila, growth up the kazoo. ... That there is waste in government is obvious; but the question is compared to what? We individuals are wasteful too. Corporations are paragons of waste, as a glance at executive compensation packages would suggest, Without waste, this thing we call an "economy" would grind to a halt.

One difference, though is that, as I think Milton Friedman pointed out, individuals learn, governments don't. But the point about flawed nature of the GDP metric is well made. It's not only a metric, it's a *de facto* target of governments the world over. Individuals have more of an excuse for their waste: it's their own money after all, and the consequences mainly fall on themselves. Government, with its teams of officials, advisors, committees and access to academic experts has less of an excuse, and its mistakes have impacts on all of us.

1. http://onthecommons.org/node/1161

4.6 June

4.6.1 Subsidizing environmental destruction (continued) (2007-06-01 19:49)

The Global Subsidies Initiative reports on subsidies to coal mining in the European Union:

> Current production aid helps producers cover operating losses. It is used in Bulgaria, Germany, Hungary, Romania and Spain, where the E[uropean] C[ommission] report says coal mining would not survive without aid. Notably, the Commission adds that these countries have had limited success re-structuring their coal industry, with production costs only slightly reduced and in some cases increased. [1] Global Subsidies Initiative

1. http://www.globalsubsidies.org/article.php3?id_article=28&var_mode=calcul#eccoal

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4.6.2 The failure of western aid (2007-06-03 21:15)

One of the problems of the conventional approach to policymaking is that the risks of government failure are usually borne by the taxpayer. And one of the virtues of the Social Policy Bond approach is that if a government issues bonds, it is the bondholders who lose if they fail to achieve the targeted outcome. I'm currently looking at applying the bond principle to the poorest countries in the developing world. My work is made easier by the well-defined [1]Human Development Index, which is a broadly-based measure of development as measured by literacy, school enrolment, life expectancy and income. Billions of dollars of western aid to the poor countries have done little to help. As author William Easterly observes in *[2]The White Man's Burden*, western aid hasn't even provided the cheap fixes that could save millions of lives. Medicine that would prevent half of all malaria deaths, for example, costs just 12

cents a dose. A bed net that would protect a child from getting malaria costs $4.

The top-down approach to aid has mostly been a disaster, as Easterly describes. It's uncoordinated and unaccountable and channels billions to corrupt leaders who steal or squander the money. And it measures success by the volume of aid dollars pledged rather than the results they generate.

That's the key. The current measure of success is that of the accountant, rather than the human being. Now no single figure can encapsulate all the variables that make up human well-being, but at the low levels of social welfare prevailing in the developing countries there is a strong correlation between objectively measurable indicators such as those comprising the HDI, and well-being. Social Policy Bonds targeting the HDI of the poorest countries would generate incentives for people actually to raise well-being, rather than distribute government funds. The citizens of these countries should benefit, but so too would the taxpayer in the west who, if the bondholders failed as miserably as western governments have, would not lose a penny.

1. http://en.wikipedia.org/wiki/Human_Development_Index

2. http://www.amazon.com/White-Mans-Burden-Efforts-Little/dp/0143038826/ref=sr_1_1/104-5552187-7028753?ie=UTF8&s=books&qid=1180905113&sr=1-1

4.6.3 Black Swans (2007-06-04 16:16)

Nassim Taleb the author of [1]*The Black Swan: The Impact of the Highly Improbable*, defines a Black Swan as an event that is unexpected, has an extreme impact and is made to seem predictable by explanations concocted afterwards. The *Economist* [2]reviewing (subscription) the book, says:

> [W]hen faced with a Black Swan we often grossly underestimate or overestimate its significance. Take technology. The founder of IBM predicted that the world would need no more than a handful of computers, and nobody saw that the laser would be used to mend retinas.

The 'we' in the first sentence is key. If decisions about black swans or any other risky or uncertain venture are made by just a few people, then yes, they will make poor decisions. If those people can do so, they will do everything they can to validate their poor decisions. If they are in government they can do this successfully, so blocking any attempt to investigate or explore new initiatives. It is not just about technology ([3]Concorde (scroll down) and the Soviet experience come to mind) where government has a prodigious record in picking losers. It's also about the range and type of approaches that government through its interventions, encourages or blocks.

A top-down, one-size-fits-all approach to policymaking, just cannot adapt to changing events, nor can it easily vary its approach for differing local circumstances. When a government dictates *how* problems shall be solved, that can spell disaster. We see this in the failure of foreign aid (see my previous post), as well as the ludicrous perverse subsidies such

as those to agribusiness, fisheries or the coal mining industry. Government, unfortunately, is not content to specify outcomes and contract out the achievement of those outcomes to the market (which would be the Social Policy Bond approach). For myself, I'm concerned that government's preferred solution to climate change - cut back anthropogenic greenhouse gas emissions - will not do the job; we could end up with worst of all worlds: rampant global warming, and very high upfront costs. My suggestion? [4]Climate Stability Bonds.

1. http://www.amazon.com/Black-Swan-Impact-Highly-Improbable/dp/1400063515/ref=sr_1_1/104-5552187-7028753?ie=UTF8&s=books&qid=1180970642&sr=1-1
2. http://www.economist.com/books/displaystory.cfm?story_id=9253918
3. http://socialgoals.com/index_page10.htm
4. http://socialgoals.com/ieakyototext.html

4.6.4 How respectable are Social Policy Bonds? (2007-06-05 21:00)

When I first began talking about Social Policy Bonds, 18 years ago, I thought in my naivety that the idea would sell itself. Now, bombarded with information of all kinds, as we all are, I'm not so sure. Some sort of filtering mechanism is necessary to keep out the dross and to ration decision-makers' scarce time. There is such an onslaught of trivia and junk that, regrettable as it may be, approval by people higher up the hierarchy can at least be understood as a rationing device, though it's difficult sometimes to approve of that.

Anyway, against this criterion, and after 18 years, how do Social Policy Bonds stack up? How respectable are they? Some years ago [1]Robert Shiller, Professor of Economics at Yale, [2]wrote to me in support of the Social Policy Bond principle. His book *The New Financial Order* mentions Social Policy Bonds briefly, and the [3]website for that book refers to them. One essay and presentation about Social Policy Bonds won an award by the UK-based Institute of Social Inventions - now the [4]Global Ideas Bank; another was a finalist at the inaugural [5]St Andrews Prize for the environment. I have given presentations about the bonds at the Organization for Economic Cooperation and Development in Paris, at Cambridge University, and at think-tanks in London and Melbourne. More about the record of Social Policy Bonds can be found [6]here and [7]here.

In recent years, progress appears to have faltered. The occasional flurry of enthusiasm for varied applications, which tends to die down after the initial burst of enthusiasm. The odd newspaper article published, the odd comment received on this blog site (for which I am grateful) and the odd mention in a published article (example [8]here). But the concept remains at the margin. Until it has been tried, discussed and refined, it's unlikely to take off, but until it finds a champion who sees it through, it's unlikely to be tried. I believe now that government in any form is unlikely to be the first to apply the bond concept. I have drafted a [9]handbook (pdf) to help guide private issuers of Social Policy Bonds should they be interested. As far as I know, nobody has actually taken up the challenge.

1. http://www.econ.yale.edu/~shiller/
2. http://socialgoals.com/shiller.jpg
3. http://www.newfinancialorder.com/weblinks.htm
4. http://www.globalideasbank.org/site/home/
5. http://www.thestandrewsprize.com/lists/1999.htm

6. http://www.socialgoals.com/frequently_asked_questions.html
7. http://www.socialgoals.com/social_policy_bonds_on_other_websites.html
8. http://aei-brookings.org/publications/abstract.php?pid=816
9. http://socialgoals.com/handbook.pdf

4.6.5 Destroying the countryside (2007-06-07 14:55)

From today's London [1]*Daily Telegraph*:

> The catastrophic decline of farmland birds in Britain due to intensive farming methods is being mirrored across Europe, a new survey reveals. The red-backed shrike has become extinct as a nesting bird in the UK. Europe's farmland birds have declined by almost half in the past 25 years as a direct consequence of the Common Agricultural Policy, it is claimed.

What is disturbing is not so much the damage that the CAP is doing to the environment, nor its economic wastefulness, nor even its social inequity - it taxes the poor to [2]subsidise the rich. Rather it is the *persistence* of all these disastrous flaws, in the face of evidence accumulated over decades.

1. http://www.telegraph.co.uk/earth/main.jhtml?xml=/earth/2007/06/06/eabirds06.xml
2. http://www.oxfam.org.uk/press/releases/subsidies220305.htm

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4.6.6 G8 and the protestors (2007-06-08 17:54)

The current *Economist*, [1]discussing the G8 Summit:

> The main message of the protesters was rejection of policy-making that kow-tows to "global capitalism". As helicopters roared overhead, and water cannon readied for action, they pleaded for more debt forgiveness for the world's poorest countries.... Non-governmental organisations said the G8 pledges fell short. Oxfam, an aid group, argued that the $60 billion proffered to combat disease added only $3 billion a year to what had already been promised up to 2010. Greenpeace, an environmental group, said that despite the inclusion of America in work to reduce emissions, the Bush administration was "as far away as ever" from agreeing such reductions itself.

I have some sympathy for the protestors. I am skeptical about debt forgiveness: presumably the protestors would like the majority of people in the poorest countries to have a much improved standard of living. So would I, but I don't think debt forgiveness is a particularly useful way of achieving that; nor do I think that the sums disbursed to combat disease, whatever the total, will be allocated with any great efficiency. I'd prefer to see direct targeting of important goals by something like [2]Women's Literacy Bonds, rather than a prejudgement that the best way of getting there is to let (mostly) corrupt or incompetent governments off the hook. I am just as skeptical about top-down government-mandated efforts to reduce greenhouse

gas emissions. Again, I think targeting [3]climate change itself has advantages over Kyoto. Nevertheless, I sympathise with the protestors, because I think they feel disenfranchised by a political system that has too many distortions and is too remote to take on board what most people actually want. Perverse subsidies (for [4]agriculture or [5]oil, to give two examples), against which I have railed in [6]previous posts, are the most obvious sign of this. Nuclear proliferation is another.

From the preface to [7]*Failed States*, by Noam Chomsky:

> [S]ome of the primary characteristics of failed states can be identified. [One] is their tendency to regard themselves as beyond the reach of domestic or international law, and hence free to carry out aggression and violence. And if they have democratic forms, they suffer from a serious "democratic deficit" that deprives their formal democratic institutions of real substance.

One of the virtues of a Social Policy Bond regime, as I see it, is that by targeting outcomes it would bring concerned people and organizations back into the fold. It could reconnect ordinary people with their political system, which at the moment feels remote and unresponsive to their needs. There's nothing inevitable about this growing gap between natural persons and their policymakers. It's largely a result of a bias in favour of big business; a self-reinforcing favoritism that a reformulation of political goals in terms of outcomes could do much to correct. Whatever one thinks of the protestors against 'global capitalism', it's difficult to argue that their voices would be heard under the current regime if they took up conventional politics.

1. http://www.economist.com/daily/news/displaystory.cfm?story_id=9320677&fsrc=nwl
2. http://socialgoals.com/womensliteracybonds.html
3. http://socialgoals.com/ieakyototext.html
4. http://www.panda.org/about_wwf/what_we_do/freshwater/our_solutions/policy_practice/ending_perverse_subsidies/index.cfm
5. http://www.ozpolitic.com/green-tax-shift/perverse-subsidies.html
6. http://socialgoals.com/blog/2005/10/perverse-subsidies-continuing-story.html
7. http://www.amazon.com/Failed-States-Abuse-Assault-Democracy/dp/0805079122

4.6.7 Britons - hypochondria or non-participation? (2007-06-11 15:40)

The current [1]*Economist* (subscription) muses upon the British unhappiness with its current condition - which, to remind ourselves, is the envy of probably 98 percent of the world's population:

> Though the British have always been hypochondriacs, earlier bouts of intense self-deprecation—after the war, when bread was rationed and the empire fell apart, or the discontented late 1970s—have coincided with real hardship. By any sane measure, the current grouching doesn't. ... But these inklings [of British good fortune] tend to be submerged in the mud of disgruntlement: the same public is convinced that, in general, the NHS is a wreck. What explains this disconnect?

The *Economist* attributes the grouching and disgruntlement to hypochondria, but I am not so sure. I believe that if the British had achieved exactly the same conditions - in their health service, cultural makeup, educational achievement, and the rest - with more participation in the governance that brought them about, they'd be happier. Participation in defining and creating society's goals is an end in itself. Comparing the different Swiss cantons,

> Messrs Frey and Stutzer [found] that a one-point increase in this democracy index, after stripping out the effects of the other variables, increases the share of people who say they are very happy by 2.7 percentage points. What this means is that the marginal effect of direct democracy on happiness is nearly half as big as the effect of moving from the lowest monthly income band to the highest [2] Source
>
> (subscription, possibly).

In Britain government is extremely centralised (see [3]here and [4]here, for instance) - at least in absolute terms - and has become more so since the early 1980s. And Britain itself has pooled sovereignty with the European Union. A memorable example occurred in 1996 when, despite its best instincts and against overwhelming economic and humanitarian logic, European Union foreign ministers, against British protests and pleas from Nelson Mandela's South Africa refused to allow free-trade negotiations between the EU and South Africa to begin, because that would have upset French farmers. Is it any wonder that Britons feel disenfranchised, and that this takes the form of unhappiness despite, what on any objective criteria, are enviable living conditions? It's not enough to give people the things you think they want. It's as important to let them make their own decisions. One way of allowing that to happen would be to formulate social goals in terms outcomes that are meaningful to real people, rather than have decisions made by remote government and big business in a mutual back-scratching exercise, as at present. (More about Professor Frey and links to his interesting work can be found [5]here.)

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=9299032
2. http://www.economist.com/displayStory.cfm?Story_ID=321075&CFID=86509&CFTOKEN=73
3. http://www.democraticdeficit.org.uk/
4. http://www.guardian.co.uk/commentisfree/story/0,,1741787,00.html
5. http://en.wikipedia.org/wiki/Bruno_Frey

4.6.8 Who cares about the grassroots? (2007-06-12 14:53)

Commenting on the imminent closure of Waltham Forest public swimming pool, in London, 'the biggest and best swimming pool, the one used by club swimmers and triathletes and talented teenagers with dreams of competing for Great Britain in 2012', [1]Martin Samuel writes in today's London *Times:*

> In the end, it is about priorities. An Olympic logo that could have been designed for nothing by the students in art colleges around Britain came in at roughly £400,000. The same sum would cover the year-on-year losses on the pool at Waltham Forest College until 2012 and beyond, yet we have no money to do that. ... To make the

> Olympic budget work, £2.2 billion has been taken from lottery funding. That is the reality of the London games. Big-ticket items constructed at the expense of grassroots sport.

This is the story the world over: the small and local sacrificed to feed the appetite of the large and global. Our political system is like our economic system. Things that really matter to people are given away, because they cannot be quantified and, especially, cannot be converted into monetary terms. It's happening to the environment and it's happening to social cohesion. It's not just Britain and it's not just sport. There is something very wrong with our decision-making mechanism when the aggregated wishes of large numbers of ordinary people are routinely under-weighted, while the financial demands of large corporations - including government agencies - assume over-riding dimensions.

Ordinary people in the current system find it difficult to articulate our concerns. One reason is that we have to make guesses as to how to achieve our goals. We might all want, say, better sports facilities for our children, and we might be prepared to give up the chance of hosting the Olympics for that goal. But to bring that about, how would the ordinary person make those wishes apparent to policymakers? Find people who believe the same thing, perhaps get a petition going, find sympathetic politicians to articulate your case.... But all this takes time, and in that time the the corporates - advertizers, property developers, broadcasters, and the rest - will have already made their case to government, and made it very slickly and persuasively too.

An alternative approach would be for policy to be subordinated to the goals of natural persons, rather than corporates. Broad health and social goals would subsume grassroots sports objectives. Britain might still get to host the Olympic Games, but only if that were thought by the market to be the best way of achiving those goals.

1. http://www.timesonline.co.uk/tol/comment/columnists/martin_samuel/article1917884.ece

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4.6.9 Failed States (2007-06-13 22:58)

Writing about the United States Government's perceived need to 'reframe pretexts not only for [military] intervention but also for militarized state capitalism at home', Noam Chomsky writes:

> It is sometimes argued that concealing the development of high tech industry under the cover of "defense" has been a valuable contribution to society. Those who do not share that contempt for democracy might ask what decisions the population would have made if they had been informed of the real options and allowed to choose among them. Perhaps they might have prefered more social spending for health, education, decent housing, a sustainable environment for future generations...as polls regularly show. [1] Failed States
>
> (page 127)

Quite. If people want to subsidize at vast expense, high technology, non-stick saucepans, or the replacement of wildlife by oil-burning heavy machinery let us at least make those decisions for ourselves. Given the sums involved and the destruction and conflict such subsidies can create,

they are hardly trivial. Any half-sensible outcome-based policymaking system, such as a Social Policy Bond regime, would give a high priority to the polls that Prof Chomsky refers to, rather than the short-term interests of corporate or 'defence' lobbyists.

1. http://www.amazon.com/Failed-States-Abuse-Assault-Democracy/dp/0805082840/ref=sr_1_1/002-8952061-0975263?ie=UTF8&s=books&qid=1181772458&sr=1-1

4.6.10 (2007-06-15 14:59)

This idea the economist has, that people ought to be happy when the rest of the world is so much worse off, is just foolish. They know perfectly well that people are unhappy when they feel that they ought to have had it better.

So, you see people who enjoy a much more luxurious lifestyle than yourself, who definitively don't deserve it (I'm thinking of various sport, pop and movie stars, which Britain has plenty of). You feel less safe than you felt twenty years ago (bother that it may be more or less true, depending). You see that social mobility is abysmal, what you can attain is mostly determined by your parents. You see the PM going off to war even though a large majority is opposed - but Britons, unlike most in those multitudes of are worse off than them in absolute numbers, know that it wasn't supposed to be that way.

4.6.11 Government failure imposes large costs (2007-06-16 17:16)

[1]Newt Gingrich in some recent spoken comments contributes the title of this post, and:

> How many of you have ever gone online to check the location of a package at UPS or FedEx? In a room this sophisticated, it's virtually universal. ... The market has led to the capital investment and the information technology and a corporate culture which is that productive. It can track millions of packages simultaneously in virtually real time. This is a fact. You experience it in your own life. Over here is, for example, the federal government, which cannot find between 11 and 13 million undocumented workers. Look at these two information systems. I've argued as a public policy matter... that if we simply allocated $200 million to send a package to each person who's here illegally, that within 48 to 72 hours UPS and FedEx would have foundthem, we'd know where they are. It is so grotesque, it's funny, right? And yet in this city and frankly in most of the public administration and public policy and government courses in the country, you cannot get them out of the world that failed.

He and Noam Chomsky should get together - see my previous post. Government is so big and remote that it doesn't do things the voters want it to do; it *does* do things the voters *don't* want it to do; *and* when it does do things that voters want, it does them so badly as to be worse than ineffectual. A final quote:

> [I]f you do want to have a system that has, for example, less carbon-loading of the atmosphere, I will guarantee you that an incentive-based and prize-based marketplace is going to get to solutions radically faster than a litigation and regulation-based model.

I agree.

1. http://www.aei-brookings.org/publications/abstract.php?pid=1191

4.6.12 Government and monoculture (2007-06-19 20:16)

> Schools are now legally required to teach pupils to read using phonics, which involves blending letter sounds to form words. This method was already part of the [British] government's literacy strategy, but teachers had been previously encouraged to use a variety of methods. However, the [Jim] Rose review, which sought to address concerns about literacy standards among young children, concluded that phonics was crucial to raising standards. [1] The Guardian

Government influence on health, education and housing, to take just a few huge policy areas, is now so big that when it gets things wrong, the consequences can be calamitous. That has certainly been the case with its perverse subsidies, such as those to agriculture, which have devastated the physical environment, transferred wealth from the poor to [2]the rich, and led to the massive overcapitalization of farms in the west, rural depopulation and industry concentration. When government gets involved in something it is often well meaning; but it also imposes a uniform, top-down approach; it is incapable of adaptation and reluctant to terminate failed experiments. In agriculture the visual result is mile after mile of denuded landscape devoted to highly specialized production - or non-production - of canola, wheat or whatever government bureaucracy favours in that particular part of the world. A series of monocultures, in short.

But monocultures, in agriculture or anywhere else, are inherently vulnerable. When things go wrong, they go wrong in a big way. So the news item excerpted above worries me. The capacity to respond and adapt to changing circumstances or new research findings or new techniques is essential. That is why I advocate policy subordinated to outcomes. If Social Policy Bonds targeting literacy were issued, they would have the capacity to adapt to every type of changing event: ideology, fashion or fad - which have so often bedevilled education - would be disregarded in favour of the targeted outcome. In education, literacy as in agriculture and the environment, diversity is essential. For a short paper about Social Policy Bonds aimed at raising women's literacy in the third world click [3]here. For a longer pdf text encouraging the private issue of bonds targeting literacy in a third world country (Pakistan), click [4]here.

1. http://education.guardian.co.uk/schools/story/0,,2106642,00.html
2. http://www.oxfam.org.uk/press/releases/subsidies220305.htm
3. http://www.socialgoals.com/womensliteracybonds.html
4. http://www.socialgoals.com/handbook.pdf

4.6.13 Wider motorways, wider motorways, and wider motorways (2007-06-21 11:08)

It's probably a good idea for a government to build a basic road infrastructure, but whether taxpayers should fund much beyond that is questionable:

> The [British] government's Highways Agency is offering £1.6bn to a private consortium to widen around 60 miles of the M25 to four lanes in each direction. It will take five years to build, will swallow tens of thousands of acres of greenbelt land, encourage yet more people to travel by car - and it will end up costing the taxpayer more than £5bn. [1] Source

Also in the UK, it is costing £21 million per mile to widen the M1 motorway. The cost of the total M1 widening project has risen from £3.7 billion to £5.1 billion. Interestingly, for the cost of widening 1.2 miles of the M1, the Scottish Executive will be able to [2]cut class sizes in Scotland to 18 pupils in the first three years of primary school by employing more than 500 new teachers.

Ok, it is not self-evident that allocating scarce resources to wider roads rather than better primary education is wrong. The question though, is does it reflect society's wishes? Who is making these decisions, and on what basis? As the disconnect between politicians and the people they are supposed to represent becomes ever wider, perhaps the most direct route for concerned people who want to make a difference is to [3]become a celebrity:

> As serious public and political life has withered, so celebrity culture has expanded to fill the gap, often with the encouragement of political leaders desperate for some celebrity cover.

1. http://society.guardian.co.uk/societyguardian/story/0,,1970286,00.html
2. http://news.scotsman.com/education.cfm?id=969572007
3. http://www.spiked-online.com/index.php?/site/article/1978/

4.6.14 Policymaking is over-specialised (2007-06-23 09:49)

One day during the 1919 Paris Peace Conference Lloyd George, the British Prime Minister was thinking aloud:

> Mesopotamia...yes...oil...irrigation...we must have Mesopotamia; Palestine...yes... the Holy Land... Zionism...we must have Palestine; Syria...h'm...what is there in Syria? Let the French have that. Arnold Toynbee, quoted in *[1]Paris 1919*, by Margaret MacMill an

Throughout this fascinating book it's hard not to sympathise with the conference delegates. Whatever they decided was doomed from the start. They came as representatives of their

countries or people - and by virtue of that, I think, they were bound to generate serious problems. Their success or failure was measured not by what they did for the wellbeing of their people or its individual members, nor even by the overall wellbeing of their people, but by a few not-always-meaningful indicators that become important mainly because they are shared by other interest groups. Let me try to clarify: in the case of the Paris Peace Conference, areas of control, political power, and reparations from Germany were the main things on the agenda. The remit of Lloyd George *et al* was not to maximise the total long-term wellbeing of their population: that's a difficult thing to quantify and difficult to explain to an opposition back home. Instead, a few, short-term and symbolic indicators were implicitly chosen as the ways in which the delegates' performance would be measured.

It's implicit in the form. The politicians of that time, as nowadays, are highly specialised; the result of a large gap between real people, and their alleged representatives. That gap was shrinking in the west, partly as a result of the social disruption caused by the Second World War (though there are ominous signs that it's widening). The politics of interest groups is quite distinct from the concerns of the individual. It is a specialised form, and its goals are specialised too. But when interest groups increase their power, as they tend to do, a vicious circle is set up. It is not always in ordinary people's long-term interest to classify themselves as 'British', or 'Muslims', or 'trade unionists' or whatever, to the exclusion of more human, rounded forms, but those are the labels that people in power will want to put on us. As with the Paris 1919 delegates, they are just as much victims of this misperception as the rest of us. A world of warring factions, whether they be empires, nation-states, religions, social classes or whatever, seems to be the inevitable result.

One solution could be to do away altogether with the specialised group of power-wielders, or at least to curtail their powers drastically. A Social Policy Bond regime would do that in two ways. First, by taking away the (often exclusive) powers of government (and its corporate friends) to supply health, education and welfare services. Second, it would devolve decision-making about what society should and should not target away from a specialised caste of policymakers back to ordinary people.

1. http://www.amazon.com/Paris-1919-Months-Changed-World/dp/0375760520/ref=sr_1_1/002-8952061-0975263?ie=UTF8&s=books&qid=1182534892&sr=1-1

4.6.15 Librarians: corrupted by power? (2007-06-24 14:05)

A quote from an interesting article by Tim Coates about UK Libraries in the current [1]*Reader's Digest* (pdf):

> So high have expenses become—and so low is the attraction of the book collections—that the average book loan costs nearly £4...

Of course, libraries do many other things: they answer enquiries from the public, archive local history collections and, increasingly, lend DVDs, CDs and computer games. But still, £4 per book seems a lot, and I haven't seen that figure refuted on the web. Mr Coates hints at the likely explanation:

> In one London borough with nine libraries, there are nine tiers of "managers" between the counter staff and the local councillor who is responsible for libraries. The Library Manager, who handles admin; the Librarian, who chooses the books; the Area Manager; a Library Management Team; a Senior Management Team; the Chief Librarian; the Head of Cultural Services; the Education Director and, finally, the Council Librarian. Recently I talked to a chief librarian who said that when she started in Glasgow 30 years ago, the library service had a City Librarian and he was the only person not based in a library.

The default setting for any group in a position of power seems to be to expand the numbers of that group and thereby expand its power. Sooner or later, the founding objectives of the group cease to be its animating force. Instead, self-perpetuation becomes its guiding principle, and control - over people, resources, whatever - becomes an end in itself. Trade unions, universities, schools, religious bodies, and large corporations: they are all subject to the same corrupting influences. Most often, their power is circumscribed at some point by opposing power groups, and it is the results of the collision of these groups that gives us our current political and social system. Big problems arise, though, where the groups have interests in common that are in conflict with those of ordinary people. The UK Library System is a *relatively* benign example, but it still appears on the basis of Mr Coates' article, to represent a waste of resources that could certainly be deployed more usefully in Britain.

My suggestion is that we subordinate the existence and functions of social and environmental organisations to their goals. A Social Policy Bond regime would do this by inextricably linking investors' rewards to the bonds' stated objectives. Without achievement of those objectives, which would written into the redemption terms of the bonds, holders would not be rewarded. For more about Social Policy Bonds, please click on the links in the right hand column.

1. http://www.goodlibraryguide.com/pdf/TO_libraries.pdf

4.6.16 Things that do move (2007-06-27 16:53)

Daniel Finkelstein, writing in today's London [1]*Times*, talks about Nassim Taleb's new book *[2]Black Swans*:

> [Taleb] identifies fields in which experts are useful – livestock judges, test pilots, brain surgeons, accountants – and those where, as he puts it "experts tend not to be expert" – stockbrokers, personnel selectors, intelligence analysts. Simply, he argues that "things that move", requiring anticipation and prediction, do not usually have experts, while "things that don't move" seem to have some experts. Politics is very definitely in the former category.

This confirms my thinking that, when it comes to finding solutions to problems in a fast-changing, diverse society, the market is going to do better than any panel of bureaucrats

or experts. We need adaptive, diverse responses to our social and environmental problems, rather than top-down, one-size-fits-all government-mandated pseudo-solutions. Politicians do have their uses of course. Social and environmental *goals* don't change very frequently, and politicians can represent us quite well in articulating these goals, and helping make us aware of necessary trade-offs. Politicians are also good at raising the necessary public funds to help achieve these goals. These are "things that don't move", and politicians and their attendant officials do them well enough.

A Social Policy Bond regime would split up the required processes quite neatly. Whoever issues the bonds, whether government or a private organization, would specify the targeted social or environmental goal and allocate funds for the ultimate redemption of the bonds. But they would then contract out the achievement of the goal to the private sector, a field in which "things move" and in which their expertise would count for little against the pluralist adaptability of highly-motivated investors in the bonds.

1. http://www.timesonline.co.uk/tol/comment/columnists/daniel_finkelstein/article1991122.ece
2. http://www.amazon.com/Black-Swan-Impact-Highly-Improbable/dp/1400063515/ref=sr_1_1/002-8952061-0975263?ie=UTF8&s=books&qid=1182960316&sr=1-1

4.6.17 Forecasts by scientists versus scientific forecasts (2007-06-29 19:31)

One of the virtues of the Social Policy Bond approach is that we can insure against things that may or may not be happening. Take climate change: if the market believes the climate is *not* becoming more unstable, then [1]Climate Stability Bonds targeting the current level of stability, would be valued at something close to their redemption value when floated. So the bonds' backers (most probably taxpayers) would lose very little. For this reason I'm in the happy position - intellectually - of not needing to have an opinion about what is happening to the world's climate. Climate Stability Bonds would be the most cost-efficient way of dealing with climate change whether we accept the scientific consensus or not. Correction: whether we accept the consensus of scientists or not. There is a difference, as the recent paper [2]*Global Warming: Forecasts by Scientists Versus Scientific Forecasts* (pdf) by J Scott Armstrong and Kesten C Green makes clear:

> The forecasts in the [Intergovernmental Panel on Climate Change's Working Group One] Report [2007] were not the outcome of scientific procedures. In effect, they present the opinions of scientists transformed by mathematics and obscured by complex writing. We found no references to the primary sources of information on forecasting despite the fact these are easily available in books, articles, and websites. We conducted an audit of Chapter 8 of the Report. We found enough information to make judgments on 89 out of the total of 140 principles. The forecasting procedures that were used violated 72 principles. Many of the violations were, by themselves, critical. We have been unable to identify any scientific forecasts to support global warming. Claims that the Earth will get warmer have no more credence than saying that it will get colder. ...

> Prior to conducting an audit, one might ask policy makers to say what information would be sufficient to change their opinions. People who are able to specify such evidence are often able to change their opinions. When we have used this question among academic researchers and students, we find that many of them are willing to specify such information. Disturbingly, however, many others are unable to even imagine that any information could possibly change their minds.

This paper could be seen as reassuring or threatening, depending on your viewpoint. Regardless, though, it is, as the authors say in the quote above, disturbing that basic scientific forecasting principles appear to have been violated. (See [3]here for an article inspired by the paper.)

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[4]

1. http://socialgoals.com/ieakyototext.html
2. http://www.forecastingprinciples.com/Public_Policy/WarmAudit31.pdf
3. http://www.spiked-online.com/index.php?/site/article/3533/
4. http://mingle2.com/blog-rating

4.7 July

4.7.1 More mess (2007-07-01 17:16)

More from Daniel Finkelstein:

> The best way of making good collective judgments is to aggregate many independent points of view. But tidy politics works on the opposite principle. it is organised as a conspiracy in which everyone defends everyone else's mistakes. [1]*Advice from a chimp (1) No experts (2) More mess,* 'The Times', 27 June

Unity, in other words, is more important to our politics, than outcomes. That's not so surprising. Political parties are only institutions, and like all large organizations their goals are not necessarily those of the individuals within them, let alone those non-members they purport to represent. Large corporate organizations do adapt - or they go under. So do political organizations, even including the largest, most securre of them all: ruling governments. The tragedy is that their death throes can be protracted and drag many thousands of people with them. It's little comfort to know that the most reviled and hated regimes will one day come to an end; or even that corrupt, insane political programmes - step forward, Common Agricultural Policy! - are unsustainable in the long run. The long run can be very long, and the damage

done to people and the environment by, say, the Soviet Union or the CAP, is largely irreversible.

Perhaps we need to look at a [2]new type of institution. One whose structure and activities are a byproduct of the outcome it targets, rather than the other way round.

1. http://www.timesonline.co.uk/tol/comment/columnists/daniel_finkelstein/article1991122.ece
2. http://socialgoals.com/blog/2006/05/new-type-of-organisation.html

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4.7.2 (2007-07-02 08:28)

Hi Ronnie,

It's funny, I came across Armstrong's article a few days ago.
I haven't read it entirely, so I can't really discuss it. What put me off is that he (as so many others) claims to use scientific principles whereas others do not. In the chapter "On the value of forecasts by experts" he then quotes -what he calls- forecasts which turned out to be wrong. Does he really compare those to the climate predictions the IPCC is based on. Also he argues that Watt's statement from 1970 was a (wrong) forecast about temperature changes, when if fact Watt just said what would happen "[i]f present trends continue".
He is also cherry picking his references and grossly mis-interprets statements, e.g. says that Jim Renwick's statement about seasonal forecasting is a statement about global climate models in general.

Note that I do not want to make a judgement as to whether his conclusion is wrong or right, but his methods do not strike me as particularly scientific.

I have the **impression** that he is just frustrated because the scientific community ignores his "forecasting principles".

Cheers,
Frank

4.7.3 (2007-07-02 21:34)

Thanks Frank for your comment. I emailed Gavin at the excellent [1]RealClimate website, asking for his views on the Armstrong and Green paper. I'm sure he won't mind my publishing the gist of his response here:

"We saw this, but it's very badly done. The authors ignorance about how modelling is done or what is actually being forecast is evident. For instance, they only looked at one chapter of the IPCC report when scattered throughout the three volumes are all the issues that they felt were ignored. 'Out of sample' tests? There are hundreds, but Armstrong et al gave it a -2 rating - that can only be because they don't know what the 'sample' is or how climate models are built and tested.

"Given the low level of diligence, plus the parrotting of some of the least well supported

contrarian literature (Carter et al? please!), one gets the sense that the biggest point of contention is that IPCC didn't cite Armstrong's book."

It seems you were right to be skeptical. Regards

1. http://www.realclimate.org/

4.7.4 Nappies: latest news (2007-07-03 17:47)

The latest on cloth versus paper nappies (diapers):

> [A] four-year research project ... found that the impact of burying disposable nappies in landfill sites was matched by the energy consumed and greenhouse gases generated by washing reusables or transporting them to laundries. [1]Thisislondon.co.uk

Environmental impact is a difficult concept to measure. How is one to weight the environmental impact of (say) washing cloth nappies in water heated to 100 degrees Celsius, against that of the harvest, transport and disposal in landfill of their paper subsitute? At great cost (the study referred to in the quote above cost £30 million and took four years) you could probably compare the impact in terms of any one environmental indicator, such as water use, landfill volume, or even carbon footprint (assuming resolution of boundary issues). But even assuming a complete and accurate Life Cycle Analysis, there is no objective way of weighting the different impacts.

Social Policy Bonds applied to environmental issues have huge informational advantages over some conventional policies, particularly on a large scale. For instance, rather than try to evaluate the diverse impacts of the vast and ever-changing panoply of consumer goods and services, a bond regime would take a few broad indicators - regional landfill volume, air quality, climate stability - express its goals in terms of thresholds that must not be breached, then reward the achievement of those goals. Just how those goals are to be achieved is left up to investors in the bonds, competing with other would-be investors to find the most cost-effective ways of doing so. For more about Social Policy Bonds applied to environmental problems, click [2]here.

1. http://www.thisislondon.co.uk/news/article-23402726-details/
2. http://www.socialgoals.com/epbs.html

4.7.5 (2007-07-03 22:13)

If a social policy bonds regime came into action, and climate think tanks started investigating actions against climate change... well, one thing is certain, I wouldn't be investing in your climate think tank!

On climate science, it seems to me you still have a bit of that "sell the shovels, buy ditch digged bonds instead!" attitude.

4.7.6 (2007-07-03 23:10)

Thanks Harald. I don't think I'd set up a climate change think-tank. Your choice would be whether to invest in the bonds or not. Any organization that resuts from the bonds would have as its objective that of achieving climate stability. Running a think-tank of any sort, if it were to happen at all, would be a byproduct of that goal.

But your main point is valid: I am more concerned about setting up policies that would encourage people to dig ditches, rather than to dig ditches myself. I could - and would try to - do both of course, but my comparative advantage is in policy, rather than climate change science. Actually I don't see the two activities as mutually exclusive alternatives. I think setting up systems that reward the achievement of climate stability will motivate, and enlarge the pool of, the people interested in actaully achieving it. Regards

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4.7.7 Subsidies to the rich (2007-07-04 23:14)

It's not just the UK that the transfers funds from the poor to the rich via farm subsidies. It's painful reading but you can read [1]here about how the US fails to look after the members of its military who suffer Post Traumatic Stress Syndrome:

> The PTSD label is not only stigmatizing, but its symptoms are often mistaken for personality disorders and are blamed for behavioral problems like insubordination and substance abuse, resulting in a one-way ticket out of the military with no retirement pay or benefits.

And [2]here, about Maurice Wilder, "newly crowned king of the subsidies":

> He received $2.5 million in farm handouts from 2003 to 2005 ...making him the single biggest single recipient. Even the Bush administration is becoming embarrassed by the welfare state created for farmers. The president is thinking of limiting handouts to farmers to an adjusted $200,000 per household.

1. http://amconmag.com/2007/2007_07_02/feature.html
2. http://kickaas.typepad.com/kickaas/2007/06/the_wilder_side.html

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4.7.8 (2007-07-05 12:50)

That the military fails to look after their people who aquire mental illnesses, is unfortunately nothing new. Quite a few shell-shocked soldiers in WW1 were accused of merely being cowards.

4.7.9 I like this (2007-07-05 20:42)

From the UK [1]*Guardian*:

> Voters [in the UK] will be given powers to decide how ten of millions of pounds should be spent in their neighbourhood under radical plans being unveiled today. In a potentially dramatic extension of direct democracy, councils will have to hold ballots before deciding where money should be targeted. It would mean that, for the first time, people could direct cash to areas that concern them most, such as parks, curbing antisocial behaviour, targeting drug trouble spots or cleaning up litter.

I think this is a good idea. It's part way toward a Social Policy Bond approach. Ideally the funding would be directed at specified outcomes, and there would be competition to achieve these outcomes. But even so, if this initiative takes off I think it would represent a big improvement over the current system. Voters are better educated and have access to more information than they ever did when the current form of elections was set up. Direct democracy would encourage people to participate in the decisions that affect their lives - and [2]end in itself (may need subscription) as well as a means to further ends.

1. http://www.guardian.co.uk/frontpage/story/0,,2118823,00.html#article_continue
2. http://www.economist.com/displayStory.cfm?Story_ID=321075&CFID=86509&CFTOKEN=73

4.7.10 (2007-07-08 17:12)

'The Ideology of Development'

William Easterly writes:

> Like all ideologies, Development promises a comprehensive final answer to all of society's problems, from poverty and illiteracy to violence and despotic rulers. It shares the common ideological characteristic of suggesting there is only one correct answer, and it tolerates little dissent. It deduces this unique answer for everyone from a general theory that purports to apply to everyone, everywhere. [1]Foreign Policy

Exactly. I'm bemused when commentators blame politicians for not having a coherent ideology or not being true to their party's principles. Ideological rigidity is a curse. It does nothing to achieve outcomes that are of interest to ordinary people, as distinct from ideologues and party hacks. We need adaptive, diverse strategies, not top-down, one-size-fits-all belief systems; they've been tried and and they have failed; they failed not because 'they were never fully adopted' but because ideology implies ... well, let Professor Easterly explain:

> The ideology of Development is not only about having experts design your free market for you; it is about having the experts design a comprehensive, technical plan to solve all the problems of the poor. These experts see poverty as a purely technological problem, to be solved by engineering and the natural sciences, ignoring messy social sciences such as economics, politics, and sociology. [Jeffrey] Sachs, Columbia University's celebrity economist, is one of its main proprietors. He is now recycling his theories of overnight shock therapy, which failed so miserably in Russia, into promises of overnight global poverty reduction. "Africa's problems," he has said, "are ... solvable with practical and proven technologies." His own plan features hundreds of expert interventions to solve every last problem of the poor—from green manure, breast-feeding education, and bicycles to solar-energy systems, school uniforms for aids orphans, and windmills. Not to mention such critical interventions as "counseling and information services for men to address their reproductive health needs." All this will be done, Sachs says, by "a united and effective United Nations country team, which coordinates in one place the work of the U.N. specialized agencies, the IMF, and the World Bank."
>
> So the admirable concern of rich countries for the tragedies of world poverty is thus channeled into fattening the international aid bureaucracy, the self-appointed priesthood of Development. Like other ideologies, this thinking favors collective goals such as national poverty reduction, national economic growth, and the global Millennium Development Goals, over the aspirations of individuals.

Actually I think national poverty reduction a laudable goal, though I share Professor Easterly's doubts about aid bureaucracy's other objectives.

The Social Policy Bond approach is different. It subordinates ideology to targeted outcomes. Any organization that comes in to being as a result of Social Policy Bonds will have goals that are exactly congruent with those specified in the bonds themselves. Its structure and motivation would be those that are most efficient at achieving those goals, which would be society's targeted social and environmental objectives.

1. http://www.foreignpolicy.com/story/cms.php?story_id=3861&print=1

4.7.11 The role of GDP (2007-07-11 20:13)

Questioning the supplanting of Gross Domestic Product by an array of alternative indicators, [1]Daniel Ben-Ami writes:

> The first point to note is that the attack on GDP is generally based on a caricature. Countless commentators have made the point, often as if it is their original insight, that GDP is not a perfect measure of human wellbeing. However, it would be hard to find anyone who would have made such a claim for GDP in the first place. No one – except perhaps the most hardcore economics geeks – cares about GDP numbers for their own sake.

I disagree. Perhaps nobody will *admit* to caring about GDP for its own sake, but it does seem to have become a *de facto* target for governments that either have no clear objective beyond staying in power, or an array of meaningless micro-targets that have little to do with well-being or can anyway be easily manipulated, at great deadweight cost to society. I also disagree with the author when he casts aspersions on the Millenium Development Goals.

> These commit world leaders to such targets as eradicating extreme poverty and hunger, achieving universal primary education and reducing child mortality.

The first two of these I see as unquestionably valid goals; the last needs some qualification.

Nevertheless Mr Ben-Ami is, I think, correct to talk about the unpriced *positive* externalities arising from economic growth. I don't see much of this in the literature - though I have [2]posted about it, and it's reassuring to see it mentioned by someone else.

> ...if anything, GDP statistics underestimate the human benefits of economic growth. Having a larger economy itself has important benefits.

1. http://www.spiked-online.com/index.php?/site/article/3582/
2. http://socialgoals.com/blog/2005/09/on-commons.html

4.7.12 Rail and the environment (2007-07-13 14:23)

From the London *[1]Times*:

> [S]ome trains on rural lines, such as the diesel Sprinter, are less efficient than 4x4s because they are often almost empty. Douglas Alexander, when he was Transport Secretary, said last year: "If ten or fewer people travel in a Sprinter, it would be less environmentally damaging to give them each a Land Rover Freelander and tell them to drive."

The better environmental choice between alternatives is not always obvious, and a lot of damage can be done by people in powerful positions prejudging *how* environmental objectives are to be achieved. They would do better to help specify these goals, and allocate funds for their achievement, but to contract out the actual achievement to people who will be motivated to do so efficiently and quickly. A Social Policy Bond regime would encourage the exploration and application of the best ways of achieving the specified goals, and it would do so impartially. It would not assume, for instance, that rail, because it has apparently been the sounder environmental alternative in the past, will always continue to be so, under all circumstances. No handful of politicians or experts, however eminent or well meaning, can hope to keep track of the multifarious changing facts in the way that markets do. The information and the motivation are just not there.

1. http://travel.timesonline.co.uk/tol/life_and_style/travel/article2067255.ece

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4.7.13 The limits of scholarly focus; or give greed a chance (2007-07-15 20:17)

From Chapter 1 of *[1]Another Blood Century: Future Warfare*, by Colin Gray:

> If an apparently convincing general solution to the problem of war were achievable, it is probable that someone would have discovered it by now. The fact that none such has yet been promoted suggests that the scholarly campaign against war may have been thoroughly misconceived. ... [War] is simply too rich a subject to be captured, let alone prospectively controlled, by the conclusions of general theory.

In this, writes Professor Gray, war is similar to disease: individual maladies can be treated and even cured but 'disease per se does not lend itself to direct scientific assault'.

I agree with this, as far as it goes, but I am more optimistic. Poverty has been reduced not because people have deliberately set out to do so, but largely as the byproduct - or positive externality - of people and corporations maximising their wellbeing in the market. Yes, government intervention and private philanthropy have played a large role in distributing some of this wealth to the poor and into the provision of public services, but the ultimate source of the funding for this was mainly the private sector. In the west the effects of disease as a whole *have*, in fact, been drastically reduced, though as Professor Gray says, this is not because scholars or intellectuals decided to focus attention on all disease and target it for reduction.

Scholars aren't going to bring about world peace. I don't know whether greater wealth is more or less likely to reduce the level of violent political conflict in the world. Perhaps the trickle-down effect of higher incomes and reduced poverty will make war less likely. Or perhaps by raising the stakes, and the availability and destructive power of weapons, it will have the opposite effect. But I think we can do more than simply be passive observers of the effects of globalised wealth generation on the incidence of war.

A Social Policy Bond regime would target *all* violent political conflict, including wars within and between states. It would not directly generate solutions to the problem of war, but it would

give incentives to those who are currently engaged in conflict reduction and conflict resolution. It would also enlarge the numbers of people willing and able to work toward those ends. We don't need systems, ideologies, more government intervention or more scholarship. Neither should we sit back and hope that war will be reduced or eradicated as a spin-off from world development. What we do need are adaptive, diverse solutions to the problems of potential or actual armed conflict in all its myriad manifestations. To see how the Social Policy Bond principle could be applied to one particular field of conflict (the Middle East), read *[2]Peace Bonds: Give Greed a Chance*.

1. http://www.amazon.co.uk/Another-Bloody-Century-Future-Warfare/dp/0297846272
2. http://socialgoals.com/mepeacebonds.html

4.7.14 Japanese bureaucracy (2007-07-18 17:25)

Reading [1]*Dogs and Demons: the Fall of Modern Japan*, one is struck by how resistant the Japanese administrative class is to change, despite the disastrous effects its failings are having on the country, including the destruction of its natural environment. Here the author, Alex Kerr, contrasts the theoretical love of the Japanese people for nature, with what is actually going on:

> It is impossible to get through a single day in Japan without seeeing some reference - in paper, plastic, chrome, celluloid, or neon - to autumn foliage, spring blosssoms, flowing rivers, and seaside pines. Yet it is very possible to go for months or even years without seeing the real thing in its unspoiled form. Camouflaged by propaganda and symbols, supported by a complacent public, and directed by a bureaucracy on autopilot, the line of tanks moves on: laying concrete over rivers and seashores, reforesting the hills [with a cedar monoculture], and dumping industrial waste.

Bureaucracy the world over is not subject to the checks and balances of the private sector. This can work to everyone's benefit, as when it does things that only governments can do, and does them well. A military victory, for instance, or successful economic planning - as in post-war Japan. But there's no self-limiting humility, little adaptivity to a changing world, certainly no internal pressure to change. Any such pressure has to come from the outside. But if government becomes too large, too monolithic, too powerful or too closed, it can resist such change, at the expense of its population, for decades. The worry is that the governments of the western countries are becoming like that of Japan, and the USSR: willing to use their powers, and the cynicism of an increasingly disengaged electorate, to resist change, and so enhance their capacity to enlarge their role - and ensure when inevitable change does come, that it will be painful, while in the meantime overseeing the destruction of the social and physical environment.

Against that, is the shrinking planet; people travel more and have greater access to information. They can, then, become more aware of the failings of their bureaucracy at home. Governments can resist that only by blocking travel and information flows, which is more and more difficult to do. But acting in the other direction are:

- migration; whereby the most amitious and energetic of the mis-governed countries are more inclined to migrate than to improve things at home; and
- the growth of the centralised superstate, along European lines, whereby a single bureaucracy encompasses enlarges an enlarged area, making it more difficult for people to compare its performance with other bureaucracies.

Indeed, the impression one gets reading [2]Chomsky is of the use of power of the world's dominant bureaucracy - that of the the US - to subdue the independence of others. From many points of view, this is a bad thing, though possibly not the worst alternative. But it's bad in particular from the risk management point of view. Diversity of bureaucracies and the ability of people to compare them is one way, perhaps the most effective *benign* way, of getting them to represent their people's interests rather than their own.

The *methods* of the Japanese bureaucracy in the post-war decades were largely successful in achieving its aims, which were in turn largely compatible with those of the Japanese population. Those linkages may have broken in Japan and be fraying in much of the rest of the world, but a Social Policy Bond regime could bring them together again. Goals would be explicit, broad and agreed with greater public participation. Bureaucracy would articulate these goals, and raise the finance for their achievement. It would not direct funds directly to its cronies, but contract out the achievment of society's goals to the private sector, via competitive bidding. Amongst many other benefits, large-scale corruption of the sort that has destroyed so much of Japan's environment, would be a thing of the past.

1. http://www.amazon.com/Dogs-Demons-Tales-Modern-Japan/dp/0809039435
2. http://www.amazon.com/Failed-States-Abuse-Assault-Democracy/dp/0805079122

4.7.15 Japanese bureaucracy, continued (2007-07-20 23:10)

How did it come about that the Japanese ceded so much power to the bureaucrats (see my previous post)? More from: [1]*Dogs and Demons: the Fall of Modern Japan*:

> Before World War II, the bureaucrats had already consolidated power but had to share it with the armed forces and the big *zaibatsu* business cartels. After the war, with the army and the *zaibatsu* discredited, politicians, the press, and the public consigned their fate to bureaucrats, allowing them near-dictatorial powers and asking no questions. For a while, the system worked reasonably well....

Alex Kerr gives a full account of the damage that the bureaucrats are now doing, but the Japanese bureaucrats seem to have entrenched their power so deeply and pervasively that any change will occur only very late in the day, and is likely to be very stressful. The worry is that it is not just Japan; that the influence of government and big business, acting together as they generally do, is becoming as self-entrenching in the west as in Japan. That may sound far-fetched but a single mad policy, the Common Agricultural Policy, has already done much to devastate the physical and social environment of the European Union's rural sector. It is still, decades after its faults were clearly identified, transferring wealth from the poor to the rich, and wasting billions of taxpayer and consumer dollars.

In that instance at least, there is nothing intrinsically self-limiting in bureaucrats' powers. Perhaps it's the comparatively small size of agriculture in Europe that allows it to continue to be subsidised in this corrupt, insane manner. While the CAP costs billions of dollars, it still represents only a small proportion of the EU's Gross Domestic Product. But it, and other perverse subsidies - or rather, their persistence in the face of widespread knowledge of their perversity - should be a warning. We need mechanisms that terminate failed policies rather than entrench them.

My suggestion, Social Policy Bonds, would do that by subordinating activities and funding to explicit, targeted, verifiable outcomes, rather than vaguely expressed declarations of intent that can easily be ignored.

1. http://www.amazon.com/Dogs-Demons-Tales-Modern-Japan/dp/0809039435

4.7.16 Chomsky on the Middle East (2007-07-21 21:25)

Professor Noam Chomsky, in an [1]essay that encompasses a lot more, puts it accurately and eloquently:

> The most extreme protectionism was during the Reagan years—accompanied, as usual, by eloquent odes to liberalism, for others. Reagan virtually doubled protective barriers, and also turned to the usual device, the Pentagon, to overcome management failures and "reindustrialize America," the slogan of the business press. Furthermore, high levels of protectionism are built into the so-called "free trade agreements," designed to protect the powerful and privileged, in the traditional manner. Imminent Crises: Threats and Opportunities

It's a long essay, and one that points to the huge gap between ordinary people, in rich and poor countries, and the governments that are supposed to represent them.

1. http://www.monthlyreview.org/0607nc.htm

4.7.17 Post 399 (2007-07-24 20:49)

It's my 399th post on this blog, and maybe time to take stock. In the past couple of years there have been the odd flurries of interest in the Social Policy Bond concept, including at political levels maybe one degree of separation away from the very highest, but to my knowledge nothing has so far come of any of them. There seems to be a bit more interest in judging the performance of some agencies by outcomes, but I'm not aware of anything like the contracting out of outcomes (as against outputs) to the private sector, and especially not via anything like Social Policy Bonds, which would facilitate a fluid, protean structure subordinated entirely to the targeted social goal. My own work in Social Policy Bonds is therefore something of a holding operation. I write about one or two essays a year for the occasional competition. I maintain this blog, but after years of trying I rarely seek the interest of politicians, the media, and (especially) philanthopic organisations and publishers. I'm most disappointed by the

philanthropists. My dozens of emails to anyone connected with established philanthropic bodies are, without a single exception, ignored.

For these reasons I'm particularly glad to read comments on this blog. To a degree, having made the work available is an end in itself. And I take some comfort from reading the lives of people like [1]Thomas Bayes, whose contribution to probability theory was discovered only after his death.

1. http://en.wikipedia.org/wiki/Thomas_Bayes

4.7.18 Adaptability versus bureaucracy (2007-07-26 19:02)

One of the features of Social Policy Bonds is that they encourage adaptive solutions to our social and environmental problems. The most significant determinants of our way of living were largely unanticipated. Corporations and their activities have led to great benefits (as well as costs) that have little to do with the personal gain of the entrepreneurs who set them up. These side-effects of individual self-interest (positive and negative externalities, as economists call them), in contrast to the plans of the private sector management, were unplanned. With the help of government intervention, they have led to a huge increase in the quality and quantity of life in the rich countries.

Until they grow big enough to influence government, most private sector companies adapt or go under. But their negative externalities of their activities are largely the responsibility of government, a monopoly. Government responds to social and environmental problems in ways that often do not adapt. Hugely wasteful, corrupt and malignant policies, such as farm subsidy programmes and other perverse subsidies, persist partly because they are too small in relation to the overall economies that support them.

Diversity helps: when people from democratic countries travel overseas, see the advantages of doing some things differently, and return home, that puts pressure on their governments to adapt. But what happens when government becomes so big that people cannot do this? Then there would be just one approved way of bringing about, say, climate stability and if that didn't work, then there would be little pressure chance of alternative approaches, *despite the evident failure of the policy*.

We may well need governments that have very large geographical remits: even a form of global government. And there probably are universal values that need protecting by such bodies. But such values are outcomes, not ways of achieving them. We can have universal values and goals, such as the eradication of world poverty, 100 % literacy and numeracy, but we need diversity in the ways of achieving them. Then failed experiments will be terminated, and succesful ones widely adopted. A Social Policy Bond would be consistent with such an approach. It would target outcomes, not the ways of achieving them. Under a bond regime, those agencies, be they public or private sector, would survive and prosper only if they were efficient at achieving society's targeted goals.

4.7.19 Explicit goals (2007-07-27 20:12)

Commenting on an [1]article about Henry Kissinger's role in US foreign policy, a Darian Diachock writes:

> The pedestrian character of how these foreign policy wonks think fascinates me. You think ... PhD in some humanities field, experience in international trade, complex issues matrices, and so on. But no, it's "We need to humiliate them," or "We need to kick around some crappy little country to show we need business." Makes you realize that it's not brilliance but connections that results in high-level appointments. Certainly, the quality of thought isn't "high-level".

I would argue that any single mind, however brilliant, will be deficient when it comes to deciding what society's goals are and how to go about achieving them. When I write about Social Policy Bonds I tend to stress their efficiency as compared with current policymaking. But perhaps as important as any of those attributes is that they would change the way in which the very goals of policy are decided. The goals themselves would drive policy; under a bond regime a government would have to state its goals explicitly and transparently. Going to war for the petty reasons to which Mr Diachock refers, would be a hard sell. The goals of such an undertaking would have to be clearly stated. To attract investors they'd also have to be feasible and objectively verifiable. And, critically, they'd also have to be costed, in the sense that the *maximum* cost to taxpayers would be stipulated in advance.

The goals of many of our most costly policies are rarely specified very accurately. Governments are more comfortable with inputs (spending) decisions than with defining broad outcomes and rewarding those who achieve them, whoever they may be. It's partly for historical reasons and partly also because nobody likes to give up power. A Social Policy Bond regime would limit the power of government to specify how its goals shall be achieved, and who is to be charged with achieving them. But government could still articulate society's goals, and would still be responsible for raising the finance to reward the achievers. These are things it could do quite well; more so when it has to convince a skeptical market about the validity and feasibility of its goals rather than appeal to a few highly-placed ideologues with their own agendas.

1. http://www.takimag.com/site/article/kissingers_lettre_de_cachet/

4.7.20 Starting a drug habit (2007-07-30 19:37)

It's a tragedy that even developing countries like Brazil are [1]subsidising the biofuels industry. As if they have no more pressing problems than expensive fuel. This policy is environmentally questionable, socially inequitable and will be financial nonsense as well. Like other perverse subsidies it is a short-term, televisual response to a set of long-term, global problems. How do such policies get made? Their stated objective sounds reasonable, at first hearing: to encourage local industry while giving a push to something green. But the real objective is to make life easier for agribusiness. Lobbyists for agribusiness the world over know this.

They are the real beneficiaries of the farm policies that have done so much to depopulate the rural areas of the rich countries, to denude their countryside, to transfer wealth from food consumers to landowners and large corporates, and to hobble the food-rich developing countries on their path to prosperity. Brazil and the other Latin American countries should have learned from the west's mistakes.

Under a Social Policy Bond regime such corrupt policies would probably fall at the first hurdle. Few governments would get much support if they had openly to admit that their expensive subsidy programmes have one objective: to enrich the large agribusiness corporates. Instead, policy goals would be expressed in terms of outcomes for real people. A useful discipline, but one that evidently does not have to be followed by the Brazilian Government.

1. http://www.globalsubsidies.org/article.php3?id_article=30&var_mode=calcul#one

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4.8 August

4.8.1 Tools for an informed democracy (2007-08-04 13:50)

Commenting on democracy's flaws, Nicholas Kristof, writing in Tuesday's *International Herald Tribune*, says:

> [W]e should be able to respond to evidence of democracy's failings with something more than Churchillian resgnation. So why not address the problem in [the US] education system, by teaching basic economics and statistics in high schools? Students usually now encounter statistics, if at all, in college. But simple statistics could easily be taught along with algebra in high school. Likewise, principles of economics could be taught in social studies classes.

Mr Kristof makes a strong case. With the current and widening gap between ordinary people and their supposed representatives, more, and *more informed*, public participation in policy-making would be [1]an end in itself, as well as means towards the worthwhile end of better outcomes for average citizens, rather than corporations and government agencies. That it's easy to fool people with no statistics can be seen (if you have broadband) in this fascinating [2]talk by Peter Donnelly.

1. http://www.economist.com/displayStory.cfm?Story_ID=321075&CFID=86509&CFTOKEN=73
2. http://www.ted.com/index.php/talks/view/id/67

4.8.2 Policy goals are more stable than the means of reaching them (2007-08-05 15:45)

One of the reasons that the [1]*Economist* (subscription, probably) gives for European companies not taking much interest in the carbon emissions market is that:

> ...in a business driven by government regulation, there is always the risk that fickle politicians might change the rules of the game, with unpredictable consequences.

Latvia is currently suing the European Commission for an increase in its allocation of allowances. There are another five such cases, and if any of them succeeds 'it could contribute to another glut in allowances and another slide in the [emissions] price'.

I don't see emissions trading as very wondrous. It might succeed in cutting emissions, but it will do so less efficiently than a carbon tax which itself, in my view, is far inferior to a [2]Climate Stability Bond regime, which would reward people for actually stabilizing the climate, rather than inflict grievous upfront costs on the basis that cutting anthropogenic, according to 1990s science, is the most efficient way of reducing climate change. The argument in the *Economist* points to similar reason why, I believe, a Climate Stability Bond regime would be preferable: he the stated policy goal - a more stable climate - is less variable than the alleged means of getting there. It is not just our rapidly expanding knowledge of the magnitude, causes and consequences of climate change that threaten to invalidate Kyoto as a policy, but the vulnerability of Kyoto to political meddling - of which the *Economist* gives but two examples.

Not only that, but it would be much easier to achieve public participation and support for policy goals than for the alleged means of reaching them. Everybody wants to see climate stability and I am sure there would be more support for Kyoto if it could be shown that cutting anthropogenic greenhouse gas emissions were the most efficient means of achieving it. A Climate Stability Bond regime would contract out the achievement of climate stability to investors, who would have powerful incentives to explore and implement the most efficient solutions to climate change. It would be up to those investors to adapt their efforts and while they would have to react to new information, they would not have to allow for changing views of politicians as to the value or otherwise of the targeted climate stability objective.

1. http://www.economist.com/business/displaystory.cfm?story_id=9587705
2. http://socialgoals.com/ieakyototext.html

4.8.3 Insurance against media hype (2007-08-08 15:05)

Amongst other points well made, Edward Luttwak says:

> [H]umanitarians should note that the dead from Jewish-Palestinian fighting since 1921 amount to fewer than 100,000—about as many as are killed in a season of conflict in Darfur. [1]The middle of nowhere

Media attention distorts many of our priorities. It means we are far less concerned about Darfur than the Middle East. If we were indifferent between war-induced deaths in either region, we'd focus a larger share of our scarce peace-making resources on Darfur. Even if policymakers are genuinely so indifferent, the clamour arising from unequal media coverage means their resolve to do the rational thing quickly crumbles.

A Social Policy Bond regime would be different. Its goals would be stable over time. Say a consortium of peace-makers, in conjunction perhaps with the United Nations, aimed to reduce global deaths arising from violent political conflict. Investors in the [2]Conflict Reduction Bonds that such a body might issue would concentrate their efforts *impartially* on those regions where they could maximize the number of lives saved per dollar. Importantly, they would not be swayed from that goal by ephemeral events, such as the availability of film footage from the Middle East, and the absence of reporting from Darfur.

1. http://www.prospect-magazine.co.uk/article_details.php?id?02
2. http://socialgoals.com/wpbsshort.html

4.8.4 Great share prices; shame about the calamity (2007-08-11 14:16)

In the absence of systematic targeting of numerical indicators, there is a risk that governments will implicitly, and perhaps unintentionally, target indicators that do a poor job of measuring societal wellbeing. Gross Domestic Product is one such indicator. It fails on many counts: most notably it does not measure environmental or social health; nor does not take into account leisure time. Another dangerous target is the value of leading shares. The Ludwig von Mises Institute brings us [1]this story, from the catastrophe that is Mugabe's Zimbabwe:

> Zimbabwe is in the middle of an economic disintegration, with GDP declining for the seventh consecutive year, half what it was in 2000. Ever since President Mugabe's disastrous land-reform campaign (an entire article in itself), the country's farming, tourism, and gold sectors have collapsed. Unemployment is said to be near 80 %.

But something odd is happening.

> The Zimbabwe Stock Exchange is the best performing stock exchange in the world, the key Zimbabwe Industrials Index up some 595 % since the beginning of the year and 12,000 % over twelve months. This jump in share prices is far in excess of increases in consumer prices. While the country is crumbling, the Zimbabwean share speculator is keeping up much better than the typical Zimbabwean on the street.

The authors of this report attribute this to the rise in the money supply - and wonder how much of last 25 years' growth in western share markets is a result of similar increases in the rich world, and how much is due to wealth creation. My concern, though, is with the unsystematic use of indicators, that might lead those in government to regard the health of (say) the sharemarket or even 'the economy' (as measured by GDP for example) as accurate measures of society's

welfare. In large societies some sort of numerical aggregates are going to have to be measured and targeted: I'd like such indicators to be measured explicitly, and to be inextricably linked to social and environmental wellbeing. In other words: government should aim to achieve outcomes that are *meaningful to real people* - as distinct from corporations.

1. http://www.mises.org/story/2532

4.8.5 (2007-08-14 12:56)

I started reading some public choice literature today ("Collective decsions and voting" by Nicolaus Tideman), inspired by what I've read about voting systems.

We always talk about statistics, but I think it's even more worrying that people don't see the problems with getting accturate information out of an election.

4.8.6 How many minutes to midnight? (2007-08-14 13:53)

Writing about the [1]Middle East's nuclear surge in the *International Herald Tribune*, the authors, after discussing Iran's ambitions, say that:

> ...[the] countries that control over one-fourth of the world's oil supplies are investing in nuclear power programs. This is not about energy; it is a nuclear hedge against Iran. ... Egypt and Turkey, two of Iran's main rivals, are in the lead. Both have...announced ambitious plans for the construction of new power reactors. ... Not to be outdone, Saudi Arabia and the five other members of the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates) at the end of 2006 "commissioned a joint study on the use of nuclear technology for peaceful purposes." Algeria and Russia quickly signed an agreement on nuclear development in January 2007, with France, South Korea, China, and the United States also jockeying for nuclear sales to this oil state. Jordan announced that it, too, wants nuclear power.

There's a real mismatch between the incentives on offer. The short-term financial gains to western suppliers of nuclear technology have far more leverage, currently, than those of us who are concerned both that nuclear proliferation is a problem in itself (if it discourages actions against oppressive states) and a precursor of catastrophe. But the payoff from an exchange of nuclear weapons though large, is diffuse and of uncertain magnitude and timing. The opportunity costs of not selling nuclear technology to the Middle East outweigh, at least in the minds of those making the decision, such nebulous gains.

A Social Policy Bond regime that rewarded nuclear peace - defined as the absence of the explosion of a nuclear weapon - would rebalance the incentives. Currently those who would oppose such an explosion are (presumably) in a massive numerical majority, but have few means of expressing their wishes in a way that is likely to forestall nuclear proliferation. Neither do we know how best to bring sustain nuclear peace. The tendency therefore is to

assume that governments will sort it out, with the support of hard-working, well-intentioned non-governmental organizations. But all the evidence points the other way. We need to make the incentives to maintain nuclear peace at least as convincing as those working to undermine it. We might not know exactly how to reduce the chances of a nuclear exchange, but we have no excuse for not encouraging people to find out. We could issue Nuclear Peace Bonds ourselves, or encourage our governments to do so collectively. See [2]here, for a short paper on Conflict Reduction Bonds, which outlines the principles involved.

1. http://www.iht.com/articles/2007/08/13/opinion/edcirin.php
2. http://www.socialgoals.com/wpbsshort.html

4.8.7 Meaningless environmental targets (2007-08-16 13:08)

It seems EU leaders [1]agreed at their summit in March that there should be a 10 percent target for biofuel use. There is also [2]a 20 % target for the proportion of EU energy from renewable sources by 2020.

This is exactly the sort of political gesture that gets us into trouble. Targets like these are not valid ends in themselves. They are a means to uncertain, unspecified, vague environmental objectives. So why not specify exactly the objectives we want to achieve and target them directly? Politicians would actually be quite good at that: one thing they do well is to articulate society's goals and raise the revenue necessary to achieve them. Where they fail is in specifying *how* our goals shall be achieved. Biofuel use is contentious on many grounds, and renewable energy is not necessarily better for the environment than, for example, energy conservation. When it comes to deciding how to achieve objectives politicians' record of failure is abysmal.

Thankfully these particular follies are being widely challenged before they can create and enrich interest groups whose *raison d'etre* will be to oppose them. A contrast to agricultural support programmes and other perverse subsidies, which do so much to waste billions of dollars, transfer wealth from the poor to the rich, and devastate the rural sector's physical and social environment, and which persist decades after their failings became known.

1. http://www.blogger.com/ml
2. http://www.guardian.co.uk/environment/2007/aug/13/renewableenergy.energy

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4.8.8 Supermarkets and farmers (2007-08-19 13:31)

'Farmers complain of ruthless buyers', says the [1]*Sunday Telegraph*. Farmers are complaining about the buying power of the big supermarkets in the UK. It's difficult to feel sympathy for the farmers, most of whom are essentially recipients of government welfare, though, perhaps because it's much [2]higher than normal welfare for disadvantaged people, it's goes by the names of subsidy and protection. (You can find out how much individual farmers in the EU receive [3]here.)

Yet there is a case to be made against the supermarkets. They are not exactly the

subsidy-free market-driven businesses they would have you believe. They benefit from a government-financed transport infrastructure that systematically benefits the large and global at the expense of the small and local: roads, ports, airports. Much of the susbidies supposedly directed at farmers in fact ends up with large agribusiness corporates. (One measure of this is farmers in Europe pay much more for things like veterinary products than do their counterparts in subsidy-free New Zealand.) Industry concentration is a result, and the supermarkets benefit from this too. They also can manipulate and benefit from a regulatory environment that tends to favour large businesses at the expense of small.

1. http://www.telegraph.co.uk/news/main.jhtml;jsessionid=GIPZHLXL2W41NQFIQMFCFFWAVCBQYIV0?xml=/news/2007/08/19/nprices119.xml
2. http://news.bbc.co.uk/1/hi/england/3423171.stm
3. http://farmsubsidy.org/

4.8.9 Scary (2007-08-20 10:40)

Not directly related to Social Policy Bonds, but fascinating all the same. A [1]letter from Raimondo Salomonem of New York, pubished in today's *International Herald Tribune*:

> The problem with nuclear weapons is that there is never room for even the slightest error. If any nation, or a non-state actor launches a missile, the consequences would be catastrophic. There has been more than one very close call in the past. In 1988, in the mud-caked woods of West Germany, I was stationed on the front lines of the Cold War. I was a member of a Pershing II nuclear missile-launch team. Our missiles were aimed at Moscow and were capable of zeroing in on a trash pail in Red Square. One rainy night, during a field expedition, a sergeant accidentally allowed the tail end of a 40-foot long launch trailer to slide off the road into a ditch. This forced the missile on the trailer's bed to point its nose up to the sky.
>
> Years later, I read a book written by a Soviet defense official who recounted how they locked on that missile - the reports they received said the missile had been erected in what was considered an extremely hostile offensive maneuver. Until we managed many hours later to tow the trailer out of the ditch, the Soviets had been on a heightened state of alert. It was only until they saw us secure the missile in a hangar that they stood down. A sad fact, among many potentially sad facts in this incident, was that the missile in question was a dummy, used only for training. This was a very close call that brought us perilously close to the type of flash point that would send the world into destruction. Forget treaties. Future leaders should hold summit meetings, not fishing trips. When the subject of global warming comes up in conversation, I silently hope to myself that we will be around long enough to see if it happens.

1. http://www.iht.com/articles/2007/08/19/opinion/edletmon.php

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4.8.10 Evolution or incentives? (2007-08-22 08:56)

From an [1]article about Gregory Clark's *A Farewell to Alms*:

> Historians used to accept changes in people's behavior as an explanation for economic events, like Max Weber's thesis linking the rise of capitalism with Protestantism. But most have now swung to the economists' view that all people are alike and will respond in the same way to the same incentives. Hence they seek to explain events like the Industrial Revolution in terms of changes in institutions, not people.

Dr Clark, though, argues that institutions and incentives have been much the same all along and explain very little, which is why there is so little agreement on the causes of the Industrial Revolution. He believes natural selection - genetic transmission of capitalist values - is the answer. To me this sounds far-fetched and unnecessary, though I haven't read the evidence that Dr Clark has compiled. I don't often find myself in the position of agreeing with "the economists' view", but I do think incentives are critical. Looking at the failure of certain countries to develop, I can't point to any lack of resourcefulness on the part of their citizens. More compelling to me is how this simple question would be answered: "if people work hard, what is the chance that they will be allowed to keep most of their earnings?" For most societies in the past, and for many today in the poor world, that probability has been too low to make capitalism worthwhile.

1. http://www.enwl.net.ru/?q=node/2472

4.8.11 Orangutans v biofuels (2007-08-24 09:17)

An interesting [1]discussion at *Grist* where Peter Madden asks whether those concerned about the environment are too obsessed with climate change?

> There certainly are trade-offs between tackling different environmental issues. And with a limited pot of money, other important areas can suffer. Policies can be in conflict, too. Remember the catalytic converter in the 1980s: good for tackling pollution, but bad for fuel efficiency. And bad for biofuels today, which may be good news for tackling climate change; but if poorly sourced, is very bad news for orangutans.

How should we go about sorting our environmental priorities? The problem is one of weighting entirely different environmental impacts. We'd all like to see climate change reduced *and* pollution fall *and* more orangutans, and, for that matter, better healthcare, lower crime rates and all the rest.

In the absence of systematic weighting, or explicit consultation, these decisions are made (or fall out of) the political process. Unfortunately, rationality and the society's wishes or even our best interests are poorly served. More potent as policy drivers appear to be lobby groups on behalf of vested corporate and bureaucratic interests, and events for which there is video footage that can be shown on television.

There are genuine difficulties with weighting the diverse, competing demands for society's scarce resources, but a large part of the problem is that we have little idea of how much solutions to our diverse problems will cost.

Social Policy Bonds could be the answer. They have an advantage over most other instruments in that the cost of achieving the targeted outcome is minimised and capped. And it is the market that decides on how much the solution to a targeted problem will cost. Bonds aiming to increase climate stability, for example, would convey extremely valuable information to the public and policymakers about the actual cost not only of achieving the targeted degree of stability, but about how much extra increase in stability will cost. The market for the bonds is elegantly efficient in conveying information about the cost of achieving objectives and, crucially for policymakers, how this cost varies with time and circumstances. This information is immediate, upfront, and available to all. It is determined not by a handful of so-called experts, but by competitive bidders who have incentives to get it right.

Immediately, then, half of the policy conundrum is resolved: we have best estimates of the costs of, say, protecting orangutans and increasing climate stability. We could say that raising climate stability by 1 percent will cost $x, while maintaining current numbers of orangutans will cost
$y. We could say that raising literacy rates by x percent will cost the same as reducing air pollution by y percent. (My post [2]here discusses information markets, which, as far as I can tell, generate the same sort of information as Social Policy Bonds but do not seek to modify behaviour.)

1. http://gristmill.grist.org/story/2007/8/20/11026/6273
2. http://socialgoals.com/blog/2005/05/information-markets-and-social-policy.html

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4.8.12 (2007-08-27 13:11)

This author takes the "economist's position" that people are equally capable of responding to incentives, to turn it on its head and recycle the old arguments of racial superiority.

But he's trying to answer a question that has already been answered far more plausibly by Jared Diamond in "Guns, Germs and Steel" - fully from the "economist's position", that there are no significant differences in inherent ability to respond to incentives.

The economist is arguing for biological explanations, and the biologist for economical ones...

I came across [1]this article which tells about the historical tension between economists and racists, and it probably did more to better my impression of your profession than anything else I can think of. I would read that as background to Clark's claims.

Unfortunately, many modern econ-bloggers seem to be flirting with the zombie of scientific racism.

1. http://www.econlib.org/LIBRARY/Columns/LevyPeartdismal.html

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4.8.13 Fisheries (2007-08-27 13:53)

Of the fish caught by English and Welsh commercial fishing vessels in the English Channel, Western Approaches, Celtic and Irish Seas between 2002 and 2005:

> 63 per cent ...weighing 24,500 tons, were thrown back over the side. Few if any of these fish would survive because trawling ruptures their swim bladders. [1] Fishermen 'discard two-thirds of catch'
>
> *Daily Telegraph*

It would be exhausting as well as upsetting to explain the tragedy of the world's fisheries. The root causes are probably similar to the parallel fiasco of industrial agriculture: highly visible, noisy and utterly self-interested lobbyists; a focus on yields per dollar to the exclusion of anything else; lack of political courage.... Policy instruments to address the environmental calamity have been useless, focusing mainly on ineffective and inefficient input controls. Farmers in the west seem to accept a downgrading of their role as food producers in favour of glorified landscape gardeners, working for the government and subject to monitoring and surveillance - in return for handsome subsidies from taxpayers and consumers. But it's difficult to see the world's fisheries people, whose identity is bound up with pursuit of a wild resource, in that role.

Perhaps then the state of the world's oceans would be suitable for application of the Social Policy Bond principle? The goal - biological health, expressed as some index of the world's marine plant an animal species - would be shared by almost everyone; it's the means of achieving it that are proving elusive. And, in contrast to perhaps to agriculture, there seems to be no amount of government-backed monitoring that will stop people degrading the environment for their own short-term purposes.

Where the goal can be reliably quantifed and agreed by all; where existing policies are failing; and where there seem to be no other solutions on the horizon: those are criteria that, to me, cry out for a Social Policy Bond approach: in other words, one where people are rewarded for achieving a specified outcome.

1. http://www.telegraph.co.uk/earth/main.jhtml;jsessionid=LYBYPPASNGPOVQFIQMGSFFOAVCBQWIV0?xml=/earth/2007/08/27/eadiscards127.xml

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4.8.14 (2007-08-29 08:37)

Thanks Harald for your comment, and the link to the fascinating Levy and Peart article.

4.8.15 Climate change and land management (2007-08-29 09:06)

Freeman Dyson [1]writes:

> To stop the carbon in the atmosphere from increasing, we only need to grow the biomass in the soil by a hundredth of an inch per year. Good topsoil contains about ten percent biomass ... so a hundredth of an inch of biomass growth means about a tenth of an inch of topsoil. Changes in farming practices such as no-till farming, avoiding the use of the plow, cause biomass to grow at least as fast as this. If we plant crops without plowing the soil, more of the biomass goes into roots which stay in the soil, and less returns to the atmosphere. If we use genetic engineering to put more biomass into roots, we can probably achieve much more rapid growth of topsoil. I conclude from this calculation that the problem of carbon dioxide in the atmosphere is a problem of land management, not a problem of meteorology.

It sounds plausible to me. The point, though, is that we need to supply incentives to people who prevent climate change *without prejudging how they do so*. Unfortunately Kyoto fails in this regards. It is entirely focused on reducing net anthropogenic greenhouse gas emissions. [2]Climate Stability Bonds would be different: if Professor Dyson is right in that climate stability could be achieved by more widespread application of no-till farming methods, then a bond regime would reward research and diffusion of those methods - but Kyoto would not.

1. http://www.edge.org/3rd_culture/dysonf07/dysonf07_index.html
2. http://socialgoals.com/ieakyototext.html

4.8.16 (2007-08-30 17:35)

Yes, it sounds plausible, and since it comes from a respectable scientist (even one on "our" side in politics, if you count that he's an advocate of nuclear disarmament and international cooperation) it's all the more serious that he has chosen to speak out on an issue far away from his fields of expertise.

By all *other* accounts, growing or regrowing topsoil is awfully difficult. Many serious environmentalists (such as Jared Diamond in "Collapse", if I don't remember very wrong) see topsoil as so difficult to replenish that it for all practical purposes is a nonrenewable resource.

Yes, no-till agriculture reduces erosion, and that is a very good thing, but it does not replenish topsoil. No matter how kind your agricultural practices, you have to put back the nutrients you take out somehow, through some forms of fertilizer or nitrogen-binding crops. While there are promising advances (I'm keeping an eye on the biochar/agrichar technique), agronomists have been looking for such technologies for a long time anyway, so we can't expect miracles to just turn up and save us.

In the even that they do anyway, it probably won't be insurmountable to amend Kyoto to accept topsoil as a "carbon sink" on par with forests.

4.8.17 (2007-08-31 12:05)

Thanks as always Harald. I think it was Professor Dyson's phrase "much more rapid growth of topsoil" that led me to believe he is referring not to the creation of more soil, but to the

conversion of the deeper layers of soil into topsoil. Could that be right? If so, I think Dyson's optimism could be justified.

Yes, I guess Kyoto could conceptually be modified to take into account growth of topsoil. I suppose it's only slightly less realistic than monitoring forests in a meaningful way.

4.8.18 Politician speaks the truth! (2007-08-31 20:39)

Barrack Obama, in Wednesday's *Financial Times*, about the implosion of the US subprime lending industry:

> Over the past several years, while predatory lenders were driving low-income families into financial ruin, 10 of the [United States'] largest lenders were spending more than $185 million lobbying Washington to let them get away with it. So if we really want to make sure this never happens again, we need to end the lobbyist-driven politics that made it possible.

(I think he means "make it possible".) On the strength of this, Mr Obama would get my vote.

4.9 September

4.9.1 Cheese-based dogfood versus WMD (2007-09-04 10:40)

Ending the chapter on Weapons of Mass Destruction in his book, *[1]Another Bloody Century*, Colin Gray writes:

> War, allegedly, can hardly be an instrument of policy if it would entail mass slaughter, especially reciprocal mass slaughter. Alas, that all too reasonable point of view is not correct. Nuclear strategy is not an oxymoron.... [The] persisting lore of war applies no less to WMD than to all other kinds of weapons.

Professor Gray's pessimism is probably justified. The proliferation and use of WMDs seems to be another of those social problems that everybody wants to solve, but for which we are bereft of solutions. With WMD, any solution needs a long lead time. If more and more people begin to see their use as thinkable, then stopping their use become more and more difficult.

There's no clear solution. We need to mobilize the ingenuity of people who, if they weren't busy trying to maximize sales of [2]cheddar-based dogfood, would just as happily devote their talents to reducing the risk of nuclear war. It comes down to incentives. There are excellent people working for a more peaceful world. But we need more of them, and we need them to have more resources at their disposal. Many of our social and environmental problems are currently solved as a byproduct of the private sector and its income- and wealth- generating activities. Others are the responsibility of the public sector which, for whatever reasons, functions by rewarding activities rather than outcomes. This can work, if we know in advance

those activities that will ensure the desired outcome. But for seemingly intractable problems, like war, we don't, and that's why [3]Conflict Reduction Bonds could be helpful. Conflict Reduction Bonds would reward people for bringing about peace, *however they do so*.

There are no easily specified solutions to nuclear proliferation, or the use of WMD, but that's no reason not to encourage people to find them. We need diverse, adaptive programmes - the sort that government or supra-governmental bodies like the United Nations, find hard to support, but that a Conflict Reduction Bond regime would stimulate.

1. http://www.amazon.com/Another-Bloody-Century-Warfare-Phoenix/dp/0304367346
2. http://query.nytimes.com/gst/fullpage.html?res=9803E4DB1039F93AA15752C1A964948260
3. http://socialgoals.com/wpbsshort.html

4.9.2 Scandalous (2007-09-05 11:49)

From the [1]Global Subsidies Initiative:

> The United States Government Accountability Office (GOA) has found that the U.S. Department of Agriculture (USDA) is paying millions of dollars in farms subsidies to thousands of deceased individuals. ...
>
> "The USDA ... does not have the management controls to verify that it is not making payments to deceased individuals." ...
>
> [D]uring the 1999-2005 period, some $1.1 billion in farms subsidies were paid in the names of 172, 801 deceased individuals, some of whom had been dead for seven years or more. The USDA relies on the farm subsidy recipients to notify them of any changes, including a death, which may change an estates' eligibility to receive subsidies.

1. http://www.globalsubsidies.org/article.php3?id_article=31&var_mode=calcul#usda

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4.9.3 Helping people, not activities (2007-09-07 13:14)

> If you put a rat with a two-degree fever into a very hot room, the rat activates its cooling mechanisms to keep its body temperature two degrees above normal. If you put it into a cooler room, it activates heat-conservation mechanisms to maintain that two-degree fever. Body temperature is carefully regulated even during fever; the thermostat is just set a bit higher. [1]*Why we get sick* (page 27)

Fever, in other words, is not the problem, but the body's attempt to defend against infection, and medications that block fever 'interfere with the normal mechanisms that regulate the body's response to infection, with results that may be fatal.' This sort of adapative behaviour can apply to our social and environmental problems. Sometimes, not always, government intervention can accentuate and entrench the problem. Farm subsidies (this blog,*passim*) are a classic example, but thankfully we are becoming a little more cautious about rushing in to address the presenting problem whenever there's a crisis.

So the current *[2]Economist* (subscription) recognises that markets can regulate more effectively than government when dealing with the subprime lending turmoil:

> Shares of the most egregious mortgage lenders have plunged and dozens have gone bust. Loan-underwriting standards are tighter. The riskiest subprime securities have almost no takers. These spasms are how the market cleans up its mistakes and learns not to repeat them. That sounds cold-hearted, but pain is a necessary part of this correction. When politicians seek to deaden that pain and supplant those lessons with hasty fixes of their own, they almost always blunder.

If there's a general approach to such interventions, I would opt to aim for broad, objectively verifiable outcomes that are meaningful to natural persons, as distinct from corporations. Faced with, say, a plunge in agricultural product prices, the efficient approach would be to help farmers *in their capacity as human beings* rather than as farmers. Let the market decide on how people deploy their land, labour and capital. It does it more efficiently, because more adaptively, than government ever can. A government's duty is not to bail out inefficient industries, nor to maintain abstract economic growth figures, but to help its citizens.

1. http://www.amazon.com/Why-We-Get-Sick-Darwinian/dp/0679746749
2. http://www.economist.com/opinion/displaystory.cfm?story_id=9767665

4.9.4 Private schools for the poor (2007-09-09 13:42)

[1]James Tooley, Professor of Education at the University of Newcastle-0n-Tyne, has [2]researched private schools for the very poor in developing countries. Typically these are small, shabby operations, sometimes occupying a sinlge classroom, staffed in some cases by just the teacher-proprietor and an assisant. Fees can be less than ten US cents per day. Despite the fears of some aid organizations, these schools:

> ...everywhere were outperforming the government schools in the key curriculum subjects – even after controlling for background variables.

Even when the per pupil teacher cost was calculated "private schools came out less expensive: In the government schools in Lagos State, for instance, per pupil teacher costs were nearly two and a half times higher in government than in private schools."

For me, these results point to the need to solutions beyond the control of the public sector. It is not, or doesn't have to be, a case of government versus private sector, though that is unfortunately how research like this is often interpreted. Rather it indicates the need to abandon ideology when targeting broad social goals, such as universal literacy for a developing country.

1. http://www.ncl.ac.uk/egwest/tooley.html
2. http://www.ft.com/cms/s/0/28041910-465f-11db-ac52-0000779e2340.html

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4.9.5 Money politics (2007-09-11 10:53)

Al Gore writes:

> After a long and detailed review of all the polling information and careful testing of potential TV commercials, the anticipated response from my opponent's campaign and the planned response to the response, my campaign advisers made a recommendation and prediction that surprised me with its specificity: "If you run this ad at this many 'points' [a measure of the size of the advertising buy], and if Ashe responds as we anticipate, and then we purchase this many points to air our response to his response, the net result after three weeks will be an increase of 8.5 percent in your lead in the polls."
>
> I authorized the plan and was astonished when three weeks later my lead had increased by exactly 8.5 percent. Though pleased, of course, for my own campaign, I had a sense of foreboding for what this revealed about our democracy. Clearly, at least to some degree, the "consent of the governed" was becoming a commodity to be purchased by the highest bidder. [1] *The Assault on Reason*
>
> quoted in the *NYRB* by [2] Michael Tomasky

Gore was writing about his first Senate race, in 1984. I suspect his, and our, cynicism will have grown since then. The growing gap between politician and ordinary person is self-enlarging. Our non-involvement in politics enhances the role of the Public Relations people and lobbyists, which creates yet more voter apathy.

One of the advantages of a Social Policy Bond regime is that it would express its goals in terms of outcomes that are meaningful to real people, as distinct from corporations and their agents. Transparency - consulting with voters about their goals - would be built into the system from the start.

1. http://www.amazon.com/Assault-Reason-Al-Gore/dp/1594201226
2. http://www.nybooks.com/articles/20593

4.9.6 Is war inevitable? (2007-09-13 13:32)

More from Professor Colin Gray:

> War is a part of the human condition, it is not a problem that can be solved. However, it is a condition some of the worst features of which can be alleviated by law, custom, norms and plain self-interest. [1] *Another Bloody Century*
>
> (page 379)

I am a little more optimistic. I think that if war's negative impacts can be satisfactorily defined, then targeted for reduction and sufficient incentives can be put in place, then wars can be reduced in number and scale. As Gray explains elsewhere (page 385), "Warfare is social and cultural, as well as political and strategic, behaviour. As such it must reflect the characteristics of the communities that wage it." These characteristics are deep-seated and pervasive, which means that solution need to be long term in nature. Diverse, adaptive and focused

approaches will be required. Gray's pessimism is justifiable if we confine ourselves to thinking about government-implemented measures. But a [2]Conflict Reduction Bond regime could work, in ways that we cannot necessarily foresee. The main difficulty, it seems to me, is in defining exactly what we want to achieve: terrible though war is, some types of 'peace' are even worse.

1. http://www.amazon.com/Another-Bloody-Century-Warfare-Phoenix/dp/0304367346
2. http://socialgoals.com/wpbsshort.html

4.9.7 The Political Class (2007-09-16 09:42)

Writing about the Political Class in Britain, [1]Peter Oborne says:

> Unlike the old Establishment, the Political Class depends directly or indirectly on the state for its special privileges, career structure and increasingly for its financial support. This visceral connection distinguishes it from all previous British governing elites, which were connected much more closely to civil society and were frequently hostile or indifferent to central government. Until recent times members of British ruling elites owed their status to the position they occupied outside Westminster. Today, in an important reversal, it is the position they occupy in Westminster that grants them their status in civil society. The Political Class is distinguished from earlier governing elites by a lack of experience of and connection with other ways of life.

A complex economy and the division of labour explain much of this disconnect between politicians and the citizens they are supposed to represent. Is there any way of closing the gap? One way might be to adopt one of the principles of a Social Policy Bond regime: debate policy in terms of targeted, explicit outcomes. Currently when our politicians talk to us it's often about funding arrangements, institutional structures, or the activities of government agencies. And what they talk to us *about* is often equally peripheral: people or events for which there is compelling tv footage; anecdotes and images that support an agenda that isn't always clear to us, the public.

A Social Policy Bond regime would recast political debate. Social and environmental outcomes would be the starting point of politics. Politicians would have to choose between such outcomes but in doing so they would consult ordinary people, who could participate in policymaking because they understand its terms. Compromises and trade-offs would still have to be made; there would still be pressure on resources and there would still be disagreements about priorities. But policy outcomes - unlike the arcana of current politics - are things that ordinary people can understand. Their participation in policymaking could help close the ever-widening divide between government and the people.

1. http://www.spectator.co.uk/the-magazine/features/162011/the-establishment-is-dead-but-something-worse-has-replaced-it.thtml

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4.9.8 Interesting (2007-09-18 12:25)

From Harper's Index:

> Percentage of American adults held in either prisons or mental institutions in 1953 and today, respectively: 0.67, 0.68
>
> Percentage of these adults in 1953 who were in mental institutions: 75
>
> Percentage today who are in prisons: 97
>
> Source: *Harper's Magazine*, April 2007 (page 17)

Those figures might go a long way toward explaining the rise in crime rates over the past five decades. Currently, despite talk of 'joined-up government', mental health and crime are seen in the west as two almost wholly distinct policy remits. It's certainly convenient, administratively, to do so. But in doing so do we optimize social welfare? I don't know what projects a Social Policy Bond regime aiming to reduce crime would stimulate, but investors would at least have incentives to explore the linkages and answer such questions.

4.9.9 Charisma-driven politics (2007-09-21 11:16)

Discussing British politics, the Bagehot column in the current [1]*Economist* (subscription, probably) hits the nail on the head:

> [P]olicy is a decreasingly important factor in politics generally—certainly compared with the genuinely ideological clashes of the 1980s. Part of the explanation for that trend is that Labour and the Tories now agree about so much, even if they conceal their similarity by narcissistically inflating small differences. [Prime Minister] Brown's omnivorous pilfering of everyone else's best ideas is blurring the distinction more than ever (which hurts the Lib Dems, since this coalescence has made grumpy Labour and Tory voters readier to switch straight to the other big party). Part of it is the influence of digital media on how political opinions are formed. That has made having a charismatic and ideally photogenic leader vital....

It's no bad thing, in my view, that ideology's influence is lessening. I'd prefer though that policy were instead driven by outcomes rather than visual imagery.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=9832963

4.9.10 Trumping ideology (2007-09-22 14:46)

Reviewing [1]*Super Crunchers*, by Ian Ayres, the *Economist* (dated 13 September)says:

> The sheer quantity of data and the computer power now available make it possible for automated processes to surpass human experts in fields as diverse as rating wines, writing film dialogue and choosing titles for books.
>
> Even the occasional government is accepting that properly analysed data trump ideological conviction. Mr Ayres sings the praises of Mexico's Progresa/Oportunidades programme, which gave assistance to poor people only if their children attended health clinics and schools. It was tried out on 506 randomly selected villages. The results were so convincing that the programme was expanded 100-fold despite a change of government.

The merit, it seems to me of such a policy approach is that unsuccessful experiments will be terminated: it's genuinely Policy as if Outcomes Mattered.

1. http://www.amazon.com/exec/obidos/ASIN/0553805401/theeconomists-20

4.9.11 Regulation and big business (2007-09-25 12:02)

One of the ways in which big business and its pals in government conspire against small businesses and ordinary people is by manipulating the regulatory environment.

[1]Oligopoly Watch asks why large corporations in the US are asking the Government for more regulation. Part of the answer is that:

> [w]hat big corporations want is for the federal government to set standards that will overrule even tougher state standards. These has been a rise in regulation from a growing number of states, led by California, to make up for the gaps in regulation presided over the Bush administration, which has systematically weakened rules and defunded regulatory agencies.

As well, though, regulations can be used as unfair, non-tariff barriers to trade:

> [W]hy is Altria (Philip Morris) calling for the regulations of cigarettes and General Electric and Phillips joining to push for more regulation of light bulbs? Pure self-interest, a new strategy in an old war, one of getting the government to help big companies maintain market share. All of the new regulations will be used to set a barrier to entry for smaller (usually Chinese) companies into the market. In these cases, it is easier for the established players to conform to a higher level of regulation....

When I worked in the agricultural policy area I saw a lot of this. In one memorable [2]example involving European Union legislation in the UK:

> A snail farmer was told to tile his packing room, which was classed as an abattoir, up to the ceiling to catch the blood. BBC 1 TV *Country File* 8 February 1998

This sort of thing happens not only because government and big business are inevitably biased against smaller concerns, but also because they are government is more comfortable, and sees a larger role for itself, in regulating processes and activities, rather than outcomes. Ordinary people are the losers.

1. http://www.oligopolywatch.com/2007/09/16.html
2. http://www.kc3.co.uk/~dt/farming.htm

4.9.12 Tax breaks for the rich (2007-09-26 10:34)

I've long been suspicious and wary of the way in which most western countries subsidise home ownership. Partly because the subsidies are paid out in ways that divert funds from more productive investment; partly because they make it difficult for even hard-working ordinary people who aren't lucky enough to inherit property, to own a house; and partly because the wider economy begins to rely on unrealistically appreciating house values - so much so that government has a vested interest in continuing to prop them up.

Writing about the US, [1]David Morris says:

> For all but the very rich, houses represent the single largest source of lifetime financial savings. A low rate of home ownership, and the resulting low rate of savings, is particularly high among blacks and Hispanics. In 2005, government provided $150 billion to homeowners in tax subsidies. But the way the subsidies were structured did little to raise home ownership among these groups. Why not replace the housing tax deductions with a level refundable tax credit? .... Economists Richard Green ... and Kerry Vandell ... have examined such a system and predicted that it could increase overall home ownership by 3 to 5 percentage points. Even more impressive, a housing tax credit could increase home ownership by up to 8 percentage points among the lowest-income households.

Robert Brenner, in [2]*the Guardian* writes that, following the crash and recession of 2000-01:

> central banks turned again to the inflation of asset prices. By reducing real short-term interest rates to zero for three years, they facilitated an explosion of household borrowing that contributed to, and fed on, rocketing house prices. Inflated household wealth enabled increased consumer spending that, in turn, drove the expansion. Personal consumption plus residential investment accounted for 90-100 % of the growth of GDP in the first five years of the current cycle. However, the housing sector alone was responsible for raising the growth of GDP by more than 40 %, obscuring just how weak the recovery was.The rise in demand revived the economy.

Unfortunately, it's difficult to see how this merry-go-round can stop. Like a drug habit, or other poorly-thought out subsidies, these tax breaks become very difficult to end, even when the evidence of their woeful economic and social impacts has become obvious to all.

1. http://onthecommons.org/node/1213
2. http://www.guardian.co.uk/commentisfree/story/0,,2177178,00.html

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4.9.13 Markets and 'markets', continued (2007-09-29 09:24)

Dean Baker writes:

> The key flaw in the stance that most progressives have taken on economic issues is that they have accepted a framing whereby conservatives are assumed to support market outcomes, while progressives want to rely on the government. This framing leads progressives to futilely lash out against markets,rather than examining the

> factors that lead to undesirable market outcomes. The market is just a tool, and in fact a very useful one. It makes no more sense to lash out against markets than to lash out against the wheel. The reality is that conservatives have been quite actively using the power of the government to shape market outcomes in ways that redistribute income upward.

This is from the preface to *The Conservative Nanny State* published last year and available as a [1]free download. I'm not sure I'd go along with all Mr Baker's suggestions, but the book is well worth reading.

1. http://www.conservativenannystate.org/

4.10 October

4.10.1 Climate change: how to decide who pays (2007-10-01 12:19)

Cass Sunstein [1]points out that:

> [i]t is increasingly clear that the world would be better off with an international agreement to control greenhouse gas emissions. What remains poorly understood is that the likely costs and benefits of emissions controls are highly variable across nations.

The US and China, large emitters of greenhouse gases, are not likely to be the leading victims of climate change. Indeed, and with all the usual caveats, Russia is expected to gain. The biggest projected losers from climate change are India and Africa. The mismatch between the large emitters and and those most at risk contributes to the current policy stalemate. Adding to the complexity, a country like China could point to cumulative emissions as a basis on which to allocate blame and so responsibility for cutting emissions: Sunstein gives a table showing that the US emitted 29 % of the total (anthropogenic) carbon dioxide from 1850-2002; China 7.6 %. Or perhaps per capita emissions should be the criterion? On that basis, the US emitting 19.7 tonnes of CO2 (in 2002) is far more culpable than China (3.7 tonnes).

Sunstein concludes that:

> Because of its wealth, its high per capita emissions rate, and its past contributions, the moral obligations of the United States are especially insistent. What remains clear is that the United States cannot do much about the problem without the participation of developing countries, above all China. For this reason, it is appropriate for the United States to take active steps, perhaps including unilateral action, in order to increase the likelihood that such countries will be willing to participate in the future.

Agreed, appropriate yes, but also unlikely. Sunstein's discussion is compelling, but I'd still prefer to see an outcome-based approach, such as [2]Climate Stability Bonds that would rely on upfront cash incentives, instead of the vagaries of moral suasion. The two are need not be in conflict of course. but I'd rather back a regime that rewards self interest. At the highly aggregated level of countries, that seems to me more likely to work, and that, after all, is what really matters.

1. http://www.aei-brookings.org/publications/abstract.php?pid=1206
2. http://socialgoals.com/ieakyototext.html

4.10.2 Complexity demands an outcome-based approach (2007-10-03 12:18)

Government thinks in terms of institutions, and that can create problems. For instance, it's not at all clear that the best way of raising literacy is to increase funds for schools. Or that to reduce crime, the best use of our scarce resources is to fund more police. The linkages are too complex for any single body to grasp; especially ones like government agencies, which typically operate top-down programmes that however badly they fail, are never terminated. No complex policymaking environment is immune:

From [1]*the Gospel of Food* by Barry Glassner (quoting research, and words, of Ichiro Kawachi):

> [R]esearch shows that death and sickness rates from cancer, heart disease, and other major illnesses in the US are higher in states where participation in civic life is low, racial prejudice is high, or a large gap exists between the incomes of the rich and poor and of women and men. 'Policies **that appear to have little to do with health**, like macroeconomic policies to reduce the level of income inequality, can have a major impact on driving down the rates of illness in society.' (page 30) (My emphasis.)

Diverse, adaptive approaches are needed, but they must be subordinated to outcomes: if they do not help achieve the targeted outcome, they should not continue to be funded. Only markets markets give investors the incentive to explore and experiment with diverse approaches to compelex social and environmental problems - and to terminate failing projects. The contrast with government when dealing with complex problems is stark.

1. http://www.amazon.com/Gospel-Food-Everything-Think-About/dp/0060501219

4.10.3 Let the voters decide (2007-10-07 12:16)

Why not have referendums on free trade? Costa Rica is doing, though as Mark Weisbrot [1]writes, voters can be blackmailed into coming up with the 'right' answer. A leaked government memo suggested that mayors of Costa Rican cities be told that they would "not get a penny from the government for the next three years" if they did not deliver a majority of voters for the Central America Free Trade Agreement.

1. http://www.commondreams.org/archive/2007/10/06/4356/

4.10.4 Subsidising fisheries destruction (continued) (2007-10-08 15:42)

The European Commission recently released a list of fishing vessels that have received EU fisheries subsidies between 2000 and the beginning of 2007, reports [1]Global Subsidies Initiative:

> The top ten vessels received some €30 million [between them]. The top two vessels were Spanish boats *Albatun Dos* and *Albatun Tres*; each receiving €4 318 440 for their construction. Notably, a number of subsidy recipients identified in the EC list have been cited with illegal, unreported and unregulated (IUU) fishing. Infractions included using illegal nets, misreporting catches in logbooks, and falsifying sales records. However, a full accounting of subsidy recipients who have been cited with IUU fishing is currently impossible, given that there is no public record of vessels that have been issued citations. "It is outrageous that taxpayers' money has financed criminals who destroy the marine environment and undermine legal fishing activities," said Markus Knigge, European Marine Programme Officer with the WWF.

If people were allowed to vote on whether their taxes should be used to fund environmental destruction, and voted 'yes', then I'd find it difficult to argue against them. But we are not given such an opportunity. This subsidised, permanent, destruction of a scarce, living resource, for the benefit of the short-term prospects of a few giftless politicians is despicable.

1. http://www.globalsubsidies.org/article.php3?id_article=36&var_mode=calcul#two

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4.10.5 Social Policy Bonds: do they have a future? (2007-10-10 08:26)

Social Policy Bonds haven't made much progress in policymaking circles in the last few years. I'm not even sure that policymakers think any more in terms of outcomes than they used to. But I am still optimistic that Social Policy Bonds, or something like them, will play some role in the future. Why?

First, because of a combination of an increasingly complex world, and the growing gap between policymakers and the people they are supposed to represent. Politicians and their officials have inherited a decision-making system that is, essentially, about rewarding interest groups, be they corporations, government agencies, organized labour, or lobbyists for environmental, ethnic, sexual or religious bodies. What's missing from this is buy-in from ordinary people, *in our capacity as ordinary people*, rather than members of an interest group. Without buy-in, the current political system will become increasingly vulnerable.

But our economy, society and environment are becoming ever more complex, which means that the wishes of most citizens cannot be satisfied either by submitting to the interests of sectoral groups, nor by centralized, top-down decisions about funding, activities, or instititutional structures. I think therefore that the decisions that government makes will increasingly have to be expressed and subordinated to outcomes that are meaningful to real people. Social Policy Bonds are one way of doing that: policymakers reward the achievement of social goals, regardless of how they are achieved. They relinquish their control over the 'how', because that is something that they don't do very well.

Underpinning this scenario is the increasing transparency about policy failures. Our political class knows less about how to achieve certain goals, but the public knows more about their failure to do so.

I see nothing to interrupt any of these trends. For that reason I think that somewhere down the track Social Policy Bonds may become a significant policy instrument.

4.10.6 The losers aren't being compensated (2007-10-12 05:13)

Mark Weisbrot [1]writes:

> Free-trade advocates...always make distorted statements such as "the average household has gained $10,000 from free trade." Now, if a hedge-fund manager makes an extra billion dollars, it can raise the average income in his town or suburb quite a bit. But it doesn't do much for others in the area; and in fact it is likely to be at the rest of the public's expense.

Quite so. Free trade can benefit everybody, but only if the losers are compensated. Otherwise it's only the abstract concepts 'the economy' or 'the country' that benefit. There's very little compensation going on, as far as I can see.

1. http://www.annistonstar.com/opinion/2007/as-columns-1007-0-7j06u5455.htm

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4.10.7 Who cares? (2007-10-12 14:44)

In Wellington's *Dominion Post*, Susannah Bailey of Greenpeace, points out some of the flaws in the New Zealand Government's greenhouse gas emissions trading scheme. Some of her views are [1]here, but in the newspaper article she writes that the scheme:

> isn't coupled with an overall emissions reduction target.... Officials have conceded that the main goal of the scheme is to meet our Kyoto liability at least cost rather than to achieve emission reductions. 11 October, page B7

Exactly: New Zealand might or might not reduce its greenhouse gas emissions; which might or might not do anything to prevent climate change. Who really cares? The sole certainty is that the trading scheme will require a whole new bureaucracy to administer, whose costs will be borne, upfront, by taxpayers. Some of us may be successfully deluded into thinking that something is actually being done about climate change. The Government can then pass on to other issues, like the [2]145 violent crimes being committed in New Zealand every day. Perhaps it can set up a free telephone hotline and attribute any further increase to 'improved reporting'.

1. http://www.scoop.co.nz/stories/PO0710/S00160.htm
2. http://www.scoop.co.nz/stories/PO0710/S00045.htm

4.10.8 Climate change and geoengineering (2007-10-14 10:36)

Could geo-engineering prevent climate change? James Woudhuysen [1]believes that:

> [E]nvironmentalists tend to dismiss geo-engineering because, at root, they are not interested in halting climate change. For many today, both green activists and leading politicians, climate change is a moral and political issue rather than simply a practical problem. They see the 'issue of climate change' as a means to changing people's behaviour and expectations, rather than simply as a byproduct of industrialisation that ought to be tackled by technological know-how. They are resistant to geo-engineering solutions because putting an end to climate change would rob them of their raison d'être.

I really don't know about that, but I do wonder whether there are more efficient or politically realistic ways of preventing climate change than the current approach, which relies exclusively on cutting our greenhouse gas emissions. What's disturbing is not so much *why* alternative solutions aren't being seriously considered, but simply the fact that they aren't. Probably the answer lies in the nature of the possible side-effects. They might be difficult to anticipate and disastrous. But so too might the effects of climate change or, indeed, those of emission cutbacks.

I see geo-engineering approaches as a subset of a large array of possible (partial) solutions. A [2]Climate Stability Bond regime would encourage people to explore and enlarge this array, and to pursue only the most promising projects. The mix of projects would be diverse and adaptive. Possible negative effects of, for instance, geo-engineering - or, for that matter, cutbacks of greenhouse gas emissions - could be avoided by stipulating that Climate Stability Bonds shall not be redeemed if these effects are too large.

1. http://www.spiked-online.com/index.php?/site/article/3950/
2. http://socialgoals.com/ieakyototext.html

4.10.9 British Government favours UHT milk (2007-10-16 08:38)

The London *Times* [1]reports that:

> Officials at the [UK] Department for Environment, Food and Rural Affairs have made a serious proposal that consumers switch to UHT (Ultra-High Temperature or Ultra-Heat Treated) milk to reduce greenhouse gas emissions. It is part of a government strategy to ensure that some 90 per cent of milk on sale will not require refrigeration by 2020.

For all I know, this strategy might be justified. What concerns me is how it's arrived at. Refrigeration in supermarkets is a visible consumer of electricity and I suspect that's why the officials at DEFRA have picked on it. Have they compared it with other ways of reducing greenhouse gas emissions that may yield far more benefit? Why 90 per cent, rather than 80 or 95 per cent? Is a government agency the best placed to try to determine the trade-offs that

consumers should make?

I think that if a government wants to reduce greenhouse gas emissions, then it should give consumers the option of how best to do so. I'd rather see government tackle target climate change itself rather than greenhouse gas emissions, but if it insists on targeting the latter, it should set broad targets and let the market decide on how they are to be met.

1. http://www.timesonline.co.uk/tol/news/politics/article2658175.ece

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4.10.10 Literacy in Bangladesh (2007-10-17 09:54)

Sadly, but not unexpectedly, my essay on applying the Social Policy Bond principle to the problem of illiteracy in Bangladesh, did not win a [1]Quadir Prize. However, it was helpful to have a reason to summarise my latest thoughts about the bonds, and I have posted my essay [2]here. It's a pdf file, about 120k in length.

1. http://www.quadir.org/
2. http://socialgoals.com/QuadirBLBs.pdf

4.10.11 We are the ADD Generation (2007-10-19 10:36)

Rather than the 'Me Generation', or 'Generation X', I've often thought that we are really the 'ADD Generation', where ADD stands for Attention Deficit Disorder. Our politics is, essentially, media driven, and the mass media have a short attention span with little time for subtlety, or for events that cannot entertain when shown on television.

So there's very little sense of perspective. Dean Baker [1]writes that Robert Novak...

> ...[t]he Washington Post columnist, dedicated his column today to a $1 million earmark (0.3 cents per person) for a museum dedicated to Woodstock. This may well be a waste of taxpayers' money, but it is wrong to imply that such waste amounts to a big factor in the budget or budget deficit. (For another comparison, the $1 million is approximately equal to what we'll spend in 3 minutes on the Iraq War.)

Indeed. Another case in point: the current issue of [2]*the Economist*(subscription) talks about the cost of eradicating malaria:

> A back-of-the-envelope estimate suggests it would cost about $9 billion a year for two or three decades to make and distribute the necessary vaccines, drugs and equipment.

This sounds like a lot, but take a look at this excerpt from *[3]A Subsidy Primer*, by Ron Steenblik:

> Recently, for example, the Environmental Working Group, an American non-profit organization, counted up all the direct payments made by the U.S. Government to farmers between 1994 and 2005 and found that ten percent of subsidy recipients collected 73 percent of all subsidies, amounting to $120.5 billion.

1. http://www.prospect.org/csnc/blogs/beat_the_press_archive?month=10&year=2007&base_name=robert_novak_is_concerned_abou
2. http://www.economist.com/science/displaystory.cfm?story_id=9982922
3. http://www.globalsubsidies.org/media-portal/asubsidyprimer/ASubsidyPrimer.php#index

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4.10.12 Corporates (2007-10-22 10:31)

It's not enough to rail (as I frequently do) against the corporate influence on politics. While politicians and big business generally go hand-in-hand, there are nuances, as [1]Paul Krugman points out:

> The truth is that while the administration has lavished favors on some powerful, established corporations, the biggest scandals have involved companies that were small or didn't exist at all until they started getting huge contracts thanks to their political connections. Thus, Blackwater USA was a tiny business until it somehow became the leading supplier of mercenaries for the War on Terror (TM) .

This sort of thing subverts democracy, but appears to be systemic. One benefit of a Social Policy Bond regime is that politicians would be allocating funds to outcomes, rather than favoured lobby groups. Those outcomes, being meaningful and comprehensible to natural persons,. would be decided openly, with full public participation.

1. http://www.iht.com/articles/2007/10/19/opinion/edkrugman.php

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4.10.13 Social Policy Bonds (almost) applied! (2007-10-22 13:39)

Well, ok, not Social Policy Bonds, but rather the bond principle, of financially rewarding people who do things that lead to better outcomes for ordinary people:

> Joaquim Chissano, a former President of Mozambique who led his country to peace after more than a decade of civil war killed a million of his citizens, became the first ever winner of a new £2.4 million ($5m) prize for achievement in Africa today. Mr Chissano, who was in power between 1986 and 2005, was awarded the Mo Ibrahim award for achievement in London by Kofi Annan, a former United Nations Secretary General. ...The $5 million prize was established by the Mo Ibrahim Foundation which was launched last year to boost governance in Africa. Dr Ibrahim, the founder of the African telecommunications company Celtel International, is one of Africa's most successful business leaders. [1] The Times
>
> , 22 October

1. http://www.timesonline.co.uk/tol/news/world/africa/article2715164.ece

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4.10.14 Fascinating (2007-10-24 10:13)

A fascinating quote from the UK's *Daily Telegraph*:

> Public-sector pensions cost taxpayers about £18 billion a year. Each family pays the equivalent of 91p in tax for public-sector pensions for every £1 they put towards their own retirement plans. [1] 24 October

1. http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/10/23/ncivil123.xml

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4.10.15 Microfinance (2007-10-25 12:04)

[1]Jimmyjangles draws my attention to a newspaper [2]article about Microplace (launched by eBay) which will allow:

> ordinary investors to buy securities aimed at improving conditions in the world's poorest countries. MicroPlace, located at [3]http://www.microplace.com/, will allow people to invest as little as $100 to support development in impoverished areas.

Microfinance is the supply of loans, savings, insurance and other basic financial services to low-income households and businesses, typically without collateral.

> Microfinance is at work in more than 100 countries, and is generally provided by financial institutions or wealthier investors. It gained wider renown last October when Bangladeshi economist Muhammad Yunus, who pioneered it in 1976, and the Grameen Bank he founded won the Nobel Peace Prize."Capital markets are just waking up to this asset class," Tracey Pettengill Turner, the founder and general manager of MicroPlace, said."This is different because it is the first Web-based service for the everyday investor to invest in microfinance, and earn an investment return while addressing global poverty."

I like this idea. Once people invest capital in a region, then they take a wider interest in it. Political reform, improved governance, and development meaningful to ordinary people: all these are more likely to follow if there are outsiders concerned about how their investment is doing. This sort of development, arising from the bottom up, is infinitely better than [4]the alternative.

1. http://www.jimmyjangles.blogspot.com/
2. http://www.stuff.co.nz/4250079a28.html
3. http://www.microplace.com/
4. http://www.survival-international.org/campaigns/progresscankill

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4.10.16 Second Life (2007-10-29 11:10)

Calling for a new paradigm to deal with climate change, Ted Nordhaus and Michael Shellenberger advocate:

> a new military-industrial-academic complex around clean-energy sciences, similar to the one we [the US] created around computer science in the 1950s and '60s. ...The goal would not be to subsidize clean energy in perpetuity, but rather to make the kinds of investments that ultimately bring the real price of clean energy down to the price of dirty-energy sources like coal in places like China. Doing all this will require a more optimistic narrative [than] Gore's *An Inconvenient Truth*. ... Cautionary tales ...tend to provoke fatalism, conservatism and survivalism ...not the rational embrace of environmental policies. Second *Life: a manifesto for a new environmentalism*, 'The New Republic', 24 September

I would add 'resignation, cynicism and despair'. [1]Climate Stability Bonds as a way of dealing with climate change could be that different paradigm: under a Climate Stability Bond regime, people would be rewarded for stabilising the climate, however they do so. Kyoto conforms to the miserabilist paradigm that has spectacularly failed to address the problem. It punishes, people for doing something that (probably) does contribute to climate change. The costs are upfront, complex, administratively expensive. Any benefits are almost certainly going to be negligible and will take decades to appear. A Climate Stability Bonds regime would encourage people or governments to invest in exactly the ways that Nordhaus and Shellenberger advocate. It would focus on the outcome we all want to see: a stable climate; rather than the means of reaching it. Or the *supposed* means, for as James Lovelock puts it:

> A rapid cutback in greenhouse gas emissions could speed up global warming, the veteran environmental maverick James Lovelock will warn in a lecture today. ' [2] Daily Telegraph
>
> ' 29 October

1. http://socialgoals.com/ieakyototext.html
2. http://www.telegraph.co.uk/earth/main.jhtml;jsessionid=GKFYLPUVJXCFHQFIQMFSFGGAVCBQ0IV0?xml=/earth/2007/10/29/eaclim129.xml

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4.11 November

4.11.1 Biofuels (2007-11-02 10:56)

I have a lot of sympathy for [1]Oxfam as reported by the [2]BBC, in their concern about proposals to extract transport fuel from plants. There are all sorts of problems: most obviously the unclear net fossil fuel cost of such fuel. As well, the alacrity with which western politicians are keen to jump on this bandwagon should itself be grounds for suspicion. Here in the west we sacrifice our cities, our air quality, hundreds of thousands of our citizens annually, our communities, and significant proportions of our animal and plant life to road transport, so I suppose in that accounting that the fate of several million poor people in other parts of the world, who will now have to compete with biofuel corporates, is of minor concern. It's another example of government as if outcomes are irrelevant. Transport is a means to various ends; not an end in itself. Government should be concerned about ends, not means. The risk that our fossil fuels will run out should be borne by fossil fuel users, not taxpayers or third world farmers.

1. http://www.oxfam.org.uk/index.html?itkw=oxfam&ito=1485
2. http://news.bbc.co.uk/1/hi/uk/7072386.stm

4.11.2 Context and complexity in social systems (2007-11-04 04:54)

One of the benefits of expressing policy goals in terms of outcomes is that it contracts out the identification of complex relationships to a wider pool of people than does the conventional policy approach. With something like climate change, such complexity is largely about the scientific relationships between cause and effect. The Kyoto process assumes the primacy of anthropogenic greenhouse gas emissions, not only as the cause of climate change but as the best way of dealing with the problem.

But complexity manifests itself in social systems as well, and again the Social Policy Bond approach, which subordinates process to targeted outcomes, could be preferable. In an excellent article about the US educational system, Peter Schrag writing about America's apparently poor performance despite higher spending and smaller class sizes:

> In fact, a lot of such international comparisons lack context and are therefore debatable, because of the relative paucity of social services in this country - as opposed to the universal preschool, health care, and similar generous children's services provided in other developed nations - our schools are forced to serve as a fallback social-service system for milions of American children. [1] *Schoolhouse Crock*
>
> (subscription), 'Harper's Magazine', September 2007

It's difficult to see how the current policy approach can address the inherent complexities. Instead of targeting educational outcomes explicitly, it is more inclined to increase funding for schools. The answer might lie in (say) better pre-school or healthcare or counselling for single parents or whatever, *but the current system offers no incentives to explore these possibilities.* And the individuals embedded in the system - teachers, bureaucrats - are almost certain to see more funding for their particular element of the system as the solution.

A Social Policy Bond regime would be different. It would target the outcomes and, essentially, contract out the achievement of these outcomes to the market: a much wider, more motivated pool of people, who need not be afraid of offending existing interest groups or terminating failed experiments in their search for answers. My most recent essay about applying the Social Policy Bond approach to education, in this case to raising the literacy rate in Bangladesh, can be found [2]here (pdf). Others can be found via the [3]SocialGoals.com website.

1. http://www.harpers.org/archive/2007/09/0081684
2. http://socialgoals.com/QuadirBLBs.pdf
3. http://socialgoals.com/

4.11.3 Growth and poverty (2007-11-05 11:17)

It's widely assumed that economic growth will help eradicate poverty. The *new economics foundation* questions this in its publication [1]*Growth Isn't Working*, published in January 2006.

"Either we are told that a rising tide lifts all boats, or that, rather than sharing the cake more evenly, it is better to bake a larger one" (page 25). We assume that growth, and in western countries anyway, our redistributive policies, will alleviate poverty. But nef's skepticism is, I think, justified. In the west many government interventions help make the rich richer, at the expense of poorer people and, often, the environment. High food prices, as [2]Oxfam (pdf) found, mean that wealthy landowners like the Dukes of Westminster, Marlborough and Bedford, Lords Illife and de Ramsey and the Earl of Leicester can *each* receive subsidies from the public of up to £370 000 a year for growing their cereal crops.

For myself, I think that if we are serious about eradicating poverty, then we should reward people for eradicating poverty. Simple, yes? Much simpler and less prone to corruption or breakdown than the current system, which regards the ending of poverty as an inevitable byproduct of economic growth and state intervention. Recently I have been working on an essay about applying the Social Policy Bond principle to poverty in the developing world. The issuing of bonds that would appreciate in value with the reduction of poverty is made much simpler by work already done to calculate the [3]Human Development Index. This measure, though limited, could be refined not solely as a measure of poverty, but to be a target in a bond regime that would indicate where in the world our limited resources for poverty alleviation would do most good.

1. http://www.neweconomics.org/gen/z_sys_publicationdetail.aspx?pid=219
2. http://www.blogger.com/www.oxfam.org.uk/resources/policy/trade/downloads/bp55_subsidies.pdf
3. http://en.wikipedia.org/wiki/Human_Development_Index

4.11.4 I don't mind... (2007-11-08 14:55)

...when failed policy experiments are terminated. In this context, I disagree with Matthew Paris:

> Before he became Prime Minister I devoted a page in *The Times* to the detailed story of just one of Gordon Brown's barking mad ideas. Small in itself, it provided ...a useful vignette on what is wrong with his brain. Mr Brown had proposed and forced through a plan for troublemaking teenagers to be paid — in vouchers usable at municipal leisure centres — £20 for every week in which they didn't make trouble. Of course you or I can see at once that this one's a turkey too; but a pilot scheme was duly required, and duly failed, and the whole thing **was called off**. *Gobble, gobble! Another turkey from Farmer Brown*, Matthew Paris, 'The Times', 8 November [My emphasis]

It's the failed policies that *aren't* stopped that are the problem. I think, we need to encourage *more* potential turkeys, provided people have incentives to terminate them when they don't work.

4.11.5 Solving disputes (2007-11-10 13:23)

The current *Economist* summarises one conclusion of [1]*Civil Paths to Peace: Report of the Commonwealth Commission on Respect and Understanding*:

> The existence of lots of competing affiliations which pull people in different ways is the best hope of silencing gloomy talk of a "clash of civilisations" (with religion, and Islam in particular, often seen as the defining characteristic for giant global blocks). Such thinking is "deeply flawed on a conceptual level and deeply divisive in practice," the report says. [2] *Don't dare put me in a box* , 'The Economist', 8 November (subscription, probably)

There is a lot in this. The putting in boxes can be a self-reinforcing process, a vicious circle. Some fanatics of (say) a religious or ethnic group pull some sort of stunt that alienates everybody else. The people in the group begin to feel shunned or victimized. That reinforces their sense of identity and, not coincidentally, the power of their fanatical leaders. One can see this happening, perhaps almost as disastrously, with environmental groups. Debate about matters such as climate change is almost as politicized and polarized as is discussion about the Middle East. One result is the democracies' identity politics or gesture politics. Meaningful solutions to complex social and environmental problems is often postponed until either attitudes have hardened irrreparably, or it's too late to do much about the underlying issues anyway.

A Social Policy Bond regime that targeted conflict (by, for instance, issuing [3]World Peace Bonds) would probably defuse tensions between groups before they arise. Investors probably wouldn't even take the identities of these groups as a given. They might decide that the most efficient way of reducing violent political conflict would be to subsidize intermarriage between people of different race or religion, or perhaps to encourage mixed schooling, exchange visits between schoolchildren of different culture.

The authors, continues the *Economist*, say that:

> At a minimum...the authorities who are trying to keep inter-communal peace should not empower people whose authority depends on keeping divisions sharp.

Exactly. One thing is certain: currently there are too few incentives for people who want to tackle such issues, and too many to those who foment violent conflict. World Peace Bonds could do something to redress the balance.

1. http://publications.thecommonwealth.org/civil-paths-to-peace-483-p.aspx
2. http://www.economist.com/world/international/displaystory.cfm?story_id=10113873
3. http://www.socialgoals.com/wpbsshort.html

4.11.6 Political parties (2007-11-12 01:25)

Reacting to an article by Simon Jenkins in the London Review of Books, correspondent Neil Forster [1]writes:

> One can but admire the energy that Simon Jenkins displays rowing strongly as he does when deciding on the treatment best calculated to cure our ailing democracy ([2]LRB, 20 September). But that energy rather goes to waste once you appreciate just how regressive Jenkins's basic proposal is: that the political parties in this country set about 're-engaging with the public'. How they're to do this he doesn't so far as I can see tell us. More important, why on earth should they want to re-engage with the public when they are doing very nicely thank you without making any such noble attempt?

The discussion is about how political parties (in the UK) should be funded at a time when party memberships are vanishingly low. I'm not an enthusiastic supporter of political parties, or any institution that selects on the basis of ideology. Society is too complex and fast-changing for ideologues to keep up, and that's one reason for the universally acknowledged widening gap between politicians and the people they are supposed to represent. Perhaps [3]new sorts of political organisation are needed.

Mr Forster continues:

> 'A party in receipt of state money loses its incentive to build its base,' according to Jenkins. Unable as I am to perceive any such incentive as existing in our current circumstances, we might as well cut our losses and accept that state funding would be a whole lot more predictable and transparent than the haphazard system we at present live under, with all its murky opportunities for corruption.

His suggestion does sound like an improvement over the current system. But the 're-engagement with the public' that Mr Jenkins talks about could actually occur if political parties, as I suggest, orientate their ideas, language and manifestos towards outcomes, rather than sell their image, make meaningless gestures, or discuss structures, activities or funding arrangements.

1. http://www.lrb.co.uk/v29/n19/letters.html
2. http://www.lrb.co.uk/v29/n18/jenk04_.html
3. http://socialgoals.com/blog/2006/05/new-type-of-organisation.html

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4.11.7 Subsidies to the rich, continued (2007-11-14 09:49)

The European Court of Auditors submits its annual [1]report on EU expenditure. As has been the case for more than 10 years it refuses to approve it:

> The Court again gives an adverse opinion on the legality and regularity of the majority of EU expenditure: primarily the part of agricultural spending not covered by IACS, structural policies, internal policies and a significant proportion of external actions. In these areas there is still a material level of errors found in the payments to final beneficiaries, albeit to different levels. Source: [2] farmsubsidy.org

In the chapter on farm subsidies, the report says:

> the Single Payment Scheme has led to a substantial increase in the number of hectares in respect of which direct aid is paid and beneficiaries. The Court has also noted among them railway companies (England), horse riding/breeding clubs (Germany and Sweden) and golf/leisure clubs and city councils (Denmark and England).

As farmsubsidy.org says:

> Little of this is any surprise to the farmsubsidy.org network, whose members have been finding unexpected recipients of farm subsidies alongside the many royal recipients (Queen Elizabeth, Prince Albert of Monaco, the Duchess of Alba etc) and corporate beneficiaries Arla, Campina, Nestle, Philip Morris, Tate and Lyle etc). Who would have thought that Lufthansa and Gate Gourmet are getting six figure payouts in farm aid every year? This has been hidden from the public for decades, but transparency is finally bringing it all out into the open.

1. http://eca.europa.eu/portal/page/portal/publications/auditreportsandopinions/annualreports/annualreportsdetailed?mo=containsany&ms=iacs&p_action=SUBMIT&pg=&fi=-
2. http://farmsubsidy.org/Railways_golf_courses_and_airlines-_meet_Europes_new_farmers/131107

4.11.8 The limits of a free market (2007-11-19 09:42)

More from Clive James (in a chapter written about the British General election of 2001):

> The New Britain is philistine to the core. It is one of the cruellist paradoxes of my time in Britain that its onece fruitful broadcasting system now reinforces the stupidities it was brought into being to ameliorate. ... [W]hen Margaret Thatcher removed the quality requirement from the ITV [Independent TV] franchise bids, she blew the whistle for the rush to triviality. It was a crime bred from the capital error of thinking that an ideology can be a view of life. The free market has an unrivalled capacity to harness brains. But the free market does not have a mind, and its bastard child, managerialism, is not a thing of the spirit: just a toy for the untalented. [1] *The Meaning of Recognition*
>
> (page 169)

I agree with Mr James here. The key, I think, is to harness the brains not solely to the performance of corporations, but to the social good. That is the Social Policy Bond principle: to channel the free market's incentives and efficiencies into achieving social and environmental goals.

1. http://www.amazon.com/Meaning-Recognition-Essays-2001-2005/dp/033044025X

4.11.9 Disaster capitalism (2007-11-21 05:36)

From [1]Harper's Index, October:

- Average grade for US infrastructure given by the American Society of Civil Engineers in 2005: D
- Percentage change since 1990 in the average size of an American Master bathroom: +50

This seems to me to typify a trend seen in most of the western countries: a degredation of the commons at a time of rising private affluence. This theme is explored in more depth in the same issue of Harper's, in an article by Naomi Klein: [2]Disaster Capitalism (subscription):

> [D]isasters have become the preferred moments for advancing a vision of a ruthlessly divided world, one in which the very idea of a public sphere has no place at all. ... [Katrina] was created and deepened by public infrastructure that was on its last legs; in the years since, the disaster itself has been used as an excuse to finish the job. ... Not so long ago, disasters were periods of social leveling, rare moments when atomized communities put divisions aside and pullted together. Today they are moments when we are hurled further apart, when we lurch into a radically segregated future whre some of us will fall off the map and others will ascend to a parallel privatized state, one equipped with well paved highways and skyways, safe bridges, boutique charter schools ....

Importantly, if Ms Klein's thesis is accurate, there's no self-correcting mechanism, as she is well aware:

> The disaster-capitalism complex does not deliberately scheme to create the cataclysms on which it fees...but there is plenty of evidence that its component industries work very hard indeed to make sure that current disastrous trends continue unchallenged. Large oil companies have bankrolled the climate-change-denial movement for years....

My impression is that something similar seems to be happening in both the UK and New Zealand. Whether this is a product of right-wing think tanks, [3]ethnic diversity (or rapidly changing ethnic diversity), the welfare state, or the discredited economics of socialist alternatives, I don't know and in a sense it doesn't matter. If there's widely agreed to be a problem, then the Social Policy Bond principle is about motivating people to solve it, rather than channelling resources into identifying its cause.

By its nature, the commons is a difficult thing to define and quantify. For instance, random crimes of violence might rise, but that could deter people from exposing themselves to them; they stay at home or drive everywhere, and crime rates fall. But we can try to get a handle on the non-subjective aspects and we can try to encourage the people who generate solutions. A thriving economy does generate more material wealth, but governments that are beholden to large corporations are unlikely to do a good job of alleviating our social

and environmental problems. The sort of questions that a Social Policy Bond regime would stimulate - along the lines of: what do we want as a society? - could go a long way to avoiding the disaster capitalism that Ms Klein writes about.

1. http://www.harpers.org/archive/2007/10/0081713
2. http://www.harpers.org/archive/2007/10/0081739
3. http://www.ft.com/cms/s/0/c4ac4a74-570f-11db-9110-0000779e2340.html

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4.11.10 Why we have green leaves and Kyoto (2007-11-23 10:30)

From a letter by Raymond Firestone to the New York Review of Books:

> [N]atural selection proceeds via a narrow point-to-point pathway, not a wide all-encompassing one. in solving any given problem it can make use of only what happens to be available at that particular time.

Black leaves might be superior to green, but no new structure will appear...

> unless it is immediately adaptive.... Thus green leaves dominate beacause they happen to have come along before black ones, and also because chance uncovered no route from green to black that was adaptive at every new step. NYRB, 11 October, page 49

Is there something analogous to our societies here? Perhaps so. I don't think we can assume, for instance, that left to their own devices our vast number of decision-making bodies, including not only corporations, individuals, interest groups and non-governmental organizations but government agencies as well, will somehow generate solutions to such universally recognised problems as climate change, famine or war.

What's missing, in my view, is the focus in both evolution and society, on the immediate. Bodies like the United Nations refect our own limitations: they do genuinely want to see an end to (say) climate change, but as an institution its focus is on the immediate: it looks at *what it thinks* is the next step forward. But the direction of such a step is limited by its imagination, which means that policy evolution will be overly based on what is current. Rather than stipulate a desirable end point (climate stability, for instance), our decision-makers are prepared to delegate only the next step of policy implementation to the wider population. So we get a huge political and financial effort directed at reducing anthropogenic emissions of greenhouse gases. (And even this will be done at [1]less than maximum efficiency.) There will, as a result be incremental change - better fuel efficiency here, more expensive power there - but larger adaptations, which might be dramatically more efficient, are not envisaged nor encouraged by our current political process.

The Social Policy Bond principle is different. It contracts out the achievement of broad social and environmental goals, like climate stability or world peace, to entire populations of would-be investors. So a broader, more highly motivated coalition would decide on the direction and magnitude of the most efficient ways of achieving society's goals. I think that would be an improvement.

1. http://socialgoals.com/blog/2006/08/why-i-dont-like-kyoto.html

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4.11.11 Privatizing libraries (2007-11-25 10:06)

> There may be no more eloquent statement about the erosion of our [ie, the United States'] civic connectedness than the news that public libraries around the country are starting to outsource their daily operations. Yes, public libraries are being privatized. This should not be entirely surprising, given how jails, highways and even military operations are being privatized these days. Yet it does raise the distressing question – If libraries are vulnerable, where will this momentum for dismantling our civic institutions end? [1] David Bollier

I can't add much to Mr Bollier's piece. I do recommend you read his and other posts that appear in [2]OnTheCommons. Privatized libraries are one aspect of the deterioration of our commons. If asked, I am sure most of us would decry environmental pollution, unsafe streets, and other symptoms of an eroding public life. There are trade-offs of course: less pollution means (often) a lower material standard of living; lower crime can mean a more intrusive police force, and privitized libraries could mean lower property taxes. These trade-offs are made via the political process. The problem is that this process is weighted heavily in favour of sectoral interests, which tend to favour big business at the expense of small businesses and individuals, and numbers (as in GDP per capita) at the expense of things that cannot easily be quantified, like the state of the commons. The process, in short, is unrepresentative.

The sort of outcomes that Social Policy Bonds would best target - broad social and environmental goals - would most probably not directly mention the ownership of libraries. But a bond regime would, because it does target outcomes, draw more people into the policymaking process. Once involved, people would be more aware of the trade-offs and more concerned about our deterioriating commons. We might make choices that result in the commons' continued erosion - though I doubt that - but at least we'd be doing so with our eyes open.

1. http://onthecommons.org/node/1226
2. http://onthecommons.org/

4.11.12 Nobody really knows (2007-11-27 09:48)

In today's London *Times* Gerald Baker [1]describes some of the bad things happening to the US economy. For instance: the US dollar has fallen by 40 percent in the past 5½ years:

> If you had asked the average gloomy economist back then what would be the implications of such a steep fall in the dollar, the answer would have included a good deal of pessimistic conventional wisdom. Such a sharp drop in the value of the currency would, it was generally assumed, spell real trouble for the value of US assets. Demand for US Treasury bonds would surely fall sharply. In fact, the decline in the dollar's value would be both cause and effect of a flight from dollar-denominated assets. Interest rates, which move inversely to bond prices, would, therefore, surge, presumably prompting a serious retrenchment. Foreigners would surely offload many of their US equities, too, and Americans would not be far behind them.
>
> Then there would be an inflationary surge. A 40 per cent decline in the dollar's value, would, other things being equal, push up import prices by a similar

> amount and the feed-through to the broader economy would be swift and painful. *The Times*, 27 November

But what has actually happened? Mr Baker continues:

> In the past 5½ years, US Treasury prices actually have soared. In early 2002 the yield on the benchmark ten-year Treasury was about 5.5 per cent. It is now about 4 per cent. Equities, on a broad measure, are up by about 50 per cent in the past five years. Inflation? It has gone up, but hardly enough to notice. In December 2002, the core consumer price index ...was up 1.9 per cent from a year earlier. Last month it was up to 2.2 per cent.
>
> Now there are lots of specific reasons that explain these unexpectedly benign outcomes: foreign central banks still buying US Treasuries; global savings keeping demand strong for all US assets; prices held low by international competition. And it is still true that we face serious challenges. But when you think of all the factors that could have produced disaster in the past five years – not just a dollar collapse but soaring oil prices and an overextended housing market – you have to conclude that something quite fundamental has changed. The US and global economies continue to demonstrate a remarkable structural resilience and flexibility unseen in modern history.

Remarkable, yes, and unforeseen, even by the experts. It reminds me of work done by [2]Eban Goodstein, which shows that not only interest groups, but disinterested commenatators routinely overstate the costs of pollution control. The link doesn't seem to be working right now, but here is one example Goodstein gives:

> Asbestos. When the Occupational Safety and Health Administration (OSHA) instituted regulations covering exposure to asbestos in the early 1970s, they hired a consulting firm to estimate the cost of compliance. Two later studies found that the original prediction for the cost of compliance was more than double the actual cost, because of overly static assumptions.

The common factor between the poor performance of experts at prediction is probably complexity rather than self-interest. From the point of view of a Social Policy Bond advocate, the implication is that subordinating policies to outcomes can work: if there are sufficient incentives, then large numbers of motivated people can defy the doomsters. Costs of implementing valuable social and environmental policies cannot be predicted by experts, so why not target desirable outcomes - however seemingly unrealistic or [3]idealistic - and let the market worry about the cost? We may well be pleasantly surprised.

1. http://business.timesonline.co.uk/tol/business/columnists/article2950818.ece
2. http://www.prospect.org/print/V8/35/goodstein-e.html
3. http://socialgoals.com/mepeacebonds.html

4.11.13 Saturated fat and climate change (2007-11-30 01:08)

A story in the November issue of *Men's Health*, [1]What if bad fat is actually good for you? by Nina Teicholz tells us that, after numerous studies, there is no convincing evidence that

saturated fats are bad for you. But the far-reaching implications of this fact have been widely ignored. Of wider interest are the difficulty of getting work published that contradicts accepted dogma, and the disconnect between scientific fact and policymaking. Medical research is bedeviled by many of the problems that afflict analysis of social and environmental problems, especially extreme complexity and the difficulty of performing controlled experiments. So it seems quite plausible that beliefs and policies accepted by the broad establishment can diverge from reality in medicine just as much as in social welfare or environmental policy. Vested interests form and co-operate with each other to resist change. Very low priority is given to the essential (but admittedly complex and unexciting) task of monitoring policies for their effectiveness. It can take a crisis to force policy to adapt to reality.

One way of resolving this problem would be for policymakers to stay out of complex areas. The difficulty with this is that government has already moved in to such a degree that it has crowded out society's other ways of dealing with problems. We can actually see this process happening today when government, for reasons that appear compelling, becomes involved in such issues as disciplining children. Nothing necessarily wrong with this sort of encroachment but the danger is that they substitute for society's own coping mechanisms, which then disappear permanently - and that these evolved customs and taboos might have been more efficient than the policies that replaced them. We begin to depend on government intervention, even when such intervention defies all commonsense: take a look at the long and lamentable history of farm support policies for the best-documented example.

If withdrawal of government is no help, might not the answer lie in the replacement of a handful of experts by a diverse, adaptive group of motivated people? Very often, in matters of complex policy like, say, heart disease or climate change, we know exactly what we want: longer, healthier lives or climate stability. But we have no clear idea of how to get there, and probably the best approaches vary unforseeably with time, geographical area and a host of other variables. By targeting our desired outcomes, and rewarding people for achieving it, we could replicate, accelerate and even improve on the evolution of sensible, diverse, adaptive approaches that in natural societies, as in the individual organism, make for long-term well-being in ways that are socially and environmentally sustainable. This is the essence of the Social Policy Bond approach.

1. http://www.menshealth.com/cda/article.do?site=MensHealth&channel=health&category=heart.disease&conitem=a03ddd2eaab85110VgnVCM10000013281eac____

4.12 December

4.12.1 Sacrifices (2007-12-03 10:40)

David Foster Wallace writes:

> What if we chose to regard the 2,973 innocents killed in the atrocities of 9/11 not as victims but as democractic martyrs?... In other words, what if we chose to accept the fact that every few years, despite all reasonable precautions, some hundreds or thousands of us may die in the sort of ghastly terrorist attack that a democratic

> republic cannot 100-percent protect itself from without subverting the very principles that make it worth protecting? ... Would it be monstrous to refer to the 40,000-plus domestic highway deaths [in the US] we accept each year because the mobility and autonomy of the car are evidently worth that high price? [1] *The Atlantic*
>
> , (subscription) November 2007

Mr Wallace, rightly in my view, laments the lack of a serious national conversation about the relevant tradeoffs. The discussion is about 'The American Idea' , and Mr Wallace goes on to ask:

> What are the effects on the American idea of Guantanamo, Abu Ghraib, PATRIOT Acts I and II, warrantless surveillance...etc?

Even if they have made Americans safer 'are they worth it?'

> Where and when was the public debate on whether they're worth it? Was there no such debate because we're not capable of having or demanding one? Why not?

All good questions. I wonder whether their answer is largely a technical one. Of course, people with power rarely relinquish it voluntarily. And there are highly effective lobby groups who will do a lot to prevent meaningful debates about policy priorities. But the real reason may be less sinister: it's that we are more consumed by process, gesture, symbol, media interest and activity when we are making policy, rather than outcomes. Nobody has strong incentives to monitor policies for their effectiveness, so that gets a very low priority. Trade-offs, such as that between road transport and alternatives, have to be painstakingly guessed at, long after policies are implemented and entrenched.

The Social Policy Bond principle, by obliging us consider the outcomes we want, would encourage discussion of trade-offs. It would not end the debate about sacrifices between, for example, safety and freedom that Mr Foster Wallace raises, but it would bring to the forefront the notion of such tradeoffs. By making them explicit, an Social Policy Bond regime could both make debate possible and bring about more public participation in it.

1. http://www.theatlantic.com/doc/200711

4.12.2 Energy efficiency is not a goal (2007-12-05 10:55)

From [1]Planet Ark:

> American consumers are driving bigger gas-guzzling cars and buying more air conditioners and refrigerators as the overall energy efficiency of such products improves.... In what the study calls "the efficiency paradox," consumers have taken money saved from greater energy efficiency and spent it on more and bigger appliances and vehicles, consuming even more energy in the process.
>
> "While seemingly perverse, improvements in energy efficiency result in more

> of the good being consumed – not less," said Jeff Rubin, chief economist and chief strategist at CIBC World Markets, which conducted the study. The study concludes that stricter energy efficiency regulations aren't the answer to concerns over climate change and the depletion of oil supplies.

Exactly. Efficiency is not an end in itself; it's a means to an end, and governments would do better to target such ends rather than what they think is the best way of achieving them. This confusion bedevils government policy in many other areas: rather than target literacy, they target class sizes; rather than target unemployment, they introduce corrupt and wasteful import barriers; they rather than target global peace they pile up ever more weapons... the list goes on. "The problem is, energy efficiency is not the final objective," Rubin said. Indeed. Martin Wolf, of the Financial Times [2]agrees. Discussing climate change he says:

> Yes, we have a moral obligation to consider both the poor and future generations. Yes, the fact that the changes in the composition of the atmosphere are, to all intents and purposes, irreversible makes early and effective action essential. But acceptance of these points will not be sufficient to obtain meaningful action, instead of pious aspirations and much pretence. A good example of the latter is the proposition that it is enough to lower the carbon intensity of output. Alas, it is not, unless the reduction is very large indeed.

1. http://www.planetark.com/avantgo/dailynewsstory.cfm?newsid=45617
2. http://www.nakedcapitalism.com/2007/12/martin-wolf-on-difficulties-of.html

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4.12.3 Policy as if outcomes are irrelevant, continued (2007-12-07 14:20)

I can't add anything to this, by [1]Matthew Parris:

> [The UK] Department for Work and Pensions has a Director of Communications, a Head of Strategy and Planning, a Head of Strategic Communications, a Head of Communication Operations, a Head of Internal Communications, a Head of Network Services, a Head of Communications (Child Support Agency), a Head of Marketing (JobCentre Plus), a Head of Communications (JobCentre Plus), a Head of Customer Relations, and a Head of Customer Acquisition.
>
> Some news requires no comment.

1. http://www.timesonline.co.uk/tol/comment/columnists/matthew_parris/article3006827.ece

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4.12.4 Subsidizing planetary destruction, continued (2007-12-08 12:05)

I haven't read the entire report [1]*Fishy Farms* (pdf), by non-profit consumer organization Food and Water Watch, which describes the problems created by open ocean aquaculture in the US, but here are some of its conclusions:

• Each pound of fish sold by the University of New Hampshire's demonstration project costs about $3,000 in our taxpayer dollars to produce.

• Aquaculture will not reduce pressure on wild fish populations. The industry is already the world's largest user of fishmeal and fish oil, consuming 80 percent of the world's fish oil and half the fishmeal each year.

• It can take two to six pounds of wild fish to produce one pound of some types of farmed fish.

Thankfully the subsidized research still seems to be at the experimental phase. Costs to US taxpayers have so far been limited to $25 million - not much compared the billions that routinely get spent on equally damaging agricultural subsidies. *Fishy Farms* is summarized [2]here.

1. http://www.foodandwaterwatch.org/fish/fish-farming/fishy-farms/FishyFarms.pdf
2. http://www.globalsubsidies.org/article.php3?id_article=43&var_mode=calcul#seven

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4.12.5 Image versus reality (2007-12-11 12:04)

Bill McKibben's book, *[1]The Age of Missing Information*, was written 15 years ago, but it is still pertinent. Commenting on the sheer volume of television that we watch (25 or 30 hours per week) and the difficulty we have in hearing subtle but critical messages against it, McKibben says:

> If God decided to deliver the Ten Commandments on the *Today* show, it's true he'd have an enormous audience. But the minute he was finished, or maybe after he'd gotten through six or seven, it would be time for a commercial and then a discussion with a pet psychiatrist about how to introduce your dog to your new baby (page 216).

Our politicians pander to this. Slow-moving stories without televisual appeal are ignored; campaigns that sound far-reaching and momentous are announced in response to headline news, They're usually ineffectual or destined to be forgotten as media attention moves onto something else. See, for instance, this [2]story on the Bush Administration's response to the subprime lending problems in the US. This is government by manipulation: image is the over-riding priority. Appearing to be busy is crucial. Spend money, form committees, restructure: anything, anything at all, except *agree on a meaningful outcome and subordinate policy to that.*

1. http://www.amazon.com/Age-Missing-Information-Plume/dp/0452269806
2. http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/12/09/IN5BTNJ2V.DTL&hw=interest+rate+%27freeze%27&sn=001&sc=1000

4.12.6 Celebrity policing (2007-12-13 12:53)

Explicit, verifiable outcomes can function like a compass to policymakers. In their absence, there's no real measure of how well or badly our governments are doing. No real measure - but plenty of false ones, including the amount of funding a particular body receives or, increasingly

nowadays, the media attention given to one's actions. The police aren't paid for performance: increased crime figures are routinely attributed to more comprehensive reporting... so how does a police force prove that it's effective? Not by reducing crime; not these days, but by appearing in a favourable light in the mass media. Writing about the UK, [1]Mick Hume says:

> [I]the day-to-day reality of policing, there is a discernible tendency to prioritise high-profile cases that might bring exposure and kudos rather than mere convictions. ... The police now seem to chase celebrities around almost as hard as the paparazzi do, often with farcical results....All of this is the flipside of the crisis of traditional authority that the police, like every other state institution, have suffered in recent years. They have attempted to rebrand the police as a 'service' rather than a 'force', indulged in very public self-flagellation over being 'institutionally racist', and done everything possible to distance themselves from the old image of 'the heavy mob'. But the loss of a clear sense of mission has often left the police appearing paralysed, a crisis of self-confidence well illustrated after the successful prosecution of the Met on health and safety grounds over the shooting of Jean Charles de Menezes. Uncertain of how to regain authority and fearful of the results of doing anything decisive, the police have often been reduced to staging the sort of high-profile PR stunts discussed here, to give the appearance of being in command.

There are genuine problems in measuring how well police perform: it is not just crime that unravels the fabric of society but also fear of crime, which is inescapably subjective. Even so, some research into objectively verifiable measures would I am sure generate more relevant performance indicators than the number of high-profile media appearances by top policemen, which is what appears now to be one of our police force's main goals.

1. http://www.spiked-online.com/index.php?/site/article/4176/

4.12.7 Climate change and discount rates (2007-12-14 14:01)

A not-too-technical discussion on the discount rate to be applied to the dmaage caused by climate change is [1]here. As I say in my comment there, I can't help thinking that the cost-benefit method, in being applied to climate change has little relevance or meaning. For one thing, it's being applied to the so-called costs of mitigation, but the uncertainties extend to the relationship between gas emissions and climate change. I'd prefer to see climate change tackled directly and in fact targeting climate stability, rather than gas emissions, and subordinating policy to that would make life much easier. I [2]suggest agreeing on a target for climate stability, and contracting out the achievement of a stable climate to the market. This means no prejudging of how best to achieve the goal: mitigation might be necessary, but there will other, possibly more efficient solutions, as yet unthought of by those who would commit us to gas reductions and *only* gas reductions.

1. http://www.nakedcapitalism.com/2007/12/kenneth-arrow-makes-climate-change-math.html
2. http://socialgoals.com/ieakyototext.html

4.12.8 Targeting longevity (2007-12-16 11:08)

If ever Social Policy Bonds were to be issued, they may well make use of existing sources of data that can be used, with some massaging. Though climate stability doesn't seem to be explicitly targeted, for example, there are large and increasing volumes of data on the world's climate and its variations over time and space. Now I [1]read that Goldman Sachs is to compile publish a mortality index, tracking a "monthly a pool of 46,290 anonymous U.S. citizens over age 65". The rationale has nothing, unfortunately, to do with Social Policy Bonds, but this is the sort of information that would be helpful in targeting longevity, or some refinement of it, perhaps in countries where it is a reliable indicator of wellbeing. Note that, if the financial benefit that could be accrued by manipulating mortaility rates downwards were sufficiently high, the index could indeed stimulate longevity-reducing initiatives.

1. http://money.cnn.com/news/newsfeeds/articles/apwire/bd1ab1e9b2e4397c71966eb112e612c4.htm

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4.12.9 Ideology and AIDS in Africa (2007-12-17 13:08)

> The history of the response to African AIDS can be divided into two phases: (1) fiddling while Rome burns, and then (2) trying to use the fiddles to put out the fire.

So [1]writes William Easterly in the *New York Review of Books.* The World Bank and aid organizations were slow to act.

> Western scientists flew into Africa, collected blood samples, and flew out, seemingly much more interested in getting recognition in the Western press than in communicating useful and sensitive knowledge to African leaders and the public.

Western scientists were tactless; western media played up to this:

> [B]eing accused of promiscuity and having Africans labeled as the equivalents of Typhoid Mary did not make their leaders or the general population all that receptive to messages from Western scientists on how to confront the epidemic. Many Africans reacted with a mixture of denial and conspiracy theories. Maybe the CIA had targeted Africans during the cold war with a scientifically engineered virus....

Helen Epstein in *The Invisible Cure,* the book that Mr Easterly is reviewing, understands that the AIDS crisis in Africa is caused by 'concurrent relationships'. As Easterly puts it:

> To oversimplify a little, Africa's AIDS tragedy is that it combines greater Western-style sexual equality for women with social norms that permit simultaneous long-term sexual relationships for both partners.

Infection rates in Uganda fell, largely because of its crucial 'Be Faithful' message. Tragically, this message has been ignored by ideologues of both the left (who favoured condom use) and the right (who favoured abstinence). A huge share of the current western effort:

> has been concentrated on getting antiretrovirals [ARVs] to those in Africa with full-blown AIDS. There is nothing wrong with the urge to treat the sick, but in practice it has crowded out nearly every other response to the epidemic. ARVs are now reaching only a tiny minority of those in need and it will never be feasible to treat everyone. .... The "Be Faithful" message was neglected because it was not of interest to the bureaucracy concerned with AIDS. As Epstein muses acidly: "Zero Grazing" had "no multimillion-dollar bureaucracy to support it."

This appears to be another distressing case of well-meaning, hard-working people being hampered by their own ideology in their genuine efforts to alleviate a human disaster. I think this is a clear case where a Social Policy Bond approach that rewarded people for reducing AIDS infection rates, *however they do so*, would be far superior. Aid organizations, and others, would direct funds *impartially* to where they would generate the greatest return per dollar outlay. Ideologues would go somewhere else: Social Policy Bonds would enlarge and motivate the pool of people who are solely concerned to reduce the incidence of AIDS, rather than validating their worldview.

1. http://www.nybooks.com/articles/20492

4.12.10 Outcomes versus emotions as policy drivers (2007-12-21 11:31)

What should drive policy? Not ideology, I don't think, because it essentially faith based; the faith being that approaches that succeeded in the past will succeed today. (Paul Krugman has a [1]column today on how conservative ideology has done much to precipitate the mortgage disaster in the US.) Not spending, because pumping money into activities or institutions is no guarantee efficiency in delivering outcomes will be maintained or improved. I'm also suspicious of top-down restructuring having worked in an organization that was restructured eight times in my 17-year career there. The immediate result was a loss of morale, losses of well-qualified employees, and waste of resources. There were short-term accountancy-type gains, but the main discernible goal seemed to be to enhance the curriculum vitae of those who planned the restructures. It's not only me who is skeptical of these sorts of policy driver. But there are worse, and one such is emotion.

A recent [2]article on *Science Daily* is titled "The Effect of 'In-Your-Face' Political Television on Democracy". It reports on research showing that:

> [T]he incivility and close-up camera angles that characterize much of today's "in your face" televised political debate also causes audiences to react more emotionally and think of opposing views as less legitimate.

I think this finding is important. Television is vastly influential in politics. TV corporations

have their own imperatives, and these have everything to do with audience figures (and subscription and advertizing revenue) and very little to do with fostering the mutual respect of opposing sides in political debates. Arguments are polarized, attitudes become extreme on all sides. In the US the influence of emotion as a policy driver seems to me to show in the attitudes towards, amongst others,smoking, guns, abortion and capital punishment. To this outsider there seems very little mutual respect on either side of those arguments, and the disease seems to be spreading within the US to immigration and welfare. And outside the US? I don't really know what television is like in other countries except perhaps New Zealand, where there also seems to be a descent into incivility.

It seems that emotion is supplanting other policy drivers. It's not too much of a surprise, because society is growing ever more complex as are the relationships between cause and effect in social and environmental policy. Emotion is easier to communicate and to exploit. But as a policy driver it has obvious faults. It's far too easy to manipulate for mercenary and more sinister ends. I'd much prefer to see meaningful outcomes drive policy. These could bypass the complexities of our economy and society, so they would be easy to understand. It's far simpler, say, to target violent crime, or climate change, than it is to make a case for (say) subsidizing leisure centres for youths or urging poor countries to stop building coal-fired power stations. These actions might be necessary and efficient, but it should be up to the market to make the case for carrying them out, rather than remote, cumbersome and monolithic central government. But that's not the only advantage of targeting outcomes: the other is that it would be direct and accessible to ordinary people. It would appeal to people's rationality, make us aware of trade-offs, encourage public participation and buy-in, and engender mutual respect amongst people with different views - in stark contrast to appealing to people's emotions.

1. http://www.nytimes.com/2007/12/21/opinion/21krugman.html?hp
2. http://www.sciencedaily.com/releases/2007/12/071212201354.htm

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4.12.11 Politics as an Enterprise System (2007-12-23 12:55)

In a [1]review of *The Social Life of Information* by [2]John Seely Brown and [3]Paul Duguid, Simon Head describes:

> "enterprise systems," or ES, which bring together computer hardware and software to standardize and then monitor the entire range of tasks being done by a company's workforce.

It is ES that Wal-Mart has applied to the retail economy, to the great benefit of its shareholders.

> Among manufacturers, wholesalers, and retailers like Wal-Mart, ES offers obvious economic advantages. It relies on electronic tags, sensors, and "smart" chips to

> identify goods and components at different stages of the production and distribution chain, a practice that has brought enormous gains in productivity. Such innovations allow managers to find out immediately not only that production and distribution are falling behind schedule, but also why.

But increasingly ES is being applied to bureaucracies, white-collar business, and universities. ES technologies reduce complex human activities to a series of processes that can be mapped out and programmed by a computer. Writing about the US, Mr Head continues:

> Nowhere have these technologies been more rigorously applied to the white-collar workplace than in the health care industry. The practices of managed care organizations (MCOs) have provided a chilling demonstration of how enterprise systems can affect the work of even the most skilled professionals, in this case the physician. The goal is to standardize and speed up medical care so that insurance companies can benefit from the efficiencies of mass production: faster treatment of patients at reduced cost, with increased profits earned on increased market share.

This seems to work only from the very narrow perspective of the MCOs' accounts. Patients experience similar frustrations (and worse) to those that all of us feel when ringing a call-centre - where ES is also widely used.

And what about the workers? Mr Head mentions also [4]*The Culture of the New Capitalism*, in which Richard Sennett

> describes how the widespread use of enterprise systems has given top managers much greater latitude to direct and control corporate workforces, while at the same time making the jobs of everyday workers and professionals more rigid and bleak. The call centers of the "customer service" industry, where up to six million Americans work, provide an egregious example of how these workplace rigidities can make life miserable for employees. At call center companies such as AmTech and TeleTech, call center companies to whom many corporations outsource their "customer relations management," agents must follow a script displayed on their computer screens, spelling out the exact conversation, word for word, they must follow in their dealings with customers. Monitoring devices track every facet of their work: minutes spent per call, minutes spent between calls, minutes spent going to the bathroom. ...
>
> The most powerful passages in Sennett's book describe how these unnerving changes are destroying aspects of white-collar employment that he believes are essential to the well-being of workers, whether they are nurses, call center agents, bank officers, or mid-level managers at Con Edison. He describes how the spread of ES has resulted in a declining emphasis on creativity and ingenuity of workers, and the destruction of a sense of community in the workplace by the ceaseless reengineering of the way businesses operate. The concept of a career has become increasingly meaningless in a setting in which employees have neither skills of which they might be proud nor an audience of independently minded fellow workers that might recognize their value.

This is bad enough, but what happens when bureaucracy and politicians adapt ES for their own purposes? In New Zealand and Australia it [5]appears that the independence of public servants and their ability to offer impartial and objective advice to politicians is diminishing. Policymaking becomes a top-down, hierarchical process, designed to maximise the popularity - as measured, with ever less credibility by general elections - of the ruling political party. Officials become subject to the ennui that Sennett describes. Flair and originality are discouraged, process is king. We are all Wal-Mart employees now!

All this serves to widen the already big gap between politicians and ordinary people. Slipping through the cracks are such vital but difficult-to-measure concerns as the wellbeing of society. A Social Policy Bond regime could close this gap. The key is to target outcomes that are meaningful to ordinary people. Such outcomes would be inextricably linked to people's wellbeing. Goals would originate from the public, who would be motivated to participate in politics because their views would count. Such an approach requires that politicians relinquish some of their power. Frankly, and mainly for that reason, it will be a while before it happens. But the alternative of an ever-widening gap between politicians and the people they represent and the continuing alienation of people in government service at any level from meaningful employment is too dreadful to contemplate.

1. http://www.powells.com/cgi-bin/biblio?inkey=17-9780875847627-1
2. http://www.powells.com/s?author=John
3. http://www.powells.com/s?author=Paul
4. http://www.powells.com/partner/32248/biblio/9780300119923
5. http://www.geocities.com/rwmj2001/aares04.html

4.12.12 Ludicrous (2007-12-24 10:17)

The Accident and Emergency (A &E) departments in English hospitals have to ensure that 98 percent of patients transferred or discharged within four hours. If they fail, they are subject to financial penalties. One result is that, since these targets were imposed, more patients are transferred to hospital wards 'just in case'. This is costly in resource terms, but it benefits hospitals who receive as much as £1000 per admission, compared with about £100 for a patient treated in A &E. And, as [1]*The Times*puts it:

> The increase in admission through A &E could have another explanation, apart from the four-hour target. To admit more patients is greatly in the financial interests of hospitals because under payment by results they get paid much more. Using the system in this way is called "gaming" within the NHS and is frowned upon.

This the sort of nonsense that happens when a government imposes Mickey Mouse micro-targets. The letter of the intent is strictly adhered to; the spirit is ignored. I do agree that we need some sort of target for government funds, but such targets must be broad and *meaningful to ordinary people*. A &E throughput rates are irrelevant to the health of the population; if government is concerned about health then it should target health. Of course, defining health and measuring it is more difficult than measuring the length of stays in A &E departments, but with sufficient ingenuity - of the sort that is currently applied to gaming the system - it can and should be done.

1. http://www.timesonline.co.uk/tol/life_and_style/health/article3090643.ece

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4.12.13 Slow news day (2007-12-25 14:06)

[1]
My [2]blog is worth **$2,258.16**.
[3]How much is your blog worth?

[4]

1. http://www.business-opportunities.biz/
2. http://socialgoals.com/blog/blog.html
3. http://www.business-opportunities.biz/projects/how-much-is-your-blog-worth/
4. http://www.technorati.com/

4.12.14 Incentives to engage (2007-12-27 10:43)

According to Jim Giles, writing in the [1]*New Scientist*(subscription), New York this year became the first city in a rich country to try to alleviate poverty by offering cash incentives to improve people's engagement in areas such as education, health and employment. Mexico was the pioneer. Top-down projects, such as subsidies for staple foods and healthcare were mostly unsuccessful. So the government gave cash payments to low-income families to be spent however they wanted, provdied they behaved in approved ways. FOr example, a family could earn about $20 a month by enrolling a child in primary school and ensuring that s/he attended regularly. Similar payments were made if children had regular health check-ups.

In the rich countries it is mainly the US that uses such incentives, and there only in a few isolated drug-treatment programmes. Whether they succeed in stopping drug abuse in the long term is uncertain.

It's a controversial approach, but one of which I approve.I'd prefer governments not to make the payments directly, but rather to set broad health, education and employment targets, and let the private sector work on achieving them. But accepting that reducing substance abuse (for instance) is an end in itself, I'd encourage the disconcertingly rare approach of setting a target and doing whatever is necessary to achieve it. The chosen methods may seem controversial, counterintuitive or as in this case, a subsidy to the undeserving or the dissolute, but so long as they are ethical and legal I think it would be irresponsible to rule them out.

1. http://www.newscientist.com/channel/opinion/mg19626311.700-cash-incentives-worth-every-penny.html

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4.12.15 Marjane Satrapi (2007-12-29 12:16)

Graphic novelist Marjane Strapi was interviewed in April 2005 for [1]Salon Magazine (gated, but the full text is [2]here). She says:

> If I have one message to give to the...American people, it's that the world is not divided into countries. The world is not divided between East and West. You are

> American, I am Iranian. We don't know each other, but we talk together and we understand each other perfectly. The difference between you and your government is much bigger than the difference between you and me. And the difference between me and my government is much bigger than the difference between me and you. And our governments are very much the same.

This is a compelling insight. It's especially poignant ("We, the people...") that Ms Satrapi can accurately point to the gap between the American government and American citizens. Big government need not necessarily be a problem in itself, but it tends to come with remote government - which, I believe, is. What's more, big government is self-entrenching. It is comfortable dealing with (and accepting campaign funding from) big corporations. Big business of all sorts enjoys explicit subsidies, as well as a favourable regulatory environment, and the implicit subsidies of a government-funded infrastructure and (often) economic protection. Governments confuse the fortunes of big business with those of the wider economy, and those of the wider economy with those of society. One result is that the individual citizen in most democratic western countries feels as remote from decision making as does the average Iranian citizen.

1. http://archive.salon.com/books/int/2005/04/24/satrapi/index_np.html
2. http://whyaminotsurprised.blogspot.com/2007/06/iranian-woman-speaks.html

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4.12.16 Risk communication (2007-12-30 10:10)

Discussing asymptomatic women aged 40-50 who have participated in mammography, [1]Gerd Gigerenzer writes in his excellent book [2]*Calculated Risks* (pp41-3) :

> The probability that one of these women has breast cancer is 0.8 percent. If a woman has breast cancer, the probability is 90 percent that she will have a positive mammogram. If a woman does *not* have breast cancer, the probability is 7 percent tht she will still have a postive mammogram. Imagine a woman who has a positive mammogram. What is the probability that she actually has breast cancer?

Of 24 physicians who were given this information only two gave the correct answer - which is 9 percent. Probabilities are difficult for most of us to get a handle on. Gigerenzer is a persuasive advocate for instead using natural frequencies:

> Eight out of every 1000 women have breast cancer. Of thse 8 women with breast cancer, 7 will have a positive mammogram. Of the remaining 992 women who don't have breast cancer, some 70 will still have a positive mammogram. Imagine a sample of women who have positive mammograms in screening. How many of these women actually have breast cancer.

It's much easier to see from this that only 7 of the 77 women who test positive actually have breast cancer, and indeed most of 24 (different) physicians given the information in this form, estimated correctly. Gigerenzer also discusses AIDS testing and the often tragic reaction of people who test positive when they, their testers and their counsellors know nothing about how frequently such positives are false:

> Since the first AIDS cases were described in 1981, more manpower and money have been poured into researching HIV than any other disease in history. Little, in contrast, has been done to educate the general public about what an HIV test result means. (p139-40)

Ignorance about risk bedevils the law courts as well:

> Many students who spent much of their life avoiding statistics and psychology become lawyers. Out of some 175 accredited law schools in the United States, only one requires a course in basic statistics or research methods.... [S]tudents who excelled in critical thinking could not evaluate whether a conclusion drawn from statistical evidence was correct or incorrect. (p159)

I think the lessons from this are important for policymaking, and not just because many of our policymakers used to be lawyers. One lesson is that it's quite possible for even well-meaning professionals to have no idea about statistics and risk. As our economies and societies grow ever bigger and more complex, policymakers will rely more and more on statistics. Inferences drawn from them need to be robust. My feeling is that the ignorance that Gigerenzer documents thrives in the compartmentalized, specialized policy environment we have today. Doctors, lawyers and politicians don't know very much about risk and neither does most of the public. There's very little monitoring of policies for effectiveness and there's very little incentive to get policies right. You can't (easily) legislate for effective risk communication and understanding, but what you can do is throw the achievement of social goals open to the market - by using Social Policy Bonds for example - so that errors of the sort that Gigerenzer documents do not persist and entrench themselves.

1. http://en.wikipedia.org/wiki/Gerd_Gigerenzer
2. http://www.amazon.com/Calculated-Risks-Know-Numbers-Deceive/dp/0743205561

2008

5.1 January

5.1.1 We're all Aztecs now (2008-01-01 11:18)

Cars have done much to destroy life, not only directly but also indirectly by taking over our cities, poisoning our air, destroying communities... and the list goes on. Here's yet another angle, from the *New York Times* via [1]*Grist*:

> Motorized outdoor enthusiasts are converging in increasing numbers on Western public lands [in the United States] - not only in areas marked for such outdoor enthusiasm, but in wilderness areas where rules against off-roading are nearly impossible to enforce. Registration of all-terrain vehicles and motorbikes in four Western [US] states tripled from 1998 to 2006. The surge is traceable to the booming outdoor-recreation industry, as well as the culture of sprawl: In some places, houses have been pushed out so far that federally owned land is just a big backyard - albeit a public backyard where no individual has to take the specific blame for vehicle-aggravated erosion and water pollution. Off-roaders deny criticism that they're out to defile untouched nature, arguing that public land is there for public use. "[Groups lobbying for wilderness designations] think it has to be kept in this pristine state," says one motorcycle-shop owner. "These people don't even use it." Which is, of course, the point.

Regarding the header of this post:

> Michael Harner, in his 1997 article *The Enigma of Aztec Sacrifice*, estimates the number of persons sacrificed in central Mexico in the 15th century as high as 250,000 per year. [2] Source

That's towards the higher end of the range of estimates. Worldwide, about [3]1.2 million are killed on the roads annually.

1. http://www.grist.org/news/2007/12/31/offroad/index.html?source=rss
2. http://en.wikipedia.org/wiki/Human_sacrifice_in_Aztec_culture
3. http://news.bbc.co.uk/1/hi/world/5057890.stm

5.1.2 The unimportance of being responsible (2008-01-04 12:59)

John Kay [1]writes:

> In politics, business and finance, as on the seas, the hero is the person who tackles a problem, rather than the person whose actions prevent the problem arising. ...If Margaret Thatcher had acted to deter Argentina from invading the Falklands, rather than ordering a taskforce to remove the occupying forces after they had landed, she would probably have been remembered as an unsuccessful one-term prime minister.

He's right: being remembered and winning elections are not as helpful as preventing problems arising in the first place but unfortunately they constitute success in our current policymaking system. As a society we'd do better to reward those of us who anticipate and avoid social and environmental problems before they become emergencies. A Social Policy Bond regime that rewarded the maintenance of the best aspects of the status quo could do this: bonds could target, for example, the absence of large-scale wars, or use of nuclear weapons; or the absence of catastrophic climatic events or large-scale disease epidemics.

Many of our social and environmental problems need long-term, unglamorous, patient, adaptive and diverse approaches to their solution. Such approaches seldom cover their practioners with glory or even recognition - still less do they win elections. There are many well-meaning people and organizations in these areas and many of them do superb, heroic jobs with few resources. A Social Policy Bond regime could both enlarge this pool of effective problem-anticipators and divert more resources their way. Incentives do matter and it would be a good idea, I think, if the people currently devising ingenious advertising [2]campaigns for dogfood were instead given the chance to provide decently for their children by working to deter nuclear warfare or mass environmental disasters.

1. http://www.johnkay.com/society/529
2. http://query.nytimes.com/gst/fullpage.html?res=9803E4DB1039F93AA15752C1A964948260

5.1.3 Avoiding catastrophic climate change (2008-01-06 00:52)

How do you put a value on extreme events when doing cost-benefit calculations? Extreme environmental events will become more common if the climate changes radically. They might have a low probability of occurring, but they could be catastrophic. Jim Giles in the *[1]New Scientist* says that economists have generally ignored extreme events when doing cost-benefit calcuations about climate change: they are so unlikely and lie so far in the future that it is not cost-effective to try to prevent them. "But environmental groups argue that the risk of extreme events justifies large investment now...."

> Martin Weitzman of Harvard University has developed the first thorough method for including unlikely but extreme events, such as widespread crop failures, in cost-benefit analyses. When you take into account extreme temperature rises of more than around 6 °C, he says, they dominate all other options and effectively demand that investment aimed at stopping them be made now. "This tells us that we should take the problem much more seriously that normal cost-benefit analyses suggest,"

> says Weitzman.... It "probably means we should spend more money now, but it doesn't tell us how much."

Exactly. The scientific uncertainties are huge and so is the range of plausible expenditures. So too is the urgency of the problem and any policy debate under the current system is quite simply going to take too long. The usual international initiatives demand a degree of scientific and economic certainty that is higher than we are ever likely to achieve until the problem has become too late to do much about. The current system is fundamentally flawed: it insists on too high a degree of proof before action can be taken. It does so because *our governments are the ones that bear all the risk of making a wrong decision*. Governments have to find the (considerable) resources to spend now on a problem that may or may not materialize years or decades in the future. Naturally they will be reluctant to do so until the evidence becomes impossible to ignore - by which time it will be too late to avert a calamity.

[2]Climate Stability Bonds would solve that problem by transferring the risks of getting it wrong to those willing to bear it - *voluntarily* and with a continuing incentive to get the cost-benefit calcuations correct. Globally-backed Climate Stability Bonds would contract out the achievement of climate stability to the most efficient operators. If they fail to perform, then it is they who would lose out, not taxpayers the world over. It would be in their interests to do the calculations correctly, and to continuously refine them in line with our rapidly expanding knowledge and technology. They would have incentives to spend resources immediately on the most effective climate-stabilising projects, while bearing all the risk of failure. They certainly wouldn't delay doing anything until catastrophe becomes imminent and obvious to recalcitrant taxpayers...by which time it's also likely to be inevitable.

1. http://www.newscientist.com/channel/opinion/mg19626324.000-economics-says-we-should-act-on-climate-change.html
2. http://socialgoals.com/ieakyototext.html

5.1.4 Corporate goals are not societal goals (2008-01-08 12:57)

> Susan Pagan's 9-year-old daughter recently made the honor roll, but when the Florida mom saw the report card, she was appalled. There on the envelope was a cartoon of Ronald McDonald along with a potential "food prize" for elementary school students who had good grades, behavior or attendance.
>
> "Reward yourself with a Happy Meal!" the report card jacket urged. And to further associate fast food with praise, approval and success in the minds of young consumers, the offer also stipulated that the "report card must be presented at the time of ordering." [1] Julie Deardoff
>
> 16 December 2007

This sort of thing happens when we assume that corporate objectives are necessarily congruent with society's. They aren't. Neither does a strong economy, as measured by such flawed indicators as Gross Domestic Product, mean a successful society. Unfortunately, in the absence of clear, broad goals for the education - and nutrition - of our children, the corporations feel they can move in. And they're not mistaken:

> The saddest part about this whole story? [Susan] Pagan was told that she was the only parent who thought it was inappropriate to put fast-food ads on the report card jackets and that the district would consider her complaint next year.

1. http://www.commercialalert.org/issues/education/junk-food/fast-food-gets-its-greasy-hands-on-report-cards

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5.1.5 Unnecessary surgery (2008-01-10 01:51)

An article in *Men's Health* about unnecessary surgery in the US shows how far we are from outcome-based health policy:

> [In November 2006] at the American Heart Association's annual scientific sessions in Chicago, a tremor rumbled through through the McCormick Place convention center. Turns out the cause of the quake (which only cardiologists could feel) was a major new study on angioplasty, that near-miracle procedure in which a balloon-tipped catheter is used to unblock an artery. The seismic finding? Only that angioplasty is no more effective than medication for a large segment of heart-attack victims. Or, to put it in stark statistical terms, heart doctors have been performing as many as 50,000 unnecessary operations every year. Frightening, yes, but nowhere near as scary as the broader implications. When the air was suddenly let out of the angioplasty balloon, there was at least one cardiologist present in the convention center who recognized the researchers' conclusion as just another symptom of a condition he'd seen before: doctors cutting first and asking questions later. [1] Is Your Surgeon Scamming You?
>
> , John Brant

It's disappointing that cash incentives trump ethics in such circumstances, but we could at least have policies that bias the incentives in favour of long-term positive health outcomes, rather than a profusion of invasive, often-dangerous, procedures that do nothing to benefit the average patient. Unfortunately governments tend to focus on meaningless targets whose only virtue is that they are easy to measure, such as throughput in emergency wards, ambulance response times etc. Targets like these are easily gamed, and while they are quantities that can be measured and compared, they are costly to gather and have nothing to do with the welfare of patents. Of course there would be difficulties in subordinating health policy to meaningful measures of wellbeing (such as [2]Quality Adjusted Life Years) but if carefully designed it would I think lead to a far more successful healthcare system.

1. http://www.menshealth.com/cda/article.do?site=MensHealth&channel=health&category=doctors.hospitals&conite
m=2641a348a8c62110VgnVCM10000013281eac____&page=3
2. http://www.jr2.ox.ac.uk/bandolier/band24/b24-7.html

5.1.6 Anecdote is not proof (2008-01-14 01:27)

It's almost a given that government spending is inefficient. But it is not sufficient to show high absolute and relative government expenditures coexist with social and environmental

problems, as they do in the rich countries. The facts are, though, suggestive.

- Government spending in the rich countries typically amounts to at least a third of national income.
- Many social indicators have shown negligible improvements in recent years. Life expectancy, infant mortality, hospital outputs, literacy, violent crime, suicide, poverty and income inequality have barely changed despite a massive increase in social spending.
- Around the world there is little relationship between higher public spending and better social outcomes.

At first sight, the conclusion that government is inefficient seems unarguable, but in fact there are counter-arguments: sure the indicators listed above haven't improved much, but there are others that have. Or: there are mitigating circumstances, such oil price rises, larger numbers of people on welfare, aging populations, etc. So while there is widespread perception that we are not getting value for money from the taxpayer dollar, there's little in the way of proof.

More convincing than anecdote, to me anyway, is the persistence of perverse subsidies: those policies, like agricultural support programmes, that transfer funds from the poor to the rich, that environmental depredation, and that are financially disastrous. They were set up with good intentions, but they have helped finance the creation of lobby groups whose raison d'etre is resistance to their withdrawal. Their persistence, in the face of decades of evidence as to their failure, points to a more dangerous truth: that mechanisms that correct disastrous programmes can fail. Indeed, one result of poor policymaking is that it widens the gap between policymakers and ordinary people - a problem in itself and one that is likely to generate more problems further down the road.

5.1.7 Policy and rationality (2008-01-15 10:33)

From [1]*Bad Food Britain*, by Joanna Blythman:

> Rarely a week goes by on British television screens without a programme detailing, in disturbing detail, the unsavoury underbelly of industrial food production, or the effect that cheap, overprocessed junk food has on the nation's health. A minority ...is so affected by that knowledge that it changes its shopping habits instantly, boycotting this or that, and forking out more for an alternative. But within a few days after the headlines die down, it is business as usual for most British shoppers. page 133

So too in the world of policy. Attention spans are short, and what we don't really want to know, we can easily bury under the blizzard of new information. Slow-moving, unglamorous and inconvenient facts - and I don't just mean about climate change - are demoted in our minds. Politicians react to crises or events for which there is compelling tv footage. They are not always the ones to which we'd give highest priority if we were being rational. One solution would be to specify policy in terms of the outcomes it's supposed to achieve. Such outcomes will be less responsive to ephemeral events or distractions or the goals of corporate bodies or other lobby groups. On the same theme, that of rationality in policy, here is [2]another idea, and US citizens could follow it up. You could sign this petition to be sent to Congress:

> I am not afraid of terrorism, and I want you to stop being afraid on my behalf. Please start scaling back the official government war on terror. Please replace it with a smaller, more focused anti-terrorist police effort in keeping with the rule of law. Please stop overreacting. I understand that it will not be possible to stop all terrorist acts. I am not afraid.

1. http://www.amazon.co.uk/Bad-Food-Britain-Nation-Appetite/dp/0007219946
2. http://action.downsizedc.org/wyc.php?cid=77

5.1.8 Too many doctors? (2008-01-16 13:35)

What would be the typical government reaction to a health care crisis? More doctors, of course. Shannon Brownlee questions this, at least for the US. Unlike the number of car dealers, for instance,

> which depends on the number of people who want cars and can afford them ...how much health care patients want or need has far less influence over the supply of physicians. That's because for the most part it's your doctor and not you, the consumer, who determines how much care you receive. When your doctor says you need a CT scan, you get one. When your doctor says you should go to the hospital, you go. Doctors, in effect, generate some of the demand for their services, so that even when there are large numbers of them per capita , they can keep their appointment books full. [1] Source

There's also the possibility that fewer doctors could lead to better care:

> More tests and procedures always entail more risk, and for care that's unnecessary, the ratio of benefit to risk is zero. What's more, where numerous doctors, particularly specialists, are routinely involved in a patient's case, the potential for miscommunication and confusion multiplies. Modern medicine should be a team sport, but it is often practiced as if everybody is running a different play. Different doctors order duplicative tests, prescribe drugs that interact poorly with what the patient is already taking, and assume another physician will attend to a critical aspect of a patient's care. A cardiologist can be a virtuoso at slipping a stent into the coronary artery of a patient in the throes of a heart attack, but if she leaves it to another physician to prescribe aspirin to her patient – one of the most effective treatments for preventing a second heart attack – that prescription might fall through the cracks.
>
> This is what appears to be happening in many hospitals, where the ratio of specialists to primary-care physicians is especially high. In one recent study, two Harvard economists ... examined how the quality of care in different states varied as the proportion of specialists rose. They found that measures of quality, like the percentage of heart-attack patients who received a prescription for aspirin, tended to fall in direct proportion to a rising ratio of specialists. The point ... "is not that the specialist is inferior, but that the system is not accounting for the 'coordination cost' specialists are imposing."

This is worrying because the likely policy response is going to create more such problems. How could a politician, even one convinced by solid research proving Ms Brownlee's points, cut back training programmes for doctors? How would it look to his or her political opponents, or to the media, when a medical mistake occurs at a hospital that would have had more doctors but for our politician's cutbacks? It's not just health care. In every policy area the penalties for doing something likely to succeed but different far outweigh the benefits for doing something that has been tried before and shown to fail. Rising crime? Spend more on police or CCTV cameras. Traffic congestion? Build more roads. Not enough fish being landed? Subsidize more powerful fishing boats. The incentives are to placate lobby groups and vested interests, not to achieve society's goals.

1. http://www.newamerica.net/publications/articles/2007/overdose_6260

5.1.9 Procedure is king (2008-01-17 08:35)

More from [1]Bad Food Britain:

> 'Hazard Analysis Critical Control Point' (HACCP) ... focuses on identifying the 'critical points' in a process where food safety problems - hazards - could arise... What HACCP boils down to is a system of checklists, form filling and record keeping. ... This system creates a paper trail so that in the event of a problem, the companies or producers implicated can demonstrate that they did their bit and walk away blameless, plausibly denying responsibility. ... A supermarket that poisoned customers by selling contaminated chicken... could use HACCP to show that its suppliers followed correct procedures so it was not at fault.

The overriding objective - the one that permeates the entire system - has little to do with food safety and everything to do with protecting oneself from disciplinary proceedings or lawsuits. There's a similar confusion in other policy areas. Here is [2]Bruce Schneier on airport security:

> Surprising nobody, a new study concludes that airport security isn't helping: "A team at the Harvard School of Public Health could not find any studies showing whether the time-consuming process of X-raying carry-on luggage prevents hijackings or attacks. They also found no evidence to suggest that making passengers take off their shoes and confiscating small items prevented any incidents."
>
> And: "The researchers said it would be interesting to apply medical standards to airport security. Screening programs for illnesses like cancer are usually not broadly instituted unless they have been shown to work."
>
> Note the defense by the TSA: "'Even without clear evidence of the accuracy of testing, the Transportation Security Administration defended its measures by reporting that more than 13 million prohibited items were intercepted in one year,' the researchers added. "Most of these illegal items were lighters.'"

> This is where the TSA has it completely backwards. The goal isn't to confiscate prohibited items. The goal is to prevent terrorism on airplanes. When the TSA confiscates millions of lighters from innocent people, that's a security failure. The TSA is reacting to non-threats. The TSA is reacting to false alarms. Now you can argue that this level of failures is necessary to make people safer, but it's certainly not evidence that people *are* safer.

Again, rational policy is subordinated to procedure. It can't work: we need diverse approaches that can adapt to changing circumstances. Such pluralism are anathema to centralized policy-making. But what government policymakers can do is specify target objectives, and contract out *their achievement* to the market. Actions should serve outcomes - not procedures. A Social Policy Bond regime would ensure that all actions would aimed at achieving the social and environmental goals set for it by government. Being freely marketable, they would encourage the adaptive, diverse solutions that big, complex social and environmental problems demand.

1. http://www.amazon.co.uk/Bad-Food-Britain-Nation-Appetite/dp/0007219946
2. http://www.schneier.com/crypto-gram-0801.html#3

5.1.10 Irrationality as a policy driver (2008-01-20 12:23)

US Presidential candidate Barack Obama speaks:

> We have been operating under a politics of fear: fear of terrorists, fear of immigrants, fear of people of different religious beliefs, fears of gays that they might get married and that somehow that would affect us. We have to break that fever of fear ... Unfortunately what I've been seeing from the Republican debates is that they are going to perpetuate this fearmongering ...It's absolutely true there are 30,000, 40,000 hardcore jihadists who would be happy to strap on a bomb right now, walk in here and blow us all up. You can't negotiate with those folks. All we can do is capture them, kill them, imprison them. And that is one of my pre-eminent jobs as president of the United States. [1] Newsweek

Not all fears are irrational of course, and of course there are some things we ought to fear more than we do and make policy accordingly (species extinction springs to (my) mind). All the same, as Sharon Begley continues:

> The fact that a candidate whose campaign is built on optimism and a positive message is not above evoking terrifying images of suicide bombers and nuclear bombs—and doing so two breaths after he denounces fearmongering—reveals the power of fear to sway voters. Half a century of research has shown that fear is one of the most politically powerful emotions a candidate can tap, especially when the fears have a basis in reality; jihadists, of course, are indeed bent on suicide bombings. ... "In politics, the emotions that really sway voters are hate, hope and fear or anxiety," says political psychologist Drew Westen of Emory University, author of the recent book *The Political Brain: The Role of Emotion in Deciding the Fate of the Nation.* "But the skillful use of fear is unmatched in leading to enthusiasm for one candidate and causing voters to turn away from another."

Fear can easily over-ride our rationality. For instance, we fear plane crashes more than we ought, and don't fear car crashes enough, and unfortunately policymakers react accordingly. Social Policy Bonds, which would target broad outcomes - accidental deaths, in this instance - would lead to more rational policy than that likely to follow a spectacular plane crash - especially one for which copious visual footage is available.

1. http://www.newsweek.com/id/78178

5.1.11 Education is not schooling (2008-01-22 06:18)

Short excerpts cannot do justice to Jay Griffiths' [1]*Wild: An Elemental Journey*, but this is a blog about policymaking , rather than a book review. Here (page 140) she is writing about the Inuit in Canada :

> School is not a synonym for ed ucation . Your might, if you're lucky, get a bit of an education at school, but for Inuit children , the land was their education . White lawmakers forced Inuit children to go to school, insisting that their parents settle in communities.... One result is that people are dependent on store-bought food, and if they have no cash they go hungry. ... a stark physical example of the effects of not knowing the land. But the psychological effects are everywhere. Without knowledge, you cannot be out on the land. without survival skills, you can barely set foot beyond the perimeter of the community. Young people are effectively imprisoned by this ignorance into the small and claustrophobic communities where they go stir-crazy.

The policymaking mentality hasn't changed much: government isn't content merely to raise and allocate funds for the (laudable) goal of educating children. It has a single, astonishingly limited vision as to what the form and substance of that education shall take. Naturally it's biased

in favour of its own educational experience: the sort that leads to careers in lawmaking. It's the same in other fields: government views crime as something to be tackled by the police and justice system. Health is something for a Ministry of Health to deal with. Mental health is about more psychiatrists, counselling and drugs. The policies are all neat and compartmentalised, just like the bureaucracies and the state of mind that generates them. The real world, though, is too messy - wild - for that. Effective policies need to stimulate people's imagination; to cope with society's as different from our own as the Inuit; and to deal with rapidly changing knowledge and circumstances. Broad goals are stable over time: the most effective ways of achieving them are not.

Social Policy Bonds would allow governments to do what they are good at: articulating society's goals and raising the revenue to achieve them. But the actual achievement of these goals would be far more efficiently done by the market. Currently the markets' formidable incentives serve the private goals of shareholders and business operators. A Social Policy Bond regime, in contrast, would channel the market's efficiencies into the service of public goals.

1. http://www.amazon.com/Wild-Elemental-Journey-Jay-Griffiths/dp/158542403X

5.1.12 Exporting environmental damage (2008-01-24 13:58)

I've often wondered how much of the undeniable success of western economies depends on exporting our problems to the rest of the world. I've known about the effects of our insane agricultural support policies on developing countries for some time: the closing our our markets; the catastrophic effects of exports of subsidised overproduction on farmers; the export of price instability for farm products - see [1]this (pdf) for an extreme statement. Now [2]here is a report about our environmental impact on the third world:

> The environmental damage caused by rich nations disproportionately impacts poor nations and costs them more than their combined foreign debt, according to a first-ever global accounting of the dollar costs of countries' ecological footprints. The study, led by former University of California, Berkeley, research fellow Thara Srinivasan, assessed the impacts of agricultural intensification and expansion, deforestation, overfishing, loss of mangrove swamps and forests, ozone depletion and climate change during a 40-year period, from 1961 to 2000. In the case of climate change and ozone depletion, the researchers also estimated the impacts that may be felt through the end of this century. "At least to some extent, the rich nations have developed at the expense of the poor and, in effect, there is a debt to the poor...."

What this implies for the development path of the poor countries should be obvious. Unfotunately policymakers in those countries, for the most part, persist in targeting aggregated economic goals - principally GDP and growth of GDP - which, apart have little to do with the wellbeing of ordinary people, threaten to replicate the environmental depredations of the west. Far better would be to target meaningful human (as distinct from economic or corporate) goals, such as those incorporated in the [3]Human Development Index: life expectancy, standard of living, education, literacy. We need to remind ourselves of what we already know: economic growth is not an end in itself.

1. http://www.cne.org/pub_pdf/2003_09_04_EU_barriers_kill.pdf
2. http://www.physorg.com/news120157142.html
3. http://en.wikipedia.org/wiki/Human_Development_Index

5.1.13 Hunger and aid (2008-01-27 10:45)

From the current '[1]Economist' (subscription):

> [D] ealing with hunger hardly requires a doctorate in the biochemistry of the human body. Breast-feeding advice, food supplements and better hygiene all make a big difference. Most countries know what to do and run pilot programmes that work. But they rarely find the money for full-scale national efforts; the international outfits that might help are ... fragmented and dysfunctional. ... [M] oney for improving nutrition would be the most effective sort of aid around. At the moment, roughly $300m of aid goes to basic nutrition each year, less than $2 for each child below two in the 20 worst affected countries. In contrast, HIV/AIDS, which causes fewer deaths than child malnutrition, received $2.2 billion— $67 per person with HIV in all countries (including rich ones).

On what basis are aid funds allocated? Availability of tv footage? The caprice of celebrity donors? Political correctness? All probably play a part. The one criterion that doesn't seem relevant is efficiency. Of course, it's not quite that simple: many of the obstacles to rational resource allocation are probably third world governments that have little interest in looking after their populations, and every interest in syphoning off aid funds or otherwise obstructing, for their own narrow purposes, aid workers. That probably diverts resources away from some of the areas in most desperate need. A Social Policy Bond regime targeting basic health indicators in the developing world could go a long way toward redressing these perverse incentives, perhaps by persuading recalcitrant governments to take long golfing holidays.

Meanwhile it's worth comparing the £300 million that the rich world gives to alleviate hunger in the poor countries to the amount it lavishes on its own farmers: in 2006 that amounted to $268 billion according to the [2] OECD . Yes, you read that right: billion. To put it another way: taxpayers in the rich world give 89 times as much to their own agriculture sector as they do to starving people in the third world. In return we get: a devasted rural environment, the destruction of wildlife and bloated oligopolistic agribusiness corporates, and thousands of highly skilled lobbyists adept at maintaining the status quo.

1. http://www.economist.com/world/international/dishttp://www.economist.com/world/international/displaystory.cfm?story_id=10566634playstory.cfm?story_id=10566634

2. http://66.102.9.104/custom?q=cache:GT0QOwcgatcJ:www.oecd.org/dataoecd/61/3/39524780.pdf+268+billion+oecd&hl=en&ct=clnk&cd=2&client=pub-5585751763775054

5.1.14 Catastrophe bonds versus Social Policy Bonds (2008-01-29 11:55)

Catastrophe bonds are typically issued by insurers. The investors who buy them are paid a high rate of interest. If a defined catastrophe (eg a hurricane or pandemic) does not occur, then the investors will make a healthy return on their bond purchase. But if the catastrophe does occur, then the principal initially paid by the investors is forgiven, and is instead used by the insurer to pay its claims to policyholders. ([1]Source) Cat bonds can be quite [2]profitable to investors.

They bear some similarity to Social Policy Bonds. A government could issue Social Policy Bonds that would reward people if, say, a disastrous hurricane did not occur. Holders of the bonds would then be in a similar position to holders of catastrophe bonds: they win if there is no catastrophe. However, Social Policy Bonds would be defined differently. Their objective is to encourage people to do what they can to prevent the catastrophe occurring. So rather than target forces of nature like hurricanes, they might target the numbers of people killed or made homeless by such an event. Unlike holders of cat bonds, investors in Social Policy Bonds would have incentives to reduce the probability and scale of the defined risk.

All is not lost - yet - in Kenya, but the news is grim:

> A month after its disputed presidential election, Kenya remains deeply divided and unstable. Politically motivated killings, hackings and gang rapes continue in the towns and in volatile country districts. The economy is faltering. ....What has happened is not a genocide, nor is Kenya anywhere close to being a failed state. But the killings and clearances have been grisly and wretched. When the dead rotting in

> the maize fields or pulled apart in the wilds by hyenas are eventually counted, over 1,000 Kenyans are likely to have been killed since the election. More than 250,000 have been displaced. [3] The Economist
>
> (subscription)

The question that leaps to mind is: why isn't anyone with financial clout interested in insuring against or preventing this sort of catastrophe? The answer's just as clear: there aren't any significant financial investments at stake, as there are when a hurricane strikes the shoreline of a rich country. But that's where the people (or institutions) who could issue Social Policy Bonds come in: they wouldn't know how to avoid a catastrophe like Kenya, but they put up the funds that *would* motivate investors to do whatever they can to avoid one. The catastrophe bond concept works in practice. So too could Social Policy Bonds, and the potential beneficiaries could include the world's poorest, most vulnerable populations.

1. http://en.wikipedia.org/wiki/Catastrophe_bond
2. http://www.bloomberg.com/apps/news?pid=20601102&sid=aylx8LEYGHK4&refer=uk
3. http://www.economist.com/world/africa/displaystory.cfm?story_id=10567569

5.1.15 The Victory Project (2008-01-30 12:51)

From [1]Arnold Kling:

> A web site called [2]The Victory Project proposes billion-dollar prizes
>
> " To the first person(s) that solves any of these Problems:
>
> 1. Develop a cure for breast cancer.
> 2. Develop a cure for diabetes.
> 3. Reduce greenhouse emissions from petroleum powered automobiles by 95 % without increasing the cost of a normal car more than 5 %.
> 4. Achieve 150 miles per gallon of gasoline in a 3,000 lb. car, using EPA standards; without increasing the cost of a normal car more than 10 %."

I added my own comment saying that, while I like the basic principle, I think the goals need to be thought through a bit more. They should be broader: rather than reward cures for breast cancer and diabetes they should target something along the lines of increased longevity and wellbeing of, say, the US population, perhaps as measured by Quality Adjusted Life Years. Otherwise the prize might divert scarce research resources away from areas where they can achieve a much better return per dollar. Similarly with 3: total environmental damage is the problem, not just greenhouse gas emissions. Number 4 looks better but, again, the problem is total environmental damage: lots of cheap-to-run vehicles could raise net petrol consumption as well as total environmental damage.

1. http://econlog.econlib.org/archives/2008/01/some_wishful_pr.html
2. http://www.deweyfoundation.org/home.html

5.2 February

5.2.1 Society is not chess (2008-02-02 11:20)

Looking to chess for lessons about economics, [1]John Kay writes:

> Planned regimes have often succeeded when they have ploughed resources into the achievement of narrowly defined objectives. We smile when we read of the All Union Chess Section, under the Supreme Council for Physical Education. Its director, filled with bile and Marxist rhetoric, proposed shock brigades to spearhead five-year plans for chess. But it worked. Most of the world's best chess players became so as a result of the endeavours of the Supreme Council. If chess was the battleground between free enterprise and state planning, state planning won. But the real battlefield was not chess but consumer goods and military hardware. Although the Soviet Union produced great chess players by directing resources to the game, the cars and computers it produced were inferior and few. Planned economies were unable to cope with the diversity of consumer needs and the constantly changing requirements of modern technology. ' Financial Times', 29 January

The battlefield, I believe, moved since then, a little distance away from consumer needs and towards the needs of society and the environment. Society's needs might be less diverse than consumer needs, and less rapidly evolving, but our knowledge about the best ways of achieving them are nevertheless rapidly changing. For big social and enivornmental problems, like war or climate change, central planning isn't going to work any more than it did for the Soviet Union's wider economy. Such problems are more like the provision of consumer goods than chess: they need diverse, adaptive and imaginative approaches for their solution.

Unfortunately, so far at least, those charged with solving our major social problems still think in terms of central planning. If they ever do acknowledge the need for pluralist and responsive solutions, they could do worse than consider Social Policy Bonds, which would allow them still to define society's broader goals and raise the revenue for their achievement. Our politicians and bureaucrats would have to relinquish their control over how these revenues are spent; so they would lose some powers, yes. But society and the environment could benefit greatly.

1. http://www.ft.com/cms/s/0/d58249ac-ce73-11dc-877a-000077b07658.html

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5.2.2 Philanthropy and profitability can go hand-in-hand (2008-02-04 15:13)

Reviewing *[1]The Power of Unreasonable People: How Social Entrepreneurs Create Markets That Change the World* by By John Elkington and Pamela Hartigan, the [2]Economist (subscription) says:

> If you are setting out to save the world rather than to make a profit, it is perhaps not surprising that financial institutions are less likely to give you money than your friends and family, or trusts and foundations. .... If the business plan does not set profitability as a goal, then investors are likely to see it as philanthropy, not investment.

It's a shame that the attainment of important social and environmental goals is either assumed to arise from a growing economy, or given over to bodies - mostly government agencies - that, for nebulous historical reasons, do not reward employees according to how well they achieve their stated objectives. The result is that the goals go largely unachieved - and wealthy corporations and individuals become even more wealthy, often at some cost to society as a whole and the environment.

Social Policy Bonds change all that. They would channel the market's incentives and efficiencies into the solution of social problems. These are the same incentives that have generated enormous wealth in the private sector, lifted millions out of poverty, but at the same time worsened other social and environmental problems. Social Policy Bonds would mean that profitability and philanthropy could go hand-in-hand. If any philanthropist or anybody connected to any philanthropic organization would like to know more, please contact me directly. For reasons that I can well understand, no single such organization has ever replied to a single one of my emails.

1. http://www.amazon.com/exec/obidos/ASIN/1422104060/theeconomists-20
2. http://www.economist.com/books/displaystory.cfm?story_id=10601356

5.2.3 I don't know what the policy is, but we need to change it (2008-02-07 11:58)

One of the benefits of the Social Policy Bond approach is that it clarifies what politics and politicians are for. It's policy as if outcomes matter, yes, and politics as if there's a purpose to it, other than being a politician. We haven't got there yet. Commenting on the two US Democratic Party front runners, [1]Mick Hume sums it up:

> The argument between them has thus become one of how to bring change about, what style to pursue it with, rather than anything substantive about what exactly that change might entail. For all the weeks of debate, not one clear political division between the rival Democrat candidates of 'change' has emerged, beyond the posturing about what they did or didn't say about the Iraq war five years ago. Apparently the plan is just to 'change' first, then decide what to do later.

1. http://www.spiked-online.com/index.php?/site/article/4479/

5.2.4 Subsidising planetary destruction: biofuels (2008-02-08 10:49)

What is it about driving cars that makes us irrational? Clearing natural land to grow biofuels is clearly madness:

> The clearance of grassland releases 93 times the amount of greenhouse gas that would be saved by the fuel made annually on that land, said Joseph Fargione, lead author of [one study], and a scientist at the [1]Nature Conservancy. "So for the next 93 years you're making climate change, just at the time when we need to be bringing down carbon emissions." [2] Studies deem biofuels a greenhouse threat
>
> , Elizabeth Rosenthal, 'New York Times', 8 February

The decisions about how to prevent climate change are being taken by a handful of politicians on the basis of what...a hunch? Whatever bests suits motorists? Least political resistance? The short-term interests of agribusiness combines? Whatever the basis, it's got very little to do with preventing climate change and verges on the insane. A Climate Stability Bond regime would be different. Decisions about how best to prevent climate change would be made by a large group of people who would be highly motivated to bring about climate stability as efficiently as possible. It's the size of the group, their diversity and their motivation that make all the difference. The current system is certain to be unnecessarily expensive, politically divisive and have ghastly consequences for the land. Now the latest science shows it's going to nothing to prevent climate change. Madness.

1. http://topics.nytimes.com/top/reference/timestopics/organizations/n/nature_conservancy/index.html?inline=nyt-org

2. http://www.nytimes.com/2008/02/08/science/earth/08wbiofuels.html?_r=2&oref=slogin&oref=slogin

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5.2.5 Bureaucrats versus policymaking (2008-02-11 05:25)

Reviewing [1]The Trouble with Physics, by Lee Smolin, Mike Alder writes:

> The gradual corruption of enterprises by bureaucracy appears to be inevitable. Once any enterprise becomes successful, it is doomed to be taken over by those for whom power and prestige are the central aspects of their lives. The forms are prsereved, but the content is lost. Rituals replicate endlessly. Thes would seem to be a constant of human nature; the trick is to recognize when it has happened and not be fooled by the rhetoric. And if can happen to Christianity it can appen to anything. Including Science. [2] Bureaucrats versus science
>
> (apparently unavailable right now), 'Quadrant', December 2007

It's certainly happened to universities and research. Lamenting the failure of theoretical physicists to come up with radical innovations or dramatic shifts in our thinking, Alder continues, summarising Smolin:

> Financial managers need to defend expenditures on the basis of maximising their expected return.... That inevitably means that the currently favoured paradigme gets almost all the money. ... So everyone goes for the best bet, and if it happens to be wrong, we all go bust. .... Philosophers who are good are beyond price, but the mediocre are useless. Scientests tend to be technicians more than philosphers, but the system of rewards doled out by the bureaucrats in charge of the universities these days favours the technicians. It is so much easier to measure their output.

The same is happening in the world of policymaking. You don't get penalised if you advocate a tried, tested and failed policy. But try something different, and if it's not a success in a roaringly obvious way, you will suffer the consequences. Better to play safe and do the conventional thing. And if you want to be creative, go into advertising. Bureaucracy stifles creative policymaking just as surely as it has oppressed religion and theoretical physics.

We need a system that encourages innovation, and Social Policy Bonds may be the answer. Under a bond regime successful policies would be rewarded, however unfashionable or outlandish they might seem; while failed policies would be terminated - in the interests of everybody: bondholders, society and the environment alike. As well, the bonds would encourage diverse approaches, and ones that adapt over time - again, unlike the monoculture that prevails increasinly not only in politics, but in our rural environment, our urban environment, religion and science.

1. http://www.amazon.com/Trouble-Physics-String-Theory-Science/dp/061891868X
2. http://www.quadrant.org.au/php/archive_details_list.php?article_id=3731

5.2.6 Social Policy Bonds and prediction markets (2008-02-13 01:01)

I haven't thought much about prediction markets, which are:

> ...speculative markets created for the purpose of making predictions. Assets are created whose final cash value is tied to a particular event (e.g., will the next US president be a Republican) or parameter (e.g., total sales next quarter). The current market prices can then be interpreted as predictions of the probability of the event or the expected value of the parameter. Prediction markets are thus structured as betting exchanges, without any risk for the bookmaker. [1] Wikipedia

There appears to be some evidence that they are better than pundits at forecasting election results or share prices. I've tended to ignore them because their focus is on speculation or (possibly) hedging against possible events, rather than generating incentives to modify behaviour and bring about positive changes. But they are, in principle, not very different from Social Policy Bonds. An organization could enter a prediction market and place a bet *against* , say, literacy in Pakistan rising to 99 %. If the bet were big enough, that would create an incentive for people not only to take take the bet and wait passively for literacy to rise, but actively to help the process along, perhaps by initiating new projects or financing existing literacy-raising schemes on the expectation of winning their bet.

It strikes me that we could start with smaller objectives, using one of the current prediction market platforms. Does anyone have a pet project they want to see carried out? If you have suggestions or would like to discuss this possibility, please email me directly.

1. http://en.wikipedia.org/wiki/Prediction_market

5.2.7 No security without privacy (2008-02-15 14:04)

Some clear thinking from [1]Bruce Schneier. He quotes a colleague of US Director of National Intelligence Michael McConnell, about a proposed plan to monitor all internet communications for security purposes, as saying 'privacy and security are a zero-sum game.' Schneier comments:

> I'm sure they have that saying in their business. And it's precisely why, when people in their business are in charge of government, it becomes a police state. If privacy and security really were a zero-sum game, we would have seen mass immigration into the former East Germany and modern-day China. While it's true that police states like those have less street crime, no one argues that their citizens are fundamentally more secure. We've been told we have to trade off security and privacy so often – in debates on security versus privacy, writing contests, polls, reasoned essays and political rhetoric – that most of us don't even question the fundamental dichotomy. But it's a false one.

The debate, Schneier points out, 'isn't security versus privacy. It's liberty versus control.' Exactly. The familiar saying 'if all you've got is a hammer, you're going to see every problem as a nail' comes to mind. Control is something governments can do. It is, in fact, a large part of their raison d'etre, and justifiably: there are some things that only government can do, and one of them is creating statutes and maintaining order. But control isn't the only way of bringing about security, just as cutting anthropogenic greenhouse gas emissions isn't the only way of stabilising the climate. Government should do what it is good at: articulating our security needs and raising the revenue required to achieve them. But it should leave open just how those needs are to be met. Rather than impose questionable new controls, government could let the private sector devise the most efficient means of enhancing our security within the existing statutory framework.

1. http://www.schneier.com/crypto-gram-0802.html#1

5.2.8 How to create a lobby group (2008-02-16 10:19)

Describing the insane EU milk production quota scheme, the [1]Economist (subscription) hits the nail smartly on the head:

> It is an EU rule that unintended consequences, left for a few years, fossilise into special interests.

Smaller businesses' stupidity is for the most part self-terminating. If they don't succeed they go out of business. But larger corporations and governments are too big to fail, and their stupidity doesn't just linger: can be self-reinforcing. EU agricultural production subsidies were quickly capitalised into land values, and milk quotas in the Netherlands have taken the form of transferable, expensive, lump sum welfare entitlements. The *Economist* continues:

> Older Dutch dairy farmers may hold quotas worth €1m, which they can sell when they retire. The financial impact on these folk would make it politically hard to scrap quotas overnight, say Dutch farm officials, even if it would help younger farmers, for whom quotas are a big disincentive. "The quota system was never meant to be a retirement scheme, but it has worked out that way," says an official.

1. http://www.economist.com/world/europe/displaystory.cfm?story_id=10689170

5.2.9 Living on traffic islands (2008-02-18 10:36)

Discussing the life and novels of J G Ballard, [1]Theodore Dalrymple points out, en passant, that

> ...it is the architects, with their modernist dreams of making the world anew according to implacably abstract principles, who have created the wasteland [in which one of the protagonists finds himself] in the first place. Ballard captures the socially isolating nature of modern architecture—and the modern way of life associated with it—with great symbolic force.

The architects, yes ... and the town planners too. As in so many other social and environmental aspects, government and big business have brought about a monoculture; a top-down, one-size-fits-all approach that might very well optimize some abstract economic indicators, but which leaves does very little for our psychological wellbeing. Subsidies to the energy and construction sectors play their part, as does an infrastructure that relentlessly favours the large and global at the expense of the small and local. The impact of the top-down approach to policy isn't always negative - sometimes it's desirable, sometimes necessary. The point is that, manifestly in architecture and town planning, the outcomes it mainly serves are of little interest to ordinary people - as against the large corporates and government agencies for whom administrative tidiness and consistency are ends in themselves.

We need instead a system that is responsive to genuine outcomes; not the academic economic figures that so bewitch our policymakers. A system that, because it subordinates activity to meaningful outcomes, will not stifle diverse approaches to reaching those outcomes. Social Policy Bonds are one way in which we can bring an end to the dreary, dangerous monoculture that threatens our physical and social wellbeing just as surely as it has stripped our agricultural land of wildlife and cloned our cities.

1. http://www.city-journal.org/2008/18_1_otbie-ballard.html

5.2.10 Farm subsidies, continuing (unfortunately) (2008-02-21 11:52)

[1]Guy Fawkes shows how easily politicians can be corrupted, even those on the left of the political spectrum; even those who once spoke out against the Common Agricultural Policy. Not much is black or white in politics and policymaking, but as P J O'Rourke put it *seventeen years* ago (in [2]Parliament of Whores):

> I spent two and a half years examining the American political process. All that time I was looking for a straight forward issue. But everything I investigated – election campaigns, the budget, lawmaking, the court system, bureaucracy, social policy – turned out to be more complicated than I had thought. There were always angles I hadn't considered, aspects I hadn't weighed, complexities I'd never dreamed of. Until I got to agriculture. Here at last is a simple problem with a simple solution. Drag the omnibus farm bill behind the barn, and kill it with an ax.

1. http://www.order-order.com/2008/02/benn-was-against-cap-before-he-was-in.html
2. http://www.amazon.com/parliament-whores-p-j-orourke/dp/B000GHTEZO/ref=sr_11_1/002-3499246-2230450?ie=UTF8

5.2.11 Nuclear peace or exotic cat food? It's up to us. (2008-02-24 00:54)

So what progress are we m aking with avoiding a nuclear conflict? In addition to the dangerous fragility of nuclear Pakistan, Joseph Cirincione tells us that the US (and the rest of the world) now face:

> (1) a nuclear-armed North Korea; (2) the possibility of a Middle East with several nuclear states, Egypt, Turkey, and Saudi Arabia among them; (3) the increasing danger of weapons from other countries falling into the hands of terrorist groups, while American-led programs to secure nuclear bomb materials around the world are being neglected; (4) an upsurge in the pursuit of civilian nuclear power by many countries that could put them within reach of nuclear weapons capacity; and (5) the possibility that flaws in US and other command and control systems—including those exposed last August by the unauthorized flight from North Dakota to Louisiana of a B-52 bomber armed with six nuclear bombs —could result in the accidental or unauthorized use of nuclear weapons. *[1]The greatest threat to us all*, ' New York Review of Books' , 6 March 2008

I think this crisis is caused by the absence of any clear means of dealing with it. Nuclear proliferation demands a multiplicity of approaches. It cannot command the imagination of, for instance, climate change which, policymakers are convinced, can be addressed by cutting back on our greenhouse gas emissions. That may or may not work, but it is a coherent policy; one that thousands of government officials can work on, and one that all of us can understand whether or not we agree that it's worthwhile. Nuclear proliferation is different. It's probably at least as great a threat to our survival as climate change, but there's no single, over-arching way of dealing with it. Government is especially bad at dealing with issues like this, where solutions are unlikely to come from the limited repertoire of command and control bureaucracy. Unless Government identifies solutions *that it can implement*, it's discouraged and tends not to follow through. It lacks the imagination to conceive of non-bureaucratic solutions, and it's not keen on relinquishing control. The result is our current perilous position.

But government could deal with the problem. It could recognise that, while it doesn't have all the answers, it can at least mobilise the private sector to come up with solutions. The ingenuity and resources that go into pet food advertising campaigns, for instance, is phenomenal. (See here for [2] cat food 'inspired by the tastes of Tuscany'.) To divert some of them into reducing the probability of a nuclear conflict would surely be a worthwhile initiative. Government could do this by issuing something along the lines of [3]Conflict Resolution Bonds. It would define a set of nuclear peace targets, and back the bonds with rewards to be paid after specified periods during which a nuclear exchange does not occur. Bondholders would be motivated to bring about nuclear peace by whatever means they see as being efficient. They would not be limited to the solutions or activities that only government can implement. With a decent monetary incentive they could bring in our undoubted, boundless ingenuity to remove what is probably one of the greatest threats to our survival.

1. http://www.nybooks.com/articles/21054
2. http://pzrservices.typepad.com/advertisingisgoodforyou/petrelated_industry_advertising/index.html
3. http://www.socialgoals.com/wpbsshort.html

5.2.12 Military blunders and policy (2008-02-25 23:41)

[1]Victor Davis Hanson, writing for the Claremont Institute, takes us on a quick canter through some American military blunders, both tactical and strategic and right up to present-day Iraq. Intelligence failures, huge battlefield miscalculations, inferior materiel, poor leadership: all have been features of US military campaigns throughout history. Just one example:

> We often read of the tragedy of the September 1944 Arnheim campaign. Impossible logistics, bad weather, lousy intelligence, tactical imbecility, and much more doomed the "Market Garden" operation and led to the infamous "A Bridge Too Far" catastrophe. Thousands of Anglo-American troops were needlessly killed or wounded—after the Allies had recently crushed an entire German army group in the west (though they let 100,000 Wehrmacht troops escape at Falaise). The foolery of Market Garden also ate up scarce resources, manpower, and gasoline at precisely the time the American Third Army was nearing the Rhine without much major opposition. Once Allied armies stalled for want of supplies, they would be unable to cross the border of the Reich for another half year. The Germans used the breathing space after their victory in Holland to rush defenders to the so-called Siegfried Line, which had been theretofore mostly undefended.

The picture is not entirely bleak. We 'live and learn, learn and live'. At least until Vietnam, there was 'a sort of tragic acceptance of military error as inherent in war.' Mistakes are bound to occur 'in the context of human imperfection, emotion, and fear.'

> Though Presidents Lincoln and Truman were both reviled, Americans still felt that ultimately the American system of transparency and self-criticism would correct wartime mistakes.

And there lies the hope. Transparency about what is happening and freedom to criticise. But also the capacity to adapt to fast-changing circumstances. Mechanisms that terminate failed ventures. I'm sometimes disturbed by the every increasing level of aggregation at which decisions are made. Big business and government between them determine to an increasing extent, how we live (see [2]here and [3]here, for examples). This is not only a matter of the large corporates' growing dominance over the world's economic activity; it's also about governments' effects on our behaviour, through regulation and intrusion, and their tight links with big business. Big government tends to mean remote and unwieldy government. It best understands and does deals with big business, and tends to favour the big and global at the expense of the small and local.

But perhaps most dangerous is the tendency of big government - or any large monopolistic organization - to continue doing things with diminishing attention given to whether they are effective and efficient. The military blunders that Mr Hanson describes could not be allowed to run their course indefinitely. The costs of allowing failed approaches to continue were huge and obvious. Most of our social and environmental problems are slower-moving and not as immediately compelling. Nuclear proliferation, for example (the subject of my [4]previous post), or climate change, or loss of social cohesion: decisions are made at such high levels of aggregation that there is little room for alternative approaches, and little incentive for people to try them.

Social Policy Bonds could possibly turn that disadvantage into a plus. Instead of dictating that the way we shall deal with climate change, for example, is to cut back on greenhouse gas emissions, a collection of world governments could define a global climate stability target, and reward those who who successfully achieve it, however they do so. The size of the targeting body serves to define the problem, and raise revenue for its achievement; things that a large authoritative body can do very well. But such a body cannot adapt to changing events or expanding knowledge rapidly enough, and that's where the multitude of holders of [5]Climate Stability Bonds could help: they would have powerful incentives to terminate failed ventures, and choose only the most efficient solutions to the climate change problem.

1. http://www.claremont.org/publications/crb/id.1500/article_detail.asp
2. http://www.oligopolywatch.com/
3. http://www.commercialalert.org/
4. http://socialgoals.com/blog/2008/02/so-what-progress-are-we-m-aking-with.html
5. http://socialgoals.com/ieakyototext.html

5.2.13 The Martindale approach to policy (2008-02-27 10:39)

Monoculture in agriculture is like the [1]Martindale system in roulette: your near-certain, small, steady gains are balanced by the tiny chance of disaster. In agriculture the disaster could take the form of a pest against which an entire region's single variety crop has no resistance. In policy it could take the form of high oil prices, which threaten the road transport system. In both cases government played its part in favouring uniform, global models at the expense of diversity. Most of the ludicrously high levels of subsidy paid to agriculture in the rich countries (US $268 billion in 2006) end up with the largest landowners and large agribusiness corporates. They bid up farmland values, making it necessary to maximise yields per hectare, encouraging the use (and raising the price) of purchased inputs. The result is the dreary and fragile monoculture of field after field planted with oilseed rape or (coming soon) biofuel-yielding crops, in response to the current consensus of Brussels bureaucrats. As the level at which critical decisions gets higher and higher, it's not only the distance between the decision-makers and those affected that increases: it's also the seriousness of the disaster that could strike if the decision-makers get it wrong.

I'm thinking also of policies like Kyoto, which put much of the world's environmentalist resources into one supposed climate-stabilising idea: cutting back anthropogenic greenhouse gas emissions. If that turns out not to be a viable way of solving the problem, then the consequences for all of us could be catastrophic. The Social Policy Bond principle understands that governments can have good, popular intentions, and are often the only bodies that can pay for their achievement. Something like climate change demands action at the very highest level. But a uniform and static approach to a social problem is rarely optimal.

1. http://www.home-roulette.com/guide/system-tips.htm

5.3 March

5.3.1 Broad indicators are essential (2008-03-01 10:05)

Focusing on narrow indicators is easy, but rarely of great value. I've blogged [1]before about the Mickey Mouse micro-targets (the length of hospital waiting lists for example). Similarly, if a government were to target accidents to cyclists, the evidence appears to be that risk compensation would occur:

> In one experiment, a British psychologist, Ian Walker of Bath University, simply got on his bicycle and monitored the behaviour of 2,300 vehicles that overtook him. When he wore a helmet, drivers were much more likely to zoom past him with little room to spare; when he was bare-headed (and indeed when he wore a female wig) the amount of space that motorists left would increase. [2]*A hazardous comparison* , The Economist, 28 February

But even targeting road deaths in general wouldn't necessarily improve things:

> An experiment in Munich found that the drivers of taxicabs fitted with anti-lock braking systems were involved in no fewer accidents than those without. That is because the former used those superior brakes not to practise prudence but to drive more aggressively. ... John Adams, a transport expert at University College London, has compiled data from all over the world to show that laws making drivers wear seatbelts do not make roads safer; they move deaths from inside cars to outside them because they encourage bad driving.

What about aiming to reduce the number of children killed on the roads? John Adams points out that this:

> has fallen in recent years ... but mainly because they are rarely allowed out alone, so today's teenagers have less skill at navigating hazardous roads; and as a result, the number of teenagers killed in car accidents has jumped.

Sometimes the difficulty of picking appropriate indicators for targeting under a Social Policy Bond regime is pointed out to me. But exactly *the same problems apply to policymaking under the current regime* - except that there is rarely any transparency about what is being targeted. And that leaves the way open for expensive (and mostly [3]futile) responses to the relatively small number of deaths caused by terrorism, while an estimated 1.2 million people are killed on the world's roads every year.

1. http://socialgoals.com/blog/2005/04/another-day-another-set-of-mickey.html
2. http://www.economist.com/world/international/displaystory.cfm?story_id=10766283
3. http://www.schneier.com/crypto-gram-0801.html#3

5.3.2 Growth at all costs (2008-03-03 09:43)

James Fallows, discussing the Chinese economy and in particular its high savings rate:

> Better schools, more-abundant parks, better health care, cleaner air and water, better sewers in the cities - you nake it, and it it isn't in some way connected to the factory-export economy, China hasn't got it, or not enough. ... [S]aying that China has a high savings rate describes the situation without explaining it. Why should the Communist Party of China countenance a policy that takes so much wealth from the world's poor, in their own country, and gives it to the United States? [1]*The $1.4 trillion question* , 'The Atlantic', January/February

Growth at all costs seems to be the answer, in the hope that more jobs will reduce China's social tensions and generate jobs for the rural poor. It's hard to blame the Chinese government for this. Economic growth is the de facto target for most governments and, arguably, it tracks increases in wellbeing more accurately in China than in richer countries. But that's not to say very much. In China and the densely populated industrial countries the downsides of economic growth - environmental pollution and loss of social cohesion, for instance - may be uncertain, difficult to quantify but they are also very large. They might well outweigh the similarly incalculable positive-but-unmeasured effects of economic growth; including the alleviation of poverty. There's no way of knowing, and the results of governments' getting it wrong could be disastrous.

Another way might be to recognize that economic growth - even if it could be measured accurately - is not an end in itself. It's a means to various ends, many of them private, and best decided by individuals and households. Encouraging, and subsidising mothers to join the work force and send their children to childcare centres might boost GDP figures, but it should hardly be a matter for government policy. Perhaps government can best intervene by specifying public goals in terms of minimum levels: of poverty, pollution, health, educational achievement, employment, etc, and then to let people make their own decisions as to the necessary trade-offs. Social Policy Bonds lend themselves to this: government could issue bonds that would reward people only if minimum levels of (say) literacy or physical health were maintained.

In such a regime, government would be doing what it does best: articulating and paying for the supply of legitimate, measurable, public goods and services that correlate well with social wellbeing. Beyond those minima, people would make their own decisions about whether, for example, to subsidise profligate US consumers or [2]big-box retailers.

1. http://www.theatlantic.com/doc/200801/fallows-chinese-dollars
2. http://reclaimdemocracy.org/independent_business/review_big_box_swindle.php

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5.3.3 Motoring ourselves to death (2008-03-05 00:14)

Policy is often made without realising its implications. The result can be disastrous. Governments, realising that building roads was necessary at first, have gone overboard, subsidising road transport, oil extraction, storage of cars on public highways (parking). The massive social costs rarely enter the calculus. The 1.2 million deaths from road accidents every year are obvious and visible, but there is more:

> Noise from rail and road transport is linked to 50,000 fatal heart attacks every year and 200,000 cases of cardio-vascular disease in the EU according to the new

> research published today by T &E. .... "[T]he lack of decent regulation combined with increased traffic and a trend towards bigger, more powerful and noisier vehicles is literally proving to be a lethal combination for Europeans. Unlike air pollution, which most major European cities are now starting to tackle, noise has been ignored for decades as the problem has worsened and the negative impacts on society have increased" ....
>
> The World Health Organisation's threshold for 'serious annoyance' and onset of negative health effects from environmental noise is 55 decibels. The study found that around 210 million citizens of the European Union are regularly exposed to 55 decibels or more of road noise.... [1]*50,000 heart deaths a year caused by traffic noise* , T &E, 28 February

Conventional policymaking can't handle such adverse side-effects (negative externalities, in economists' jargon). It's difficult to measure the effects of noise on physical and mental well-being, but it's easy to measure the benefits of a new road in terms of time saved, and to put a monetary value on that time by multiplying it by road users' earning rates. The bias, which we see in so many other policy areas, is against crucial but unquantifiable components of our wellbeing and in favour of those impacts that can be quantified, monetised, and aggregated into something that sounds good, like economic growth. Memo to policymakers: a magnificent transport infrastruture is not an end in itself: it's a means to certain ends. You would do us all a favour if you targeted those ends directly rather than poured taxpayer funds into those schemes that you (and your buddies in big business) think are the best ways of achieving them.

1. http://www.transportenvironment.org/News/2008/2/50000-heart-deaths-a-year-caused-by-traffic-noise

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5.3.4 Post 500 (2008-03-06 12:56)

My 500th post on this blog and time for a free and frank appraisal of where Social Policy Bonds are going. The honest verdict has to be: not very far. At least not that I'm aware of. I don't know of anyone other than me who's working on them, nor any organizations that are thinking about issuing them. I get very few comments on this blog, which together with the main [1]Social Policy Bonds web site get about 15 views daily (excluding RSS feeds and perhaps other views that my hitcounter doesn't register).

There is increasing interest in the value of markets for generating information in prediction markets, or information markets. More [2]catastrophe bonds are being issued. But all these markets differ from Social Policy Bonds in that, while making use the dynamic information of markets to anticipate or insure against events, they don't attempt to modify behaviour. Participants in these markets are active only in the sense that they invest in them. Social Policy Bonds are in contrast designed to reward people for helping achieve society's goals.

The lack of interest is disheartening, but I am currently working on another book about Social Policy Bonds, and hope to have a first draft done in about three months. I intend to continue posting on this blog and maintaining the Social Policy Bonds website.

1. http://socialgoals.com/
2. http://en.wikipedia.org/wiki/Catastrophe_bond

5.3.5 Subsidising environmental destruction in India (2008-03-07 05:33)

Writing about the debate over the Nano, the Rupees 1 lakh (approximately US $ 2500) car launched by the Tata Motor Company, Sunita Narain says:

> There is no doubt that any car that is small is better than a big car in terms of fuel economy and emissions. There is also no doubt that affordable cars are better than expensive ones. But the question is in what direction is Nano leading us. The issue is not small, cheap cars or big, expensive cars, but all cars. The issue is whether it is helping mobility and at what price.
>
> Let's take the 'affordability' question first. The fact is that cars — small or big — are heavily subsidized. The problem is that when economists (including those who run the government) fret and fume about mounting subsidy bills, they think of farmers — fertilizer, electricity and food — not our cars. But subsidy is what they unquestionably get.
>
> The subsidy begins with the manufacture of cars. When we read about the Singur farmers' struggle to stop government from acquiring their land for the Tata car factory we don't join the dots. We don't see this as the first big subsidy to motorization. The fact is, in Singur the manufacturer got cheap land, interest-free capital and perhaps other concessions — the Left Front government in West Bengal never made public full details of its attractive package. This brought down the cost of production and allowed the manufacturer to price the Nano at Rs 1 lakh. But this is not only about Tata or Singur. The fact is that, to compete, every manufacturer needs the same, if not better, package of benefits. The fact also is that every state government is competing to offer sweeter deals. We know that in the now contested special economic zones of Goa, the government had agreed to give industry all this and 15 years of electricity free of cost. We also know if West Bengal did not bend to please, Uttarakhand was waiting to entice the Tatas. In other words, we are certainly not paying the cost of manufacture of our cars, not to mention the full cost of running or parking them.
>
> The car owner (and I am one as well) pays a one-time road tax, which is between 0.5-5 percent of the cost of the vehicle in most states. The bus pays an annual road tax and it also pays a passenger tax based on the number of people it carries — call it a penalty for efficiency as it moves more people, takes less road space and so emits less and consumes less fuel per passenger.
>
> But this is only one part of the subsidies to car owners. There is also the cost of regulating traffic; of installing traffic signals; the cost of building flyovers, overbridges and subways; the cost of pollution control measures; the cost of pollution to our health. Since cars take up over 75 percent of the road space, even though they move less than 20 percent of the people, it is obvious whom this expenditure benefits the most. ...
>
> The subsidy bill does not end here. There is also the cost of parking, which

> we refuse to pay any or full cost for, and which the government refuses to impose. But we forget or do not see that in our cities the largest number of people take the bus or cycle or walk to work or shop. The bus has not been replaced by the car, it has only been marginalized. In simple terms, this means that buses have no space to move — in all cities they crawl, commuters cannot reach destinations in time, and accidents keep getting worse as space constraints grow.
>
> The question is should we discount the price of motorization so that some (and maybe a few more) can drive a car or a two-wheeler? Or should we pay the real cost of our commute so that the government can invest in mobility for all? The fact is that the government cannot afford to subsidize cars for all. Nor can it afford to invest in both cars and buses. Ultimately, it is not about economics. It is about politics and the imagination needed to build cities in which mobility does not mean cars. Flyovers can be built, but only if we know where they will lead. [1] Source

My thoughts exactly.

1. http://www.globalsubsidies.org/article.php3?id_article=46&var_mode=calcul#feature

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5.3.6 Follow the money (2008-03-09 11:38)

A useful site for keeping track of US political donations is [1]http://www.opensecrets.org/, maintained by the Centre for Responsive Politics. Eric Janszen argues that the bubble that looks about to burst in the financial markets has been inflated by a 'credit-financed, asset-price-inflation machine organized around one tenet: that the value of one's assets...now goes in only one direction, up....' The US finance, insurance and real estate industries are the lead players. are the culprits. Government oversight has been weak and, as Mr Janszen puts it, these sectors, according to opensecrets.org:

> gave $146 million in political donations for the 2008 election cycle alone, and since 1990 more than $1.9 billion - nearly double what lawyers and lobbyists have donated, and more than triple the donations from organized labor. [2]*Harper's* February (subscription), summary [3]here

1. http://www.opensecrets.org/
2. http://harpers.org/archive/2008/02/page/0001
3. http://www.harpers.org/archive/2008/01/hbc-90002258

5.3.7 Torture and the unimportance of outcomes (2008-03-11 09:31)

It shouldn't surprise me by now, but it does, that outcomes have so little bearing on policy. Crucial policy decisions are made for reasons ranging from media attention to ideology or the vested interests of campaign donors, but results hardly seem to feature. The decision makers go ahead anyway. You might think that ethically questionable policies are subject to more scrutiny than routine budgetary appropriations, but you'd be wrong:

> President Bush has ...promised to veto a bill that would bar the CIA from using techniques such as sensory deprivation, water-boarding and temperature extremes, arguing they are needed to gain information that protects the public from terrorists. Such an 'end justifies the means' argument might sound persuasive to some, but it is worthless unless such techniques actually work. A report on this subject was released [in 2007] by the Intelligence Science Board.... The message it repeated over and over was that there is virtually *no evidence to show the effectiveness of any of the interrogation techniques used* by the US. The authors expressed 'surprise and concern over the lack of rigorous scientific examination....' (my emphasis) *Modern barbarity*, 'New Scientist', 23 February

This is policy as the rationalisation of what people feel like doing, and it's no basis for an efficient bureaucracy, still less an ethical one. I shouldn't be surprised of course. I have quoted before from [1]*Why states believe foolish ideas* by Steven van Evera :

> [G] overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies.

Whatever you might think about Social Policy Bonds, it's surely time to look at subordinating policy to transparent, meaningful outcomes, rather than continuing to have critical decisions made for us on the basis of no evidence whatsoever.

1. http://web.mit.edu/polisci/research/vanevera/why_states_believe_foolish_ideas.pdf

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5.3.8 Targeting broad outcomes (2008-03-13 10:32)

One of the advantages of a Social Policy Bond regime is that it allows backers of the bonds, be they private or public sector, to target things that are beyond or beneath the radar of policymakers. Things like war and violence, in general rather than in particular, or a nuclear exchange, or the spread of infectious diseases. More broadly, Social Policy Bonds could reward maintenance of the sorts of stability that we value: a stable physical climate, the absence of man-made or adverse impacts of natural catastrophes. For the most part, these problems are dealth with piecemeal, as they arise, and with a lot of guesswork about uncertain and ever-changing relationships. For instance, a huge task for governments around the world would be to agree that climate change is a problem worth spending resources to solve, but governments are supposed to articulate society's concerns and to produce legislation, and raise the funds necessary to achieve them. But for governments to go further and say they know how best to solve the problem is, in my view a mistake. With climate change they have focused on a single remedy - restraining anthropogenic emissions of greenhouse gases. But governments have no expertise in this matter; their scientific advice is necessarily fossilised and their approach necessarily top-down, one-size-fits-all and unresponsive to different and changing circumstances and our rapidly expanding scientific knowledge.

Far better to reward the achievement of a stable climate by issuing [1]Climate Stability

Bonds of sufficient value to motivate people to bring about the goal in ways they think will be most efficient. I don't think it's too far-fetched that governments will eventually target very broad goals for which their current approaches are manifestly inadequate. But, I have to admit, it doesn't seem to be happening right now.

1. http://socialgoals.com/ieakyototext.html

5.3.9 Free-riding (2008-03-15 13:33)

People, especially economists, often mention the danger of free-riding when I talk about Social Policy Bonds. Free-riders would by the bonds hoping to benefit from any increase in the bond price without actually participating in any objective-achieving projects.

However, I think markets would work to limit the benefits from free-riding. To see this, assume that most of a particular issue of bonds were held by would-be free-riders. Then very little, if anything, would be done to help achieve the targeted objective. As the objective became more remote, the value of all the bonds would fall. And as the bonds lost value, they would make a more attractive purchase for people who were prepared actively to help achieve the targeted objective. So free-riders would be tempted to sell, even at a loss, rather than see the value of their bonds continue to fall. Some history of falling bond prices would tend to make free riding on Social Policy Bonds less appealing with future issues. Free-riding then would become a self-cancelling activity. There are other reasons why bondholding would be unattractive to potential free-riders:

Individual free-riders would have no incentive to collude with other free-riders, because the more they did so, the more remote the targeted objective would become, and the further would the value of their bonds fall. This would act so as to limit any free-riding activity to small players.

As with other financial instruments, small players would have to pay higher transaction costs than the bigger institutions — the ones that would be most likely to initiate objective-achieving projects.

Small players also would not have access to the research that would enable big players to value the bonds accurately. Therefore they would be at a disadvantage in the market.

Note also that even if free-riders were to gain from holding Social Policy Bonds, they would do be doing so only because their bonds had risen in value as a result of a targeted objective becoming closer to being achievement. As well, attempted free-riding would have positive effects: it would add liquidity to the bond market.

All this is speculation of course, and I may be wrong. We'll see, if somebody actually issues Social Policy Bonds.

5.3.10 Sacrificing the environment (2008-03-17 12:56)

A quote from the current 'Economist's' report on China's quest for resources:

> Pan Yue, a deputy minister at the State Environmental Protection Administration (SEPA), China's paramount environmental regulator, estimates the annual cost of environmental damage at 8-13 % of GDP—much the same as the overall economic growth rate. If it continues like this, he expects levels of pollution to double over the next 15 years. [1] *A large black cloud*
>
> (subscription)

There must be some subjectivity in Mr Pan's estimates, but even so, the comparison is alarming, and quite plausible.

1. http://www.economist.com/specialreports/displaystory.cfm?story_id=10795813

5.3.11 Social Policy Bonds as insurance (2008-03-19 08:59)

In an ever more complex, interlinked world more and more things that could be ignored or used to be handled informally now have to be managed by government. This applies to many aspects of the commons and particularly the environment. Given the record of government, this is quite scary. Government policymaking can succeed when it's well meaning, has sufficient resources and the problems it has to solve are easily identified and do not conflict too much with powerful interests. Unfortunately, many of the new problems arising from globalisation are difficult to anticipate and isolate from a myriad of possible causes. What's raised this concern in my mind is my reading of the [1]methane clathrate gun hypothesis, but there are any number of other possible ways in which the lives of millions of humans could be endangered: other environmental disasters, nuclear proliferation, pandemics, asteroid impacts, etc. How should governments deal with such threats?

The UK government is the first to set up a National Security Forum as a result of its work on a [2]National Security strategy. Terrorism seems to be given greater attention than perhaps is necessary, but the limitations of such an exercise are more serious, I think, than a bias towards highly visible shocks.

One way forward might be to issue Social Policy Bonds as insurance against large-scale disasters. The cause of the the disaster need not be specified: the bonds would function in a similar way to increasingly popular [3]catastrophe bonds, except that they would have the purpose - and the backing- of making it worthwhile for investors to *prevent disasters happening*. A national government could issue Social Policy Bonds that would reward investors if an event killing more than, say 10000 of its citizens in any one 48-hour period, does not occur before a specified date. The bonds would encourage investors to investigate all sources of potential disaster, *impartially*; that is, without favouring those that have a high media profile, for example, or those that are the remit of existing public or private sector bodies.

Globally, the concept could be scaled up: a collection of governments under the auspices of the United Nations or non-governmental organizations could issue similar bonds, aimed at preventing even larger-scale disasters.

In both cases, the particular merit of the Social Policy Bond approach is that there is no need for a handful of experts to try to anticipate the causes of future disasters and to allocate

funds according to their views and today's knowledge. Investors in Social Policy Bonds would do this work themselves, *without bias and during the entire lifetime of their bonds*.

1. http://en.wikipedia.org/wiki/Clathrate_gun_hypothesis
2. http://news.bbc.co.uk/1/hi/uk_politics/7303846.stm
3. http://en.wikipedia.org/wiki/Catastrophe_bond

5.3.12 Loudtalks (2008-03-19 12:57)

I've installed a new, free and compact program, [1]Loudtalks, which will allow readers to talk to me through you computer if I'm online or to leave oral messages if I'm offline. If you want to add me as a contact, my Loudtalks contact name is Ronnie.

1. http://loudtalks.com/

5.3.13 Getting rich by doing the right thing (2008-03-22 05:15)

The big advantages of Social Policy Bonds are their efficiency, transparency and stability of policy goals. But a less obvious benefit, pertinent at a time when the rich are being taxpayer funds are being used to bail out [1]shareholders of banks that pursued disastrous policies but are deemed are too big to fail, is that they are means of accumulating wealth by performing public service. Social Policy Bonds, when issued by government bodies, would express society's goals: investors would gain by peforming functions that are inextricably linked to public benefit. Working successfully to achieve universally desired social and environmental goals would be seen as a laudable way of becoming rich. There are likely to be all sorts of intangible and unforseeable benefits from having people or institutions become rich in this way. People may see corporations' non-Social Policy Bond activities relatively less socially desirable. They may be more prepared to rein in the less attractive of such activities given that Social Policy Bonds provide a socially beneficial way of becoming rich.

1. http://www.prospect.org/csnc/blogs/beat_the_press_archive?month=03&year=2008&base_name=happy_talk_on_the_bailout

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5.3.14 Crime and incentives (2008-03-23 13:19)

Irwin Stelzer writing about politics and life in the UK:

> Crime has significant psychic costs - ready for a nice relaxed evening walk on a deserted street in a major city, the sort of thing that was a routine pleasure a decade ago? Probably not, which is why 60 percent of those surveyed say Britain is a worse place in which to live than it was five years ago.... *The economic consequences of Mr Brown*, 'The Spectator', 19 January

I'm pleased that somebody else feels the same way as me, but otherwise there's little to cheer about. The contrast with the private sector is compelling. No single corporation has all the answers to many of the problems they try to solve: how to market dogfood; how to maximize sales of laundry products, etc. But collectively they do a great job of satisfying our material needs. It's a Darwinian process to be sure: with many, many failed enterprises along the way. Now the UK has had decades of academic research into crime; countless strategies, initiatives, reorganisations, reports by government bodies and consultants and the rest. Why haven't they been translated into safe streets?

Part of the answer must be that the incentives aren't there. A police force that is too successful in reducing crime will see its funding cut. Neither are individual members of police forces paid in ways that are correlated to reductions in crime rates. It sounds very simplistic, but how else is one to explain the ingenuity that dramatically satisfies our needs as paying consumers and fails to satisfy our needs the 'psychic' human need to walk around in safety?

5.3.15 Housing monoculture (2008-03-25 09:48)

Commenting on the mismatch between the US housing stock and people's wish to live in walkable urban environments, Christopher Leinberger writes:

> [a third of people surveyed] wanted to live in mixed-use, walkable urban areas - but most had no way to do so at an affordable price. [1] *The next slum*
>
> , 'Atlantic Monthly', March

Suburban housing is largely a product of central planning and government subsidies. Zoning requirements have done a lot to separate people from work, shops and entertainment, along with the subsidies for roading and the extraction and consumption of oil. The disaster has not only been to the physical environment. Suburban alienation and dependence on cheap, available oil are other results of this lifestyle choice made not by ordinary people but by the planners and technocrats in government and their friends (and paymasters) in gigantic construction corporates. The decision makers are now so remote from us, so beholden to large corporations and operating at such a high level of aggregation and abstraction that they can impose a monoculture, whose potentially catastrophic vulnerabilities are like those of its agricultural equivalent.

Social Policy Bonds are not just about efficiency, but about efficiency in achieving social and environmental goals that are meaningful to natural persons - as distinct from public sector macroeconomists and large corporations. They are about closing the gap between policymakers and the people they are supposed to represent. Policy under a Social Policy Bond regime means targeting agreed outcomes, and the subordination of all activities and institutions to those outcomes. If people want to live kilometres away from their work, friends, shops and other distractions that's fine, but there's no need for taxpayers to subsidise such lifestyle choices, still less to impose it on people who'd make different choices in an undistorted market.

1. http://www.theatlantic.com/doc/200803/subprime

5.3.16 Ends, means and the financial sector (2008-03-26 10:23)

John Kay writes:

> Since financial stability is unattainable, the more important objective is to insulate the real economy from the consequences of financial instability. Government should protect small depositors and ensure that the payment system for households and businesses continues to function. There should be the same powers to take control of essential services in the event of corporate failure that exist for other public utilities. The deposit protection scheme should also have preferential creditor status to restrict the use of retail deposits as collateral for speculative activities. [1]*More regulation will not prevent next crisis* , 'Financial Times', 26 March

I agree, and think the same principle should be extended into other policy areas. Financial stability is not an end in itself, while looking after small depositors is a legitimate government function. Government should concern itself with such goals, without trying to prejudge how they shall be achieved. With the ever increasing complexity of our society and economy, identifying cause and effect is often near impossible. It's simpler for government to target goals than the supposed means of reaching them.

It's also more transparent and - crucially - enables greater public participation and hence buy in. Cutting back anthropogenic greenhouse gas emissions - which is [2]not actually happening despite government hand wringing - is never going to be a popular or meaningful goal. But climate stability is a worthwhile goal, one that ordinary people can understand and buy into. Similarly with one of the other great dangers we face: the technical details of nuclear weapons limitation are arcane and irrelevant to most people. But we would enthusiastically support the drastic curtailment of the risk of a nuclear exchange. That is what governments should aim for, and that is what they should target. *How* to get there...that should be left to an enlarged pool of motivated people. That's where Social Policy Bonds come in.

1. http://www.ft.com/cms/s/0/e8bd2440-fa71-11dc-aa46-000077b07658.html?nclick_check=1
2. http://www.economist.com/world/europe/displaystory.cfm?story_id=10879737

5.3.17 (2008-03-27 12:44)

In Spain you can get rich with very diferent ways, you can get all the money from the city hall, build with their permissions and do what you want, what do you think about that? regards

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5.3.18 (2008-03-27 13:42)

This confirms my view that the construction industry in many countries is a byword for corruption. Transparency is important, especially for projects that are going to determine how people live for decades to come. Social Policy Bonds provide that transparency. They also provide a way in which ambitious, energetic and financially motivated people can get rich by performing public services, rather than building appalling, low-quality housing and infrastructure.

5.3.19 Nothing new here (2008-03-28 11:14)

Talking about the latest US Farm Bill, the [1]*Economist* (subscription) says, accurately:

> The recipients [of government largesse] are hardly the most deserving: farm households make a third more than others, and the richest of them, which get most of the subsidies, bring in three times what the average non-farm household does. Instead of saving the family farm, the policy is destroying it, encouraging agricultural land consolidation and raising barriers to entry. And then there are the deleterious effects America's price-distorting payments have on foreign farmers and so on trade negotiations.

There's nothing new about this. What is striking about these policies are not their disastrous social and environmental impacts; rather it is their persistence, in the face of decades of evidence of their failure to meet stated goals.

Social Policy Bonds are radical; they would entail government relinquishing control of some of its policy instruments. They are untested and have not been refined or widely discussed. But when you get policies like the corrupt, profligate agricultural support policies of most western countries, you realize that the proper standard of comparison should not be not some ideal, wasteless, super-efficient policy paradigm, but the current system whose failings are not just severe and well documented, but persistent in the face of all rationality.

1. http://www.economist.com/world/na/displaystory.cfm?story_id=10926000

5.4 April

5.4.1 Zimbabwe (2008-04-01 12:00)

In the face of the catastrophe that is Zimbabwe today, the west appears impotent. Our governments and large corporations stand aloof, unconcerned, or convinced that whatever they do will be futile or counter-productive. Only the non-governmental organizations on the ground do what they can to mitigate economic and social collapse. One of the virtues of outcome-based policy like Social Policy Bonds is that it could channel people's compassion and resources into solving problems previously thought to be beyond our control. No-one knows how best to help Zimbabweans, but then no western government has yet actually specified that as a goal and rewarded people for achieving it. But the long-term welfare of Zimbabweans could be the specified target of Social Policy Bond issue backed by western governments or philanthropic organisations. With the right incentives, some of the ingenuity and resources now devoted to enriching corporations and individuals would flow into projects and programmes *that we cannot yet specify*, into improving the wellbeing of the Zimbabwean. Just because we don't know what best mix of projects will be doesn't mean we should stand by and do nothing.

Another advantage of Social Policy Bonds is that they enlarge the range of large-scale projects that can be considered. Western government intervention in Africa in general , and Zimbabwe in particular, is open to (deliberate) misinterpretation and the charge of neo

-colonialism. For instance, the long-term prospects for peaceful development in Zimbabwe, or elsewhere, might best be enhanced by reducing inter-communal strife, which might conceivably be minimised by the encouragement of intermarriage between different communities. Western governments could not themselves sponsor such intermarriages: that would be political dynamite. But holders of Social Policy Bonds that have as their explicit objective the long-term improvement of the welfare of African citizens, would probably find fewer barriers in the way of that sort of project: it would be clear to everyone that their motivation is entirely mercenary, rather than anything more sinister.

5.4.2 Social Policy Bonds: I'm convinced anyway (2008-04-03 13:00)

I'm convinced, despite the current lack of interest, that Social Policy Bonds' their time will come. Or at least, that there will be a move towards specifying desired outcomes and rewarding people for achieving them - the heart of the Social Policy Bond method. Why? Because of the rising world population and the increasing complexity of our social organisation. As well technology is changing at a faster rate. These factors all make it near-impossible for conventional policymakers to identify the most important future problems and, even more, the relationships between those problems and their causes. Reading about climate change you realize how close we are to a catastrophe that few could have anticipated while the trail of gunpowder was being laid (and how little we are doing even now to avoid it). But climate change has had a long lead time and there were people, decades ago, who suspected it might happen. There are now so many potential catastrophes without even those portents that the organizations we hope will help us anticipate and avoid them - government agencies, mainly - can't realistically be expected to do so.

Some government bodies currently issue [1]catastrophe bonds, but most are issued by insurers, and all appear to protect against losses arising from specified perils (such as hurricanes). I envisage that more government bodies will begin to issue them against unspecified disasters that lead to large-scale loss of life. I actually think it would be irresponsible of government *not* to manage risk in this way. With large enough sums at stake, bondholders will realize that they could benefit by working to identify the most likely disasters and doing what they can to minimise their impact. That would essentially be Social Policy Bonds, in principle. Issuers will then start to issue bonds specifically to encourage such behaviour: Social Policy Bonds in practice.

1. http://en.wikipedia.org/wiki/Catastrophe_bond

5.4.3 Beyond monopoly: the coming globopoly (2008-04-06 07:52)

Raphel

Sagarin studies the impact of climate change and human activity on marine life, and is based at Duke University, Durham, North Caroline. He thinks living things can show us how to keep society safer. Asked by [1]*New Scientist* (subscription) whether there are any successful examples of the kind of security approach he is advocating he replied:

> The one I often cite is of DARPA , an arm of the US Department of Defense that develops forward-thinking technologies. It had a grand challenge: to create autonomous robotic vehicles. Rather than contract this out to a single organization, it went out to university groups and offered a million-dollar prize. DARPA had remarkable success, as all these individual groups tried to solve the problem.

This is a slightly less refined version of Social Policy Bonds, but even so it was more successful than the default setting of the current system. As government becomes more and more dominant in our economy, society and environment, it will tend to crowd out diverse approaches with its own one-size-fits-all, top-down, way of doing things. Its approach is essentially that of central planning. My chief worry is that globalised central planning will not be subject to the decades-long attrition that led to the breakdown of the Soviet Union, which was fearsomely monopolistic in its own domain, but eventually had to face competition from the more prosperous, less uniform, western economies. This global monopoly (globopoly ?) will dictate not only what should be done, but *how* things shall be done. It's that approach that has led to Kyoto, and the single focus on reducing anthropogenic greenhouse gas emissions as the only approved way of tackling climate change - and it's unlikely to do any better for the world environment than central planning was for that of the USSR.

1. http://www.newscientist.com/iplogin.ns

5.4.4 Monoculture (2008-04-08 10:46)

An ex-colleague has introduced me to the work of [1] Vanadana Shiva, a scientist and activist. One phrase from an interview [2]here strikes me:

> When India and Pakistan were competing with nuclear tests, and India called its nuclear bomb the Hindu bomb, while Pakistan called its bomb the Islamic bomb, I said: this is the perfect example of diverse men for monoculture.

Monoculture does seem to be the result of big, remote government and its tendency to centralise. It takes physical form in the increasing uniformity of our cities, where so much diversity and vitality is sacrificed to the interests of the road lobby and construction industry. The monoculture of our countryside is better documented, and just as environmentally destructive.

The Social Policy Bond principle recognises that big government can mean well and see that things are done that only big government can do; and that some of these things are extremely worthwhile; and that government should continue to encourage and reward them. But when big government goes beyond its remit and actually insists on doing things its way, then the dismal result is monoculture, with all its life-sapping uniformity and potential for calamity. That's because government agencies have their own objectives (primarily self-perpetuation) and their own way of doing things (top-down, one-size-fits-all). We need government to articulate our best interests and raise funds to reward their achievement , but we need the diverse, adaptive approach that Social Policy Bonds offer to actually achieve them.

1. http://en.wikipedia.org/wiki/Vandana_Shiva
2. http://www.ecoworld.com/Home/Articles2.cfm?TID=346

5.4.5 Madness (2008-04-08 12:55)

A quick quote from Paul Krugman, explaining the rise in world food prices:

> And meanwhile, land used to grow biofuel feedstock is land not available to grow food, so subsidies to biofuels are a major factor in the food crisis. You might put it this way: people are starving in Africa so that American politicians can court votes in farm states. [1]*Grains gone wild*

I will say it again: we're not just destroying our planet; we're not just destroying it with our eyes wide open; we're subsidising its destruction with our taxes.

1. http://www.nytimes.com/2008/04/07/opinion/07krugman.html?_r=1&oref=slogin

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5.4.6 Re-greening the Sahel (2008-04-11 10:05)

From an interview in 'New Scientist' with Chris Reij , African agricultural expert:

> [D] uring later colonial times, the farmers [in Niger] were told to grow peanuts , and experts instructed them to remove all the trees from their fields: modern agriculture was about cultivating a single crop on a bare field. ...the other thing is that trees were considered state property - as they are in many African countries - so when nobody was looking the farmers just chopped them down and sold them as firewood.

But in fact the news is good: the Sahel has been re-greened. People have planted very large numbers of trees, which have now been incorporated into their farming system. So what changed?

All across Africa, people look after the things they own but ignore or destroy what is controlled by the state. The World Bank says good governance is essential for development but in this case the weakening of the state created opportunities for farmers.

This chimes with one or two of my previous posts: government as monopoly can stifle development if it doesn't know what it's doing; and that's supposing it's well meaning in the first place. I don't think this danger is in any way restricted to developing countries. By dictating how things shall be done, instead of the broad goals we need to achieve, government can inhibit the exploration and application of diverse, adaptive initiatives.

5.4.7 Same old story (2008-04-13 07:12)

The US Government Accountability Office (GAO) reports that the billions of dollars spent on research and development into alternative fuels by the Department of Energy (DOE) has done little to lessen the country's dependence on fossil fuels:

> Some US $ 60 billion has been invested in R &D on so-called advanced energy technologies by the U.S. DOE over the last 30 years, but consumption from traditional fuels has remained relatively stable: today fossil fuels supply 85 percent of U.S. energy consumption compared with 93 percent in 1973. The growth of nuclear power in the 1970s and 80s accounts for most of the difference, according to the GAO. [1] Source

It's a familiar story; the only unusual feature is that there was an official attempt to monitor performance - and that it became public knowledge. On a similar theme, a cartoon in Friday's *International Herald Tribune*, (which I cannot find on the web) amidst a discussion of rising world food prices shows a couple of starving wretches about to approach a stocky American filling the tank of his capacious car from a pump with a biofuel sticker. 'Sorry guys', he says 'I'm busy saving the planet.'

1. http://www.globalsubsidies.org/article.php3?id_article=47&var_mode=calcul#one

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5.4.8 IFC-FT Essay competition 2007 (2008-04-14 06:18)

I didn't win a prize in the [1]IFC-FT Essay competition 2007 for my essay on applying the Social Policy Bond principle to development in the poor countries, but you can read it [2]here. It's about 10 pages long.

1. http://www.ifc.org/competition
2. http://socialgoals.com/IFCFT%202007.htm

5.4.9 Happiness (2008-04-17 13:05)

Back in 1974 Richard Easterlin of the University of Pennsylvania published a study that seemed to show that economic growth didn't necessarily lead to more happiness; especially at higher levels of income. Now two economists, Betsey Stevenson and Justin Wolfers argue that money does tend to bring happiness, even at higher income levels. (See [1]here for a *New York Times* summary of the issue.) There are all sorts of ideological positions taken about what has become known as 'happiness research'. It's something I think about when wondering what should be targeted under a Social Policy Bond regime. My inclination is to stick to objectively verifiable measures of wellbeing ; but there are grey areas. It's hard to measure crime rates, for example, and much easier to measure fear of crime. Evidence suggests that in the UK in recent years, the two have actually diverged, with increasing fear of crime coinciding with falling crime rates. That's quite plausible, if people are afraid of exposing themselves to crime, say, by staying indoors after dark.

Under a Social Policy Bond regime I've always thought it would be best to concentrate on targeting for improvement the lower levels of education, health, housing etc, on the basis that (1) there is less ambiguity about such improvements leading to wellbeing ; and (2) at the lower levels, more can be done with fewer resources. Also, at higher levels of income and wealth, people generally have more varied goals, and more time and information with which to make informed decisions about how to reach them.

I still hold to that view, and I'm not sure I find the Stevenson and Wolfers work convincing. Others also [2]have their doubts.

1. http://www.nytimes.com/2008/04/16/business/16leonhardt.html?_r=1&scp=1&sq=money+doesn
2. http://www.marginalrevolution.com/marginalrevolution/2008/04/assorted-link-5.html

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5.4.10 Urban monoculture (2008-04-20 02:15)

One thing governments and big business can't deal with is diversity. After decades of government intervention, 'industry concentration' - the degree to which a few large firms dominate, is very high in the the input and processing agribusinesses; that might have happened anyway, but the trend has been amplified by government. Its subsidies go overwhelmingly to the biggest landowners, input suppliers and processing companies; it creates a regulatory environment that imposes disproportionate compliance costs on small, local, businesses (the irony being that its the activities of the larger companies that generate the need for regulations at all); and it identifies economic success with the fortunes of bigger companies. Apart from the environmental depredations and unappealing aesthetics, the resulting monoculture in the countryside leaves us open to potentially disastrous pest or disease invasions.

Now the same looks like happening in the cities. Government and its cronies in the construction business have imposed a road-based infrastructure on of the world's cities. As with industrial agriculture, it penalises small, local businesse and ordinary people. And as with agriculture too, it is absolutely dependent on oil. What government failed to factor in is how vulnerable this leaves us when the oil runs out. We might find our urban monoculture just as fragile as our agricultural monoculture

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5.4.11 Big government = remote government (2008-04-22 01:34)

Whether or not the UK's '[1]special liquidity scheme' is actually a taxpayer-funded bailout, it's clear that big organisations can afford to be out of touch in ways that small businesses and ordinary people cannot. Big companies can influence government in all sorts of ways. They often receive subsidies, or protection from imports. They can manipulate the regulatory environment in such a way as to impose disproportionately higher compliance costs on smaller enterprises. And if they are banks, they are deemed 'too big to fail' and governments fall over themselves to rescue them with funds from taxpayers. Smaller businesses have to respond to the market. Big business distorts the market.

But what happens when the big organisation is in fact the government? Now that government increasingly dominates our economic, social and environmental sectors, we can look

forward to a whole new set of problems. Big government is remote, out-of-touch government. It works in the same way as a big corporation. If it can't sell its policies it can impose them. Its size insulates it from day-to-day reality. Bureaucratic logic has a momentum of its own, and dreadful policies have a powerful interest group in the people who get to administer them. Big government is cumbersome, monolithic and, ultimately, contemptuous of the people its supposed to serve. All this is not to say that people working for government bodies are the same. It's the system that is at fault, not the individuals caught up in it.

When organisations are big they have underlying objectives other than their stated ones. The over-arching organisational objective is self-perpetuation. Smaller companies survive and prosper by meeting market demands. Big government issues streams of targets that sound worthwhile but are essentially about reinforcing and expanding the role of government. There's hardly a single example of governments holding themselves responsible for achieving a meaningful, worthwhile outcome of value to ordinary people. Instead we get Mickey Mouse micro-objectives, like compliance with the Kyoto Protocol, or smaller waiting lists for hospitals, that have nothing to do with real people, and everything to do with control.

1. http://business.timesonline.co.uk/tol/business/industry_sectors/banking_and_finance/article3792385.ece

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5.4.12 Dodgy donors, etc (2008-04-24 13:09)

An interesting story [1]here about the costs to the public of political parties in the UK. On this issue I think I'm with the paricipants of the 'eighteen months of cross-party talks' which 'stalled in October, amid failure to agree on a raft of recommendations....'. Given the current system, in other words, I don't have an opinion on where funding for political parties should come from. I do think it should be more transparent, but I'm more inclined to think in terms of outcomes rather than political parties. The current system is quite odd really. Corporations or wealthy individuals give funds to political parties, openly or in secret, on the basis that these parties will (probably) enact certain measures that (possibly) will lead to the outcomes they want to see. Why not finance outcomes directly? Under a Social Policy Bond regime that would be feasible. It might not be a bad idea for people other than wealthy donors to think in terms of outcomes rather than political parties and the ideologies or interest groups they represent; and again, a Social Policy Bond regime would encourage that. In fact, the bonds would mandate outcome-based policymaking. I think that would be a big improvement over the current system, which is anachronistic and opaque.

1. http://news.bbc.co.uk/2/hi/uk_news/politics/7361926.stm

5.4.13 Politics without policy (2008-04-29 02:43)

Even by the standards of recent years, this year's US election campaign is unusually devoid of discussion about policy. The would-be presidents' age, race, gender, and friends seem to be the issues that matter. To some extent this is understandable: politics under the current system fails to hold the attention. There's little relationship between what candidates promise and what they deliver. Real issues do come up: whether or not to go to war, or whether to favour the very rich at the expense of everyone else, but rarely in any of the democracies

are candidates' positions explicit. Once the election is over, public opinion is something to be ignored or manipulated.

It's easy for politicians to get away with that because current policymaking systems are opaque. Where they are not secret they are simply too boring for anybody other than experts or academics to capture people's imagination. Policymaking centres around arcane, technical issues: legislative, regulatory or fiscal matters that the average politician doesn't fully understand, let alone normal members of the public. Corporations with powerful vested interests do understand the system - or can afford to bankroll those who do - and revel in it. Politicians and bureaucrats, work hard, take their index-linked pensions and genuinely believe they are doing a great job. The larger, slow-moving problems go unsolved: the degradation of our commons at the hands of government and the large corporations; the alienation of people not only from the political process but, divided by a car-crazy infrastructure, from their neighbours.

Re-engagement is possible, I think, by expressing political goals as outcomes that are meaningful to ordinary people. Instead of proposing this or that reorganisation of health care systems, for example, target real-life health goals: longevity, quality-adjusted life years, infant mortality etc. More broadly, instead of sacrificing quality of life to economic growth, target social and environmental goals and subordinate the economy to those. People can understand such goals. We don't, really, care about the race of politicians, and we don't have the time to compete with corporations and specialists when it comes to arguing over policy. But we do understand and care about social and environmental outcomes.

5.5 May

5.5.1 Transcending government structures (2008-05-02 01:55)

In the early days of government intervention it was quite clear what needed to be done. Society would benefit unambiguously by increased health, education and infrastructure spending. This still holds for much of the developing world. But in the rich countries things are now much more complicated. At higher levels of development the correlation between government spending and social and environmental wellbeing breaks down. The boundaries between the remits of governmental agencies become hazy: society has become too complex, and too interlinked to fit into self-contained adminstrative boxes. Education is no more just about schooling. It's influenced by policy on the arts, broadcasting, health and even taxation (if tax policy encourages women to work, for instance, that will affect, in non-straightforward ways, the way in which children learn). Health is no longer just about supplying clean water, sewers, and legislating against food adulteration. Crime and fear of crime are about more than policing.

Unfortunately, we lack ways of dealing with these complexities. Identifying the relationship between cause and effect is no trivial task, with all the obscure relationships and time lags. Eventually, I think we will come round to targeting outcomes, as Social Policy Bonds do. Government will specify an outcome, and reward people for achieving it, however they do so. Who is rewarded, by how much, will be left to the market. Currently these questions pre -occupy government agents to such a degree that they inhibit action. Organizational objectives supersede those of society and the result is a sort of policy paralysis. Bickering between government agents and the hijacking of policy goals by government employees

are the result. This is particularly important when confronting those challenges for which there is little precedent: we'd pay a lot to insure against a nuclear exchange anywhere in the world, for instance, but our current system has few ways of channeling resources into that goal.

Under a Social Policy Bond regime, targeting such goals would be more feasible. There's no need to specify which government department shall be charged with achieving them. So not only would that achievement become more efficient, but we could think about targeting goals that do not fall into the traditional bureaucratic structures. I'd like to see nuclear proliferation and the risks of catastrophic environmental disasters (natural or man-made) targeted in this way, but there are plenty of other pressing issues that cannot get a proper hearing within the current institutional framework. And until we move to an outcome-based policymaking structure - it need not necessarily involve Social Policy Bonds - they're not likely to.

5.5.2 The superclass and its world (2008-05-05 04:29)

Listening to a talk by David Rothkopf about the subject of his book [1]*Superclass* I'm struck by the degree to which the interests of those in the superclass not only differ from those of everyone else but are diverging. Who are the members of is the superclass? Leaders in international business, finance and the armaments industry, mainly: and that is another important point; nation states and their governments play a subordinate role to the interests of the world's largest corporations. Government and bigness do seem to go hand-in-hand, and a sustained period of heavy government involvement in industry does seem to lead to a high degree of 'industry concentration', in which a few very large corporations dominate. This is demonstrably true of agriculture, construction and the armaments ('defence') industries, but as government regulatory powers expand is becoming a reality in other sectors.

I think is worrisome for several reasons. First, we - that is ordinary people - are ending up with more bigness than we want. That's a problem in its own right. Second, the curse of bigness is that it doesn't respond readily and appropriately to urgent challenges. Likewise, it imposes a uniform way of doing things - a monoculture - which has all the vulnerability to shocks of its agricultural counterpart. The large scale of corporate and government activities has both heightened our vulnerability to shocks and reduced our capacity to respond to them. It's difficult to do much about this: in many ways we are so locked in to the ways of doing things that the corporatist-government complex has favoured. For instance, our urban lifestyle and our farming systems are now entirely dependent on low-cost fossil fuel; more so than they would have been had market forces been undistorted by the big players.

It is sad to reflect that the superclass has so organised society that in our chaotic, perilous world, the US Presidential campaign may well be won and lost over who promises to knock a few cents off the price of gasoline for the summer season.

1. http://www.amazon.com/Superclass/dp/B000YJ66C8

5.5.3 Biofools (2008-05-09 04:22)

What's interesting about biofuels is how we're marching towards the financial, human and environmental disaster they represent with our wallets *and* our eyes open. We know that

the rush to biofuels is accelerating the destruction of Amazon rainforest. We know they are a nonsense in that they offer little, if any net reduction in fossil fuel use or greenhouse gas emissions. We suspect that they are helping drive up the price of food. And we can see very clearly that we are transferring taxpayer funds to subsidise the stuff:

> [M]uch of the biodiesel produced in the United States from soybeans and corn (and subsidised by American taxpayers to the tune of $1 a gallon) winds up in Europe, where it benefits from still further subsidies. That's great for farmers in the Midwest, but offers little consolation to motorists across America. [1] Source

I used to think that the corrupt, deranged agricultural policies of the US and Europe could only be implemented because they were devised behind closed doors and the real beneficiaries - wealthy landowners, large agricultural corporates and the legions of bureaucratic policy administrators - concealed their true purpose from a naive, distracted public. But now I'm not so sure. We cannot plead lack of information any more. Perhaps it's the opposite: too much information?

1. http://www.economist.com/daily/columns/techview/displaystory.cfm?story_id=11316513

5.5.4 Social Policy Bonds could formalise rational behaviour (2008-05-11 02:29)

In the cold light of day we'd probably be indifferent between, say, war deaths in the middle east and war deaths in Africa. We'd allocate our scarce conflict-reduction resources to where they could do most good. But our actual policy priorities don't reflect rationality; they are largely a function of where the media happen to be able to film footage for television. So the middle east commands our attention while Africa languishes. It's too early to say what the response to the cyclone in Burma will be: it does seem to be a case where a comparatively small aid effort now could save many lives.

A Social Policy Bond regime could formalise our rationality and give it more scope. A global body such as the United Nations, or a group of philanthropists could issue Social Policy Bonds that target world deaths from large natural disasters over, say, five years. 'Large' could mean any disaster that kills more than 500 people, regardless of where it happens. Say that the number of people killed in these disasters averages 50000 a year. The 'Disaster Relief Bonds' could pay up if the number falls below 30000. In the first instance, this would generate incentives for investors to prevent loss of life by, for example, installing warning systems or supplying emergency information. The key point is that bondholders would look rationally at where they could expect to save the largest number of lives per dollar spent.

Bondholders could also intervene after a disaster has struck. Again, they would allocate resources rationally and impartially, and independently of the type of media footage.

5.5.5 Social Policy Bonds and the Polluter Pays Principle (2008-05-13 13:41)

There are some quite elegant economic solutions to social and environmental problems. Take the example of a lake polluted by the run-off of nearby farms. Where the lake is grossly

polluted and the farmers are wealthy, the political process would probably demand that the farmers pay to clean it up or have their polluting activities legally restrained or taxed. But where the lake is already healthy, though not quite healthy enough to attract fee-paying fishers, then the beneficiaries of a clean-up - would-be tourist operators around the lake, perhaps - could reasonably be asked to pay for it to be cleaned up, or to compensate farmers for reducing their polluting activities. Note that in this instances, which is in microcosm that of many larger environmental issues, the debate about who pays generally precedes the cleanup.

Now simply assume that the lake is polluted and either a local authority of a group of nearby residents on their own initiative, decide to issue their own Social Policy Bonds: 'Lake Health Bonds'. These would be redeemable for a fixed sum only when the lake's water quality had reached a target level for a sustained period. The local authority or the residents could contribute to the redemption funds used to redeem the bonds. Bondholders could then begin the cleanup operation immediately. Part of the cleanup could entail lobbying one or other tier of government to impose taxes on the polluters or the beneficiaries – whichever is most cost-effective. In other words, the issue of who *pays would be secondary to that of the cleanup*.

Social Policy Bonds are therefore quite compatible with the use of the Polluter Pays Principle, or indeed pollution taxes or the principle that beneficiaries pay. Such instruments, and others such as straight regulation, should be seen merely as tools to reach society's environmental goals. Social Policy Bonds, rather than being merely another economic instrument, are a means by which the most efficient economic instruments, or combination thereof, will be deployed.

5.5.6 Closing the gap, with outcome-based policy (2008-05-17 14:02)

Our chief problem with policymaking , as I see it, arises because it is only incrementally adaptive. That is, it's driven by short-term concerns, and proceeds along lines laid down decades ago. That's one reason why failed policies - such as subsidies to rich farmers and agribusiness corporates - are so difficult to get rid of. Now, if policymaking evolved in the Darwinian way, such policies would be terminated because they are maladaptive. But within countries, and increasingly, between countries as well, there is a policy monoculture. National governments and corporations have similar interests, so there is little policy diversity even at a global level.

Of course, there are differences between, say, Chinese and US capitalism but the vested interests are so deeply entrenched, the global challenges so urgent, the level of aggregation at which problems need to be solved is so high, and the world is so much smaller, that the Darwinian method of allowing optimal solutions to emerge from what is a reasonably wide a range of possibilities will probably not work. There is too little time to wait for incremental adaptation to address, say, climate change or nuclear proliferation. And we have only one planet; the result of a successful policy mutation may not only be too late, but can be swamped too readily by the wrong choices.

This is the end point of the urban monoculture – dominated by government and the big corporations – in which we live. We still have the possibility of adapting, but more and more it is brought into the service of these organizations, and the objectives of those organizations are, at best, different from those of ordinary persons and, at worst, in conflict with them.

Disenchantment with, and disengagement from, politics seems to be the response. And who can blame the voters? Politics seems to be run by the corporations, for the corporations, with some ideology thrown into the mix. One way of reconnecting people with government, I think, is for government to start expressing goals in terms of outcomes that are meaningful to real people. Rather than propose, say, to increase spending on health services or education, government should target, explicitly, life expectancy or literacy. This, of course, is the Social Policy Bond approach.

5.5.7 Political triage (2008-05-21 14:21)

Social Policy Bonds would, I believe, minimise the cost of achieving goals, and they would cap the maximum cost of achieving them, but they don't tell us what we should target. Not directly. Right now, the prioritising of social and environmental goals seems to take place at a not fully conscious level, driven by concerns other than maximising returns on spending: media appeal, vested interests etc. Perhaps too, we are reluctant to acknowledge that resources are limited and we cannot solve all the world's problems. One organization that does look at such 'political triage' is [1]Copenhagen Consensus. It does good work in questioning existing political the priorities, on the basis that though we'd like to solve all the world's problems, resources are limited and we have to prioritise. For instance, it estimates the existing cost of the Kyoto Protocol $180 billion a year and says it will make a minuscule difference to the world's climate, 'delaying temperature rises by just seven days by 2100'. But it calculates that

> A tenth of the annual cost of the Kyoto Protocol - or a tenth of the US budget this year for the wars in Iraq and Afghanistan - would prevent nearly 30 million new infections of HIV/AIDS. The same sum could similarly be used to help the four million people who will die from malnutrition this year, the 2.5 million killed by indoor and outdoor air pollution, the two million who will die because they lack micronutrients (iron, zinc, and vitamin A), or the two million whose deaths will be caused by a lack of clean drinking water. [2] A time for clarity

Assuming the figures are correct, it would seem clear that we ought to divert funds away from Kyoto towards AIDS and malnutrition prevention but that is to some extent a subjective view, because we are comparing the supposed week's delay with human lives saved. Taking the same quote, though, assume that the decision lies between saving the lives of the four million who would otherwise die of malnutrition this year or the 2.5 million killed by air pollution. Then, we'd be comparing like with like, and the choice should lie with saving the four million. There are a lot of assumptions necessary, but that is how an impartial reckoning at a global level, would go. The problem is that, even with all the caveats, such easily compared, objective criteria are rarely to hand.

Cost benefit analysis can help a bit, but the weighting problems are huge. How much, for instance, is biodiversity worth and, as we asked earlier, how can say, the interests of wildlife and biodiversity be weighed against people's wish for biofuels?

Social Policy Bonds may be an improvement on one-off cost-benefit analyses or the other ways in which costs are estimated. The market prices of the bonds at flotation and thereafter generate estimates of the total and marginal costs of achieving targeted goals. The total cost estimates would probably be better estimates than those calculated from cost-benefit analysis, while the marginal costs derived from bond prices would represent a big improvement over the information currently available to decision makers once they have decided which projects to support. But those decisions, ultimately, will have to be made on a political basis. The bonds would make it easier, I think, for people to participate in making them by generate better cost estimates but they will not remove the need to take difficult decisions about the relative weighting of different goals.

1. http://copenhagenconsensus.com/
2. http://www.copenhagenconsensus.com/Default.aspx?ID=836

5.5.8 Free riders? (2008-05-27 03:58)

One of the questions I get asked about Social Policy Bonds is about the free rider effect. The bonds most probably will rely on holders collaborating after in objective-achieving projects. Those holding large numbers would do best to co-ordinate their activities with each other.

But why then would they not collude before the bonds are floated, in the bond market itself, holding off their purchases so that they pay less for the bonds than they would in a competitive market? This can certainly a problem under the current system where contracts to supply services are put out to tender. But existing corporations are structured around the sale of goods or the provision of services – not the achievement of outcomes. Social Policy Bonds are best applied to broad policy areas where the question of how best to achieve a specific social goal cannot be easily answered at the time the bonds are issued. For example, take a broad objective like reducing air pollution in a region. There will be a wide range of ways in which the bonds can increase in value. These can involve: lobbying for higher tax on petrol, subsidising the sales of catalytic convertors to cars-owners, subsidising buses and bikes, pedestrianising streets and a wide range of other possibilities. Most probably, the optimal approach will be a combination of many diverse activities, and this combination itself will be changing over time, in response to new events and expanding knowledge. There will be a kaleidoscopic continuum of optimal approaches, which will vary markedly according to the value of the bonds. So, for example a bond that can be redeemed for $100 may be floated. The optimal combination of possible bond-price raising measures when the bonds are priced at $50 will be quite different from when the bonds are priced at $48, and *so will the range of corporations interested in buying the bonds*. Remember too, that bondholders can profit without holding the bonds till redemption. There will be a range of potential purchasers all with different time periods in mind. Some will have little interest in holding the bonds for a long time, adding to the competitiveness of the bond market.

The likelihood then is that there will be intense competition for the bonds before they are floated, but collaboration between the large holders - tacit or not - afterwards. Of course, we can’t know for certain what would happen, until Social Policy Bonds are actually issued.

5.5.9 More madness (2008-05-31 12:50)

How does it happen that we not only allow the destruction of the planet, but subsidise it? Even the poor countries are at it. A story in the current issue of the [1]*Economist*(subscription) tells us that India subsidises diesel consumption at a cost of between 2-3 percent of GDP. The same story tells us that an IMF study of five emerging economies found that the richest 20 percent of households received 42 percent of total fuel subsidies; the bottom 20 percent less than 10 percent.

One of the arguments underpinning my advocacy of Social Policy Bonds is that there is no systemic way that compels governments to terminate their failed policies. Indeed, the pressure acts in the opposite direction: you subsidise people or corporations, make them richer, and so give them both the means and motivation to resist removing the subsidies. In the developing countries the victims as ever are the poor.

Social Policy Bonds could end that cycle. All activities, all spending, are subordinated to the goal of targeted social or environmental objective. We could still subsidise the destruction of the environment to allow the rich to drive their cars if we wanted - but we'd have to be upfront about it. Somehow, I don't see that happening.

1. http://www.economist.com/finance/displaystory.cfm?story_id=11453151

5.6 June

5.6.1 Seen at passport control (2008-06-05 13:53)

Queuing at passport control on entry to the UK you see two signs: one saying that if you try to assault a member of the Immigration or Customs staff you will be liable to arrest and punishment. A second goes something like this 'Please remove your passport from its holder. This will save time at the counter.' To me this is quite sad. It reflects the low expectations that the British governing class has for the public, the contempt the public has for the government (and the justice system), and the wide gap between the two.

Society is too complex for most ordinary people to have anything much to say about how particular social and environmental goals should be achieved. But where we can contribute is in coming to agreement on the outcomes that we want to see. If we had policy whose goals were expressed in terms of meaningful outcomes then public participation in formulating it would be greater. We could all be part of the policymaking process. The actual achievement of our goals would, under a Social Policy Bond regime, be contracted out to the market. But there would be buy-in to public policy, and a closing of the gap between government and the people.

5.6.2 Social Policy Bonds for counterintuitive solutions (2008-06-08 17:50)

It's the

counterintuitive

nature of solutions to complex problems that makes me think Social Policy Bonds have a lot to offer. A [1]US study found that transportation accounted for only 11 percent of the total greenhouse gas emissions generated as a result of a typical household's food consumption. Growing and harvesting the food accounted for 83 percent of the total. Focusing on 'food miles' can therefore give a misleading impression of a food's environmental impact. So often, our first impressions of how to solve social and environmental problems go awry. These problems are often not amenable to the top-down, centralised, one-size-fits-all approach that government follows. Preventing climate change may not be most efficiently done by restricting food imports, or even by cutting back on greenhouse gas emissions. Reducing crime rates may mean a lot more than increasing funding for the police, or putting up more CCTV cameras. Increased expenditure for health services or schooling might not be the best way of improving wealth or education....

A Social Policy Bond regime would reward people for achieving our social and environmental goals, however they do so. Bondholders have incentives to seek optimal solutions - which might not be the obvious ones. Typically, for complex problems, the best approach will be a mosaic of different, adaptive projects, initiatives and policies. No single, centralised body can follow that approach, and especially not one steeped in a bureaucratic culture. Social Policy Bonds for complex, long-term problems, will probably lead to the creation of a new type of organisation: one whose every activity is subordinated to the solution of the targeted problem. Such organisations might well perform some of the same activities as government nowadays - but it would have incentives to do so efficiently, and to pursue other activities whether they are 'obvious' or not, so long as they are also efficient.

1. http://pubs.acs.org/subscribe/journals/esthag-w/2008/apr/science/ee_foodmiles.html

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5.6.3 Social Policy Bonds - latest news (2008-06-11 13:54)

I'm finishing off a book on Social Policy Bonds. It will be about 72000 words in length. It will have all my latest thinking on the bonds idea, with quite a few anecdotes, mostly ones about which I have blogged on this site. I have begun the arduous task of looking for a publisher or literary agent to handle the book. If any readers know of someone who might be interested in publishing or representing it would please let me know, I'd be grateful.

5.6.4 Diverse approaches are essential (2008-06-12 20:03)

Perhaps the most alarming sentence in Mark Lynas' article in the (UK) Guardian is this:

> [C]onventional wisdom from governments and environmental groups alike insists that "Kyoto is the only game in town", and that proposing any alternative is dangerous heresy. [1]Climate chaos is inevitable

One of the advantages of a Social Policy Bond regime is that it allows multiple approaches. The stakes could hardly be higher than with climate change, yet we are attempting to deal with it with a single approach; one which is a product of 1990s science and all sorts of political compromises. Kyoto is divisive, and imposes upfront costs for a very uncertain, remote return. No wonder then that it lacks any real support except from those who are so involved in process that they see it as an end in itself. At OECD, when talking about environmental applications of the Social Policy Bond principle several years ago, I encountered similar opposition from employees of OECD governments who were committed to Kyoto.

[2]Climate Stability Bonds are compatible with cutting greenhouse gas emissions, Kyoto style. But they would also encourage other policies and projects, provided they were more efficient. They would also make application of the Kyoto approach more efficient, by rewarding people commensurately with their efficiency, rather than for the degree to which they comply with the Kyoto process. Sadly, I think there's a chance that we're too late even to avert the oblivion to which Mr Lynas occurs; if so, our single-minded focus on Kyoto should bear much of the blame.

1. http://www.guardian.co.uk/commentisfree/2008/jun/12/climatechange.scienceofclimatechange
2. http://socialgoals.com/ieakyototext.html

5.6.5 Government is not the solution - or the problem (2008-06-16 14:32)

It's unfortunate that so much of politics takes the form of arguing about the size of government. For me, it's not that government is big that is the problem; it's that big government tends to be remote government - but that is an observation rather than an inevitability. We owe a lot to big government:

> [W]e prefer to take our chance of cholera and the rest than be bullied into health...

So the [London] *Times* said, in an editorial protest against government-imposed basic sanitation schemes aimed at reducing cholera levels in London. The date: 1 August 1854. In those days identifying solutions was relatively easy: we needed sewerage systems, the provision of basic health, education and infrastructure, as well as the public services of law, order and defence against invasion. There's still a case to be made for government intervention now to maintain and improve these services, but there is less of a case for government provision of them.

Under a Social Policy Bond regime government could still prescribe such universally desired goals as basic sanitation, or very low levels of infectious diseases. But it would not have to get involved with trying to identify and provide efficient ways of achieving them. It could concentrate on what it does best: articulating society's goals, and raising funds to pay for their achievement. The actual work would be done by those who can do it efficiently: they

would be bondholders, or people financed by bondholders. In this way, market forces would be given free rein over the area in which they perform best: the allocation of resrouces to achieve the ends prescribed by government; with government acting in its proper role as people's representative, rather than as an investment company.

5.6.6 Dooh Nibor (2008-06-17 12:04)

..or Robin Hood in reverse. In today's [London] *Independent,* Dominic Lawson [1]writes about how China subsidises oil consumption:

> While crude oil prices have doubled, the price of a tank full of petrol on the forecourts of the Middle Kingdom has not increased by a single renminbi – and is not likely to do so this side of the Olympic Games. In this context, the article by the vice-premier of China's state council in [the 16 June issue of the London] *Financial Times* was almost comical. Wang Qishan argued that his government "gives high priority to energy and resources conservation and the protection of the environment". No one can doubt the pressures the Chinese Politburo is under to meet the aspirations of its people and neither should we in the West criticise their desire to enjoy the opportunities which industrialisation bestowed on us. But still, how can the representative of a government which pays its industries to burn more fuel expect to be taken seriously as a proponent of "energy conservation"?
>
> This seems, on the surface, to be one of the greatest paradoxes of the modern world: while democracies such as those in the European Union have been sufficiently insensitive to the wishes of their consumers as to have provoked disturbances over the price of petrol and diesel – augmented as they have been by very high taxes – totalitarian states such as China have pre-empted the possible political consequences of high domestic gasoline prices. Perhaps it is because the rulers of such countries know their people do not have the safety valve of elections to let off steam; so if things get ugly they could get very violent indeed. There is a less charitable explanation. In China, only the wealthiest two per cent own a motor car; the proportion is not much more in many of the other developing countries with high petrol subsidies: so we are seeing the subsidisation of the richest in the Third World at the expense of all. ...It is exactly the same as the global food market, in which subsidies ostensibly designed for the benefit of everyone are in fact disproportionately directed at the richest, paid for by national exchequers which supposedly represent the interests of nations as a whole.

And so it goes on, at great cost to the environment and ordinary people. Though we do have elections in the west the agricultural subsidies to which Mr Lawson refers also continue - decades after it was realised how wasteful, socially unjust and environmentally diastrous they are. We cannot foresee all the ramifications of our policies, but we should at least be able to stop the ones that are failing. That, our current policymaking system seems incapable of doing, no less in the west than in the ..er.. People's Republic of China.

1. http://www.independent.co.uk/opinion/commentators/dominic-lawson/dominic-lawson-the-sheer-hypocrisy-of-this-debate-on-oil-848517.html

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5.6.7 The case against a referendum... (2008-06-20 17:15)

... is also the case for more referendums. An interesting article by Steve Richards in the [UK]*Independent* on 17 June: writing about the Irish referendum result and one UK politician's resigning to call a by-election on the single issue of civil liberties, Mr Richards [1]writes:

> a referendum is a device proposed by leaders only when they are certain they can win. Conversely it is used by voters to cast their verdict on a variety of subjects often unrelated to the single issue they are supposed to be voting on. ... Similarly, single-issue by-elections are a distortion, the crusading candidate implying that one policy can be plucked out of the air and made the subject of excessive and simplistic attention, when any national leader must address the subtleties of the relevant single issue and give more prominence to other policy areas.

All this is true. But would it be true if there were more referendums? Politics, as Mr Richards also says, is 'about the resolution of disagreement through debate, manoeuvring , winning votes in parliament, persuading voters and the media to come on board.' Ordinary people are too far removed from this

business , I think, so when we are given the chance we often adopt the 'plague on both your houses' approach that Mr Richards (rightly) derides. One answer could be to express policy goals more in terms of outcomes than process; more in terms of ends than the means of reaching them. Notions of trade-off and opportunity cost seem to be remarkably absent from most of the media discussion about policymaking , at least in the UK. But having to choose between different outcomes could refocus the debate, and give us more realistic expectations of what our politicians can deliver. They are, after all, our representatives. We should be given such choices more often: we'd then identify more closely with out politicians, who have to make policy decisions all the time; and give us less incentive to let off steam when, as now, the opportunity to do so is a rare event.

1. http://www.independent.co.uk/opinion/commentators/steve-richards/steve-richards-dont-be-fooled-ndash-these-heroic-campaigns-only-make-our-democracy-even-more-fr

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5.6.8 Social Policy Bonds - the panoptic view (2008-06-26 21:41)

The stunning indifference of the publishing world (so far) to my draft book on Social Policy Bonds makes me wonder whether the concept has a future. If there were enough diversity in the policymaking world, Darwinian adaptation would see the survival of only the fittest political systems. Social Policy Bonds, or something like them, would have to prove themselves against the alternatives - regardless of whether my ideas ever convince an influential audience or not. There are a couple of flaws in this idea. First, is that I doubt that there is sufficient diversity of political systems - not given the limited time (I think) we have to avoid catastrophe, whether environmental, social or whatever. Evolution *of systems* has little chance to play a major role.

This contrasts with the role that evolution can play *within* the Social Policy Bond paradigm: when bonds are issued, people have incentives to explore, refine and try out new ways of doing things, and to exploit only the most successful

approaches . There is greater diversity of, for example, different potential solutions to climate change, than there is of different political systems. The combination of diversity and adaptability works within the bond paradigm, but is unlikely to select the paradigm itself against the entrenched existing policymaking systems.

The second reason why I am a little pessimistic about evolution leading to the selection of Social Policy Bonds or any greatly improved policymaking system concerns the definition of 'fittest'. As I understand it, in biological evolution, the fitness that Darwinism favours is reproductive fitness. Someone who leads a miserable, diseased life, has plenty of children, and dies at age 20 is more fit, in this sense, than a healthy, happy but childless person who lives to be 100. Fitness in the policymaking world may have a similarly narrow meaning: a system that is fit in evolutionary terms need not be the one that maximises the well-being of its people, especially in a world where any group of moderately well-off misanthropes can increasingly access technology that can threaten anybody else. (Present-day North Korea for instance.) It so happens that in recent decades, by and large the societies (or coalitions of societies) that were militarily most successful were also the ones that delivered the largest economic surpluses to their population, and that such surpluses were correlated with well-being as well as military success. But there is no inevitability about such correlations. The relationship between economic and military might breaks down if you have a regime as nasty as, say, North Korea. And the link between economic wealth and the power to threaten also breaks down, if you have regimes sufficiently misanthropic, deranged or suicidal.

So, overall, a pessimistic picture. But a very speculative one, and I shall persist for a while in trying to get my ideas at least considered by those with influence.

5.7 July

5.7.1 Transcending evolution? (2008-07-04 14:46)

> Over 99 percent of the species that ever walked, flew, or slithered upon this earth are now extinct. This fact alone appears to rule out intelligent design. When we look at the natural world, we see extraordinary complexity, but we do not see optimal design. We see redundancy, regressions, and unnecessary complications ; we see bewildering inefficiencies that result in suffering and death. Sam Harris, [1]*Letters to a Christian Nation* (page 75)

In a infinite universe the best way of making policy would simply evolve. In what used to be a diverse world, it certainly looks as though the *worst* ways of making policy - those that destroy or enfeeble part or all of their population - are on the defensive or even on the way out. The liberal countries are generally more prosperous, and the more fortunate citizens of failed states can migrate to those that manage their affairs better. If someone had to choose the type of real-life society in which to live, given the whole range of past and current societies , and without knowing what their status within that society would be, they would probably choose a western liberal democracy.

But, tempting as it is to believe the opposite, it doesn't follow that these societies will persist, let alone improve. A glance at history is all that's necessary to see that there was nothing

inevitable about the rise of liberal democracy: if Hitler had put off his invasion of the Soviet Union or had developed atomic weapons before the US.... Similar warnings should be heeded today. There's nothing inherent in our current policymaking system that says, for example, that we can successfully avoid environmental or social catastrophe, or that any society that remains after such an event would be more pleasant to belong to. The suffering and death to which Mr Harris refers can mean the suffering and death of the entire planet. In an infinite universe, there will always be other planets that actually do evolve the best policymaking system - which might look nothing like the liberal democracy that is our current best effort.

All this is to say that there is a case to be made for deliberate intervention rather than waiting for evolution to do its work: for stipulating that one of the outcomes we want to see is the survival (at the very least) of our species and actively targeting that outcome. Our past experience barely equips our policymakers to acknowledge global threats, let alone to respond effectively to them. The threats come from too many different sources and have too much uncertainty attached. There is no inevitability that our curent systems can deal with them.

So there is a strong argument, I believe, for something like Social Policy Bonds that reward people for ensuring that no social or environmental catastrophe occurs. Such bonds could be redeemed after a sustained period during which no huge upheaval,*however caused*, led to large numbers of people being killed, injured or made homeless. Holders of such bonds would do their utmost to prevent social and environmental collapse. The issuers of the bonds could include global bodies (such as the United Nations), using funds raised from the world's governments. To me, this targeting of a universally desirable outcome, is far preferable to waiting millennia for evolution to come up with better systems than we have now, especially when our planet itself and every living thing on it might in the long run be merely one of those unsuccessful mutations that doesn't survive.

1. http://www.amazon.com/Letter-Christian-Nation-Sam-Harris/dp/0307265773

5.7.2 Why who? (2008-07-05 13:05)

The Zen header of this post is my asking why the title of the current *Economist*'s article about world governance is headed 'Who runs the world?' You can't blame the *Economist*. In common with the rest of us, it sees problems as arising from the failure of organisations. But I think this approach is outdated. Consider:

> The third impetus to rejig the way the world organises itself is a dawning realisation on the part of governments, rich and poor, that the biggest challenges shaping their future—climate change, the flaws and the forces of globalisation, the scramble for resources, state failure, mass terrorism, the spread of weapons of mass destruction—often need global, not just national or regional, solutions. *[1] Who runs the world?* (subscription, probably)

Yes, they need solutions, and the solutions should drive institutional changes, rather than the other way round. Reward people for solving global problems, and they will have incentives to develop institutions entirely geared up to solving them. Our current institutions are woefully not up to the task; nor are they up to devising new institutions that are. The key is to subordinate organisational structures and funding to targeted goals, not for some academics, policy wonks or super civil servants to try (as the *Economist* goes on):

> to figure out is which bits of the global architecture need mere tweaking, which need retooling or replacing—and who should have the right to decide.

That, I guarantee, is not going to work. The question we should be asking is not 'who runs the world?', but 'what problems do we want to solve?' Then we can set about issuing [2]Climate Stability Bonds or [3]Conflict Resolution Bonds or whatever and putting organizations, with all their inefficiencies, hang-ups and intrigues, in their proper place: subordinate to human goals.

1. http://www.economist.com/displaystory.cfm?story_id=11664289
2. http://socialgoals.com/ieakyototext.html
3. http://www.socialgoals.com/wpbsshort.html

5.7.3 The new mediators (2008-07-06 22:38)

An interesting article in the current *Economist* about the new mediators: small groups, away from the UN razzmatazz, working behind the scenes to resolve conflict, with some success.

> The UN has traditionally provided a forum for the discussion and resolution of international disputes. However... "There are no equivalent mechanisms for intrastate dispute resolution...despite the fact that most violent conflicts today are not international but intrastate in character." The new mediators provide the new mechanisms. Many of these contemporary conflicts involve insurgents, secessionists or even "resource-warriors"....[1]*The discreet charms of the international go-between* , 'The Economist', 3 July 2008 (subscription, probably)

This is actually quite a positive story. It even puts UN efforts in a good light: at the very least they provide a distraction from the quiet efforts made by the new mediators that would fail if they attracted too much attention. Purists might object to the involvement of terrorist groups in the mediators' negotiations. It is repellent to me also; but as far as the well-being of populations is concerned, it is very often the best tactic.

[2]Conflict Resolution Bonds would embody the principle that meaningful outcomes are more important than history, taste, ideology, facts or even justice when it comes to negotiating the end of conflict. I'm pleased that the new mediators recognise that. A CRB, by targeting socially beneficial outcomes, would probably see such valuable initiatives arising less haphazardly than now .

1. http://www.economist.com/world/international/displaystory.cfm?story_id=11670918
2. http://www.socialgoals.com/wpbsshort.html

5.7.4 Subsidising fisheries destruction...a continuing story (2008-07-08 19:10)

I can't put it any more forcefully than [1]George Monbiot in *the Guardian* of 8 July:

> The [EU] fishermen make two demands, which are taken up by politicians in coastal regions all over the world: they must be allowed to destroy their own livelihoods, and

> the rest of us should pay for it. Over seven years, European taxpayers will be giving this industry €3.8bn. Some of this money is used to take boats out of service and to find other jobs for fishermen; but the rest is used to equip boats with new engines and new gear, to keep them on the water, to modernise ports and landing sites; and to promote and market the catch. Except for the funds used to re-train fishermen or help them into early retirement, there is no justification for this spending. At least farmers can argue - often falsely - that they are the "stewards of the countryside". But what possible argument is there for keeping more fishermen afloat than the fish population can bear?

EU politicians are not stupid. They know what they are doing. But they cannot summon up the will to change it. They are, like the rest of us, prisoners of a dysfunctional political system. It speaks volumes that these politicians lead what are probably the least corrupt regimes in the history of mankind. What chance then that they, or governments anywhere else, will tackle the really serious problems, where even the smallest step will create far more losers than even a complete dismantling of EU fisheries?

Very little, I'd say. We need a policymaking system that transcends sectoral, entrenched interests. A Social Policy Bond regime would be a good start: by expressing policy in terms of clear, meaningful outcomes, it would see more public participation and more willingness to do things that are unpopular but necessary.

1. http://www.guardian.co.uk/commentisfree/2008/jul/08/fishing.climatechange

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5.7.5 Violent crime in the UK (2008-07-10 20:12)

From an article about violence in England in the current *Economist*:

> Policemen may hold surgeries for local people, but they can take or leave whatever requests such meetings throw up. Instead, they are subservient to a rigid system of central targets, which has inadvertently encouraged coppers to focus on busting minor offenders rather than on keeping their patches safe. [1]*Violent Britain*

I think it's inevitable that in large, complex societies, policy is going to be determined and measured by numerical indicators of our well-being. This may be regrettable, but it's probably unavoidable. Unfortunately our governments aren't much better at devising decent indicators than were Soviet-era central planners. Their choice of targets is largely a product of their bureaucracies: they relate to the functions and structures of government agencies more than they do to outcomes that are meaningful to ordinary people. It's similar in the health services: targets are too narrow and can be too easily manipulated to serve any useful non-bureaucratic purpose.

Sadly, British Government seems to be responding to the rising level of (non-murderous) violent crime by trying to preserve:

> the police authorities that now exist, but insisting that their members be elected. [UK] Home Office research shows that the "vast majority" of Britons have never heard of police authorities, and most of those who have don't know what they do.

As the *Economist* says 'It is hard to imagine chief constables being bossed around by anonymous people elected on a minuscule turnout.' And as I say, the possibility of subordinating policy to broad, meaningful goals, has been sacrificed on the altar of existing institutional structures.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=11707636

5.7.6 Biodiversity or cheaper petrol? (2008-07-13 15:12)

How much is biodiversity worth? How is the avoidance of lost biodiversity to be weighed against people's wish for cheaper fuel?

Social Policy Bonds cannot answer these questions, but they can help in two ways:

Bonds could be issued that target some index of biodiversity. The market prices of the bonds at flotation and thereafter generate estimates of the total and marginal costs of achieving targeted goals. The total cost estimates would be continuously refined and updated by a large pool of motivated observers. They would probably be better estimates than those calculated from the sort of estimates made nowadays: typically one-off calculations performed by a relatively small number of academics or government employees. The marginal costs derived from bond prices would also represent a big improvement over the information currently available to decision-makers, once they have decided which projects to support. So the cost of maintaining a given level of biodiversity can be calculated.

Ultimately, any decision as to whether it's worth maintaining that level against a few pennies off the price of petrol will have to be made on a political basis. But here again, a Social Policy Bond regime could help: a bond regime, because of its transparent targeting of meaningful outcomes would make it easier for more people to participate in policymaking generating more buy-in than current politics affords. If we want to trade off [1] orang - utans , then, for biofuels , at we'd know whose responsibility it is - ours - rather than, as now, delude ourselves that it's the fault of corrupt third-world governments.

1. http://gristmill.grist.org/story/2007/6/8/102518/2573

5.7.7 The logic of incremental adaptation (2008-07-16 20:06)

Social systems seem to behave in similar ways to ecological systems. An economy is not (despite lazy journalism) something that is steered, but rather a complex web of agents,

flows beset by time lags, and mutations - some adaptive, some not. Same with society as a whole. The current economic system is undergoing a shakeout, and I see two broad scenarios. Everything will be done to try to shore it up: taxpayer bailouts of financial institutions, vastly inefficient biofuel programs, subsidies to those who make the most noise, who have the biggest clout, or who make the largest political campaign contributions. Even that might not be enough, and the second possibility, a systemic collapse, will ensue. Then Milton Friedman's phrase comes to mind: 'Only a crisis produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.'

To be honest, I can't see Social Policy Bonds being deployed before such a crisis. To my knowledge, nobody has issued them in the 20 years or so that the idea has been in the public arena. However, the idea is at least lying around, and I think it's a lot better than some of the other ideas that could be (or indeed have been) picked up at times of severe social disruption. I am about to finish a book of about 70000 words on Social Policy Bonds. If any reader can help me find a publisher please could you contact me?

5.7.8 Targeting walkability (2008-07-17 20:49)

It's difficult to come up with robust indicators of well-being. This difficulty is particularly obvious when we are thinking about which goals a Social Policy Bond could target. But it's just as relevant, if more obscure, when we look at policymaking under the current regime. Many indicators of well-being are good at the basic level. At the lower levels of wealth, income, nutrition, literacy, for instance, numerical indicators (dollars, caloric intake, ability to read) are both easy to measure and strongly correlated to well-being. At higher levels, such correlations tend to break down.

If we needed, though, indicators for well-being at a community, or neighbourhood level, I'd think seriously about including

walkability . Here's the complete post from [1]Grist:

> Software company Front Seat has released a ranking of the most walkable U.S. cities, rating the relative distance to and density of businesses like grocery stores, bars, book stores, and coffee shops to calculate an overall walkability score. San Francisco took top honors, followed by New York City, Boston, Chicago, and Philadelphia; the lowest scoring cities were Jacksonville, Fla.; Nashville; Charlotte, N.C.; Indianapolis; and Oklahoma City. The rankings also singled out the nation's most walkable neighborhoods, with Tribeca , Little Italy, and Soho in NYC placing first. "It's both healthy for the Earth and for humans to be able to walk to most of the places they need," said Kate White of the Urban Land Institute. "Your carbon footprint is significantly lower than someone who has to drive everywhere ... and you're able to have real neighborhoods where you're not totally separated from your neighbors." People [in the US] can see their own 'hood's walkability score at [2] Walkscore .com.

I like this idea. With quantification comes the possibility of measurement and targeting. There are always going to be other criteria, but walkability , I think, is important, and deserves a higher rating in town planning than it has right now.

1. http://www.grist.org/news/2008/07/17/walkable/index.html?source=rss
2. http://walkscore.com/

5.7.9 Justice or expediency (2008-07-21 22:25)

The current [1]*'Economist'* (subscription), discussing whether the president Sudan should be brought before the International Criminal Court:

> The spectacle of justice thwarted is hard to stomach. But in the argument between justice and expediency, both must have their say.

Quite. Sometimes it's worth holding your nose and subordinating the interests of justice to those of ordinary people who just want to get on with their lives in peace. It's difficult, in the heat of conflict, to reach that conclusion, but I suspect that if people in areas of long-running conflict (the Middle East, for instance) were given the chance in a secret ballot, they would opt for compromise and peace over war every time. I might be quite wrong about that, but surely they should be given the chance to make that decision . In most conflicts, one person's justice is another's revenge, but even in cases (like the Sudan or Zimbabwe) where the wrongdoers can be objectively identified, expediency is sometimes going to be the best solution for almost everybody.

Unfortunately, the way in which policy made tends not to target outcomes such as 'peace'. We think it wrong for murderous leaders to be given at the expense of overseas taxpayers a perpetual holiday in a golfing resort of their choice. But that might be the most efficient solution to conflict, and one that the people most involved would, if they had the opportunity, wholeheartedly support.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=11750485

5.7.10 Fannie Mae and Freddie Mac: more perverse subsidies (2008-07-24 17:32)

Commenting on the US taxpayer bailout of Fannie Mae and Freddie Mac, [1]*the Economist* (subscription) says:

> Normal financial-services firms should have been dealing in the safe, middle-of-the road mortgages that Fannie and Freddie specialise in. Except that they were crowded out into subprime mortgages. Fannie and Freddie should never have grown so large. Except that they wanted to exploit the margin between the government-guaranteed borrowing costs and the commercial lending income. They should have been stopped by Congress and their regulator. Except that they spent some of their subsidy on a fierce lobbying machine.

It's a vicious circle: the subsidies enrich an interest group, enabling it to resist anything that threatens its power to enrich itself further. We see it in other sectors: agriculture, fisheries

and corporate welfare generally, and there's very little transparency about it. Ordinary people don't vote for subsidies to the wealthy (and that often accelerate destruction of the environment), but that's where quite a significant proportion of consumer and taxpayer subsidies go. (In the current draft of my book I estimate perverse subsidies to amount to about 7 or 8 percent of all the world governments' spending.)

Governments and their corporate beneficiaries can keep this nonsense going because we are used to accepting as reasonable the specification of policy goals in terms of vague promises, are so turned off by the arcane business of policy making, with its emphasis on legalisms, spending plans, institutional structures and process, process, process.

A Social Policy Bond regime would be different. Outcomes would be explicit and transparent. They'd be meaningful to voters and they'd be costed. If the goal is, for instance, to help poor people buy their own homes, then that would be targeted, rather than some alleged means of bringing that about. Bonds would be issued that rise in value once the number of poor people helped to buy their homes had risen beyound a specified level for a stipulated period. There'd be no ambiguity, and no substitution of corporate goals for voters' wishes.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=11750402

5.7.11 Obesity is like climate change (2008-07-27 21:25)

[1]Rob Lyons, discussing [2]*The Diet Delusion* by Gary Taubes , writes:

> What seems abundantly clear is that banging on at entire populations to eat less and exercise more has been an utter failure in terms of reducing levels of obesity.

Social and environmental systems are as complex as obesity and as unresponsive to the 'cause and effect' model of government intervention. In the early days of benign government the relationship between a problem and its cause was often much easier to identify - and probably still is for the afflictions of the poorest members of society. In such cases provision of, for example, basic infrastructure, education and housing was - and is - an almost unambiguous good. But society today is as complex as the human body. Identifying a single cause of, for instance, obesity, or baldness, cancer etc, is unlikely to be fruitful. Sadly, that is the way governments operate: indeed it is the way our individual thinking operates. But for complex problems more subtle ways of finding solutions are necessary. They require diverse approaches, and ones that adapt over time. Climate change and nuclear proliferation, to take a couple of urgent challenges, are at least as complex as obesity, and are going to be at least as unresponsive to the usual approach.

The Social Policy Bond approach is to stipulate the targeted goal: a stable climate, or nuclear peace, and reward people for achieving it, however they do so. It would be up to investors in the bonds to research, investigate, and implement different approaches. They would be highly motivated to terminate their unsuccessful projects (something that government rarely does) and to adapt and replicate their successes. I think the bonds offer a better solution to complex social and environmental problems than the current, cause and effect, model.

1. http://www.spiked-online.com/index.php?/site/reviewofbooks_article/5513/
2. http://www.amazon.co.uk/exec/obidos/ASIN/0091891418/spiked

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5.8 August

5.8.1 Old Beijing (2008-08-01 22:05)

Reviewing *City of Heavenly Tranquility: Beijing in the History of China* by Jasper Becker, the [1]*Economist* (subscription) says that one of its strengths

> is the depiction of Beijing as a canvas for the projection of others' fantasies. In the case of 17th-century Jesuits or 20th-century Westerners in search of the exotic, this was fairly harmless. With purges, famine and urban destruction, Mao Zedong visited immense grief on a city he treated as a blank page. But it is China's recent dictators who have finished off Beijing, bulldozing its past with the criminal approval of the world's leading architects throwing up "signature" structures....

There's nothing unique about China in this respect. Most British cities, for example, suffer from ludicrous zoning rules, brutal modernism, and the car cathexis of town planners. The desolation of our urban environment is a physical manifestation of how policy is made. Well-meaning (for the most part) government has its own ideas about what's best for the people. But the gap's too wide: they don't really know what's best for us. They have to rely on aggregated data and their own ideology, and it doesn't work. Heavily influenced by big business and corporate goals, our physical and social environments serve abstract, ideological or economic goals.

A Social Policy Bond regime would be different. The economy would be seen as a means to various specified ends, not as an end in itself. And the specified ends would be meaningful to ordinary people. It's possible that aesthetic, social, psychological and environmental horrors - in the eyes of Mr Becker (and me) - would still be perpetrated, but they would then happen with the people's participation and consent. More likely, some economic growth or Olympic razzmatazz would be traded off against a higher level of well-being. That would be policy as if outcomes mattered.

1. http://www.economist.com/books/displaystory.cfm?story_id=11837639

5.8.2 Entrenching insanity (2008-08-05 18:23)

With 88 percent of the EU's fish stocks over-fished, diminishing fuel supplies, and its Kyoto emission targets looking unlikely ever to be met, what is the response of the EU Commission? Raise fuel subsidies to the fishing industry of course. You can read about it [1]here. Also today's [2]news gives more details of UK government bailout of Northern Rock, which currently

owes UK taxpayers will stand to lose up to £17.5 billion.

There's a perverse logic to these perverse subsidies. Once you've started dishing out subsidies, it's very difficult to stop. The effect of the subsidies is to swell the power of the recipients to oppose any reduction in their subsidies. It's a corrupt, insane way of running things from the point of view of society as a whole. But who has that point of view any more?

1. http://www.globalsubsidies.org/en/subsidy-watch/news/high-fuel-costs-prompt-european-commission-increase-fisheries-subsidies
2. http://news.bbc.co.uk/1/hi/business/7543628.stm

5.8.3 Government suppresses adaptation (2008-08-09 15:19)

> ...Americans have been eating oil and natural gas for the past century, at an ever-accelerating pace. without the massive 'inputs' of cheap gasoline and diesel fuel for machines, irrigation, and trucking, or petroleum-based herbicides and pesticides, or fertilizers made out of natural gas, Americans will be compelled to radically
>
> reorganize the way food is produced, or starve. James Kunstler , [1]*The Long Emergency* (page 239)

Without government subsidies, it's unlikely Americans (and other industrialised countries) would be in this predicament. Government has subsidised the extraction of oil. It was also obsessed with maximising per hectare yields of farm products, and the way it subsidised agriculture led to highly intensive, specialised production that relies absolutely on oil. Without government backing, we'd probably still be eating oil, but not to the same degree and we'd not be so locked into that mode of production. Government is not immune to the winnowing effect of Darwinian evolution. But replacing governments take time, during which irreversible harm can be done to people and the planet. The Soviet Union was directly responsible for the death of millions, but its demise took decades. If government had refrained from getting involved in subsidising oil and agriculture we'd probably be in a much better position to deal threats like oil shortages. The effect of government has been to suppress our capacity to adapt. That's partly because it thinks it knows how best to achieve social goals. It thought that an oil-based infrastructure and agriculture would maximise social welfare, and because of the self-entrenching nature of its subsidies it's as locked into that paradigm as the rest of us.

Social Policy Bonds are an alternative. Instead of targeting narrow goals such as miles of roads built or yields per hectare, it would set basic nutritional or health standards for everybody. The incentives would be for people to maximise people's health in ways that are diverse and adaptive. The bond principle is to subordinate government-funded activities not to the one-time opinions of a handful of experts but to targeted outcomes themselves. The result would be a more resilient food supply system - one that would have the capacity to adapt and evolve.

1. http://www.amazon.com/Long-Emergency-Converging-Catastrophes-Twenty-First/dp/0871138883

5.8.4 Why isn't this guy running for President? (2008-08-12 20:51)

This from Jonathan Rowe, of West Marin Commons:

> The purpose of an economy is to meet human needs in such a way that life becomes in some respect richer and better in the process. It is not simply to produce a lot of stuff. Stuff is a means, not an end. Yet current modes of economic measurement focus almost entirely on means. For example, an automobile is productive if it produces transportation. But today we look only at the cars produced per hour worked. More cars can mean more traffic and therefore a transportation system that is less productive. The medical system is the same. The aim should be healthy people, not the sale of more medical services and drugs. Now, however, we assess the economic contribution of the medical system on the basis of treatments rather than results. Economists see nothing wrong with this. They see no problem that the medical system is expected to produce 30 to 40 percent of new jobs over the next thirty years. "We have to spend our money on something," shrugged a Stanford economist to the *New York Times*. This is more insanity. Next we will be hearing about "disease-led recovery." To stimulate the economy we will have to encourage people to be sick so that the economy can be well. [1]*Harper's Magazine*

There's nothing to disagree with here. There are difficulties in measuring happiness or social wellbeing, but there are far better indicators than abstract, highly aggregated economic variables. Broad indicators of physical and environmental health would be a start, and under a Social Policy Bond regime we could explicitly target them and channel market incentives into improving them. Another critical goal could be the avoidance of catastrophe, whether its cause be social, environmental or military. Again, Social Policy Bonds could be issued that reward people if a catastrophe - which could be defined as a single event that kills 10000 people in any 24 hours - is avoided for a sustained period.

There are not enough incentives directed at such goals, which are both more meaningful to ordinary people and more widely held than those economic aggregates that we do, by default, target. A Social Policy Bond regime could do something to redress the balance.

1. http://harpers.org/archive/2008/06/0082042

5.8.5 Bruce Schneier gets it (2008-08-13 23:36)

Bruce Schneier , suggesting the actions that the US Government could take to boost cyber security:

> [L] egislate results and not methodologies. There are a lot of areas in security where you need to pass laws, where the security externalities are such that the market fails to provide adequate security. For example, software companies who sell insecure products are exploiting an externality just as much as chemical plants that dump waste into the river. But a bad law is worse than no law. A law requiring companies to secure personal data is good; a law specifying what technologies they should use to do so is not. Mandating software liabilities for software failures is good, detailing how is not. Legislate for the results you want and implement the appropriate penalties;

> let the market figure out how – that's what markets are good at. [1] Memo to the President

Exactly; and as in security, so in other policy matters. Government doesn't know how to do things, but it's the best forum we have for deciding which outcomes we should strive to achieve , and it's the best way we have of raising revenue to achieve those outcomes. For such tasks, being big, monolithic and decisive are advantages, and government has them. But for actually achieving goals in complex, ever-changing societies, we need diverse, adaptive approaches. Stipulating outcomes and rewarding people for achieving them: government can do those things very well. But as Mr Schneier says, the market is the best way we have of allocating resources to actually achieving society's goals.

1. http://www.schneier.com/blog/

5.8.6 New book (2008-08-14 23:29)

I've just completed my book *Market Solutions for Social and Environmental Problems: Social Policy Bonds*. It supersedes my previous books and is much longer, weighing in at 71700 words plus citations. I haven't yet found a conventional publisher, so have published it myself via Lulu. Details here:

> [1]
>

1. http://www.lulu.com/commerce/index.php?fBuyContent=4036494

5.8.7 What is it all about? (2008-08-19 19:49)

From testimony delivered 12 March before the US Senate Committee on Commerce, Science, and Transportation, Subcommittee on Interstate Commerce by Jonathan Rowe, codirector of West Marin Commons, a community-organizing group, in California:

> Every time you say that "the economy" is up, or that you want to "stimulate" it, you are urging more expenditure and motion without regard to what that expenditure is and what it might accomplish, and without regard to what it might crowd out or displace in the process. That term "the economy": what it means, in practice, is the Gross Domestic Product–a big statistical pot that includes all the money spent in a given period of time. [1]*Our Phony Economy* , "Harper's Magazine", June

In the absence of any clear, coherent, agreed goals, growth in Gross Domestic Product, or GDP per capita , has become the *de facto* objective of most governments. Thankfully more people are realizing that GDP or economic growth as conventionally measured, is not a meaningful end in itself - at least not to ordinary human beings in western economies. GDP probably was a useful indicator in the past, when it correlated strongly with social wellbeing , but we'd do

better now to focus on different measures.

A government-backed Social Policy Bond regime would mean asking what it's all about right from the start. As a society we'd need some agreement on where taxpayer funds should be spent - or rather, on what they should be spent to achieve. In my view, we'd do best to target broad, basic levels of health and education; and lower levels of crime and pollution. We could also target the absence of social or environmental catastrophe: using the bonds as an insurance policy against calamity. Of course , the Social Policy Bond concept is versatile enough for any group of wealthy individuals, who could issue their own bonds for their own, hopefully philanthropic objectives. In this [2]example (pdf) I discuss the possibility of issuing bonds targeting female literacy in Pakistan.

1. http://www.harpers.org/archive/2008/06/0082042
2. http://socialgoals.com/handbook.pdf

5.8.8 (2008-08-22 06:07)

All very interesting stuff. I've seen similar views on www.climatechangetriage.net. It seems there are a number of folks talking in this way. Sounds like a good idea to me

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5.8.9 Buy-in and regional development (2008-08-23 19:43)

A key chapter, titled 'What sort of Future?', by David Byrne , in [1] *Geordies : Roots of Regionalism*, discusses amongst other things the British Government's policy towards northeast England in and after the 1930s:

> The proposals for regional development ... were an interesting and fruitful combination of macroeconomic industrial strategy and Keynesian social strategy. ... All public bodies were involved in this programme, but the major initiatives were associated with a new political form, the corporatist political organizations created by the Special Areas Commission in the form of appointed rather than elected bodies. ... The significance of this separation of economic development from direct democratic control by local government cannot be overstated.

The significance, to me, is that of a growing gap between government and the people it is supposed to represent. It's a reminder of the crucial importance of buy-in to policies that affect us. The continuing turmoil in the world's financial markets tells us that even banking experts don't fully understand the nature of the risks they are taking in a complex environment. There is a case, then, for delegating economic and policy decisions being taken by a small group of experts. But their *goals* should be those of the people affected. Economic policy can be arcane and amenable only to specialists. But its goals need not be. A Social Policy Bond regime, by targeting broad social and environmental objectives, could draw more people

into the policymaking process. Some statistical economic growth might be sacrificed but the benefit in terms of more buy-in could be immense. It could do a lot to eliminate the bitterness and rancour that affects so much of Britain outside the southeast; the feeling of being colonised by the capital, of being a victim of decisions made hundreds of miles away.

1. http://northumbria.ac.uk/sd/central/its/uni_press/catalogue/geo_ror/

5.8.10 (2008-08-23 20:30)

Thanks Chris.

5.8.11 Ends and means in energy policy (2008-08-27 20:44)

James Lovelock in [1]*The Revenge of Gaia* :

> I find it sad, but all too human, that there are vast bureaucracies concerned about nuclear waste, huge organizations devoted to decommissioning nuclear power stations, but nothing comparable to deal with that truly malign waste, carbon dioxide.

Energy policy is largely politicised; which means that people are less likely to engage in rational argument. But Lovelock's case for going nuclear should be debated. Unfortunately, like so many other facets of life in a complex world, nuclear technology is highly technical, which probably explains why most of us react emotionally to it. But Social Policy Bonds could bring about more public participation in the debate - essential if we are going to have the buy-in that will become increasingly necessary. Under a bond regime we would target broad environmental indicators and supply of energy. These are the outcomes of an energy policy, and much easier to understand than highly specialised technical data. Holders of bonds targeting such environmental and social goals would have incentives to achieve the specified goals, but it would be up to them to decide how. They would have powerful incentives to meet the agreed environmental criteria. And these criteria would be agreed by society in general, rather than a handful of politicians taking advice from a few scientists and industry lobbyists.

Nuclear or non-nuclear: that is not the question. Meeting agreed social and environmental goals: that is what is important, and that is what an outcome-based policy approach, such as Social Policy Bonds, would deliver.

1. http://www.amazon.com/Revenge-Gaia-James-Lovelock/dp/046504168X

5.8.12 Fossil fuel subsidies: facts and figures (2008-08-28 20:47)

I'm pleased to see that the United Nations has tried to quantify subsidies to fossil fuels:

> Globally, governments spend some $300 billion on fuel subsidies that encourage consumption, delay transition to cleaner energy sources, and mainly benefit the already-rich even though most of the programs are intended to help the poor with fuel costs. "In the final analysis, many fossil-fuel subsidies are introduced for political reasons but are simply propping up and perpetuating inefficiencies in the global economy," said U.N. Environment Program director Achim Steiner.... Russia is the largest fuel-subsidy spender, throwing down some $40 billion a year mainly to subsidize natural gas; Iran is in second place, spending about $37 billion a year on fuel subsidies. [1]*You're not fueling anyone* , 'Grist'

Perhaps surprisingly, most of these subsidies are given by governments of the developing countries. The UN report says that the 2006 Stern Report:

> estimates that direct government support to the deployment of low- carbon energy sources worldwide is currently of the order of $26 billion per year: $10 billion on deploying renewable sources of electricity and around $16 billion on supporting existing nuclear power. [2]*Reforming Energy Subsidies* (pdf)

The problem with subsidies is that they are so difficult to terminate, even decades after they are shown to be economic nonsense, environmentally disastrous and socially inequitable. Subsidies of this sort finance a coalition opposed to their removal.

For more on fossil fuel subsidies see: [3]End Oil Aid, which has a database showing subsidies to the oil industry by country; and [4]Oil Change USA; an informative, entertaining site which looks at the influence of oil in the US.

1. http://www.grist.org/news/2008/08/27/fuelin/index.html
2. http://www.unep.org/pdf/PressReleases/Reforming_Energy_Subsidies.pdf
3. http://oilaid.priceofoil.org/
4. http://oilchangeusa.org/

5.8.13 Management of the market (2008-08-31 12:32)

In today's *Observer:*

> For three decades a single dominant thought has crowded out all others: that managing, whether of economies or organisations, is a matter of switching on the automatic pilot of the market's invisible hand and letting rational selfishly motivated individuals do the rest. .... But the dominant idea is now under attack. One prong of the offensive is the course of events; after all, it wasn't supposed to be like this. Over the past decade, rather than a stimulating pat on the back, the invisible hand has administered a succession of increasingly damaging haymakers : South East Asia,

> hedge fund LTCM , the dotcoms , Enron and other corporate scandals, now the sub-prime shambles. After several knockdowns, the unfettered market has put the global economy on the canvas for the count. [And] just as the practice of financial capitalism is being questioned, so are its intellectual underpinnings. As it excavates the foundations, the burgeoning school of behavioural economics is shouldering aside the desiccated calculations of economic man to make legitimate space for emotion, altruism and fair play in economic behaviour. [1] Simon Caulkin
>
> , 31 August

Mr Caulkin points out that there are many incentive structures that can bring about excellence in the private sector and that:

> It has nothing necessarily to do with stock options, private ownership or extravagantly paid senior executives. It does have to do with effective work organisation and systems, which the individual performance management regimes favoured by the private sector are as likely to destroy as to support. It is now apparent that where the private sector does excel is in disguising the full costs of its incentives by externalising their dysfunctional results on to society as a whole. Today's credit crunch is the most stunning example of this perverse behaviour in economic history.

Mr Caulkin ends by saying that 'Management of the market is as important as management by it'. I can't disagree with this, except to point out:

1. that the public sector also behaves anti-socially (see *passim* on this blog or the websites at right references to perverse subsidies) and
2. that the broader incentives *do* matter when it comes to the private sector externalising its costs (onto the environment as well as 'society as a whole').

There are few incentives not to so externalise. The private sector is always going to 'excel in disguising the full costs' of its negative impacts on the rest of us if it doesn't get punished for doing so, or rewarded for not doing so. It is reacting rationally (and anti-socially) to the incentives on offer. So the question is not so much 'how is the market to be managed?', but rather 'how can we rejig the incentives so that the organizations - whether they be private or public sector - behave themselves?' That's where Social Policy Bonds enter the picture. They can act as a market-based device for correcting market failure. If the product of the mix of private and public sector bad behaviour is a filthy environment or a high rate of crime, then rather than regulate with a (*pace* Mr Caulkin) not-always-efficient public sector, a bond regime with environmental and social goals that are understood and agreed by ordinary people could be the solution. Social Policy Bonds could be issued that reward people for bringing about a cleaner environment and a lower crime rate, however they do so.

So management of the market could in effect be done by the market. The beauty is that under a bond regime it is that the market would be allowed to do what it is best at doing - allocating scarce resources - but in the service of social and environmental goals, rather than the private accumulation of wealth.

1. http://www.guardian.co.uk/business/2008/aug/31/economicgrowth

5.9 September

5.9.1 Fossil fuel subsidies: Norman Myers interview (2008-09-05 19:52)

From an [1]interview with Norman Myers, environmental scientist:

> it is absolutely urgent that we begin calculating the cost of climate change, and pass the cost on to the people who are doing the burning and emitting. .... The number of people who die each year in China because of air pollution is in the order of 400,000. That's a huge mortality rate, and the cost should be built into the price of fossil fuels.

Why then do governments continue to subsidise fossil fuel extraction and use?

> Well, it's partially inertia. Fossil fuels play a very large role in our economies, and to phase them out would cause a lot of disruption. However, it will not be nearly as difficult as living in a world that has been ravaged by climate change. The other reason is the influence of lobbyists. In Washington, for example, there are large numbers of lobbyists who whisper in the ears of Congress in order to keep subsidies to fossil fuels in place. I believe that lobbyists are spending as much as US $250 million a month in the United States, much of which goes to lobbying on behalf of the fossil fuels.

As with agriculture, fisheries and road transport, fossil fuel subsidies have always been perverse. Right now they appear to be suicidal as well. They are the sort of policies that get implemented when nobody thinks about outcomes but only about the supposed means of reaching them. The tragedy is that they don't stop even when the evidence about their perversity is overwhelming, and has been overwhelming for decades.

A Social Policy Bond regime would be different. From the start it would clarify what are society's goals, and what, like, say, cheap, easy transport, are not necessarily goals at all. And then it would inextricably link rewards to the achievement of them. A government-backed bond regime wouldn't spend billions of taxpayer funds on corrupt, insane policies that are financial and environmental disasters. It would subordinate all projects, all activities, all institutions to the goals themselves. Apart from much greater efficiency, there would be a lot more transparency. Current institutional structures, both public and private sector, would be threatened, to the extent that they impede rather than assist achievement of social goals. Mr Myers is writing a book titled *How Institutions Block Our Road to Sustainability*. It should make interesting reading.

1. http://www.globalsubsidies.org/en/subsidy-watch/commentary/a-case-paying-full-cost-energy-interview-with-norman-myers

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5.9.2 The myth of the tragedy of the commons (2008-09-09 11:58)

> Community management isn't an infallible way of protecting shared resources: some communities have mismanaged common resources, and some commons may have been overused to extinction. But no commons-based community has capitalism's built-in drive to put current profits ahead of the well-being of future generations. Ian Angus, [1] *The Myth of the Tragedy of the Commons*

This is an important essay. The 'tragedy of the commons' myth has provided intellectual backing for the destruction of many of those things, difficult to define and more difficult still to quantify, that give life meaning. As Mr Angus points out, self-regulation by communities was the way in which the commons were looked after. The notion of communities itself is disappearing (largely, in my view, for the reasons identified by Robert Putnam: too much [2]immigration and diversity). Could Social Policy Bonds help preserve the commons? One way might be to target those benefits that real, self-regulating communities generate, and reward people for achieving them - or for removing the obstacles to their achievement.

Take crime. Freedom to walk around cities at night is one of those difficult-to-quantify things that has been lost, at least in the countries I know best, New Zealand and the UK. Current efforts to reduce street crime seem to focus on better policing or increased surveillance; but perhaps more thinking out of the box is required. A Social Policy Bond rewarding safer streets (measured by, say, something like a sophisticated footfalls: crime ratio), could see the emergence of more subtle and less obvious approaches. These could include the provision of entertainment facilities for young potential robbers; better street lighting; deregulated taxis; subsidised public transport. Together an optimal combination of measures could bring about not just the benefits of the commons, but also *the community that self- regulates* .

There's little in our current political approach that enhances community. Friction between individuals is inevitable, but our current ways of dealing with it tend to encourage even greater mutual isolation, mirroring the institutional

structures that government embodies and understands. Problems like those of crime or the preservation of scarce resources or the maintenance of other aspects of the commons are not always amenable to the straightforward, cause-and-effect, one-size-fits-all, top-down approach that government does best. A Social Policy Bond regime, targeting desirable, broad outcomes of the sort that the community evolved to provide , could be one answer to the question: how do we best preserve the commons?

1. http://mrzine.monthlyreview.org/angus250808.html
2. http://www.city-journal.org/html/eon2007-06-25j1.html

5.9.3 A multitude of inventions (2008-09-10 21:56)

William D. Nordhaus writes:

> The history of technology suggests that we should avoid trying to pick the winners in our search for revolutionary energy technologies. Radical invention is fundamentally unpredictable. Who could have predicted the nature of modern electronics, biotechnology, or communications a century ago? Similarly, it is a safe bet that we have only the foggiest ideas about the technologies that will save the globe from climate change a century hence. We should avoid thinking that we need a climate Manhattan Project to develop the key technology. It seems likely that new climate-friendly technologies will be the cumulative outcome of a **multitude of inventions, many coming from small inventors, and originating in unrelated fields**. *[1]'The Question of Global Warming': An Exchange,* 'New York Review of Books' [my emphasis]

Exactly. The key principle is that government can supply incentives for the endeavours of the inventors, but it cannot get too closely identified with them, because if it does, it won't

terminate failed inventions. A Social Policy Bond regime could channel government incentives into finding solutions to the climate change problem, or other quantifiable problems. In that way, government could do what only government can do, and what it does best: articulating society's goals and raising the revenue required to achieve them. But through the Social Policy Bond mechanism it would let the market does what it does best: allocating scarce resources to meet our goals with maximum efficiency. For more about Social Policy Bonds and climate change, read this short paper about [2]Climate Stability Bonds.

1. http://www.nybooks.com/articles/21811
2. http://socialgoals.com/ieakyototext.html

5.9.4 More about car parking (2008-09-11 20:21)

I've posted [1]before about the hidden costs of 'free' car parking, in relation to [2]*The High Cost of Free Parking* by Donald Shoup. Writing about Australia in particular, Christian Seibert concludes:

> Minimum parking regulations are costing Australia. A standard component of the urban planning frameworks of our towns and cities, they distort transport choices, skewing them away from walking, cycling, and public transport. They encourage the growth of sprawling cities that do not reflect their inhabitants' true land-use preferences. They make housing more expensive, a particular concern given that housing affordability is a major issue in Australia. They harm those on low incomes, because they make basic goods, services, and housing more expensive for those who can least afford cars and so benefit least from parking. Finally, the parking lots built to meet minimum parking regulations blight our urban landscapes. [3] *There's No Such Thing as a Free Parking Space*

I agree. Minimum parking regulations are a typically well-intended, but ultimately destructive, over-reaction to a highly visible symptom. Policymakers can't see the forest for the trees and they confuse means with ends; the result is unpleasant and dangerous cities for everyone. Oh, and no solution to parking problems either. Social Policy Bonds would make us focus on objectives, rather than supposed means of getting there. And if there are no clear, agreed, unambiguous objectives, then we'd leave that policy area alone.

1. http://socialgoals.com/blog/2006/02/costs-of-subsidised-parking.html
2. http://www.amazon.com/gp/product/1884829988/sr=8-1/qid=1140791437/ref=pd_bbs_1/103-7274841-4994263?%5Fencoding=UTF8/marginalrevol-20
3. http://www.cis.org.au/policy/winter08/seibert_winter08.html

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5.9.5 Who decides what is a social problem? (2008-09-13 11:29)

> In Australia today, there is a 'social policy establishment' that defines what 'social problems' are and prescribes the policies needed to resolve them. It includes academics working in universities and research institutes, welfare state professionals, political activists working in the nonprofit sector, social affairs journalists and commentators employed in the media, and bureaucrats employed in federal and state

> governments to research social problems and advise ministers on the best solutions. Most of these people believe similar things and think in similar ways. They were educated in the same kinds of degree courses, reading the same books and internalising the same basic theories and perspectives. They interact regularly at seminars and conferences where they reaffirm the core ideas they share. They referee each other's writings, award each other research contracts, and evaluate each other's job applications. They often live in the same neighbourhoods, send their children to the same schools, and read the same newspapers and periodicals. Collectively, they 'know' what our society is like, and they 'know' what needs to be done to improve it. [1] *Six social policy myths*
>
> , Centre for Independent Studies

These authors argue that inequality, for instance, is labelled a social problem when, in fact, it isn't a real one. I think their argument is valid so far as it goes. I agree that the group doing the labelling is too small narrow and unrepresentative, and I believe that widening this group would be an end in itself. But the main difficulty is that even when there is a wide consensus over what constitutes a social (or environmental) problem, there is very little linkage between the resulting policy and the problem's solution. Somewhere along the way, policies become corrupted. They generate interest groups that are adept at manipulating government action in their favour. So instead of addressing poverty directly, with explicit, clear goals the achievement of which they will be held accountable, government policies end up subsidising the wealthy (the western world's agricultural policies, for instance) or the destruction of the environment (agriculture, fisheries and transport policy).

This grotesque disjunction between what people what government to do and what it actually does is not so much a result of an unrepresentative group of people deciding what are social problems (though that is a factor), but rather a result of the way in which government bodies operate. In particular, there is no link between their effectiveness in achieving social goals, and how much they contribute to that achievement. They have no incentives to do well, nor to terminate failed policies. Indeed, if they are extremely successful, they are likely to be disbanded.

A Social Policy Bond regime would inextricably link the solution of social problems to incentives. Markets would allocate funding. And it would be in investors' interest to end disastrous, or even merely inefficient, programmes - in stark contrast to the current system.

1. http://www.cis.org.au/Policy/autumn_08/policy_myths_autumn08.html

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5.9.6 Disaster Prevention Bonds (2008-09-17 17:47)

A new short article about applying the Social Policy Bond principle to the prevention of humanitarian disasters can be found [1]here.

1. http://socialgoals.com/dpbs.html

5.9.7 Thinking aloud (2008-09-19 21:56)

This week's financial turmoil speaks to me of a confusion in high places between policy ends and means, but I confess I have no easy answers. It shouldn't have got to this point, of course,

where taxpayers prop up the financial system, rather than the other way round. Under a Social Policy Bond regime the health or otherwise of any single industry - financial, agricultural, manufacturing or whatever - would be subordinated to goals that are meaningful to ordinary people. In other words, instead of targeting the health of particular sectors ('means') we'd target objectives like literacy, physical and mental health, environmental well-being and the eradication of poverty. Government objectives are currently too obscure or too mutually conflicting, so that it's not in any people's interests to prevent this sort of catastrophe. Or rather, the oversight is done by government agencies, which, as in any other policy area, is not rewarded in line with its achievement. This is the same sort of oversight that has led to nuclear proliferation, for instance, with all its attendant, catastrophic, dangers.

A Social Policy Bond regime would reward the successful, sustained, avoidance of catastrophe, however caused. And it would inject market incentives into the maintenance and improvement of the standard of living of natural persons, rather than abstractions such as 'the financial sector'.

5.9.8 Government should help people, not sectors (2008-09-22 11:36)

I see the US bailout of its financial sector as another, and probably the most disastrous, in the long line of perverse subsidies that have done so much to waste scarce resources, divert taxpayer and consumer funds from the poor to the rich, and devastate the social and physical environment. From agriculture to fisheries, road transport to energy, these perverse subsidies invariably favour the large and global at the expense of the small and local, and corporations and abstract economic variables at the expense of ordinary people.

How does it come about that government ends up subsidising the forces that have done so much to make live miserable for natural persons? The motivations start out as well intended, and even apparently necessary. After the second world war, food availability was critical and governments (mistakenly) identified it with local food production. So government got into the business of intervention; imposing trade barriers, providing open-ended guarantees to farmers, and all the rest. That logic led us to structural surpluses to be dumped onto the third world, undermining developing countries' own food production. It also bid up the price of farmland at home, intensifying agriculture at great cost to the environment and animal welfare, and making it difficult for ordinary people to enter farming, unless they were lucky enough to inherit farmland. Worse, the bidding up of asset values made it very difficult for government to contemplate withdrawing its support. Like a drug habit, subsidies were easy to start, difficult to end. And of course, the subsidies created a whole new set of lobbyists whose entire raison

d'etre is to oppose their withdrawal.

It's a similar story with the other sectors. Government intervenes for short-term but well-intentioned reasons. The sector becomes dependent on government for its survival, and ends up, in effect, a nationalised industry. When the sector is small, the financial burden is perhaps bearable, though it still represents a diversion of scarce resources from things that could be valuable - education, health care etc - into things that are worse than useless: over-capitalized farming and fishing, grotesque overinvestment in road transport and dependence on fossil fuels, for instance.

But the latest perverse subsidy - to the financial sector - is bigger than all of these. How it will play out is difficult to foresee. But it seems that institutions that were 'too big to fail' are to be replaced by even bigger institutions. And if the history of previous perverse subsidies is anything to go by, the US financial sector will become another ward of state for a long long time.

The root cause of this tragic misallocation of resources is the lack of clarity at the highest levels about what government is actually for. It's *not* there to prop up ailing sectors. It's *not* there to save particular corporations. And it's *not* there to bolster asset values or abstract economic variables like the rate of growth or GDP per capita . Government's purpose is to supply public goods and services, and beyond that to provide a basic minimum level of health, education and welfare for all. Once it starts trying to work out *how* to achieve these things it goes awry. Government is a centralized, top-down decisionmaking body. It does not and cannot do adaptation or diversity - and it is precisely adaptation and diversity that a vibrant, prosperous market economy needs. By its latest massive intervention and bailout it will throttle the US economy, institutionalise the corrupt incentives that led to the crisis in the first place, and deny disadvantaged Americans the help they need.

What the US Government should do is something it should have done a long time ago: realign its policy to serve its ordinary citizens. All its policies and all its interventions should be subordinated to the provision of public goods and services, the maintenance of a decent social and physical environment, and a safety net for all. Sadly, its bailout of the finance sector looks like taking it further away from those guiding principles.

5.9.9 The market: a means not an end (2008-09-24 20:20)

Recent research showed that of the 121 fisheries using Individual Transferable Quotas 14 % were over-fished to the point of exhaustion. By contrast, those fisheries without ITQs suffered twice the rate of collapse (28 %). [1]David Bollier takes up the story:

> The *New York Times* faithfully trumpeted the news: "Privately Owned Fisheries May Help Shore Up Stocks." But are ITQs truly effective because they rely upon a "market-based system"? Or do they work because they set overall fishing limits, a commons-based solution?

Mr Bollier was pointed to research by Seth Macinko and Daniel W. Bromley, who have written:

> All the talk about rights-based fishing and [ITQs] is a red herring that throws all of us off the track of what is important. [ITQs] do not work because they are rights, or because they are property rights.... [They] work because they involve an assigned catch, as opposed to having catch be determined competitively.

This chimes with my belief that the market is only a means to various ends. They can be effective and efficient, but it when it comes to crucial social and environmental goals, markets must be subordinated to specified outcomes. Markets allocate resources efficiently; but that's a fairly limited vision. If we are to use their formidable efficiencies to solve social and environmental problems, they need to be constrained by the political process. A Social Policy Bond

regime would do that: specific outcomes would be debated and agreed. Social Policy Bonds would be issued that targeted these goals. Until the goals were achieved, the bonds would not be redeemed. Their value would be inextricably dependent on how well investors achieve social goals.

1. http://www.onthecommons.org/content.php?id=2236

5.9.10 Conspiracy to distract - or just too much information? (2008-09-27 19:50)

Peter W Galbraith writes:

> John McCain proclaims his goal [in Iraq]to be victory and says we are now winning in Iraq .... He considers victory to be an Iraq that is "a democratic ally." George W. Bush has defined victory as a unified, democratic, and stable Iraq. Neither man explained how he will transform Iraq's ruling theocrats into democrats, diminish Iran's vast influence in Baghdad, or reconcile Kurds and Sunnis to Iraq's new order. Remarkably, neither the Democrats nor the press has challenged them to do so. [1] *Is This a 'Victory'?*

Is there too much information about? Do we miss the forest for the trees? It's easier to believe not so much that there is a conspiracy to keep us focused on the celebrities, sport or petty politics, but that, being ceaselessly bombarded with information and entertainment, we lose perspective. That goes not only for ourselves as citizens and voters, but perhaps also for the decision makers and the media. The Democrats and the press have little incentive to focus on what's important, because that's not we, as voters, are urging them to do, even supposing they do have the capacity. With our shrinking attention spans, and the sheer volume of information and entertainment available, we tend to focus on the immediate, the visual, and, often, the trivial. Disasters that are too slow moving or too complex for the visual media - the unravelling of our financial system, nuclear proliferation, for instance - cannot compete with the proverbial skate-boarding rhinoceros or the religious beliefs of would-be political leaders.

One way a Social Policy Bond regime would be an improvement over the current system is that it would focus our resources, if not our constant attention, on what is important. We can all understand outcomes, even if we don't know how to reach them. Indeed, we cannot be expected to know how to achieve them, because that often takes a long time and is rarely amenable to a single, simple, predictable approach. Experimentation, the exploration of alternatives, the termination of failed methods: all these are essential to finding the best solutions to our social and environmental problems. Under a bond regime , we might still follow trivial issues, but most of our scarce resources would be channeled into achieving social goals. *Right from the outset, and at every time thereafter until they are achieved, we'd know exactly what those goals are.*

1. http://www.nybooks.com/articles/21935

5.10 October

5.10.1 Complexity: a reason to target outcomes (2008-10-02 17:42)

Writing about the current financial turmoil, James G Rickards says:

> But beyond chaos lies complexity that truly is unpredictable and cannot be modeled with even the most powerful computers. Capital markets are an example of such complex dynamic systems.[1] *A Mountain, Overlooked: How Risk Models Failed Wall St. and Washington*

A more technical explanation of the same phenomenon, by Nassim

Taleb appears [2]here. Confronted with such systems, how should we make policy? I suggest: target outcomes rather than the supposed means of reaching them. Our failure to do so assumes that government knows or can always identify cause and effect - a feat whose impossibility when applied to social and environmental systems is obscured by the ever-increasing quantities of data and information about them.

The Social Policy Bond approach contracts out the responsibility for achieving targeted outcomes to the private sector. It gives investors in the bonds incentives to adopt diverse, adaptive projects and to terminate the ones that fail. It recognises our epistemological limitations by substituting

adaptability and evolution for central planning and over- our under- regulation.

1. http://mobile.washingtonpost.com/detail.jsp?key=287473&rc=op&p=1&all=1
2. http://www.edge.org/documents/archive/edge257.html#taleb

5.10.2 What is government for? (2008-10-03 22:20)

The current turmoil in the financial markets and the reaction of our ruling politicians to it reveal something about the way we make policy. Simply: it's haphazard. There's little sense of where we should be going. The United States Government didn't set out to bail out reckless lenders, but that is what it is going to do. Its rescue package is another, and probably the most disastrous, in the long line of perverse subsidies that have done so much to waste scarce resources, divert taxpayer and consumer funds from the poor to the rich, and devastate the social and physical environment. From agriculture to fisheries, road transport to energy, these perverse subsidies invariably favour the large and global at the expense of the small and local; and corporations and abstract economic variables at the expense of ordinary people.

How does it come about that government ends up subsidising the forces that have done so much to make live miserable for the average citizen? Its interventions start out as well intended, and even apparently necessary. Take agriculture: after the Second World War, food availability was critical and governments – disastrously - identified that with local food production. So government intervened: imposing trade barriers, price controls, and giving open-ended guarantees to farmers. That logic led to structural surpluses to be dumped onto the third world, undermining developing countries' own food production. It also bid up the

price of farmland at home, intensifying agriculture at great cost to the environment and animal welfare, and making it difficult for ordinary people to enter farming, unless they were lucky enough to inherit land.

Worse, the bidding up of asset values made it very difficult for government to contemplate withdrawing its support. Like a drug habit, subsidies were easy to start, difficult to end. And of course, the subsidies created a whole new set of lobbyists whose entire raison d'etre is to oppose their withdrawal.It's a similar story with the other sectors. Government begins its intervention for well-intentioned but short-term reasons. The sector becomes dependent on government for its survival, and ends up, in effect, a nationalised industry. When the sector is small, the financial burden is perhaps bearable, though its subsidies still represent a diversion of scarce resources from things that are valuable - education, health care etc - into things that are worse than useless: massively overcapitalized farming and fishing, and grotesque overinvestment in road transport – all of which, note, entrench an absolute dependence on fossil fuels.

But the latest perverse subsidy - to the financial sector - is bigger than all of these. How it will play out is difficult to foresee. But it seems that institutions that were 'too big to fail' are to be replaced by even bigger institutions. And if the history of previous perverse subsidies is anything to go by, the US financial sector will become another ward of state for a long, long time.

The root cause of this tragic misallocation of resources is the lack of clarity at the highest levels about what government is actually for. It's not there to prop up ailing sectors. It's not there to save particular corporations. And it's not there to bolster asset values or abstract economic variables like the rate of growth or GDP per capita. Government's purpose is to supply public goods and services, and beyond that to provide a basic minimum level of health, education and welfare for all. Once it starts trying to work out how to achieve these things it goes awry. Government is a centralized, top-down decision-making body. It does not and cannot do adaptation or diversity - and it is precisely adaptation and diversity that a vibrant, prosperous market economy needs. With its massive intervention and bailout of the finance sector the US will throttle its creativity, institutionalize the corrupt incentives that led to the crisis in the first place, and deny disadvantaged Americans the help they need.

What the US Government should do is to work on the basis that:

Our financial and economic systems are means not ends.

The ends, for government, are law and order, minimal standards of good health for all, basic health and education, a decent social and physical environment, and the provision of a tightly woven safety net for everyone.

The health or otherwise of any particular sector are of interest to the government only insofar as they affect the ends.

Instead of spending taxpayer funds on avoiding a catastrophe it should have clearly and

unambiguously channelled society's scarce resources into avoiding the consequences of that catastrophe on those who most need help. Government targets should be inextricably linked to the well-being of ordinary people – as distinct from government agencies, economists or corporations. Its failure to realize this wouldn't matter if government were small, and diversity and adaptation could flourish outside its restricted confines. But of course government isn't small at all.

The US Government cannot now back away from supporting the finance sector any more than western governments can suddenly withdraw support from its other wards of state. But it can put a definite time limit on such support. More generally, governments must clarify what their goals are. They have a crucial role to play in limiting the impacts of any sort of catastrophe on ordinary people – but not to foresee and try to prevent the catastrophe itself. There must be no expectation that government will bail out any sector for any reason. Our governments should do something they should have done a long time ago: realign their policy to serve ordinary citizens. All their policies and interventions should be subordinated to the provision of public goods and services, the maintenance of a decent social and physical environment, and help to those who most need it. Sadly, the bailout of the finance sector, like the persisting perverse subsidies in other policy areas, looks like taking our governments further away from those guiding principles.

■ George Monbiot writes about US subsidies to big business [1]here.

1. http://www.monbiot.com/archives/2008/09/30/congress-confronts-its-contradictions/

5.10.3 The experts aren't in control (2008-10-10 09:04)

There are worrying parallels between the world's financial situation and the global environment. Both are complex systems that are deregulated in the sense that people can do what they want to them with few real controls, and everyone has to live with the consequences because (1) there are so many of us and (2) their failure affects everyone. Traditional management systems that took centuries to evolve and were based on trust, loyalty, and morality have all gone out of the window. The current sentiment is to do what you can for yourself, try to stay within the law, and externalise the negative impacts. That mentality has always been around, but in the past the damage it could do was more limited.

5.10.4 Locking us into monoculture; as in agriculture so in banking (2008-10-12 13:13)

As in agriculture, so in banking. Government wades in to rescue something abstract: a sector, a system. In doing so it amplifies the trend towards aggregation and monoculture. More, it locks us into that oligopolistic monoculture, and makes us still more vulnerable to the highly improbable - the 'black swans' of [1] Nassim

Taleb . In time, government finds it almost impossible to withdraw from the sector, which now has its highly paid teams of lobbyists whose sole function is to keep the subsidies or subsidy equivalents going.

If government had a clearer idea about what should be its proper focus, this disastrous sequence of events would never get started. Government is not an investment company or a racing syndicate, whose goal is to pick winners, or maximise returns on taxpayer funds. Its role is not to target on abstract economic variables, financial indicators nor to rescue corporations nor even entire sectors. Government should instead be looking after the basic interests of ordinary people and all its activities should be subordinate to that over-arching goal. Or at least, that should be the starting point. Transferring billions of dollars from the poor to the rich is not only socially inequitable; it's bad for all of us, from the risk management point of view. We'll end up in banking, as in agriculture, with a highly specialised, highly concentrated finance industry, overly dependent on government favours, and we'll find it very difficult to get back to a sector whose size, structure and outputs are decided by the undistorted market, which is to say: ordinary people.

1. http://www.fooledbyrandomness.com/

5.10.5 Incentives to avoid catastrophe (2008-10-14 10:23)

In an earlier [1]post and in my recent [2]book, I talk about using Social Policy Bonds as a means of insuring against the possibility of catastrophe. As George Monbiot [3]points out, we are no more capable of avoiding an environmental calamity than we were the financial calamity that we seem now to have narrowly avoided, or perhaps merely postponed. There have been dire warnings about both sorts of disaster, but all our incentives encourage us to ignore them, or hope that any serious problems can be kicked forward to be faced by future generations. It's in our nature to react rationally to incentives, and rather than bemoan our short- termism and our unwillingness to anticipate worst-case scenarios, we could rejig the incentives we face so as to encourage maintenance of the positive features of the status quo .

Under a Social Policy Bond regime, these need not be specified precisely - which would be a difficult task. We need only target the broad stability of the major determinants of our wellbeing . This is one huge advantage of targeting outcomes, rather than the alleged means of achieving them. It is their impacts on natural persons (and the animal and plant world) that we target rather than each of their myriad causes. So, for instance, rather than try to cut back on greenhouse gas emissions, with all the bureaucratic nonsense that that entails , we target [4]climate stability. Rather than specify how a banking system should operate, we target the physical and financial health of ordinary people.

Current policymaking is obsessively short term. But a Social Policy Bond regime would reward people for making progress toward long-term goals, in a way that the current system does not. And broad, long-term goals, such as stability of climate or our financial system, don't vary very much, and enjoy a wider consensus than the day-to-day management type objectives that define our current politics and obscure the longer-term trends and threats. Of course there are people who care about our long-term prospects, but the incentive systems in place ensure that their voices are rarely heard, and still less commonly heeded.

If Social Policy Bonds are issued with long-term stability as a goal, investors in the bonds benefit by ensuring that no disaster occurs during the time they hold the bonds. That need not be very long - the value of the bonds would probably rise as investors did what they could to avoid disaster. They could then sell their bonds, benefiting from the rise in their market

value. It sounds quite mercenary; and it probably is. But then, society at large seems to be engaged in a form of mass suicide because of the systemic incentives that encourage, for instance, the destruction of environment. Countervailing incentives are desperately needed.

1. http://socialgoals.com/blog/2008/03/social-policy-bonds-as-insurance.html
2. http://www.lulu.com/content/4318157
3. http://www.guardian.co.uk/commentisfree/2008/oct/14/climatechange-marketturmoil
4. http://socialgoals.com/ieakyototext.html

5.10.6 Food policy is not health policy (2008-10-16 12:32)

Michael Pollan writes:

> Four of the top 10 killers in America today are chronic diseases linked to diet: heart disease, stroke, Type 2 diabetes and cancer. It is no coincidence that in the years national spending on health care went from 5 percent to 16 percent of national income, spending on food has fallen by a comparable amount — from 18 percent of household income to less than 10 percent. While the surfeit of cheap calories that the U.S. food system has produced since the late 1970s may have taken food prices off the political agenda, this has come at a steep cost to public health. ... Cheap energy, however, enabled the creation of
>
> monocultures , and monocultures in turn vastly increased the productivity both of the American land and the American farmer; today the typical corn-belt farmer is single- handedly feeding 140 people. [1] *Farmer in Chief*

Much like a see-saw, when government successfully achieves a narrow social or environmental goal, another problem asserts itself. Sadly, our level of aggregation is now so high and our interconnectedness so pervasive that we cannot target social and environmental problems in the usual way, which involves trying to tackle the supposed causes. Society is just too complicated; the relationships between cause and effect are too obscure, the time lags too long, and the number and impact of unanticipated factors so huge that only the broadest social and environmental goals should be explicitly targeted.

And the most meaningful. Raising food production is not a meaningful objective, nor is reducing the price of food. These are bureaucratic or corporate goals, unrelated to the wellbeing of ordinary people. What *woul d* make a meaningful is the physical wellbeing of people: more difficult to quantify, granted, but not impossible. It is that goal that an enlightened government-backed Social Policy Bond regime would target, inter alia , law and order, the eradication of poverty, and basic levels of education and housing for all. Governments issuing Social Policy Bonds would focus on ends, rather than means, so that the tragic outcomes of government intervention in agriculture (for example) could be avoided and instead rewards

would flow inevitably to those who help achieve social outcomes rather than, as at present, those who can best game the system.

1. http://www.nytimes.com/2008/10/12/magazine/12policy-t.html?ref=magazine&pagewanted=all

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5.10.7 Climate change and long-term planning (2008-10-19 13:51)

> .... Franco Frattini , the Italian foreign minister and former European commissioner, called for "flexibility" over the EU's ambitious plans to reduce planet-warming emissions by 20 percent by 2020, pointing out that such measures would cost 1.14 percent of his country's gross national product. Speaking in Rome, Frattini called for the proposals to be accompanied by an "impact study on the real economy," .... Germany is arguing for protection against foreign competition for sectors like steel, cement and aluminum, and Poland says it should have to shoulder less of the burden of combating global warming. [1] *Huge fight looms in EU over climate change*
>
> 'International Herald Tribune', 14 October

One of the advantages of targeting outcomes, rather than the supposed means of achieving them, is that outcomes are more stable over time. So long-term objectives, like climate stability, can be targeted. Consider the likely reaction of investors to the debate reported on above. Added to all the daunting scientific uncertainties about solutions to climate change now comes a policy uncertainty: will governments continue to give climate change the priority they gave it when the economy was in a better state? Any long-term planning becomes fraught with difficulties in such a policy environment. But long-term investment is exactly what is needed if climate change is indeed occurring.

A Social Policy Bond regime would have many advantages over the current policymaking framework; efficiency, transparency and greater buy-in, to name some of the most important. But, from the standpoint of potential investors in bonds targeting remote objectives, another huge advantage is stability. A global consortium issuing [2]Climate Stability Bonds would be declaring its intention to reward the achievement of climate stability *regardless of what happens in other policy areas*. Events, such as a banking crisis, could assume a higher priority for policymakers, but as far as would-be investors in the bonds were concerned, that would not affect their investment decisions. Policy goals are much more stable over time than the supposed or best means of achieving them and much more stable than the views or indeed the composition of governments.

The Social Policy Bond principle enlarges the scope of policy goals that we can effectively target to embrace a range of very long-term objectives, including not only climate stability, but the eradication of world poverty and the ending of violent political conflict. Even if they take decades to achieve, bondholders would not be deterred from doing their best to help

bring them about by the sort of uncertainty about policy that plagues today's decision-making environment.

1. http://www.iht.com/articles/2008/10/14/europe/union.php
2. http://socialgoals.com/ieakyototext.html

5.10.8 Who cares about the space race? (2008-10-22 09:15)

> What [President Eisenhower] hadn't seen was the way his enemies and vested interests within the aerospace industry and military would be able to use Sputnik as a stick to beat him with. Throughout the Cold War, fear of communism had been exploited less by governments than by self-serving minor politicians and bureaucrats like Senator Joseph McCarthy and the Machiavellian FBI director J. Edgar Hoover.... [1]*Moon Dust* , Andrew Smith (page 130)

It's all too easy for events to be used and abused to derail governments - under the current system. Whether the fear of the USSR or communism was genuine or not, it provided a pretext for the diversion of prodigious quantities of US government funding into its space programme. And whatever one thinks of the value of that programme, there's little doubt that the US people were not consulted about the reallocation of scarce resources:

> It is sometimes argued that concealing the development of high tech industry under the cover of "defense" has been a valuable contribution to society. Those who do not share that contempt for democracy might ask what decisions the population would have made if they had been informed of the real options and allowed to choose among them. Perhaps they might have preferred more social spending for health, education, decent housing, a sustainable environment for future generations...as polls regularly show. [2]*Failed States: The Abuse of Power and the Assault on Democracy* , Noam Chomsky

Space exploration became an end in itself - for the US Government. One huge advantage of Social Policy Bonds over the current system is the clarity it demands about ends and means. Another is the stability of those ends over long periods of time. Under a bond regime, if there were consensus that, say, the eradication of poverty had a higher priority than moonshots, then fears of losing the 'space race' would miss out, at least when it came to public sector funding. The continual chopping and changing of government means and ends, with their different and ever-changing priorities, is one reason why, in the richest societies that have ever existed, poverty, illiteracy, crime and homeless remain.

1. http://www.amazon.com/Moondust-Search-Men-Fell-Earth/dp/0007155425
2. http://www.amazon.com/Failed-States-Abuse-Assault-Democracy/dp/0805082840/ref=sr_1_1?ie=UTF8&s=books&qid=1224664211&sr=1-1

5.10.9 Personal grooming costs versus outcomes (2008-10-27 07:22)

It's not surprising that the US election debates and commentary centre on questions of character, judgement, image and spin. The correlation between what candidates say and what they

do is almost nil. Does anybody now remember the current President's talk of 'compassionate conservatism'? So people decide for whom to vote on the basis of factors that should be extraneous: past associations, church membership, personal grooming expenses, and the rest. Politics itself has diverged: on the one hand the rhetoric is simple-minded, bite-sized and calculated in every respect. On the other, actual policymaking is arcane, obscure and incomprehensible to outsiders.

In the middle of all this are ordinary people, voters, our children, the environment, and other aspects of the commons. Our politics doesn't address really speak to such interests, and it's becoming systemically less capable of doing so.

One solution, and the one I advocate, is to express policy goals in terms of outcomes that are meaningful to ordinary people. Not simply the sound-bites intended for public consumption, as under the current system; but policies themselves. Rather than, for instance, allow our leaders to invade countries on grounds that turn out to be spurious, we should target such goals as absence of use of weapons of mass destruction, or the elimination of terrorism *directly*. Under a Social Policy Bond regime, these goals could then be contracted out to the market, which would have incentives to achieve and sustain them *at minimum cost.* Similarly, we should see assistance to particular sectors, whether they be agriculture or banking as what they are - subsidies to rich corporations. Under a bond regime, it would still be possible to divert scarce resources from the poor to the rich, but we'd do it with our eyes open. Expressing policy in terms of goals means that we should have explicitly to vote for such policies before they can be implemented.

– Sales of my book have been minimal. If you have any suggestions as to how the Social Policy Bond idea, or the broader *Policy as if Outcomes Mattered* concept can be promulgated I'd be grateful to have them.

5.10.10 Powerpoint presentation (2008-10-31 06:31)

I'm preparing a powerpoint presentation about Social Policy Bonds. A draft is [1]here, complete with speaking notes. Its intention is to introduce the bond concept to new audiences. If you have any comments or suggestions, I'd be pleased to see them.

1. http://socialgoals.com/Paiom.ppt

5.11 November

5.11.1 Make campaigning meaningful: focus on outcomes (2008-11-04 14:12)

> [T]he opposite of competition is not solidarity, but monopolies and the maintenance of privilege. ...too much state spending involves taking money from the many, who

> pay taxes and consume goods, and handing it to the few: ex-state monopolies, special interests, regional favourites or incumbents. As a rule of thumb...politicians will rarely challenge interests that feature in children's books : such as farmers, fishermen, firemen and those who build exciting things. *E urope's baleful bail-outs* , 'The Economist' , 1 November

It is not the size of these subsidies or their wastefulness or their contribution to environmental collapse and social injustice, but their persistence in the face of the overwhelming evidence of their perversity that makes one despair about the political system that cannot eliminate them. Consider some of the issues that *di*d get the attention of the media in the US election campaign: the offhand comments of close relatives and pastors of the candidates; similarly casual comments about 'spreading the wealth'; costs of the candidates' clothes.... There's nothing necessarily wrong with raising these issues. It is just a pity that in the absence of any debate about substance we try to infer what the candidates' real intentions or character are from their behaviour. One of the benefits of a Social Policy Bond approach is that political debate would we could avoid this nonsense and focus directly on the outcomes that candidates say the want to achieve.

5.11.2 Big government is monoculture (2008-11-08 07:09)

While one might quibble with the technicalities and the source, the Heritage Foundation's Index of Government Dependency does tell a convincing story: in the United States, as William Beach [1]puts it "dependency on government has grown steadily and at an alarming rate in recent decades." Mark Steyn [2]writes: "While few electorates consciously choose to leap left, a couple more steps every election, and eventually societies reach a tipping point." This appears to happen regardless of whether ruling parties are supposedly from the left or right, and regardless of the rhetoric about tax cuts, freedom, or rolling back the frontiers of state.

Does it matter? I think it does; partly because big government is generally remote government, and that is a loss in itself. But remote government is also cumbersome and inefficient. It's unresponsive to events. It can crowd out more efficient, more local ways of doing things. Being big, cumbersome and fond of one-size-fits-all policies, it generates the vulnerabilities of any monoculture. It is extremely exposed to disruptive, unanticipated events, and because of its size, the impact of its failure can be devastating. The current financial crisis is one symptom of this. Another is climate change, which in large part is a product of governments' favouring an infrastructure - and agriculture - that is entirely dependent on fossil fuels; often by subsidy, and almost universally by socialising the costs of fossil fuel use.

One answer could be Social Policy Bonds. Government would still take on the responsibility for raising revenue and targeting such desirable goals as the eradication of poverty or the end of violent political conflict. It would raise revenue to achieve such goals - something it can do very effectively. But by issuing Social Policy Bonds, it would contract out the actual achievement to the market. Organizations would be set up whose structure and activities were entirely subordinated to the targeted goals. Diverse, adaptive solutions would arise the product of our limitless ingenuity and the incentives that would be on offer. In short, by issuing Social Policy Bonds we could achieve important, broad social goals without the huge, coercive and monolithic government that we currently think is necessary.

1. http://www.heritage.org/Research/Budget/cda08-08.cfm
2. http://www.ocregister.com/articles/government-obama-point-2221207-left-one

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5.11.3 (2008-11-08 11:32)

This blog is more informative and it provides some useful informations. I agree with One answer could be Social Policy
Bonds. Government would still take on the responsibility for raising revenue and targeting such desirable goals as the eradication of poverty or the end of violent political conflict.

Andrew Abraham
[1]MyInvestorsPlace - trading, value, investing, forex, stock, market, technical, analysis, systems

1. http://www.myinvestorsplace.com/

5.11.4 Avoiding disaster, nuclear or otherwise (2008-11-10 08:38)

Reviewing *The Culture of War* by Martin van Creveld , Barry Gewen [1]writes:

> The world came perilously close to nuclear war during the Cuban missile crisis, and as more and more countries acquire nuclear weapons, it requires a real leap of faith to believe that deterrence will continue to work at all times in all places. And that's not to mention nuclear terrorism.

I share Mr Gewen's pessimism. Many believe that there's something intrinsic in our nature that means our species will persist. With some this is a religious belief, with others it's an expression of faith in our rationality or self-interest. For myself, and as with other existential challenges, I don't think we should rely on such feelings. I think we could do more, and that we should be concerned not so much about the survival of the human race, but about the potential loss of millions of lives.

One way of addressing the challenge would be to issue [2]Disaster Prevention Bonds, which could act so as to moderate or countervail the incentives currently on offer to the people and corporations who are quite happy to militarize our planet. These bonds could function as an insurance policy, rewarding people who work to avoid human catastrophes of any sort, specified or not. Disaster Prevention Bonds would not prejudge how human calamities shall be avoided, but would simply reward the sustained non-occurrence of such

calamities . Under a bond regime, diverse, adaptive approaches that are efficient would be rewarded. Failing policies would be swiftly terminated.

Nuclear proliferation and environmental disaster are only two of the existential challenges we face. Others are looming and we cannot anticipate all of them. Under a Disaster Prevention Bond regime there would be no need to. The outcome - the avoidance of millions of avoidable

deaths - would be specified, but not the means of achieving it. They would seem to me to be more reliable than crossing our fingers and hoping for the best.

1. http://www.iht.com/articles/2008/11/10/arts/booklun.php
2. http://socialgoals.com/dpbs.html

5.11.5 Car madness (2008-11-11 15:14)

Once again, it's time to ask: what is government for?

From '[1]the Australian', 11 November:

> Car industry praises $6.2bn assistance package
>
> Car companies and component makers believe the Rudd Government's [Australian] $6.2billion assistance package will help safeguard the future of the automotive industry in Australia.

Meanwhile [2]Associated Press is reporting that

> President-elect Obama suggested to President Bush that the administration immediately help struggling U.S. automakers, aides to the Democrat say, in the first face-to-face meeting the pair had since Obama's election victory.

And the BBC's [3]Robert Peston reports on another possibility:

> For me, the most interesting story of the past 24 hours is that VW, the stressed German carmaker, is trying to raise €2.8bn (£2.2bn) from the European Central Bank. It plans to raise cash from the ECB in exchange for €2.8bn of securities backed by car loans. In effect, *the ECB - and ultimately taxpayers in the eurozone - would be financing purchases of automobiles*. Crikey, is all that comes to mind. What next? [My italics]

Indeed. As I have said many times, it's the persistence of this sort of mad subsidy that defies explanation. We know they redistribute our scarce resources to large corporates at the expense of ordinary people and the environment. We've known this for decades, but at a time of crisis, we cannot stop ourselves throwing more money in the direction of what are some of the least socially and environmentally sensitive corporations on the planet. This is, it seems to me, a failure of our entire system of government.

1. http://www.theaustralian.news.com.au/story/0,25197,24633190-5006787,00.html
2. http://ap.google.com/article/ALeqM5j8dA-G4xFDjti9AKAP6T9_pstXCwD94COD5O0
3. http://www.bbc.co.uk/blogs/thereporters/robertpeston/

5.11.6 "How could these companies be so bad for so long?" (2008-11-13 14:33)

Thomas L Friedman asks the question:

> Last September ... the chief executive of Chrysler [was] explaining why the auto industry, at that time, needed $25 billion in loan guarantees. It wasn't a bailout, he said. It was a way to enable the car companies to retool for innovation. I could not help but shout back at the TV screen: "We have to subsidize Detroit so that it will innovate? What business were you people in other than innovation?"
>
> How could these companies be so bad for so long? Clearly the combination of a very un -innovative business culture, visionless management and overly generous labor contracts explains a lot of it. It led to a situation whereby General Motors could make money only by selling big, gas-guzzling SUVs and trucks. Therefore, instead of focusing on making money by innovating around fuel efficiency, productivity and design, GM threw way too much energy into lobbying and maneuvering to protect its gas guzzlers. This included striking special deals with Congress that allowed the Detroit automakers to count the mileage of gas guzzlers as being less than they really were - provided they made some cars flex-fuel capable for ethanol. It included special offers of $1.99-a-gallon gasoline for a year to any customer who purchased a gas guzzler. And it included endless lobbying to block Congress from raising the miles-per-gallon requirements. The result was an industry that became brain-dead. [1]How to fix a flat, 'International Herald Tribune', 13 November

I'm getting a bit fed up of lobbyists telling us that the health of the economy depends on the health of the finance sector, the housing sector or the car industry. If it does, then 'the economy' is, to put it bluntly, not worth defending. What government should be about is looking after the wellbeing of actual people, not particular industries, failing corporations or abstract economic variables. If social and environmental wellbeing require a smaller or more responsive finance sector or car industry, and if that means some adjustment costs for these industries then so be it.
I'll go out on a limb here and say that taking taxpayers' money on such a scale and giving it so transparently to inefficient corporations is politically unsustainable. True, governments in the west have done this with agriculture for a long time now, but the disastrous effects of such transfers - on consumers, taxpayers, animal welfare and the environment - have been too slow-moving to arouse public anger. Bailing out the car industry and the bankers though, I think, is different.

What the French Revolution, writes [2]William Doyle

> most certainly was not, was a single event. It was a series of developments, bewildering to most contemporaries which stretched over a number of years. It was a sustained period of uncertainty , disorder , and conflict....

If our governments can't come up with any better solutions to the current financial crisis than by bailing out on a massive scale the deadbeats in industry and finance then I fear for the future.

1. http://www.iht.com/articles/2008/11/12/opinion/edfriedman.php
2. http://www.amazon.com/French-Revolution-Short-Introduction-Introductions/dp/0192853961

5.11.7 I think these explain a lot (2008-11-19 12:51)

All these are taken from [1]*Harper's Index*, 'Harper's Magazine', August:

- Number of US gas stations where the group Pray at the Pump has gathered to ask God to lower the price: 12
- Total donations that John McCain received from the oil and gas industry in June [2008]: $1,100,000
- Portion of this that came after he endorsed new offshore drilling on June 16: 3/4

1. http://www.harpers.org/archive/2008/08/0082109

5.11.8 Putrid (2008-11-20 14:20)

[1]Big Three CEOs Flew Private Jets to Plead for Public Funds

1. http://abcnews.go.com/print?id=6285739

5.11.9 Incentives to preserve the commons (2008-11-22 14:51)

Lewis Lapham wrote:

> The United States has been ridding itself of its First World status for as log as it has been privatizing its critical infrastructure (a k a the common g ood), at the same time despoiling the natural resource embodied in the health, welfare courage , and intelligence of its citizenry. Over the past eight years, under the absentee landlord economic policies of the Bush Administration, the stepped-up rate of disinvestment has resulted in ...Third World confusion and management.... [1]*Estate Sale* , 'Harper's Magazine', May 2008 (subscription)

The people who devised American democracy probably never envisaged such irresponsibility from those entrusted with power. The constitutional checks and balances are mainly about process, not outcomes. In a large society, erosion of the commons is permitted, encouraged, or even necessary, when we vote for individuals, ideologies, image or economic abstractions. Highly aggregated, highly mobile societies, whose composition is constantly changing, cannot evolve the ways in which traditional commons used to be safeguarded. If we want to keep the benefits of living in such societies, where appeals to do the right thing are likely to be ignored until it's too late, we shall have to constrain our behaviour more directly than through legislation. All the incentives are to externalise social and environmental costs, and corporations and their mates in government are adept at finding effective ways of doing so.

One answer may be to redress the balance: issue Social Policy Bonds that have as their

explicit goal the preservation of the commons. Devise ways of measuring environmental health (not too difficult) and social cohesion (more difficult, but not impossible) that can be targeted. Monetary incentives for the preservation of the commons need not compromise principles of trust, character and stewardship. Social Policy Bonds that rewarded the maintenance of the common good would simply mean that people who want to benefit the commons have have more res

ources with which to do so .

1. http://www.harpers.org/archive/2008/05/0082004

5.11.10 Smoke and mirrors: the limitations (2008-11-24 06:41)

> If the current inflation rate is really 6-9 percent instead of the 2-3 percent claimed by government and most U.S. money managers, then Washington's official estimates that the economy still grew at a rate of some 0.6 percent in the first quarter of 2008 become nonsense. Subtracting a 6-9 percent inflation rate from nominal GDP growth would identify an economy that was deteriorating and shrinking, not growing. Concerned foreign dollar-holders would become even more concerned. Kevin Phillips, [1]*Washington's Great 'No Inflation' Hoax*

Marvellous. Even the numbers that policymakers target are a part of the commons that they have degraded. We are a long way now from government by the people for the people. M r Phillips makes it clear that the erosion of accuracy in US growth, inflation and unemployment statistics has been mainly an opportunistic process, begun in the 1960s. Perhaps it was inevitable that large corporations and very wealthy individuals would use every available means to pervert the policymaking process. When the result is a serious possibility that taxpayers will now subsidise failing car manufacturers there is clearly something very wrong with the current ways in which we formulate policy.

Put simply, I think it's that ordinary people think it's all too complicated. Whether it's by expressing policy in terms of arcane legalisms, institutional structures, tedious processes or, as we now see, misleading numerical indicators, our disengagement from the world of policy is almost complete - to the great satisfaction of those who share the spoils. That is, the very rich, the larger corporations, and government agencies themselves.

Perhaps this is the time then to reorientate policy along Social Policy Bond lines: express policy goals in terms of outcomes that are comprehensible and meaningful to ordinary people. Economic growth, even when measured accurately, is not an end in itself. It is a means to various ends, including the eradication of poverty and the provision of public goods and services. Government would do better to target these goals directly than to try to fool us all with their smoke and mirror arrangements, whose credibility is fast disappearing.

1. http://www.huffingtonpost.com/kevin-phillips/washingtons-great-no-infl_b_100719.html

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5.11.11 Empowerment (2008-11-30 05:28)

Social Policy Bonds have many advantages over the current system of policymaking . Most important is their efficiency. As well, they would have stable objectives over time - which means that very long-term goals can be targeted. Another advantage is that they are explicit and transparent in what they are targeting. This is both an end in itself, and means of achieving buy -in on the part of the public, who would be far more likely to participate in the policymaking process when outcomes are being discussed, rather than the current opaque mix of funding arrangements, legalisms, or tinkering with institutional structures.

But another advantage, and one that I have not stressed before, is empowerment. Under the current system, those charged with achieving social and environmental goals are mostly employed either by government or by non-governmental organizations. The contrast between the performance of the two groups is compelling.

"Ask yourself," wrote John Fund of the *Wall Street Journal* more t han a decade ago, "If you had a financial windfall and wanted to help the poor, would you even think about giving time or a check to the government?" I think we'd all answer with a resounding "no". We'd much rather give to charity or a non-governmental organization. We know they will be more motivated and make better use of their limited funds. Part of the explanation, I believe, is that they are empowered to make important decisions, in ways that government employees increasingly are not. Consider the proliferation of narrow targets with which UK Government attempts to shape its National Health Service. A recent one is the stipulation that doctors must give after-hours care in the form of appointments that last ten minutes, and only ten minutes:

> [UK Prime Minister] Gordon Brown believes in pre -booked, ten-minute appointments and will not pay us the extended hours money if we do seven and a half minute appointments. I'm not prepared to fudge, or lie (some practices are, he said sanctimoniously) so my late evening surgery is now booked at ten-minute intervals. I will see twelve patients rather than the usual sixteen. I will enjoy having that little extra leeway. I may even be able to use some of the time to catch up on paperwork. *[1]*
>
> *NHS Blog Doctor*

It's not just the inefficiency that this sort of directive generates, or the gaming of the system that will occur. It's also the resentment that such micro-management will inevitably breed. Applied with ever more abandon, such micro-goals take away the intelligence from any form of decision-making. They imply and generate a low level of trust, and reinforce a command-and-control hierarchy.

The contrast with a Social Policy Bond regime targeting broad social and environmental goals is stark. In the health sector we need only agree on and target broad indicators encompassing length and quality of life - not a simple matter, but one that would clarify exactly what government's role should be and one, moreover, that would empower and motivate health experts to go about achieving them in the most efficient ways they can. The obvious disenchantment that NHS Blog Doctor feels along with others whose autonomy is eroded by misguided application of narrow targets would be a thing of the past.

1. http://nhsblogdoc.blogspot.com/2008/11/encouraging-lower-standard-of-care.html

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5.12 December

5.12.1 Seeing the forest (2008-12-03 12:52)

Sometimes I think we cannot see the wood for the trees: [1]Grist quotes Rajendra Pachauri, chairman of the Nobel-winning Intergovernmental Panel on Climate Change (IPCC) as saying:

> "It defies any kind of logic, if you look at the type of money that the world has spent on these [banking] bailouts, 2.7 trillion dollars (2.13 trillion euros) is the estimate, and it's been done so quickly and without questioning." Pachauri recalled that when the Millennium Development Goals for attacking poverty and sickness were being drawn up, a panel chaired by Ernesto Zedillo, the former president of Mexico, suggested "a fairly modest estimate" of 50 billion dollars a year in help for poor countries. "But everyone scoffed at it. Nobody did a damn thing," Pachauri said in the interview on Monday [1 December].

Perhaps cynicism is built into our system of resource allocation, or perhaps a banking crisis, being much more dramatic and televisual, outweighs in the public mind the misery of poverty and sickness, or the threat of catastrophic climate change.

We need, I think, to assess policy priorities coolly and rationally. One of doing so would be to express policy goals in terms of outcomes. Instead of reflexively allocating taxpayer funds to sectors or corporations in crisis, we should take the time to discuss and agree on what exactly is the purpose of government. Is the purpose of the current bailouts to support corporations, to reduce unemployment, or to alleviate poverty?

A Social Policy Bond regime targeting poverty, for instance, would not assume that existing industries or institutional structures are to be taken as given. There might be far more effective ways of eliminating poverty than, for instance, bailing out inefficient car manufacturers. Let the market, with all its ingenuity and its under-rated but essential willingness to terminate failed experiments, answer the question of how most efficiently to eliminate poverty. Providing, of course, we want government to serve people, rather than corporations or abstract economic variables.

1. http://www.grist.org/news/2008/12/02/spending/index.html?source=rss

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5.12.2 Incentives for researchers (2008-12-05 14:18)

The Economist recently reported on research into the 'broken windows' theory of crime: that where the windows are broken, or similar conditions of 'disorder' prevail, crime rates go up:

> The most dramatic result, though, was the one that showed a doubling in the number of people who were prepared to steal in a condition of disorder. In this case an envelope with a €5 ($6) note inside (and the note clearly visible through the address window) was left sticking out of a post box. In a condition of order, 13 % of those passing took the envelope (instead of leaving it or pushing it into the box). But if the post box was covered in graffiti, 27 % did. [1] *Can the can*
>
> , 'The Economist', 20 November

It's good that this sort of research is conducted, and even better when it can be applied to solve social problems. In my view, though, there are too few incentives to explore this sort of relationship; the sort, that is, which is not at all obvious or intuitive. Most social and environmental problems are bedevilled by similar complexity, with the relationships between cause and effect obscured by huge numbers of variables, time lags, severe data limitations and the difficulty and expense of conducting trials. That said, a large proportion of the resources allocated to research programmes comes directly or indirectly from government, with all the usual deficiciences that that implies One important such deficiency, in my view, is that there will typically be no link between successful research and the financial rewards paid to the researchers. The result is predictable: too much academic research - in any academic field - has drifted away from the concerns of ordinary people. A glance at any economics (for instance) journal will convince most of that.

By subordinating policy to society's wishes, expressed in terms of clear, verifiable outcomes, a Social Policy Bond regime would automatically re-orientate the system of allocating research funding in ways that improve those outcomes. There will always be obsurities in research in the social sciences, but Social Policy Bonds would transfer the cost of conducting inappropriate or useless research to the researchers themselves, rather than, as is usual nowadays, the taxpayer.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=12630201

5.12.3 Why Kyoto will fail (2008-12-07 04:54)

From *New Scientist*:

> Our new-found love for flat-screen TVs could come back to haunt us. Earlier this year, researchers warned that the growing popularity of this technology was releasing increasing amounts of a powerful greenhouse gas into the atmosphere. Now, researchers say levels of the gas are four times as high as previously estimated, and warn they are rising "quasi-exponentially". Nitrogen trifluoride (NF3) is 17,000 times more effective at warming the atmosphere than an equal mass of carbon dioxide.

> Yet the Kyoto protocol does not set limits on NF3 emissions because it was made in tiny amounts when the protocol was agreed in 1997. [1] *Warm glow of TV*
>
> , 'New Scientist', 1 November

There we have it. Kyoto does not aim to reduce the rate of climate change. It does not even aim to reduce anthropogenic greenhouse gas emissions. It is concerned solely with reducing those gases that were thought to be greenhouse gases at the time it was devised. A [2]Climate Stability Bond regime would be a big improvement. If we want a more stable climate, then we should reward people who help us achieve one *however they do so*. Our scientific knowledge is rapidly expanding. We cannot rely even on today's science to tell us what will be the best ways of stabilising the climate throughout the necessarily long time it will take us to do so. Relying on 1990s science, as Kyoto does, is even worse.

1. http://www.newscientist.com/article/dn15032
2. http://socialgoals.com/ieakyototext.html

5.12.4 Riots in Greece (2008-12-12 11:33)

The riots in Greece are, I fear, a dismal portent of what is to come. Governments have consistently drifted away from what should be their real responsibility: to look after the interests of ordinary people. The logic of incremental adaptation has seen them make policy on behalf of big corporations, their own agencies, or abstract (and manipulated) economic indicators like Gross Domestic Product. Aware at some level of consciousness of their policy failings, they have responded with a blizzard of meaningless micro-targets. But they have lost sight of the big picture. And that is looking more alarming by the day.

By making self-perpetuation their over-arching goal, governments have, I believe, helped bring about the current crisis. They have sacrificed social cohesion and the environment on the altar of economic growth. Now that growth looks unlikely to happen, and the glue that holds our societies together - the expectation of an improving quality of life for ourselves or our children - is vanishing. Perhaps it was an illusion anyway.

My suggestion, and I have been making it for years, is that governments realign their policies in favour of outcomes that are meaningful to ordinary people. This does not mean bailing out the auto or finance sectors, or indeed maintaining any other of their corrupt, insane, perverse subsidy programmes (to agriculture, for instance, or the fossil fuel industry). Government has a legitimate role in shielding people from the*consequences* of disaster. Bailing out its chums in the large corporations has nothing to do with that. Instead government should target goals like the eradication of poverty, the maintenance of peace, law and order, and a decent physical environment. What else is government for?

5.12.5 What is government for? (2008-12-16 05:30)

With unemployment in the west soaring and millions of people likely to lose their savings and even their homes, it's time to ask a very basic question: what is government for?

Governments have reacted in their instinctive way to the current financial crisis: they are either printing more money, or they are borrowing money to prop up the wobbly structures and sectors whose tactics created the crisis in the first place. In essence, they will rip off the older generation - those with savings - by inflating. And they will rip off the next generation, by borrowing.

This is smoke and mirrors – and cardboard and sellotape. It might or might not suffice to stave off an immediate and precipitous collapse, but either way the western financial and economic system is looking very precarious. That system depends on confidence and trust, and people believing that their lives or their children's have a good chance of getting better. That faith is evaporating. There is now a real danger of social collapse and blood in the streets. History tells us that bloody revolutions are not single events, but processes that can mean years of instability at best, and terror at worst. The riots we are seeing in Greece right now could portend the beginning of the end of democratic liberalism

The danger is that western governments' bailout commitments to financial and corporates will turn out to be something like their farm support policies. These programmes have functioned as a tax on food bought by consumers in the rich countries. But the bigger victims are the landscape and wildlife in those countries, which suffer grievously from intensive farming; and farmers in the food-rich developing countries who depend on exports for a decent standard of living. The waste, inequity and environmental depredations of the rich countries' corrupt and irrational agricultural policies have been known about for decades, but their governments have found it very difficult to stop them. They have created a sector entirely dependent on government; one that, thanks to government largesse, can spend significant sums on lobbying against the withdrawal of that largesse and a return to rationality.

But the latest subsidies - to the financial and automobile sectors – are bigger still. If the history of previous perverse subsidies is anything to go by, the US financial sector and its auto industry will become another ward of state for a long, long time. And where do ordinary members of the public feature in all this? In a crisis of this dimension, appearance is reality. And it looks very much as though millions of people are losing their jobs, homes and savings, while their government is bailing out the fat cats.

What is government for?

The western governments' Pavlovian response to the financial crisis is probably all we could expect in the short run. But in the longer term we need a totally new basis on which to formulate government policy. We need to ask, and keep asking, the question 'What is government for?' Western governments, let's not forget, spend about a third of national income, create statutes and regulations, and have a monopoly on legitimate violence. They have the potential to do a lot better than subsidise inefficient, parasitic or downright destructive, sector groups. And they have the potential, if they act quickly and wisely, to restore our faith in democratic liberalism.

Let's be blunt: the purpose of government is not to prop up ailing industries. It's not to save particular corporations. And it's not to bolster asset values or abstract economic variables like the rate of growth or Gross Domestic Product per capita. Government's purpose is to supply public goods and services, and beyond that to provide a basic minimum level of

health, education and welfare for all. In short, government should be looking after ordinary people.

Without this clear sense of purpose, it goes awry. Instead of helping people, it gets seduced by the ever more turgid lobbying industry, who are experts at convincing government that the best use of its powers and tax revenues is to support - surprise, surprise - the groups they are paid to represent.

Government is a centralized, top-down decision-making body. It does not and cannot do adaptation or diversity - and it is precisely adaptation and diversity that a vibrant, prosperous liberal market economy needs. With its massive intervention and bailout of the US finance sector and the dinosaurs of Detroit the American Government is institutionalizing the corrupt incentives that led to the crisis in the first place while denying disadvantaged Americans the help they need. The US bureaucracy is like a supertanker: it's going to take years to change this mentality.

Policy as if outcomes mattered

We need to realign government on the basis that our financial and economic systems are not ends in themselves, but means to ends, and those ends, first and foremost are about looking after ordinary people. The outcomes government needs to ensure are law and order, minimal standards of good healthcare for all, basic education and housing, a decent social and physical environment, and the provision of a tightly woven safety net for everyone.

Instead of spending taxpayer funds on bailouts government should clearly and unambiguously channel society's scarce resources into avoiding the consequences of financial and economic crises for those who most need help. Government targets need to be inextricably linked to the well-being of ordinary people – as distinct from those of economists, bureaucrats or corporations.

But with a bit of imagination, this crisis of casino capitalism could mark the staring point for an improved policymaking process. One in which:

–Government targets outcomes that are meaningful to ordinary people,
–Government rewards people who achieve these outcomes, however they do so.

Government is good at articulating society's concerns and raising revenue for their achievement. It is not so good at keeping to its core remit. As a big organisation itself, it spends far too time and treasure on its chums in big business at the expense of small enterprises, ordinary people and the environment. What is needed is a government that focuses on rewarding outcomes that are meaningful to ordinary people – rather than activities, institutions or large corporations.

5.12.6 Nothing changes (2008-12-18 12:55)

Ross Clark has been...

> ...trying to square the [British] Government's tough new proposals on welfare reform, which will involve slashing housing benefit and forcing single mothers of one- year-

> old children out to work, with its announcement last week of a mortgage rescue plan to allow homebuyers to take a two-year holiday on their mortgage repayments if they suffer a loss of income. But I am afraid I am not doing very well. [1]*The peculiar case of middle-class benefits* , 'The Times', 8 December

Me neither. It is the persistence of these subsidies to the wealthy and middle classes, after decades of accumulated evidence of their wastefulness, that makes one despair. Originally well intentioned, they have largely been capitalised into asset values so that they fail even in the narrow terms of their stated original purpose. Our economies are so complex that policymakers can escape censure by stringing together high-sounding ideals ('home-ownership', 'food security', 'energy independence') with some seemingly apposite policy, which appears to bring us closer to the supposed ideal, but in reality leads off in a completely different direction: one that favours vested interests, wealthy individuals, big corporations - and economic inefficiency.

Under a Social Policy Bond regime, policies would be expressed in terms of what they actually achieve. All the activities they would then stimulate would be entirely subordinated to specified , agreed, transparent outcomes.

1. http://www.timesonline.co.uk/tol/comment/columnists/guest_contributors/article5303732.ece

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5.12.7 Not very optimistic (2008-12-21 11:19)

Adam Shatz [1]writes:

> The one demand [the protesters in Greece] shared was that the government resign. Their protests struck a chord among students in other European countries dismayed by their dim economic prospects and unresponsive leaders. 'London Review of Books', 1 January 2009

Exactly so - see my previous post.

Blogger.com tells me this is my 600 th post, and this blog has been going for four years now. So it's a good time to summarise where the Social Policy Bond idea is going. For the Social Policy Bond principle, it hasn't been a great year, to be frank. Most importantly, policy still seems to be driven by virtually anything except outcomes. I see policies that I regard as ineffectual or disastrous continuing to consume vast amounts of bureaucratic energy, political capital and other resources, without making people or the environment significantly better off. Little is being put in place to insure against nuclear proliferation, climate change or any other type of disaster - areas where, I think, the Social Policy Bond idea could score heavily over any other policy, even where such policies (like Kyoto) are at least being considered.

Intellectually, it's been more satisfying, in that I recently published my latest book on the subject. At 60000 words it's the definitive work on Social Policy Bonds, so far. But I couldn't find a publisher prepared to take it on, so I've had to publish it myself, at no cost, via Lulu enterprises. After a couple of months, sales to people other than myself (for proof-reading purposes) haven't made it into double figures.

According to my website statistics sources, this blog and the SocialGoals .com site between them are seen between about 10 or 20 times a day. But many of these visits are short; almost nobody this year has emailed me about the bonds or even left comments on this blog.

Taken together then, I'm not too optimistic and I am considering what to do with this blog and my time. Publication of my book and four years of this blog mean that a resource is available for those who are interested, and it might be better to let the idea lie until somebody is sufficiently motivated to take it further. I will have a think about that.

1. http://www.lrb.co.uk/v31/n01/shtz01_.html

5.12.8 The party's over (2008-12-22 14:44)

An interesting article about the failure of the economics profession to foresee, let alone forestall, the current financial crisis:

> An entire field of experts dedicated to studying the behavior of markets failed to anticipate what may prove to be the biggest economic collapse of our lifetime. And, now that we're in the middle of it, many frankly admit that they're not sure how to prevent things from getting worse. *[1] Paradigm lost* , Drake Bennett, 'The Boston Globe', 21 December

There are plenty of reasons for this, some suggested by Mr Bennett. For myself, I think the goals of economists are have, like those in other professions, drifted away from their ideals; something that's inevitable when tenure, salaries and prospects depend on spurious micro-targets: number of papers published, frequency with which they are cited, and the rest. With the ever-lengthening and ever more tenuous link between the producers of economic theory & policy and the people they are supposed to be helping, the economics profession has become little different to that of politics and policymaking in general: governed by meaningless volume of output indicators, image, ideology - anything, that is, except outcomes. They have got away with it - until now. My suggestion is that they use this crisis to ask themselves the fundamental question: [2]What is government for?

1. http://www.boston.com/bostonglobe/ideas/articles/2008/12/21/paradigm_lost/?page=full
2. http://socialgoals.com/blog/2008/12/what-is-government-for.html

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5.12.9 Target outcomes, not economic variables (2008-12-29 06:40)

Reading the excellent [1]*Bad Samaritans : the guilty secrets of rich nations and the threat to global prosperity*, by Ha- Joon Chang, it becomes clear that many of the assumptions underlying development theory have no basis in fact. All too often we accept, with little evidence, assertions that, for example, Foreign Direct Investment is good for a country's development prospects. But:

> Not only is FDI not necessarily a stable source of foreign currency, it may have negative impacts on the foreign exchange position of the host country. FDI may bring in foreign currency, but it can also generate additional demands for it (eg importing inputs, contracting foreign loans). Of course, it can (but may not) also generate additional foreign currency through exporting, but whether it will earn more foreign exchange than it uses is not a foregone conclusion. (Page 89)

More FDI , like a lower rate of inflation (also discussed by Chang) is not an unmitigated blessing. Like a host of other variables such as economic growth itself, explicitly or implicitly targeted by governments in the rich and poor countries, they are imperfect indicators, that may have been highly correlated to societal well-being in some countries at some points in the past, but that are not always inevitably so. In a complex and interdependent world, there are too many other variables, time lags and other confounding factors that make targeting of *anything other than outcomes* problematic - as Chang illustrates throughout his book. And that is assuming that those doing the targeting on behalf of others (in Chang's book: the World Trade Organization, the IMF and the World Bank on behalf of the developing countries), are well meaning.

Social Policy Bonds would be a radical change in that they would target and reward the achievement of social and environmental goals themselves. Much work has been done, for example, on the [2]Human Development Index, which, with a bit of tweaking could be targeted by governments in the poor and rich countries, or philanthropic groups . A modified HDI would be inextricably correlated with social well-being, and under a bond regime people could be rewarded for raising it *however they did so*. This would be a stark contrast with they sometimes cynical, often ideological and generally failed policies of Chang's Bad Samaritans.

1. http://www.amazon.com/Bad-Samaritans-Secret-History-Capitalism/dp/1596913991
2. http://en.wikipedia.org/wiki/Human_Development_Index

2009

6.1 January

6.1.1 The unimportance of getting it right (2009-01-02 12:49)

If non-financial incentives carried much weight, then it would be helpful if they could correlate in some way with desirable social or environmental outcomes. They would then perform some tiny act of offsetting the financial incentives that are on offer to those whose activities end up degrading our wellbeing. Unfortunately though, in the UK at least, the royal honours system has largely followed the prevailing trend and been given over to celebrities, sportspeople or entertainers. Or, as this [1]letter to the *Times* (2 January*)*, points out, to those civil servants whose approaches are tried, tested - and failed:

> Sir, Courtiers in days of yore used to know that it was far better to be wrong in grand company than to be right on your own — so it is today. The Permanent Secretary to the Treasury, a Gordon Brown insider, Nick MacPherson, gets a knighthood for presiding over the management of the economy that has led to the most dangerous financial boom in living memory and which has resulted in the present bust and deep recession. By contrast, the eminent economist Roger Bootle gets nothing, despite having many times warned us that deflation was a more dangerous enemy than inflation and that Mr Brown and the Bank of England should stop worrying unnecessarily about inflation and should, instead, take steps to stem the flow of irresponsible debt, which has fuelled the unsustainable property boom.
> Stephen Porter
> London NW6

1. http://www.timesonline.co.uk/tol/comment/letters/article5429422.ece

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6.1.2 Incentives to be responsible (2009-01-08 00:58)

In the course of a long article about Italy's woes, Alexander Stille writes:

> Italy has half a million people who have been retired for more than forty years. The cost of paying for much of this was deferred, creating Italy's huge debt. It takes about 10 percent of GDP just to service it. [1]*Italy Against Itself* , 'New York Review of Books', 4 December 2008 (subscription)

Sometimes you wonder whether our complex social and economic organization is just a device for obscuring our irresponsibility . The costs of our behaviour - on future generations, past generations, our the environment - might even outweigh the benefits of specialisation. I'm not convinced, either, that the benefits to this generation are that compelling. At college we learned that alienation and interdependence were the disadvantages of specialisation; nowadays much these are supplemented by extreme uncertainty.

I think it's time to rein in the influence of so-called 'market' forces - those manipulations and distortions of real markets that work against the interests of ordinary people. A Social Policy Bond regime would be one way of inextricably linking rewards to socially desirable outcomes: something that we do not have at present when, for instance, it's claimed that 'a rising tide lifts all boats', or that wealth 'trickles down' from the super-rich to society as a whole. Social Policy Bonds targeting social and environmental outcomes couldn't be manipulated or used to obscure baser motives. They would subordinate all activities and institutional funding to the actual achievement of targeted goals. Opportunities to game the system would disappear - in stark contrast to the corrupt politics that seems to bedevil even the richer, developed countries.

1. http://www.nybooks.com/articles/article-preview?article_id=22128

6.1.3 Perils of incremental adaptation (2009-01-09 01:15)

From Harper's Index:

> Average percentage by which a bar-smoking ban in a US county increases the rate of drunk-driving fatalities: 13 Harper's Magazine, July 2008

The source cited is Scott Adams, University of Wisconsin-Milwaukee, and this [1]link (pdf) takes us to Adams' paper showing that the increase in road deaths arises from the extra distances that smokers travel to reach a bar where smoking is allowed. This illustrates a larger truth: that incremental evolution and adaptation along lines determined by current institutional structures often takes us away from the goals we actually want to achieve. In this instance pressure, presumably from anti-smoking lobbyists and well-meaning healthcare agencies, generates a rise in road deaths. Nobody actually has a strong incentive to look at the big picture.

A Social Policy Bond regime would be different. Broad outcomes, such as the general health of an entire population, could be targeted, giving people incentives to help improve it - rather than, as at present, to work on things (such as smoking restrictions) that sound helpful but that actually do nothing for the wellbeing of the population.

1. http://www.econ.iastate.edu/calendar/papers/CottiPaperDrunkDriving.pdf

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6.1.4 Getting away with it (2009-01-12 10:57)

Politicians and government bureaucrats can always escape or deflect censure for their failed policies because of the complexity of our social system. In the same way economists - public or private sector - can excuse their failure to foresee catastrophic events:

> But if a doctor repeatedly deemed patients to be healthy that were soon found to have Stage Four cancer that was at least six years in the making, the doctor would be a likely candidate for a malpractice suit. Yet we have heard nary a peep about the almost willful blindness of economists to the crisis-in-its-making, with the result that their central role in policy development remains beyond question. [1] Why so little self-recrimination among economists?

To that end, all in positions of power and influence have a vested interest, no doubt manifested sub-consciously, in increasing the complexity our social organization. In that way we can be sure that their mistakes, or favouring of chosen sectors or corporations, can always be shrouded in obscurity. Economists often talk of the 'tragedy of the commons', but the tragedies occur not when ownership of a resource is undefined, but rather when it's hidden, constantly changing or otherwise too complicated to ascribe to any accountable person. If we are going to have accountability for social and environmental failure, we need to bring some clarity into the policymaking process. I think this can best be done by rewarding meaningful outcomes, perhaps by issuing Social Policy Bonds. (This is one reason, incidentally, why I dislike proportional representation, at least in the form that it takes in New Zealand: the electoral process itself is unnecessarily complicated for most ordinary people, while the horse-trading that goes on between parties after the election is also inaccessible to most. I'm open to persuasion about this, however.)

1. http://www.blogger.com/But%20if%20a%20doctor%20repeatedly%20deemed%20patients%20to%20be%20healthy%20that%20were%20soon%20found%20to%20have%20Stage%20Four%20canc

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6.1.5 Miswanting (2009-01-14 10:20)

Citing work by US psychologists Daniel Gilbert and Timothy Wilson, Elizabeth Farrelly writes about ' miswanting ', which is:

> our tendency to want all the wrong things, things that are
>
> wrong not just morally or environmentally but even in their capacity to deliver the satisfaction they promise. ... [M] iswanting occurs because we are hardwired to mispredict both the intensity and the duration of our emotional response to getting what we desire. [1] *Blubberland : the dangers of happiness*

We make better decisions when we are not distracted by the salience factor:

> Salience is the intensity or vividness of perception that makes us much more susceptible to the immediate objects of our senses - to what we see and feel - than things we abstractly know.

The implications for the way we live are profound, not least in policymaking , which is often diverted from a rational course by the immediacy of televisual events. So our oceans are overfished , because the plight of small fishing communities is much more salient than the environmental catastrophe of depleted seas - and, indeed, the long-term prospects for the fishing communities themselves. It's par for the course when policy is expressed in terms other than meaningful outcomes. Government funding and legislation can all too easily be

diverted into compelling causes at the expense of our long-term goals. We, for instance, still subsidising not only fisheries, but large agri -business corporates and fossil fuel extraction and consumption.

A Social Policy Bond regime would be far less susceptible to the manipulation of the salience factor. We might still choose to subsidise the destruction of the seas or large cash transfers from the poor to the [2]enormously wealthy, for example, but it would have to be done with our eyes open, and with some degree of consensus. Somehow, I think that our collective consciousness, would find more deserving causes.

1. http://www.amazon.com/Blubberland-Dangers-Happiness-Elizabeth-Farrelly/dp/0262562367
2. http://news.bbc.co.uk/2/hi/uk_news/politics/4374655.stm

6.1.6 Social Policy Bonds as a metasystem (2009-01-17 13:37)

A jarring commentary by Theodore Dalrymple on seeing two schizophrenics in the Paris Metro, obviously in some discomfort and distress, but being ignored by the passengers:

> [W]hat really struck me about the scrawlers [of slogans on adversting posters] of the Réaumur-Sébastopol station was their passionate certainty about large and distant abstractions; while at the same time, no one among many thousands knew, apparently, what to do in practice about the two individuals who were causing some inconvenience, displeasure, and even fear to those same thousands. [1] *Reading the Signs*
>
> , 'City Journal' 6 January

Social Policy Bonds are a meta-system. They don't assume, as do most of us, that government will do the things that we cannot currently do, or choose not to do. Government is never slow to expand its role ([2]'With government, mission creep is the defining feature' says Mark Steyn), and we acquiesce too easily in letting it. But a Social Policy Bond regime would reward people for achieving targeted social goals, however they do so and whatever their identity, provided only that they are efficient. If government cannot provide decent care for disturbed people, then others, including volunteers, should be given the resources to enable them to do the job. A Social Policy Bond regime would alocate resources impartially, with efficiency in achieving targeted goals being the sole criterion for allocating taxpayer funds.

1. http://www.city-journal.org/2009/eon0106td.html
2. http://www.ocregister.com/articles/federal-emergency-fema-2283617-new-government

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6.1.7 Catastrophe: coming soon (2009-01-23 12:11)

From The atomic bazaar, by William Langewiesche :

> [D] etailed knowledge of nuclear bomb-making has fully escaped into the public domain, placing nuclear arsenals within the reach of almost any nation. Once countries make that choice, their rivals will hear the same call. The United States, Russia,

> Britain, France, China, Israel, South Africa, India, Pakistan. North Korea and soon perhaps Iran. At least twenty other countries are in position to proceed. ... In Western capitals today there are quiet people, serious people, who, while recognizing the low probability of [a Hiroshima-type fission explosion] nonetheless worry that the successful use of just a single atomic bomb could bring the established order to its knees - or lay it out flat. [1]*The atomic bazaar: the rise of the nuclear poor* (pages 13 and 19).

Given such a consequence, the large number of countries involved, the multiplicity of possible causes of conflict, and our total uncertainty as to where the greatest dangers lie, I think this is one policy area where incentives to achieve a result - the absence of nuclear explosion - should be supplied, however that result is to be achieved. In that way, people would investigate and implement those ways that do most to reduce the probability of a nuclear explosion per dollar spent. Application of the Social Policy Bond principle - see my essay on [2]Conflict Reduction Bonds - would ensure that the incentives are always in the hands of those best placed to achieve the target.

Nuclear conflict, like conflict in general, needs a diverse, adaptive approach. One shaped by our dire need to avoid catastrophe, whatever its source, rather than by the structures, goals and funding of bureaucracies. Unfortunately, it is the latter that have the traction.

1. http://www.amazon.com/Atomic-Bazaar-Rise-Nuclear-Poor/dp/0374106789
2. http://socialgoals.com/wpbsshort.html

6.1.8 Condemned by governmental structures (2009-01-26 00:54)

From [1]*the Atomic Bazaar*:

> The construction of a [fission] bomb is not a casual project. The required machinery, the noise and especially the presence of team members who are unlikely to be locals provides the West with the last practical chance of self-defence.... In even the most chaotic neighborhoods... it would be difficult to keep the neighbors from asking inconvenient questions. [In Istanbul], Mombasa, Karachi, and every other city where a bomb could conceivably be built ... are urban collectives, ungovernable perhaps, but not necessarily uncontrolled. Western agencies that could find a way to lay traplines in their slums would have a better chance of stopping a terrorist attack than any port-inspection program, bureaucratic
>
> reshuffling , or military maneuvering can provide. Here again, though, **there is little evidence that Western agencies are capable of emerging from their rigidly governmental frameworks. '** The Atomic Bazaar: The Rise of the Nuclear Poor', by William Langewiesche ((pp68-9) [My emphasis]

Precisely. People who work for government are, in my experience, well-meaning and hard-working. But they have no incentive to investigate untried solutions to problems - however serious those problems are. Like all organizations, government agencies have one single, over-arching goal, and that is self-perpetuation. Achieving social or environmental outcomes may or may not be consistent with that goal. Are we to be condemned to a future of nuclear warfare because government bodies are incapable of giving nuclear peace a higher priority

than their own structures and procedures?

Here is my suggestion: a group comprising philanthropists, non-governmental organizations and other interested parties (public or private sector) back a particular application of the Social Policy Bond principle: [2]Disaster Prevention Bonds. These would redeemable for a fixed sum once a sustained period of absence of a humanitarian disaster had passed. The type of disaster need not be specified: it could be natural as well as man made. The redemption terms would stipulate that they would become worthless the moment an unspecified calamity killed, say 20 000 of the world's citizens by a single catastrophic event in any 48-hour period. Such a bond issue would provide incentives for people to investigate and explore ways of avoiding a nuclear exchange, as well as mitigating the effects of natural disasters. Their priority would transcend those of organizations currently working on those problems. Their over-riding criterion for the mix of projects they would initiate will be efficiency: the maximum reduction in the probability of a humanitarian disaster per dollar spent. That's in stark contrast to the existing bodies charged with safeguarding humanity's future who, despite the best of intentions, find it impossible to explore ways of doing things other than those that are tried, tested and failed.

1. http://www.amazon.com/Atomic-Bazaar-Rise-Nuclear-Poor/dp/0374106789
2. http://socialgoals.com/dpbs.html

6.1.9 Gradual re-orientation of policy (2009-01-30 12:54)

> On January 27 th [Gordon Brown] announced a £2.3 billion ($3.2 billion) package of loan guarantees to support carmakers , the development of clean low-carbon cars and the skills to produce them. Another scheme, yet to be devised, will aim to stimulate demand by helping finance companies that lend money to buy cars. [1] *Mandy's Promise*
>
> , 'Economist' 29 January

There's no real discontinuity between the perverse subsidies given to agriculture, the fishing industry and the fossil fuel sector over many decades, and the current bailouts of the finance and car-manufacturing sectors. In all cases short-term expediency and the interests of powerful corporate and government agencies are given a higher priority than those of ordinary people. This is little different from what the way we have treated our physical and social environment. My own feeling is that the logic of incremental adaptation has led us too far from our best interests, and that that is now becoming clearer to everybody. Whether the inevitable re-orientation of policy occurs peacefully and constructively is, I think, open to question. One way of minimising the inevitable pain could be to move towards a Social Policy Bond model.

Such an transition could occur gradually, with existing institutions that are charged with solving our social and environmental problems (mainly government agencies) having their funding reduced by a couple of percentage points a year, while funds are diverted to the redemption of Social Policy Bonds targeting the goals supposedly being achieved by these bodies. The existing institutions, if they were efficient, could work to achieve these goals, and expect to gain at least as much funding as they had before - but only if they were efficient. And their efficiency, and hence their funding, would be objectively assessable at all times via the market for the bonds.

[2]My book goes into more detail about such a gradual transition, as it does about all aspects of the Social Policy Bond idea, but if you are interested you can also contact me directly, through a comment here or via the email address given in my profile page.

1. http://www.economist.com/world/britain/displaystory.cfm?story_id=13036828
2. http://www.lulu.com/content/5177566

6.2 February

6.2.1 Refocusing government (2009-02-01 10:58)

Take away the expectation that we or our children will enjoy a higher standard of living, and all bets are off. From riots in Greece, strikes in France, protests in [1]China and demonstrations in the UK (against EU workers), I am quite pessimistic about the future of liberal democracy. Yet we read about government, which is supposedly there for our benefit, spending ever larger proportions of the incomes of the wealthiest societies that have ever existed in history. With all that public sector spending, and all the high technology and human ingenuity available to the public sector, why are our prospects so dim? There are many answers, and quite a few point to the failure of government. From, corporate welfare schemes and scams, [2]subsidies to the rich or to [3]environmental destruction (pdf), or to the creation of a legislative and regulatory environment that is heavily biased in favour of the large and global at the expense of the small and local, government's failings have implications for us all. My sense is that government as a whole has become too specialised, too big, and hence too remote from the people it is supposed to serve. Writing in the UK, Minette Marrin says

> ...public servants are distinguished by three facts, unique (when united) to them: first, the taxpayer pays for them, second, their jobs and their pensions are protected (by the rest of us) and third, it's extremely difficult, if not impossible, to sack them. Some of them do crucially important things, and some of them do those important things well; but many of them do important things badly, and a lot of them do things that do not need to be done at all, least of all at public expense, and with impunity. *Watch out quangocrats* , [London] 'Sunday Times', 1 February

A Social Policy Bond regime, I think, would be one way by which we could refocus government spending on what is important. Democratic governments could potentially be extremely effective at articulating society's social and environmental goals, and pretty efficient at raising revenue for their achievement. But they are not so good at achieving those goals themselves. Indeed , they appear to have lost sight of any explicit broad long-term goals, being distracted as they are by the day-to-day running of the government machine. But if instead they concentrated on what they are good at - defining desirable outcomes and funding them- while contracting out their achievement to a motivated private sector via Social Policy Bonds, then our societies would have the best of both worlds: optimal social and environmental outcomes achieved at minimum cost.

1. http://business.timesonline.co.uk/tol/business/economics/article5627687.ece
2. http://news.bbc.co.uk/1/hi/england/3423171.stm
3. http://www.oecd.org/dataoecd/56/32/35198859.pdf

6.2.2 How did it happen? (2009-02-05 06:25)

From a letter to the editor of the *Economist*:

> There was little to argue with in your appraisal of the [GW] Bush years and the man himself. What is so deeply troubling is that you couldn ’t see this coming in 2000. Mr Bush came to that election with one of the most disturbing biographies of any candidate this past century—a man who incurred the wrath of his college professors as lazy and arrogant, a frat boy for sure, simplistic and indifferent to complex ideas. He went on to become an alcoholic, business failure, a military no-show during the Vietnam war, a legacy candidate for state office, and a governor whose term in office was little more than a stage-managed prelude to running for president. Jack Luft , Letter to the Editor of [1]’the Economist’, 31 January

Even less excusable was the re-election of GWB in 2004, when his administration’s small-minded incompetence was clear for all to see. How could it happen? I have blogged before on [2]environmental stunts and I think the public reaction they elicit explains much. To put it briefly , we are turned off, mightily, by being told what to do by people who think they know better than us what’s good for us. Now in lots of instances they *do* know what’s better for us, and this is the tragedy. Too often the rational, well-intended argument is - in the minds of those of us who are neutral or even faintly in favour of the argument - negated by the apparent smugness of those making it. So to spite the self-satisfied we puckishly vote against them. It’s unjust, silly, irrational and destructive ; but it is something that, perhaps, the US Democratic Party has learned. Leadership, at least of reasonably well-educated people in democracies, is not (just) about having the right arguments and doing the right things: it’s also about engaging with ordinary people and winning them over.

Disastrous as it was, the re-election of GWB was perhaps not the worst outcome of our childish tendency to act against our best instincts in order to take the ’do- gooders ’ down a peg or two. In conversations I have with highly intelligent people about climate change I detect the same reaction. In this instance, it’s irrational to the point of suicidal, but no less real for that.

So do I have any positive suggestions? This could be a case where humility plays a role. Not only in presenting our arguments - though that is crucial - but also in recognising that while we can clearly see social and environmental problems, the best ways of solving them are not always known. Better then to advocate climate stability, say, than to demonstrate against coal-fired power stations or additional airport runways. The advantages are two-fold. First, it’s more difficult to antagonise the public, and easier to win them onside, when discussing outcomes that are universally desired, rather than to make judgements on their behaviour. Second, it’s more efficient not to prejudge the best ways of solving our complex social and environmental problems and to let people decide them for themselves on the necessary trade-offs.

And this is where Social Policy Bonds enter the picture. Under a [3]Climate Stability Bond regime (for instance), a motivated market would constantly assess the necessity to do something about climate change, and it would constantly be working out the optimal mix of solutions to the climate change problem. In my view the setting up of such a regime, being focussed on a universally desired set of outcomes rather than the supposed means of reaching them, could involve the participation and hence the support of a far wider public than the

alternatives that are currently being discussed. Without that support on this and other urgent challenges, I am afraid we are headed for catastrophe.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=13012706
2. http://socialgoals.com/blog/2007/02/environmental-stunts-do-they-help.html
3. http://socialgoals.com/ieakyototext.html

6.2.3 Peak everything (2009-02-10 10:41)

> If this nation [ie the US] wants to survive without an intense political convulsion, there's a lot we can do, but none of it is being voiced in any corner of Washington at this time. We have to get off of petro -agriculture and grow our food locally, at a smaller scale, with more people working on it and fewer machines. This is an enormous project, which implies change in everything from property allocation to farming methods to new social relations. But if we don't focus on it right away, a lot of Americans will end up starving, and rather soon. [1] Jim Kunstler

You don't have to accept the entire Kunstler thesis to believe that huge adjustments in the way we organize ourselves are going to be necessary in a world of climate change, peak oil and peak many other things that we take for granted. I'm not at all sure that western governments can anticipate any necessary changes and guide us toward them. There are flaws in our political systems, to which I have alluded many times: notably their favouring of large, global corporates at the expense of ordinary people and the environment ; and the incentives they face to concentrate on visual, fast-moving crises at the expense of deeper, more urgent problems. But there are also the daunting complexities in our social organization that make the effects of any large policy action impossible to identify.

This is where Social Policy Bonds could play a useful role. If we want to avoid widespread starvation - or nuclear catastrophe or calamitous climate change - then we can admit that we don't know how best to do so, but issue bonds that will motivate people to explore and implement policies that will avoid disastrous outcomes. The complexity of our society and the many huge challenges we face, in my view, point toward an outcome-based approach: one, such as Social Policy Bonds, that subordinates all our current vested interests and dysfunctional institutions to targeted social and environmental outcomes. Successful policy at this juncture is about encouraging diverse, adaptive initiatives , rather than continuing with the tried, tested and failed policies that have led us into this impasse.

1. http://jameshowardkunstler.typepad.com/clusterfuck_nation/2009/02/poverty-of-imagination.html

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6.2.4 Unlikely relationships (2009-02-14 10:51)

> [I]n houses with at least one smoker, a mobile-phone purchase led to a 32.6 percent drop in tobacco consumption for each adult - the equivalent of an entire pack each month. 'The Lesser Evil', *the Atlantic*, October 2008 (page 24)

Exploring unlikely relationships is something that bureaucracies don't do very well. Who would have thought that one way of making people healthier would be to encourage the purchase of cellphones? More to the point, who has the incentives to investigate and exploit such relationships ? Certainly nobody working for a large organization in the public sector, and probably nobody in a large private sector organization either. Why rock the boat? Under a Social Policy Bond regime targeting broad indicators of societal health people would be motivated to explore all sorts of new relationships . They might, for instance, find that the most cost-effective ways of increasing longevity include subsidising taxis for youths emerging from nightclubs after 2am; or diverting subsidies away from industrial agriculture and into organic farming; or dishing out cellphones to smokers.... The point is that under the current system there are too few incentives to initiate projects with potentially high rewards that might fail; it's difficult to terminate failed projects under the current system. But this year, the 200 th anniversary, we ought to remember that the evolutionary fitness of a species requires diversity and adaptation. It's the same with policies.

6.2.5 Policy monoculture (2009-02-19 10:22)

Writing about stem rust, a devastating disease which threatens to wipe out much of the wheat crop in Africa, Sharon Schmickle writes:

> In the biological churning that constantly endows old pests with new genetic combinations, stem rust had acquired a frightening ability to punch through the resistance that had guarded wheat for decades. Eighty percent of Asian and African wheat varieties are now susceptible, and so is barley.... [1]*In the Wheat Fields of Kenya, a Budding Epidemic* , 'Washington Post', 18 February

I've written before about the dangers of a policy monoculture, most fully in my book. While it's a laudable aim to have broad overall goals for a large society, it's not at all helpful to prejudge the best way of achieving a goal and then to prescribe it to the exclusion of all others. The danger is analogous to that in agriculture: lack of diversity and a heightened risk of catastrophic failure. Diversity, responsiveness and the swift termination of inefficient projects are essential when it comes to solving social or environmental problems, which typically arise from a multiplicity of complex causes and are not amenable to command and control. It would be a shame if, as seems possible, government's tendency to assume it knows everything about, for instance, climate change or a healthy economy, causes it to invest all its - rather, 'our' - efforts in the solutions it currently prefers.

The Social Policy Bond principle could combine (1) government's expertise in defining social goals and raising the funds for their achievement, with (2) the market's efficiency in exploring different initiatives and terminating failures. For the example of climate change see [2]here.

1. http://www.washingtonpost.com/wp-dyn/content/article/2009/02/17/AR2009021703174.html?nav=hcmoduletmv
2. http://socialgoals.com/ieakyototext.html

6.2.6 Incentives to fail... (2009-02-21 11:37)

...well, maybe not, but certainly 'absence of incentives to succeed'. Ross Clark writes:

> You think you couldn't find a more extravagant bonus culture and an even more absurd system for rewarding failure than xists at the banks? Just look at the public sector. In fact, let's start by looking at the public sector employee who was charged with the task of monitoring the banks to ensure they didn't get into trouble. That man was Clive Briault, managing director of retail at the Financial Services Authority.
>
> Having failed completely to detect anything wrong at Northern Rock, he resigned last April. That is as it should be, except that far from falling on his sword, Mr Briault appears to have been allowed to run off with it and melt it down and use the silver to augment his pension. The FSA's annual report reveals that he left with £356,452 of compensation for lost salary and bonuses, £36,000 of pension contributions and £202,500 for 'compensation for loss of office'.
>
> Hang on, let's just get this right. An employee resigns because he failed to do the job demanded of him — and he still gets paid a bonus, plus compensation for suffering the ignominy of having to resign. His case is not a one-off. Take Rose Gibb, who left her £150,000-a-year job as chief executive of the Maidstone and Tunbridge Wells NHS Trust just before the publication of a critical report by the Healthcare Commission into an outbreak of Clostridium difficile in which 345 patients died. To see her on her way, the Trust offered her a £250,000 severance package. Only £75,000 of this was pay in lieu of her notice: the other £174,573 was, as with Mr Briault, 'compensation for loss of office'.
>
> Although, after an outcry, the Health Secretary, Alan Johnson, tried to block the payout, he later backed down and allowed Ms Gibb her £75,000 in lieu of notice. Even so, she has gone to the High Court to claim the full whack.
>
> What kind of an employment contract is it that ends up paying you more for being booted out for failing than it would have done had you worked out your notice? The sort of employment contract which is all too common in the public sector, that's what. The government no longer offers jobs for life; it now just offers payment for life, whether you manage to hold on to your job or not. *[1] Want a big bonus? Get yourself a public sector job* , Ross Clark, 'the Spectator' [London], 21 February

1. http://www.spectator.co.uk/the-magazine/features/3367806/want-a-big-bonus-get-yourself-a-public-sector-job.thtml

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6.2.7 More bio-foolery (2009-02-23 05:14)

> The use of crop-based biofuels could speed up rather than slow down global warming by fueling the destruction of rainforests , scientists warned Saturday. [1] Grist News , 18 February

Exactly so. Climate change is one of the many complex, urgent challenges about which scientists don't know everything - and politicians know hardly anything. Does it make sense to invest everything in our current best knowledge, while knowing that we don't know much and that our knowledge is expanding prodigiously? I think not, but that is what we are doing, and one result is bio-foolery; another is Kyoto.

As a society, when it comes to solving complex social and environmental problems , we need more humility. Targeting outcomes, without prejudging which array of solutions will work best, is one way of accepting that our current knowledge is limited, but nevertheless not being content to stand by and do nothing. Issuing [2]Climate Stability Bonds would inject the market's incentives and efficiencies into solving what is probably our most urgent environmental problem, while accepting that we don't yet know what will be the most effective and efficient solutions.

1. http://www.grist.org/news/2009/02/18/biofuel/index.html?source=rss
2. http://socialgoals.com/ieakyototext.html

6.2.8 Losing diversity (2009-02-25 09:50)

George Steiner writes:

> I have conjectured, without being able to offer proof, that the generative justification for the 'crazy' number and fragmentation of tongues - more than four hundred in India alone - is analogous to the Darwinian model of adaptive niches. ... It is the seemingly wasteful plethora of languages which allows us to articulate alternatives to reality, to speak freedom within servitude to programme plenty within destitution . ... Hence the truly irreparable loss, the diminution in the chances of man, when a language dies. ... The extinction of languages which we are now witnessing - dozens pass annually into irretrievable silence - is precisely parallel to the ravaging of fauna and flora, but with greater finality. George Steiner, [1] *My Unwritten Books*
>
> (pages 59-60)

I am actually in favour of a monoculture of outcomes: food, clothing, shelter and security for all. What doesn't work, and indeed can be disastrous, is the sort of policy monoculture which insists that, for example, human wellbeing can be achieved only in the form and by the methods conceived by any single organization, well meaning or not. It is this thinking that gave us murderous ideologies, the piling up of nuclear weapons or our dangerously absolute dependence on fossil fuels.

A Social Policy Bond regime would actively stimulate diversity; in the Darwinian sense and with a Darwinian result. It would target broad social and environmental goals and let the private sector, in all its diversity, work out how best to achieve them. Diverse, yes, and also adaptive: unlike government bodies, investors in Social Policy Bonds would have every incentive to abandon failing programmes. Only efficient projects would survive. And, in stark contrast to today's world, under a bond regime private sector goals would be exactly the same as those of society.

1. http://www.amazon.com/My-Unwritten-Books-George-Steiner/dp/0811217035

6.3 March

6.3.1 The real revolution: targeting outcomes directly (2009-03-02 10:35)

> The *philosophes* claimed that critical reason would prove emancipatory. Reason and science, they held, would make people more humane and happy. But certain scholars have recently been arguing that just the opposite occurred . When rulers and administrators heeded the promptings of 'reason', it was to increase their power and enhance their authority, in ways which often penalized the poor , weak, and inarticulate. Roy Porter, [1]'The Enlightenment'

Knowing what we do about the complexity of our society, it's less forgivable nowadays that at the time of the French Revolution to say we're targeting, say, poverty, by implementing policies whose effect, at best, is indirect. You do not target, for example, the wellbeing of people who are farming by a hugely elaborate system of import and price controls whose main beneficiaries are the [2]very rich, agribusiness corporates and fraudsters. You do not, these days, necessarily raise literacy standards by spending more on education. Nor crime by spending more on police.

If we want to raise literacy, why not target literacy? If we want to reduce crime, why not reward people for reducing crime, however they do so? In short, why not target outcomes, rather than activities, institutions, inputs or outputs , and let the private sector, rather than the taxpayer, be penalised for failure? Revolutionary talk. But such would be the effect of a Social Policy Bond regime.

1. http://www.amazon.com/Enlightenment-Second-Studies-European-History/dp/0333945050
2. http://www.newint.org/columns/essays/2005/09/01/blenheim_and_bangalore/

6.3.2 Why so coy? (2009-03-03 10:52)

> Overfishing, which affects 19 percent of major commercial fish stocks monitored by the FAO [the UN's Food and Agriculture Organization], was being facilitated by a higher number of trawlers in operation and increasingly effective technology, it said. [1] Grist
>
> , 2 March

The United Nations report to which this press release refers is due out next week. I hope it mentions the grievous role that UN member governments have played in subsidising overfishing. Many of the subsidies to the industry, [2]estimated to be worth around $30 billion annually, take the form of reduced-cost fuel, or cheaper high-technology that does much to contribute to the destruction of the world's fisheries.

1. http://www.grist.org/news/2009/03/02/fishing/index.html?source=rss
2. http://www.fisheries.ubc.ca/archive/publications/reports/report14_6.php

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6.3.3 Targets (2009-03-05 10:29)

If we're going to have large, centralised governments, we should probably accept that much of their policy will centre round the use of highly aggregated numerical data. The Social Policy Bond principle is no different, but I advocate that the bonds target broad indicators of wellbeing that are meaningful to ordinary people. Here's what happens when governments use Mickey Mouse micro-targets:

> [H] ead teachers in the [UK's] government-controlled sector live and die by targets. Their careers depend on them. One of the targets is high attendance. Then came the snow [in the first week of February]. Most schools in London were closed on the Monday. But more schools managed to open on the Tuesday. Now you might think that those schools whose head teacher and staff struggled into work for the benefit of the children in their care were particularly conscientious. Not in target-land however. They were mugs. Since their schools were open, the many absences of children from their schools on that snowy day will count against them when it comes to calculating how good their attendance figures have been. But those schools which stayed shut will be deemed to have been shut because of exceptional circumstances and their attendance figures will not be affected at all. So the conscientious schools that opened will be punished with bad attendance figures. The less conscientious schools that stayed shut will be rewarded with high attendance figures. Thus does the state give perverse incentives. [1] Source

1. http://www.thewelfarestatewerein.com/archives/2009/02/the_wonderful_w.php

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6.3.4 Reacting rationally to perverse incentives (2009-03-11 11:36)

The Icelandic financial crisis explained:

> You have a dog, and I have a cat. We agree that they are each worth a billion dollars. You sell me the dog for a billion, and I sell you the cat for a billion. Now we are no longer pet owners, but Icelandic banks, with a billion dollars in new assets. "They created fake capital by trading assets amongst themselves at inflated values," says a London hedge-fund manager. "This was how the banks and investment companies grew and grew. But they were lightweights in the international markets." [1] Wall Street on the Tundra
>
> , Michael Lewis

The result? In the same article, we learn that

> When their three brand-new global-size banks collapsed, last October, Iceland's 300,000 citizens found that they bore some kind of responsibility for $100 billion of banking losses—which works out to roughly $330,000 for every Icelandic man, woman, and child.

The details are no doubt more complex, but I would guess, that as in the rest of the financial world, the Icelanders were reacting rationally to the incentives on offer. Indeed, facing those incentives, the multitudes of traders, bankers and experts would have been mugs not to behave irresponsibly.

A Social Policy Bond regime might have avoided the entire calamity, at least from the viewpoint of ordinary people. Unlike with other financial assets, investors in Social Policy Bonds might well get rich, true, but their rewards would be inextricably linked to achievement of specified social and environmental goals. Achievement of such goals might be as complicated as the financial markets used to be, but the investors' goals, and those of the general public would be entirely congruent. If government backed Social Policy Bonds then social and environmental goals would be decoupled from the financial world's volatility. There would still be huge gyrations in fortunes, but not at the expense of taxpayers.

1. http://www.vanityfair.com/politics/features/2009/04/iceland200904

6.3.5 Missing emails (2009-03-12 00:08)

If you have tried to email me over the past few months and haven't had a reply, it's because your email didn't reach me. I have only recently discovered that my ISP has been filtering my emails and blocking some important ones. Please resend your email and I will reply promptly. Thank you.

6.3.6 Climate change: the problem (2009-03-12 10:21)

The problem:

> If a product is made in China, by a company based in Singapore, using Australian coal, for a company in the UK, and exported to end users in the US, then which country should 'own' the emissions?". [1] Oliver Tickell
>
> , 2008

The solution? Subordinate policy to the desired outcome: climate stability. Not to the wish to attribute emissions to particular countries. Nor even to the wish to cut back emissions. Our politicians are too adept at gaming whatever will be agreed, while climate change is simply too complex to address with one policy, which might well not be effective or efficient.

The solution in more detail? Issue Climate Stability Bonds, which will transfer the burden of assessing the cost of stabilising the world's climate to investors who have an incentive to stay abreast of our rapidly expanding scientific knowledge and technology. The bonds will reward the achievement of the climate stability goal without prejudging how that shall be achieved. For more details, see [2]here.

1. http://www.mng.org.uk/gh/dtcrs.htm
2. http://socialgoals.com/ieakyototext.html

6.3.7 Centralization: costs and benefits (2009-03-13 11:29)

> "The food system is so centralized that, when a food crisis hits like it did this year, we are less able to react," said Eric Holt Gimenez , executive director of Food First/Institute for Food and Development Policy. "We get these tremendous spikes in commodity prices. ... It also shows up at the cash register." [1] Our Hungry Planet
>
> , Chris Serres , Startribune .com (cited in an [2]
>
> Oligopoly Watch post
>
> about Cargill)

Centralisation doesn't always work against societal wellbeing . Indeed, in my view it's essential for such tasks as articulating society's needs and wishes, and for raising the revenue needed for public goods and services. But extreme centralization, I think, has two main, overlapping, problems. First, it fosters [3]corporatism, and works in favour of big companies at the expense of small enterprises and the interests of ordinary people. Second, and more relevant to the Social Policy Bond idea, is that it creates a policy monoculture. As Mr Gimenez indicates, this can mean a disastrous sluggishness; it also inhibits diversity of response, and so limits the degree to which successful policies and projects can supplant the failures.

For all these reasons, Social Policy Bonds could score heavily over our increasingly centralized policymaking decisions. Under a Social Policy Bond regime national governments or supra-national bodies like the United Nations could do what they are best at: setting long-term social and environmental goals, expressed in terms of outcomes that are meaningful to ordinary people. But rather than spawn a centralized bureaucracy supposedly aimed at achieving these goals, the bonds would be bought by private investors, who would have powerful incentives to co-operate with each other to achieve targeted goals as cost-effectively as possible. With Social Policy Bonds we could enjoy the benefits of centralization *and* the benefits of a multitude of competing, diverse, adaptive programmes and projects.

1. http://www.startribune.com/35515674.html?elr=KArksDyycyUtyycyUiD3aPc:_Yyc:aUU
2. http://www.oligopolywatch.com/2009/03/12.html#a1305
3. http://en.wikipedia.org/wiki/Corporatism

6.3.8 Anyone any better idea...? (2009-03-17 10:52)

> Quietly in public, loudly in private, climate scientists everywhere are saying the same thing: it's over. The years in which more than two degrees [Celsius] of global warming could have been prevented have passed, the opportunities squandered by denial and delay. On current trajectories we'll be lucky to get away with four degrees. Mitigation (limiting greenhouse gas pollution) has failed; now we must adapt to what nature sends our way. If we can. [1]George Monbiot

The current solutions are not working. There's not a sliver of the political will necessary to meet the challenge. The unattractiveness of the Kyoto process probably has something to do with it: high, upfront cost for an uncertain, remote, reward. A process that politicises the climate change issue, setting country against country in ways that encourage negotiators to spend all their time defending their country's short-term interests at the expense of a global

solution. This, and the fact that it's underpinned by 1990s science with little role for our expanding scientific knowledge, has sealed Kyoto's fate, and possibly that of our entire planet.

[2]Climate Stability Bonds might not be perfect - but has anyone any better idea?

1. http://www.monbiot.com/archives/2009/03/17/a-self-fulfilling-prophecy/
2. http://socialgoals.com/ieakyototext.html

6.3.9 The meaninglessness of abstract economic variables (2009-03-18 12:41)

[1]Andrew Gelman asks 'What is Russia's GDP per capita ?'

> $7,600 (World Bank 2007)
>
> $9,100 (World Bank 2007)
>
> $14,700 PPP [Purchasing Power Parity] adjusted, World Bank 2007)
>
> $4,500 (World Bank 2006)
>
> $7600 or $14,400 (gross national income: "Atlas method" or "purchasing power parity," World Bank 2007)
>
> $12,600 (IMF 2008), $9,100 (World Bank 2007), or $12,500 (CIA 2008)
>
> $2,637 in 2000 US dollars (World Bank 2007); that's $3,200 in 2007 dollars
>
> $2,621 (World Bank 2006) or $8,600 (IMF)

I've posted [2]before on the uselessness of Gross Domestic Product as an indicator of societal well-being. The disparity that Mr Gelman depicts is another reason why I think we should as far as possible target meaningful outcomes themselves, rather than indicators that might be, or might in the past have been, strongly correlated with wellbeing . In large, complex societies such indicators will be hard to find, but we can make the attempt. Take physical health: in the rich countries we could use broad health indicators such as longevity and infant mortality. In the poorer countries we might encounter problems gathering reliable longevity data, but objective sample data on, for instance, infant mortality, weights of young children, nutritional intake, could be available and useful. Refinement by experts, and aggregation into something like the Human Development Index, would see the creation of much targets that would be both more sound and more meaningful than the current array of indicators such as GDP per capita which, in the absence of sensible targets, has become the de facto over-arching target of governments everywhere.

1. http://www.stat.columbia.edu/~cook/movabletype/archives/2009/03/what_is_russias.html
2. http://socialgoals.com/blog/2006/12/gdp-default-target-for-government.html

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6.3.10 Peak everything (2009-03-23 11:16)

Reading books like [1]Peak Everything: Waking Up to the Century of Declines by Richard Heinberg one is struck by the apparent certainty and magnitude of the decline we human beings face. We seem to be on the brink of some sort of collapse, whose precise form and precipitating causes cannot be foreseen. It's very much like the unravelling of the world's financial system, whose impacts, even now are uncertain.

Many of the causes, though, are similar. To my mind, the underlying problem is the combination of extreme globalisation with lax regulatory policy. The market for financial instruments is effectively, a single global market. With its massive volumes, the rewards from exploiting even inadvertent regulatory deficiencies can be massive - and entirely legal. No regulatory system can anticipate and stop up all loopholes. What could have been done, though, was to set up countervailing incentives: reward people for avoiding the collapse that we are now seeing.

Disastrously, in my view, we are heading in the same direction in other areas. Take climate change or peak oil. With both these challenges our governments are behaving inadequately. Now government is not all-powerful and, as with financial markets, it cannot foresee which laws, regulations or projects are going to best deal with the problems. But what it can do (apart from obvious things like remove subsidies to oil consumption) is to offer incentives for people to avoid catastrophe, *however they do so*. One way of doing this would be to issue Social Policy Bonds that would reward investors in the bonds if (say) climate-related disasters are avoided or their impacts minimised. See an [2]earlier post on this theme. The key is to target the desired outcome, rather than try to anticipate and deal with all the impediments to such an outcome - an impossible task, as we have seen in the finance sector. We urgently need outcome-based policy when it comes to climate change and other environmental and social problems, which are just too complex for the conventional approach.

1. http://www.amazon.com/Peak-Everything-Century-Declines-Publishers/dp/086571598X
2. http://socialgoals.com/blog/2008/10/incentives-to-avoid-catastrophe.html

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6.3.11 Does financial collapse prefigure social and environmental catastrophe? (2009-03-26 09:28)

> The pattern of land use in the expanding cities of the South and West [of the US] - which have had the most rapid population growth, with very few people per square kilometer - was itself established over the period that has elapsed since the energy crisis of the 1970s. It is a consequence of prices as well as preferences, and of the changing distribution of public expenditure , or public partiality. Emma Rothschild, *Can we transform the auto-industrial society*?, 'New York Review of Books', 26 February

I'm glad to see a recognition that the, to my mind, disastrous, changes in land use that we have seen in the US owe a lot to government intervention. With its corrupt, insane subsidies to agribusiness and big landowners and its gung -ho promotion of the oil extraction and consumption infrastructure, the US Government is, sadly, [1]not alone in favouring corporations and abstract economic indicators at the expense of the wellbeing of ordinary people - and the

environment. Bio-fuels are the latest in the long litany of woeful government wheezes, ostensibly aimed at solving some genuine social problem, but mainly an effort to divert taxpayer funds to election campaign donors. Tragically, our social and environmental pathways seem to be paralleling those of the financial sector, and for much the same reasons: government and big business working hand-in-hand to postpone the solution of urgent problems and along the way grab what they can for themselves.

Politicians are almost as much the prisoners of this absurd system as the rest of us, and there's little point now in trying to allocate blame. The problems that the corporatist state has created are now so huge that they require further government intervention. I feel strongly that government should stop trying to prescribe solutions (a la [2]bio-fuels) and instead switch to something like Social Policy Bonds, by means of which it can reward people for achieving such widely agreed goals as the [3]avoidance of catastrophe, without imposing its own (or its paymasters') ideas as to how to achieve these goals. We need diverse, adapative policies and projects, not the dead hand of government and its friends in big business with their failed and fossilised thinking. We need to specify the outcomes that we want, instead of blindly aim for economic growth whatever its consequences and whoever benefits. To be frank, I'm not optimistic that anything like this will happen; not before some calamity anyway.

1. http://socialgoals.com/blog/2008/06/more-madness.html
2. http://socialgoals.com/blog/2009/02/more-bio-foolery.html
3. http://socialgoals.com/blog/2008/10/incentives-to-avoid-catastrophe.html

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6.3.12 Self-esteem (2009-03-30 14:18)

> "In government papers it's considered that everybody should have more self-esteem... It's thought to the the answer to crime, abuse aggression , risk -taking and almost every problem..."' From all the studies, however, there is no good evidence to show that low self-esteem causes anti-social behaviour. Quite the reverse: people who rate themselves highly are the ones most prone to do violence and most likely to take risks , believe themselves invulnerable . John Naish (quoting Nicholas Emler) in [1] *Enough: breaking free from the world of more*

In society, as in our economy and the environment, things are just too complex for any single organization to understand. As well, causal relationships change dramatically over time, as does our knowledge and expertise. No single policy approach can work. And when government is so big that it forms a policy monoculture, the consequences of getting it wrong can be disastrous. It's far better to target universally-desired outcomes, rather than the means that government at some stage thought was the best way of achieving them.

1. http://www.amazon.co.uk/Enough-Breaking-Free-World-More/dp/034093591X

6.4 April

6.4.1 Biodiversity and Social Policy Bonds (2009-04-03 10:32)

> The United Nations Convention on Biological Diversity estimates three species become extinct each hour. That's 72 every day; 26,280 each year. .... [Paul Ehrlich] compares nature's biodiversity to the engineered redundancy in an airplane. The "rivet hypothesis" holds that you can lose some rivets in a plane's wing and it will continue to fly, said Ehrlich. At some point, however, the loss of just one more rivet becomes catastrophic. [1] 'Dead Reckoning'
>
> , Scott LaFee

How would a Social Policy Bond try to tackle loss of biodiversity? One way could be to target not the number of species (remaining, or becoming extinct) because the data are so scanty, but rather to target some index comprising habitat and a large number of indicator species. For ease of measurement it could be stipulated that a random sample of, say 100 out of a total of 10000 species, will determine whether the redemption conditions of the bonds have been met. Similarly, with the areas of habitat loss. Investors in 'Species Preservation Bonds' would therefore would concentrate their efforts on preserving all species, and all habitat.

There are lots of fish-hooks in this idea, and all sorts of potential for abuse and corruption. But does anyone have a better alternative? I don't see any effective global alternatives to application of the Social Policy Bond principle even being discussed. The link makes clear that we are headed for an ecological catastrophe if we carry on as we are doing. By 'we', I mean human beings. Some species will benefit from our demise:

> [I]f mass extinction goes on long enough – events have lasted from hundreds of thousands to millions of years – what's left may consist only of "weedy survivors," said Peter Ward, a paleontologist at the University of Washington. These are animals supremely adaptable and opportunistic, such as flies, rats, crows, coyotes and intestinal parasites.

1. http://www3.signonsandiego.com/stories/2009/mar/23/1c23extinct192442-dead-reckoning/

6.4.2 Kyoto is doomed (2009-04-05 13:19)

Meredith Niles looks at the US 'Clean Energy and Security Act' :

> Buried about halfway through the monster 648 page draft is a crucial statement: "controlling emissions in small as well as large amounts is essential to prevent, slow the pace of, reduce the threats from, and mitigate global warming and its adverse effects." I couldn 't agree more, which is why I was shocked to see that the bill fails to address greenhouse gas emissions from agriculture, factory farms, and animal manure whatsoever—and even goes the extra mile to specifically exempt the entire sector from any type of regulation. [1] *New climate legislation overlooks a major GHG source: industrial ag*

This short excerpt supplies two reasons why, in my view, Kyoto is doomed to fail. First, monitoring small amounts of emissions is inherently going to be expensive, intrusive and divisive. But if it's not done, then controlling emissions of specified gases (let alone controlling climate change) is just not going to happen. Second, and even more obviously, if favoured sectors are exempted from Kyoto's provisions (on what basis?), then Kyoto will fail.

It's hopeless: I firmly believe that only an outcome-based approach has a chance of working at a reasonable cost. The point is simple: if we want to reduce climate instability, we should reward people for [2]reducing climate stability. We don't know whether trying to control greenhouse gas emissions is the best way of doing that, so we need to give incentives for people to find out. About the only thing we can be certain of is that not limiting greenhouse gas emissions will do nothing to stop climate change. And that's exactly what's happening.

1. http://www.grist.org/article/2009-04-02-cut-crap-markey-and-waxman/
2. http://socialgoals.com/ieakyototext.html

6.4.3 Avoiding disaster (2009-04-09 01:54)

Discussing the origins of the current credit crisis, Jeff Madrick writes:

> The mortgages traveled such a long distance from institution to investor that no one was in personal touch with the actual mortgage holder any longer. Now, the likelihood of defaults was assessed not by someone who tracked a specific mortgage holder but by complex, computer-generated statistical models of the entire portfolio of mortgages. Like all such models, no matter how mathematically intricate, they required an estimate about the future based on the past - an estimate that was inherently incapable of adequately taking into account the consequences of a historically rare and therefore seemingly unlikely crash in housing prices. [1] *How we were ruined and what we can do*
>
> , 'New York Review of Books', 12 February

Society's burgeoning complexity means that the chances of similar disasters occurring in all areas loom ever larger. By their nature, they cannot be anticipated. Even if we can see looming calamity in, say, the way the climate is changing, or the proliferation of nuclear weapons, we cannot know in advance the precise pattern that the calamity will take, still less do anything to avoid it. Our interconnectedness, aided (as in finance) by something approaching a [2]policy monoculture, can amplify the consequences of unanticipated events. Remedies may be too little or too much - but they will always be too late.

One solution could be to issue [3]Disaster Prevention Bonds, which could act so as to moderate or countervail the incentives currently on offer to the people and corporations who are quite happy to militarize our planet. These bonds could function as an insurance policy, rewarding people who work to avoid human catastrophes of any sort, specified or not. Disaster Prevention Bonds would not prejudge how human calamities shall be avoided, but would simply reward the sustained non-occurrence of such calamities. Under a bond regime, diverse, adaptive approaches that are efficient would be rewarded. Failing policies would be swiftly terminated.

Different bond issues could be used to insure against different broad categories of disaster, but always with a focus on outcomes rather than abstract variables ; ends rather than means. In the area of finance, for instance, rather than target economic indicators (such as growth rates or house prices), bonds could target numbers of people unemployed or homeless.

The bond principle could be applied in other policy areas. Though we might fear a nuclear exchange or climate change in particular, Disaster Prevention Bonds targeting disasters need not be so specific. They could, for instance, target separately the potentially calamitous consequences of man-made or environmental disasters. In such bond issues the desired outcome - the avoidance of millions of avoidable deaths - would be specified, but not the means of achieving it.

1. http://www.nybooks.com/articles/22280
2. http://socialgoals.com/blog/2007/06/government-and-monoculture.html
3. http://socialgoals.com/dpbs.html

6.4.4 Shock: somebody else concerned about policy outcomes! (2009-04-10 13:39)

> But a progressive policy needs more than just a bigger break with the economic and moral assumptions of the past 30 years. It needs a return to the conviction that economic growth and the **affluence it brings is a means and not an end. The end is what it does to the lives, life-chances and hopes of people**. Look at London. Of course it matters to all of us that London's economy flourishes. But the test of the enormous wealth generated in patches of the capital is not that it contributed 20 %-30 % to Britain's GDP but how it affects the lives of the millions who live and work there. What kind of lives are available to them? Can they afford to live there? If they can't, it is not compensation that London is also a paradise for the ultra-rich. Can they get decently paid jobs or jobs at all? If they can't, don't brag about all those Michelin-starred restaurants and their self-dramatising chefs. Or schooling for children? Inadequate schools are not offset by the fact that London universities could field a football team of Nobel prize winners. (Emphasis added) [1]*Socialism has failed. Now capitalism is bankrupt. So what comes next?*, Eric Hosbawm

This is where Social Policy Bonds come in; or, at least, outcome-based policy. We cannot afford any more ideological experiments, even benign ones. But neither can we return to the days when the world was simple enough for the relationships between policies and their effects to be reasonably accurately identifiable. The only solution I see is to express policy in terms of agreed, targeted outcomes. It seems Hobsbawm agrees.

1. http://www.guardian.co.uk/commentisfree/2009/apr/10/financial-crisis-capitalism-socialism-alternatives

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6.4.5 Incentives are important (2009-04-13 13:43)

In a remarkable illustration of the power of lobbying in Washington, a study released

> last week found that a single tax break in 2004 earned companies $220 for every dollar they spent on the issue – a 22,000 percent rate of return on their investment. The study by researchers at the University of Kansas underscores the central reason that lobbying has become a $3 billion-a-year industry in Washington: It pays. [1] *Investments Can Yield More on K Street, Study Indicates*
>
> (registration), Dan Eggen , 'Washington Post'

It's sad that only highly-paid specialists have ready access to the people in power. The political process is so legalistic and arcane that ordinary people haven't the time or the legalistic knowledge to get involved. One solution might be for policy to be expressed primarily in terms of outcomes.

If Social Policy Bonds were issued, there would be still be scope for lobbyists, but their focus would be on the precise definition of targeted outcomes. Take climate change for example. The definition of a [2]climate stability target could include any combination of a wide array of scientific, financial and human indicators. Discussion of these and their targeted values would no doubt be protracted and esoteric. But there is a difference between such debate and the current lobbyists' efforts. Currently, lobbyists represent the bodies that pay them: they will argue that, for instance, cutting back carbon dioxide emissions hurts 'the coal industry'. The trade-off between such pain and the goal of emission reduction would then be made opaquely; even the decision-makers would be making subjective judgements.

It would be different under a bond regime. Lobbyists for the coal industry would have to argue not that cutting back emissions from coal burning would hurt the coal industry, but that the targeted climate stability goal was inappropriate. The relationship between coal burning and climate change would be for investors in Climate Stability Bonds to explore, rather than policymakers. The policy debate, centring as it would on outcomes, will be accessible to far more people than the restricted group of specialists who currently have an interest in policymaking .

1. http://www.washingtonpost.com/wp-dyn/content/article/2009/04/11/AR2009041102035.html
2. http://socialgoals.com/ieakyototext.html

6.4.6 Short selling and Social Policy Bonds (2009-04-17 10:26)

A correspondent asks me whether short selling would pose a problem for [1]Middle East Peace Bonds - an application of the Social Policy Bond idea aimed at eliminating violent political conflict in that part of the world: "If bonds are freely tradable , then presumably a terrorist organization might choose to short these bonds, thereby profiting from the much more easily and cheaply achieved goal of causing destruction to the peace process."

The gist of my reply is that, first, the comparison should be with the current system, rather than a Utopian ideal. MidEast Peace Bonds (MEPBs) I think would improve on the

current possibilities, but they will not be perfect. Under the current system terrorists could profit by short-selling of share indices before they commit an outrage. If they short-sold MEPBs , the probability of their being traced would be greater than under the current system, simply because there would be fewer traders of the bonds than share indices. Efforts to track or deter such trading could be made simpler by the bonds being issued for large sums combined with some system of ownership registration, as with current financial instrument trading; they could be issued in denominations of $1 million or upwards, say.

By short-selling the bonds the terrorists would therefore risk exposure, as well as suffer the public opprobrium of appearing calculating and pursuing pecuniary benefit, which might not sit well with some of their supporters.

More generally, it is almost certain that the price of any particular Social Policy Bond would not always be rising monotonically from its float price to its redemption value. It would be justifiable, as well as efficient, if bondholders could hedge against consequent falls in the value of their assets. People who do not hold bonds might want to participate in markets for derivatives of bonds, some of which would rise in value as the targeted goal became more remote. This in turn means that speculators and short sellers could certainly profit from short-term bond price falls, and the question again arises as to whether these people would then take steps to impede progress towards any targeted goal.

There are two main reasons why they would probably not. The first is that, in the long term, the weight of money would be against them. Provided sufficient funds were allocated to achieving the targeted objective, there would be a net positive sum of money payable if the targeted objective were to be achieved, and a net zero sum paid as long as the goal were not achieved. All the long-term incentive would be to achieve the targeted objective. Those who, for whatever reason, would suffer from achievement of the objective could be compensated by bondholders, or bribed to change their ideas. Note also that for every buyer of a 'put' option there would be a seller, and that for every futures contract bought on the expectation that the bond price would fall, there would be an equivalent futures contract sold on that basis, so that the net incentive generated by derivatives would be in line with the incentive created by the underlying financial instrument, the Social Policy Bond: in the long run, this would favour achievement of the targeted objective. The other reason that short sellers, or holders of 'put' options, in Social Policy Bonds might not take actions aimed at interfering with achievement of the goal is that such actions might well already be illegal or, again given the incentives that the bonds would generate, be made illegal - or have their provenance more enthusiastically investigated - once the bonds had been issued. Some miscreants might be tempted to sell bonds targeting water pollution short (or buy 'put' options) then dump a million tons of manure into Chesapeake Bay. But they would know that such an act is illegal - and that there will be people at the other end of their transactions who will be highly motivated to see the law enforced to its fullest extent.

The last two paragraphs, above, are based on an excerpt from my book on Social Policy Bonds, completed recently and available [2]here, in electronic or hard copy.

1. http://socialgoals.com/mepeacebonds.html
2. http://www.lulu.com/content/5177566.

6.4.7 Cap-and-trade, carbon tax, or Climate Stability Bonds? (2009-04-18 14:01)

Barry Brook and Tim Kelly present a useful submission about cap and trade. Their arguments against it have force:

> 1. A cap and trade mechanism is by its nature, an all consuming policy instrument that extinguishes the effectiveness of voluntary actions, harming rather than enhancing the evolution of a low carbon economy.
>
> 2. With a cap and trade approach, the target is everything as both the emissions cap and emissions floor are locked in. No one can do better than the cap, and so the cap must be a science based [all-]consuming sustainable target pathway that won't lock in failure. ....
>
> 3. ... The cap and gateway will either be too aggressive and will cause a political backlash, or [too] soft leading to coasting when we should be transforming the economy. [My ellipses] [1]
>
> *CPRS vs carbon tax: Senate Inquiry*

They have further points, all pointing to a carbon tax in preference to cap-and-trade. My own thinking is that there's nothing a carbon tax can do that [2]Climate Stability Bonds cannot do better. If investors in Climate Stability Bonds think cutting back greenhouse gas emissions is the best way of stopping climate change then they will have a powerful incentive to demonstrate that and lobby for it. But if they come up with better ways of cutting back emissions - or halting climate change - then they will explore and implement these. In such a way, the risk that a carbon tax will fail to halt climate change is transferred away from taxpayers, consumers and indeed the world's entire human, animal and plant life, to investors in the bonds. And the investors have far more compelling incentives to get things right than whoever levies and pays (or more likely, tries to avoid) any carbon tax.

1. http://bravenewclimate.com/2009/03/30/cprs-vs-carbon-tax-senate-inquiry/#more-1210
2. http://socialgoals.com/ieakyototext.html

6.4.8 Wish I'd said that... (2009-04-22 06:24)

After pointing at research showing that nitrous oxide is a much more potent greenhouse gas than had been thought, 'The Economist' opines that:

> T]he case of biofuels shows that without proper consideration of all greenhouse gases, not just CO 2 , it is too easy to rush headlong into expensive methods of mitigation that actually make things worse. 'Biofools', *Economist*, 11 April

My title is an ironic references to the many times I've said (this blog, *passim*) that we urgently need to solve problem of climate change, rather than its supposed causes, about which we do not yet have enough knowledge. For more, see my paper on [1]Climate Stability Bonds.

1. http://socialgoals.com/ieakyototext.html

6.4.9 Incentives need not be monetary (2009-04-26 05:16)

Work by Swiss professor, [1]Bruno Frey reinforces and analyses something that economists tend to forget: that monetary incentives don't always work. Indeed, they stand a good chance of undermining our willingness to do the right things for ethical and moral reasons. People perform valuable social or environmental services not only for monetary gain, but also because they enjoy doing them for their own sake, because they believe them to be the morally right things to do, or because they believe that their actions will advance some cause to which they are committed. These 'intrinsic' motives are qualitatively different from external, monetary incentives, and offering monetary rewards might 'crowd out' or undermine these less mercenary and more civic-minded motivations. Crowding out internal motivation can occur, writes Frey, because, monetary incentives can undermine people's feelings of self-determination and self-esteem. Also, when external incentives are supplied, the 'person acting on the basis of his or her intrinsic motivation is deprived of the chance to exhibit this intrinsic motivation to other persons.'

Not mentioned by Frey, but also plausible is that financial incentives can undermine the cognitive outlook that sees socially and environmentally beneficial services as worthwhile in their own right, rather than as a cost for which compensation and payments must be paid by taxpayers.Professor Frey looks in some detail at these circumstances.

Links to some of Professor Frey's work are [2]here, and you might also be interested in [3]this video talk on the same theme, by Barry Schwartz.

What do these findings mean for Social Policy Bonds, which at first sight seem to be entirely based on pecuniary incentives? It's important to note that, as Frey points out, the crowding-out effects are not always significant. In markets, which are based on relationships amongst essentially self-interested strangers, financial incentives as exhibited through the price effect do work as classical economics predicts. That is, they work to increase supply. And when (as they would be under a bond regime) external rewards are seen as recognition of the importance of, say, civic duty rather than an attempt to 'buy' one's civic performance, they may well support, rather than undermine, moral and other intrinsic motivations. A bond regime could give bondholders incentives to further Frey's research, exploring the relationships between financial incentives and civic performance. They could use this knowledge to minimise the costs of achieving targeted objectives by, for example, finding out when monetary incentives are least likely to supplant the intrinsic motivations of people who help achieve objectives, and concentrating their use in those circumstances.

Social Policy Bonds in this view, then, are not merely a system by which monetary incentives are funneled into the most efficient providers of public goods and services, but a 'meta-system' that motivates bondholders to find the best ways of encouraging socially beneficial behaviour - whether these be monetary or not.

1. http://www.bsfrey.ch/
2. http://www.bsfrey.ch/articles.html
3. http://www.ted.com/talks/barry_schwartz_on_our_loss_of_wisdom.html

6.4.10 The Special Interest State (2009-04-27 08:41)

Discussing the 'Special Interest State', James V DeLong [1]says:

> The Special Interest State could get along quite well when it simply nibbled at the edges of the society and economy, snipping off a benefit here and there, and when the number of victorious interests was limited. But the combination of moral entitlement, multiplication of claimants, and lack of limits on each and every claim is throwing them into conflict, and rendering unsustainable the ethic of the logrolling alliances that control it.

Earlier:

> Some minority-rights groups claim the right to control all speech. Victim groups of all kinds see a never-ending need for lawsuits. A provision inserted at the behest of the Teamsters into the recent stimulus bill, which was read by no member of Congress in its entirety, started a trade war with Mexico for the sake of banning 97 Mexican trucks from U.S. highways. Providers of higher education demand continuing escalation of subsidies for four-year B.A. programs rooted in the 19 th century. Public employees have become perhaps the largest and most powerful interest group — 20 million strong, politically active, and dedicated to the ideals of no cuts in employment, absolute pension safety no matter what happens to everyone else's retirement accounts, and little accountability.

Precisely so. And how sustainable is this?

> As the government has grown in size and reach, it has justified its claims to power by accepting ever more responsibility for the economy and society. Failure will result in rapid loss of legitimacy and great anger. It is amusing to read pundits' pronouncements that the Chinese government must deliver economic stability and growth or suffer social unrest; what do these pundits think will be the fate of an American government that fails in these tasks? And as the government's reach extends, any chance that it will meet its self-proclaimed responsibilities declines.

Government has lost sight of what should be its over-arching goal: to look after the wellbeing of its people. 'People' - not institutions or special interest groups. And people are more than members of special interests. Bailing out car manufacturers, airlines, farmers or any other well-represented lobby group is not equivalent to looking after the wellbeing of the stakeholders in these groups. Of course, it's much easier for governments to listen to the lobbyists, and to equate the health of powerful interest groups with that of the people they are supposed to represent. But it is a temptation that must be resisted: it's based on, and tends to fossilise, a static view of society. Progress comes through diversity and adaptation. Looking after special interests stymies that sort of evolution. Worse, it diverts resources from the people who really need it.

And that is where Social Policy Bonds can offer a better solution. If governments were accustomed to expressing society's goals in terms of outcomes that are meaningful to ordinary people , then the bailing out of special interests would be clearly seen as the corrupt folly that it is. Social Policy Bonds would by subordinate all policy goals to such outcomes

and channel our scarce resources into their achievement. Under a bond regime, government could not deceive

itself and the rest of us with the pretence that, by protecting powerful interest groups, it's doing any favours to the people it should be representing.

1. http://www.american.com/archive/2009/april-2009/the-coming-of-the-fourth-american-republic

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6.4.11 The Corporate-Welfare State We're In (2009-04-28 09:50)

Thank you, Paul Krugman, for putting this so plainly:

> Wall Street is no longer, in any real sense, part of the private sector. It's a ward of the state, every bit as dependent on government aid as recipients of Temporary Assistance for Needy Families, a k a "welfare." I'm not just talking about the $600 billion or so already committed under the TARP. There are also the huge credit lines extended by the Federal Reserve; large-scale lending by Federal Home Loan Banks; the taxpayer-financed payoffs of A.I.G. contracts; the vast expansion of F.D.I.C. guarantees; and, more broadly, the implicit backing provided to every financial firm considered too big, or too strategic, to fail. [1] *Money for nothing*
>
> 'New York Times', 26 April

Next time your acquaintances speak disparagingly of people on welfare, it's worth recalling that much of the corporate sector in every western economy is equally dependent on government. As well, families on welfare don't typically subvert the financial system or the environment, or manipulate the regulatory system, to suit their aims.

1. http://www.nytimes.com/2009/04/27/opinion/27krugman.html?_r=1

6.5 May

6.5.1 Swine flu and Social Policy Bonds (2009-05-04 07:55)

> The response to swine flu suggests that a decentralized approach is best. This crisis is only days old, yet we' ve already seen a bottom-up, highly aggressive response. In the first place, the decentralized approach is much faster. Mexico responded unilaterally and aggressively to close schools and cancel events. The U.S. has responded with astonishing speed, considering there are still few illnesses and just one hospitalization. ... Second, the decentralized approach is more credible. ... Finally, the decentralized approach has coped reasonably well with uncertainty. .... David Brooks, *Globalism goes viral*, 'New York Times', 28 April

We probably have a more centralised policymaking process than we should have if we were used to expressing policy in terms of outcomes rather than activities or institutional funding. There are benefits to centralisation, certainly when it comes to articulating society's goals and

raising the revenue to achieve them. But the penalties of too much centralisation are ever more apparent, and Mr Brooks alludes to some of them. It is the efficiency of the decentralised approach to policy achievement that is most convincing. This efficiency derives from the combination of its adaptability and its diversity. Decentralised, bottom-up, decisionmaking , as Mr Brooks says, is faster. It terminates failed initiatives and encourages the exploration and implementation of successes.

A Social Policy Bond regime would entail centralised direction -setting, but decentralised, bottom-up, project initiatives. Social Policy Bonds, whether issued by government or the private sector, would guide investors towards society's common social and environmental goals. But the actual projects would be done - and done efficiently - by a decentralised body of highly motivated bondholders. Swine flu, like other diseases, is adaptive and highly goal-oriented. Social Policy Bond regimes, would deploy the same qualities in favour of our species.

6.5.2 Now in Linux! (2009-05-06 14:45)

...I hope. I've redesigned the main [1]Social Policy Bonds website, and it should now be viewable in Linux browsers, unlike the previous version. I've tried it on Firefox, and it works. I'll tidy it up, but if it is not viewable in your browser (or if you come across any dead links) please let me know. I've also corrected the broken links, in the right-hand column of this blog, to the main page and to the Powerpoint presentation.

1. http://socialgoals.com/

6.5.3 Truly sobering (2009-05-09 09:08)

About the disappearance of large fishes from the Caribbean coral reef, scientist John Bruno commented:

> Seeing evidence of this ecological and economic travesty played out across the entire Caribbean is truly sobering... [1]*'Sobering' Decline Of Caribbean's Big Fish, Fisheries: Overfishing Deemed Most Likely Cause*, ScienceDaily , 6 May

With a rising human population, the article goes on to say, and the increasing demand for ocean-derived protein, Given that about half the world's populations live near coastlines and that the world population is growing, demands for ocean-derived protein will continue to increase, prospects look bleak. One scientists warns that:

> meeting such demands while retaining healthy coral reefs may require multiple strategies, including implementation of marine reserves, finding alternative sources of protein, and increased efforts to implement family-planning strategies in densely populated areas.

The difficulty, and this is one that is common to many social and environmental problems, is that we are not very good at multiple strategies. We have handed responsibility for meeting this sort of challenge to a highly centralised body: that is, government. Any single

large institution finds it almost impossible to conceive of the diverse, adaptive approaches necessary to meet our most urgent challenges, still less to implement them. Traditional societies evolved their own forms of property rights, their own taboos and disciplines, for dealing with the problems that are now given over to government bodies. So climate change, for instance, is something that will be dealt with by a top-down, one-size-fits-all, policy of controlling emissions of greenhouse gases - or rather, those that were identified in the 1990s as greenhouse gases. Such a policy is incapable of adapting to changed circumstances or our rapidly expanding knowledge of scientific relationships.

A Social Policy Bond regime would be different. It would recognise the necessity for high-level centralised decision -making about the planet's needs, but it would have the effect of devolving the ways of achieving them to smaller bodies, who would have incentives to try different solutions and, unlike typical government organizations, terminate their failures and concentrate on their successes. Applied to the Caribbean reef fish ecology, a bond regime would no doubt try the multiple strategies mentioned above, and probably several more. Under the current system, there is, I fear, little reason to be optimistic.

1. http://www.sciencedaily.com/releases/2009/05/090505200711.htm

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6.5.4 Costing large objectives (2009-05-12 05:02)

When it comes to large social or environmental goals, such as reducing a (carefully defined) crime rate, one advantage of Social Policy Bonds is that they can defuse controversy about how much government should spend. Issuers of Social Policy Bonds, though they would have to decide on the maximum amount they want to spend on achieving their objective, would not have to work out how much the actual cost would be with any accuracy. That would be done by bidders for the bonds in the open market. Assume that bonds are to be used exclusively in pursuit of a 50 percent reduction in the crime rate, and that an urban authority issues one million bonds, of redemption value $10.00. If the market valued these bonds on flotation at $1.00 each, the net cost to the issuers of achieving the targeted objective (ignoring administration costs) would be $9 million. In other words, the market at the time of issue believes that the cost of achieving the objective, including its profit margin and after taking into account risk, would be $9 million.

Now suppose the bond issuers are completely in the dark about how much it will cost to achieve the targeted objective and instead of issuing one million bonds they issue ten million with the same redemption value, $10.00. They would then be liable for a maximum cost of $100 million. However, the market would still reckon that it could achieve the objective for around $9 million. So instead of valuing the bonds at $1.00 competition between potential investors would bid up the issue price of the bonds to around $9.10. (Social Policy Bonds would be an unusual financial instrument, in that the more that were issued, the higher would be their value!) The issuers therefore *would not have to estimate with any accuracy* how much a targeted objective might cost to achieve, and they would put a cap on their total liability by limiting the number of bonds issued. The costing of achieving the targeted goal has, in effect, been contracted out to the market, and the market bears the costs if it gets it wrong - not the taxpayer!

This could be a huge advantage in dealing with climate change, for example, where

there are sufficient uncertainties to explain, if not justify, politicians' reluctance to do anything meaningful until, quite probably, it's too late.

6.5.5 The true comparison (2009-05-13 13:37)

As so often, [1]John Kay sums it up succinctly:

> Regulation by rules invites compliance with the rules rather than the objective of the rules, and the more extensive the rules the easier it is to lose sight of the objective.

I'm sometimes asked what would happen if, for instance, holders of Social Policy Bonds targeting crime in a particular region simply laid on a shuttle bus service for burglars into an adjacent region. If, in short, the *intent* behind a bond issue were undermined while remaining within the *letter* of the bonds' redemption terms. There are difficulties with such negative-but-legal ways of achieving Social Policy Bonds' stated objectives but, and this is a crucial point, *exactly the same difficulties apply under the current system*. More generally, the proper comparison of a Social Policy Bond-based regime should be with the best of the current system, rather than some unattainable utopia.

Social Policy Bonds do need discussion, application on a small scale, and refinement before they can be widely applied to large social and environmental problems. Even then, they would have their drawbacks. But, in my view, at least until they have been tried and tested, they offer significant improvements over the current, activity- or institution- based ways of trying to improve social wellbeing . Under a bond regime, we'd still rely on people's willingness to comply with the spirit of bond issues. But that's exactly the same as under the current regime. As Mr Kay goes on to say:

> It is hard, perhaps impossible, to remain honest when the culture is corrupt; hard, perhaps impossible, to live on an MP's salary when others exploit the allowance system and accept dubious consultancies; hard, perhaps impossible, to manage a bank prudently when your competitors inflate profits by operating differently. That is why values of integrity, of public service, and of responsible stewardship of the money of others can never be replaced by rules or imposed by regulation.

1. http://www.johnkay.com/politics/609

6.5.6 Keeping the globe livable (2009-05-16 06:34)

Paul Krugman has been visiting China:

> As the United States and other advanced countries finally move to confront climate change, they will also be morally empowered to confront those nations that refuse to act. Sooner than most people think, countries that refuse to limit their greenhouse gas emissions will face sanctions, probably in the form of taxes on their exports. They will complain bitterly that this is protectionism, but so what? Globalization doesn ’t do much good if the globe itself becomes unlivable. It’s time to save the planet. [1] Empire *of Carbon*
>
> , ’New York Times’, 14 May

In an increasingly complex and interlinked world, like it or not, there’s going to be a greater need for government regulation and restrictions on the ways we have been doing things. Diffusing the negative externalities of, for instance, power generation is no longer politically sustainable when the impacts could be drastic and far-reaching - even if there is uncertainty about the exact size of the impacts.

In our newly constrained world, there may be a place for Social Policy Bonds. There will be a sharper focus on bottom-line outcomes. Up to now, governments have got away with assuming away many negative externalities . So: economic growth has always been good; so too has been the freedom of movement of goods and capital. The assumption has always been that the market and non-market positive impacts have outweighed the negative. We can no longer make such an assumption. To have a globe that is livable is now something that will require co-ordinated government action.

Of course, government doesn’t have all the answers. But what it can do is determine, or rather articulate, the broad social and environmental outcomes that we wish to pursue and reward the achievement of those outcomes, *however it is done*. Such goals, I suspect, would include the avoidance of major catastrophe, whether natural or man-made, and the stabilising of a (carefully defined) array of indicators and measures of the global climate. Government is fairly clueless about how to achieve such goals, but it does have strengths in articulating them and raising revenue for their achievement . So, using the Social Policy Bond principle, it could issue [2]Disaster Prevention Bonds, or [3]Climate Stability Bonds. These would have the effect of contracting out the work necessary to achieve these fundamental objectives without prejudging how best to do so. They would also ensure that the livability of the globe would be achieved at minimum cost.

1. http://www.nytimes.com/2009/05/15/opinion/15krugman.html?_r=1&ref=opinion
2. http://socialgoals.com/dpbs.html
3. http://socialgoals.com/ieakyototext.html

6.5.7 The only alternative? (2009-05-17 13:31)

> Financial capitalism has failed. We need to democratize the economy.
>
> Oskar

Lafontaine , [1] 'We want to overthrow capitalism'

, Interview with Spiegel Online

The global financial crisis is at a very early stage. What seems clear to me is that the western mixed economy model has been totally discredited. This is not to imply that there are any better systems out there; rather that it has lost the consent to operate that it enjoyed over the past few decades. The tacit agreement was that the private sector would work, within laws, regulations and unwritten codes of decency to maximise sales, market share or profits. Government would impose taxes on producers and consumers, mainly to provide public services (law and order, defence, infrastructure, education and healthcare etc) and transfer income to the poor. What happened? Big business and government corrupted each other, at the expense of small enterprises, ordinary people and the physical and social environment.

It was always a bit haphazard; the idea that trickle-down or government action would ensure that the net non-market impacts of corporate activity would be positive, and that the human (as distinct from corporate) casualties of capitalism would be looked after by a benevolent, caring state. There were always visible signs of rot, to those who had time to look at, for instance, who actually benefited from [2]subsidies to agriculture and other corporate welfare scams. Now the extent of that rot has become visible to all.

How can we ensure a better working model, and avoid what looks like a very painful transition to it? One answer could be Social Policy Bonds; rather than leave the achievement of social and environmental wellbeing to chance or coercion, we could instead subordinate all government activities to our broad social goals. So, for instance , if we wanted to achieve full employment we'd reward people who help achieve it, *however they do so*. We wouldn't subsidise or bail out inefficient industries simply because they allegedly need some temporary help or are too big to fail (or more likely, have too much political muscle and aren't afraid of using it). Rather than gamble with climate change, by assuming (or pretending to assume) that cutting back (or aspiring to cut back) greenhouse gas emissions will bring about climate stability, we'd issue Climate Stability Bonds that would reward people for stabilising the climate, *however they do so*.

Governments everywhere have shown that they cannot master the inevitable complexities of an increasingly interlinked world. Perhaps no organization can. We need large numbers of diverse, adaptive programmes and projects to restore social and environmental harmony. Targeting outcomes, and rewarding the people who achieve them would, I believe, work better than either the corrupt corporatist-capitalist model whose day has recently ended or large-scale central planning, whose day ended many years ago.

1. http://www.spiegel.de/international/germany/0,1518,624880,00.html
2. http://socialgoals.com/vetscrip.html

6.5.8 Non-monetary incentives (2009-05-18 07:50)

> The king's counter to his subjects' reluctance to be knighted was a general order in 1234 to all sheriffs that they should proclaim throughout their bailiwicks that all men who held one or more knights' fees in chief of the the king should procure arms and cause themselves to be knighted. ... Nevertheless it is clear that through the

> greater part of the thirteenth century the government was trying ... to keep in being a military form of society which was out of date. It was probably with this end in view that kings stressed the pageantry of the ceremony by which men were admitted into the order of knighthood. ... Edward I realized that knighthood must be tied to the court and the glamour of the court if young men were to be drawn into the knightly order.
>
> [1]*English society in the early Middle Ages* , Pelican History of England vol 3, Doris Mary Stenton , 1965

The conceptual leap that we have to make is that knighthood in those days was a burden. It entailed an obligation to serve the king in military conflicts. It's not clear how successful was the introduction of the elaborate ritual to which Lady Stenton refers. But the principle of getting people to do things for reasons other than monetary ones is clearly long established. In this recent [2]post I refer to research showing that under some circumstances financial incentives can actually undermine our willingness to do the right thing. How would that sit with the Social Policy Bond principle, where monetary incentives at first glance seem paramount?

Actually Social Policy Bonds are not merely a system by which all the people who help bring about social wellbing are financially rewarded. Rather it is a 'meta-system' that motivates bondholders to find the best ways of encouraging socially beneficial behaviour - whether these be monetary or not. In my book I mention the Japanese, who have carefully graded levels of respect for people according to how well they are seen to have served society. Paradoxically, holders of Social Policy Bonds would have financial incentives to devise nonfinancial ways of encouraging people to achieve our social and environmental objectives. This could be much more efficient than our current, somewhat haphazard system of rewards. And, as the Japanese and the old kings of England knew, it could be much less expensive.

1. http://www.amazon.co.uk/English-Society-Middle-Penguin-history/dp/0140137653/ref=pd_sim_b_3/277-2312544-6867255
2. http://socialgoals.com/blog/2009/04/incentives-need-not-be-monetary.html

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6.5.9 Reform will happen (2009-05-20 15:42)

> When a group becomes too rich and powerful, it can wield influence over politics and over commercial activities in which its members are not directly involved. The effect is to enhance that wealth and power. This process is likely to end in political and economic crisis. That was the history of royal courts across Europe, from Versailles to St Petersburg. More recently, it has been the experience of many developing countries and transitional economies. In the three decades since Margaret Thatcher and Ronald Reagan inaugurated the market revolution, it appears that Britain and the US have joined their ranks. [1]*Beware bail-out kings and backbench barons* , John Kay

Big business and government have had an easy time of it over the past few decades. Our societies have all become richer on the back of cheap energy and globalisation. So it's been easy to be tolerant of distorted, corrupted markets and financial shenanigans in high places. It's been easy, too, for governments to spend huge proportions of national income inefficiently if not corruptly.

Those days are over. The transition will prove painful and where will it lead? I'd like to suggest that we'd do well to re-orientate policy so that it is focused entirely on outcomes that are meaningful to ordinary people. Its success or failure would be measured by how close it comes to achieving those outcomes. That sounds an obvious thing to do, but it would represent a stark change from the current regime where government (when it is well intentioned) rewards the ways it thinks will best achieve social goals. These alleged ways have led to bloated government agencies, a profound and tragic reluctance to terminate failed experiments, and resistance by public sector unions to any meaningful reform. They have also helped create the conditions by which big business has captured and corrupted government. Although Social Policy Bonds have been in the public arena for something like 20 years without any signs of take up (that I'm aware of), I am confident that something like them or, even more likely, outcome-oriented policy, will play a bigger role in the future. The question is: how far away is that future? John Kay continues:

> But, as Louis XVI learnt as the guillotine fell, the longer reform is delayed, the bloodier the revolution. And the more unsettled and chaotic would be the eventual outcome for us all.

1. http://www.johnkay.com/politics/610

6.5.10 SocialGoals.com (2009-05-24 04:54)

It appears that the program I used to re-create the SocialGoals.com website was not a legitimate version; this probably accounts for the scrolling or non-appearance of some of the pages and the flipped images. I will be working on a solution in the next few days.

6.5.11 What government can and cannot do (2009-05-25 05:48)

Government seems to keep growing. We look to government for solutions to everyone else's problem. To the degree that government creates problems, this is understandable. The lunacy of industrial agriculture, with its subsidies to [1]rich landowners and large agribusiness corporates can be solved only when government changes its policies. Similarly for [2]fisheries. But today's North Korean [3]nuclear test is a dramatic example of how little governments can do. North Korea doesn't care about the wellbeing of its people; its government is answerable to no-one. Any attempts by governments to influence North Korea is going to be sold to North Koreans as coercion, and raise the stakes accordingly.

But our governments are not completely powerless: they could issue Social Policy Bonds that reward investors for the avoidance of a nuclear exchange, *however they do so*. More generally, they could issue [4]bonds that target reductions in all sorts of violent political conflict. Government might not know what actions to take. And, as in the case of North Korea, it might be inherently incapable of bringing about good outcomes directly. But it can create incentives for people to research, discover and implement their own solutions to the urgent and huge problems humanity faces.

1. http://www.blogger.com/www.oxfam.org.uk/resources/policy/trade/downloads/bp55_subsidies.pdf
2. http://news.bbc.co.uk/2/hi/europe/8066509.stm
3. http://news.bbc.co.uk/2/hi/asia-pacific/8066615.stm
4. http://www.socialgoals.com/wpbsshort.html

6.5.12 A priesthood of politicians (2009-05-25 13:54)

I'm sure the irony won't be lost on many. The British Minister of Finance, the man who draws up the UK's taxation policy, claims for, and receives, £1400 of taxpayers' money so that he can pay somebody else to [1]ensure that "the correct amount of tax was paid in respect of my office costs". It's not his personal fault, of course, that our politicians are now seen as a distinct caste. The rules they devise for the rest of us are too complex and too grubby for them to engage with fully. But being of the priesthood they have no need to. Frankly, I dread to see what form the public reaction to this expenses scandal and our parlous economic state will take. I hope it will re-orientate policy so that it is expressed in terms of meaningful outcomes for ordinary individuals , and that such a transition will take place without too much pain. I doubt it though.

1. http://news.bbc.co.uk/2/hi/uk_news/politics/8066452.stm

6.5.13 State of paralysis (2009-05-27 13:30)

> California has immense human and financial resources. It should not be in fiscal crisis; it should not be on the verge of cutting essential public services and denying coverage to almost a million children. But it is - and you have to wonder if California's political paralysis foreshadows the future of the [US] as a whole. [1] *State of paralysis*
>
> , Paul Krugman, 26 May

More than 30 years ago Californians voted for Proposition 13, under which property tax rates were capped. This has made the state more dependent on income taxes, which have been falling steeply during this recession. Initiatives like Proposition 13 give consultation with the public a , 26 bad name. The problem as I see it is that the implications of such an initiative are just too complicated for anyone to understand. That's where expressing policy goals in terms of meaningful goals, as would happen under a Social Policy Bond regime, comes in. Policymakers could target goals such as reducing the crime rate or atmospheric pollution, and if they issue Social Policy Bonds, the cost of such goals would be much more apparent than under the current system: the system that leads to a free-floating feeling that government spending on public services is too expensive, and to crude and counter -productive efforts to put a lid on it.

How so? Simply put, Social Policy Bonds are a tradable contract to achieve a specified outcome. The bonds are issued on the open market. There would be competition amongst bidders for the bonds, and in that bidding they would, in effect, be pricing the targeted outcome. Competition ensures that that cost is minimised. Crucially, such a cost is visible to everyone: the bonds' prices would be quoted just like those of other financial instruments. The transparency of such a system would not allow politicians -whether at local, regional or national level - to make

vague promises or to gull the public into false beliefs about the cost of getting things done. This transparency, as well as much greater efficiency, is one of the huge advantages that Social Policy Bonds would have over the existing system, whereby contracts are doled out for the provision of certain outputs and the risk of private sector failure almost always borne by the public.

1. http://www.nytimes.com/2009/05/25/opinion/25krugman.html

6.5.14 Why we are not surprised (2009-05-30 18:37)

Andy Kroll writes:

> What cannot be disputed, however, is the [US government] financial bailout's biggest loser: the American taxpayer. The US government, led by the Treasury Department, has done little, if anything, to maximize returns on its trillion-dollar, taxpayer-funded investment. So far, the bailout has favored rescued financial institutions by [1]subsidizing their losses to the tune of $356 billion, shying away from much-needed management changes and–with the exception of the automakers–letting companies take taxpayer money without a coherent plan for how they might return to viability. [2]*The Greatest Swindle Ever Sold,* 'The Nation', 26 May

So why are we not surprised? The compelling reason is that there is no compass to give the bailout any meaningful, coherent, direction, unless it is simply to shore up the short-term prospects of the politicians in power and the most powerful interest groups. Ordinary people are well down on the list of things to worry about. It is this indifference that has characterised policymaking for many decades. Time was, though, that there was a reasonable correlation between the interest of powerful lobbyists and the wellbeing of the general public. Over the years, as inequalities have widened and society become more complex, that correlation has weakened. Bailouts to big business at the expense of society and the environment - the [3]corporate-welfare state - are the result.

Social Policy Bonds would make passing this sort of corporate subsidy programme more difficult. They would subordinate all government interventions to the wellbeing of human, animal and plant welfare. How raising such welfare is to be achieved would be left to the private sector; under a bond regime raising welfare would be the private sector's goal, rather than doing things that can be sold to government as necessary or otherwise gaming the system for government funds.

1. http://cboblog.cbo.gov/?p=231
2. http://www.thenation.com/doc/20090608/kroll?rel=emailNation
3. http://socialgoals.com/blog/2009/04/corporate-welfare-state-were-in.html

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6.6 June

6.6.1 A new organising principle (2009-06-02 22:38)

Mick Hume talks about the effect that the expenses scandal is having on UK politics:

> What politics have New Labour or Conservative MPs really got to stand on today? Which of them now is really going to offer themselves to the electorate as a party loyalist? In that sense, perhaps the candidates will all be 'independents' at the next election, standing on no more than their expenses sheets or promises to be purer than the old gang. ... No, we may not need the old political parties or political class. But we do need politics, and much more of it - political ideas and principles that can contest a fight for the future. I do not support any of the existing parties - or, for that matter, any of the new ones to emerge so far. But I do recall why political parties were formed in the first place: to represent distinctive interests, classes and movements in society, standing on manifestoes that meant something to people. Today we have the empty shells of parties without politics, which have become little more than closed, self-serving patronage and PR machines. We would be better off without them. But to shape the future we are still going to need organised politics of some form, with people standing for collective interests, rather than ragbags of worthy but pointless wandering independents. [1]
>
> *They're all 'independent' now - but from what?* , Mick Hume, 1 June

Here's a suggestion: organise politics around outcomes, rather than personalities, personal probity, or the interests of powerful corporations and bureaucracies. Political debate centres on trivial or arcane details, rather than the broad direction government should take about society and the environment. All too often, these important questions are answered by default; usually by deferring to vested interests. The big decisions are rarely put to the voters. We simply aren't used to consulting people about the outcomes they want, and the priorities they place on them.

But there's no inevitability about continuing along those lines. Policymaking is largely about making trade-offs. It would be no bad thing if we, the people, had to choose between incompatible outcomes. A Social Policy Bond regime, because it [2]costs objectives would give us the information we need to make these choices. Apart from greater efficiency, transparency and stability of policy goals, Social Policy Bonds would therefore bring home to us the realities of decision making. They would make clear that we cannot look to government to solve all our problems, all the time.

1. http://www.spiked-online.com/index.php?/site/article/6971/
2. http://socialgoals.com/blog/2009/05/costing-large-objectives.html

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6.6.2 Mickey Mouse micro-targets (2009-06-04 12:18)

It's important, I think, that we have some way of monitoring the performance of bodies charged with solving our social and environmental problems. In our large, complex societies , that

means we have to use numerical measures and indicators . They all have their weaknesses, but alternatives are, almost by definition, subjective and even less reliable. The Social Policy Bond approach would target broad goals that are meaningful to ordinary people. Its goals would, as far as possible, be inextricably correlated to social or environmental wellbeing . Unfortunately, the use of numerical indicators for targeting purposes is acquiring a bad reputation. Current targets are unsystematic, too narrow, and almost totally uncorrelated with the wellbeing of ordinary people.

Take the well-meaning goal of reducing the waiting time for patients entering the Accident and Emergency wards of UK hospitals to less than four hours. [1]James Bartholomew explains what happens in practice:

> 1. The ambulance bringing the patient to the hospital is kept waiting outside. The hospital simply declines to accept the patient. This means that the starting time of the four hour wait is delayed and the hospital can claim it is meeting the target.
>
> 2. The hospital refuses to accept any emergency patients for a while. The patient has to be transported to a different hospital. This enables the first hospital rightly to claim that patients who get into the hospital are not kept waiting for more than four hours.
>
> Why are the hospitals so keen to meet the target? Because the hospitals receive less money from the government if they fail to meet it.
>
> Who or what suffers? Of course the patient suffers from being kept waiting for emergency treatment for more than four hours. In the second case, the patient may be carried to a hospital that is much further away, delaying treatment. Also people suffer who need an ambulance but cannot get one because ambulances are being kept waiting outside hospitals or taking journeys to hospitals far away. But this suffering is not a direct result of the target. It is a result of inadequate emergency provision in NHS [National Health Service] hospitals. What suffers directly as a result of the target and the cheating on the target is the truth and public awareness of the truth. That, of course, suits the government well. The truth that is kept secret from the voters is the extent to which the massive increase in spending on medical services in Britain has been wasted. We simply do not know the extent because NHS statistics are lies.

1. http://www.thewelfarestatewerein.com/archives/2009/06/lies_damned_lie_1.php

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6.6.3 What matters in politics? (2009-06-07 16:52)

George Monbiot , writing about the recent £6.2billion contract to expand the M25 motorway around London, contrasts it with the politicians' expenses scandal in the UK, with its costs to the taxpayer amounting to about one-thousandth that of the road-widening scheme:

> The issue is too remote and too complex to ignite public indignation. The scheme's obscurity has protected it from the outrage now being directed towards [British] MPs . George Monbiot , [1] *'The real expenses scandal'*

, 26 May

What is frightening is how this has now become quite general. Hugely important decisions about the energy, transport, immigration, law and order, are taken almost by default. Public attention, and this is especially noticeable in the UK, settles on images and personality, and on crises only if they have effects that make a dramatic impact when filmed for tv . Slow-moving, complex crises, like climate change or the ballooning of public and private debt, deteriorate over the years, until they manifest themselves unequivocally forms that can be covered in a short news bulletin. There's an inevitability about this, and it's perfectly explicable in a world in which we are bombarded by information. But it is not efficient, because resources are devoted to avoiding images of failure, rather than actual failure. Serious but non- visual crises, as we have seen in finance and the environment, slowly and undramatically gather pace until their effects become unavoidable. By that time, of course, it might be too late to do much about them, even with enormous quantities of spending.

A Social Policy Bond regime could be different. It could target the maintenance of the favourable aspects of the status quo : avoidance of too much [2]climate instability; the absence of nuclear warfare; the prevention , indeed, of any sort of [3]human catastrophe , however caused. The emphasis of much of the media attention in the UK currently is on the personality of the Prime Minister and possible contenders for the leadership of his party. About these matters there is much debate. It is unfortunate, to my mind, that the energy given over to such debate is not devoted to more substantial policy matters. If it were, we could better answer such questions as 'what is "too much" climate stability?', and how shall we best define 'human catastrophe', and take some steps in the direction of solving these and other genuine policy problems. Who would be the best Prime Minister is, to my mind, a distraction. We need, in short , urgently to express our political views in the form of desirable outcomes, rather than in terms of personalities or party politics.

1. http://www.monbiot.com/archives/2009/05/26/the-real-expenses-scandal
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.com/dpbs.html

6.6.4 It's just too complicated... (2009-06-09 23:47)

...for government, or indeed any single organization, to handle. From 'New Scientist':

> The life-cycle emissions generated by cars, buses and aircraft are dominated by tailpipe emissions pumped out in day-to-day running of their engines. Hence, the best way to reduce emissions from these modes of transportation would be to increase fuel efficiency and push for renewable fuels. Crisscrossing the US with a rail network, however, creates a different problem. More than half of the life-cycle emissions from rail come not from the engines' exhausts, but infrastructure development, such as station building and track laying, and providing power to stations, lit parking lots and escalators. Any government considering expanding its rail network should take into account the emissions it will generate in doing so.... [1]*Train can be worse for climate than plane* , Catherine Brahic , 8 June

Can you imagine any government doing that? And getting it right? And continuing to get it right when new technology or new information about emissions and their effects becomes

available? It's not going to happen.

Which is why we need, urgently, an outcome-driven approach. The old way of doing things, with government doing what it thinks is best, might have worked when government was well intentioned and environmental depredations much simpler to identify. It just doesn't work nowadays, when government does what its paymasters want it to do and environmental relationships are much more complex. Government is not up to the job of working out whether climate change is best tackled by subsidising rail, windmills, or catalytic converters. It's not what government is good at, it's not what people go into government to do, and it's not what they are motivated to get right.

What government can do is set up a regime whereby people are rewarded for achieving climate stability, however they do so. In other words, it could contract out the achievement of a more stable climate to a motivated, diverse, adaptive private sector. It could, in summary, issue [2]Climate Stability Bonds.

1. http://www.newscientist.com/article/dn17260-train-can-be-worse-for-climate-than-plane.html
2. http://socialgoals.com/ieakyototext.html

6.6.5 Studying ordinary people (2009-06-10 21:34)

> Graham Watson, one of the leading lights of the Liberal EU Parliamentary Group responded to the most recent [EU] election results by saying he couldn 't understand why the turnout was so low, and therefore 'we need to study why people don't go out and vote'. Sadly, Watson's lack of understanding of the realities of political life in the EU is not just an act; he is genuinely so out touch with public sentiment that he simply doesn 't get it. Leading EU politicians frequently look upon their electorates as exotic and incomprehensible species whose habits and sensibilities must be 'studied'. [1]*How EU bureaucrats are destroying public life* , Frank Furedi , 10 June

It was perhaps inevitable that politicians, as with other professions, would evolve into something like a separate caste from the rest of us. As with airline pilots, we actually want our highly polichymakers to specialise and know exactly what they are doing. The problem is that, unlike airline pilots, our politicians ' goals have become quite distinct from, and often in conflict with, those of ordinary people - the public they are supposed to represent. Is 'studying' these people the best way of re-aligning policymakers' goals and visions with those of society?

A better alternative might be to rethink the entire policymaking process. Instead of expressing policy goals in vague terms, or as the product of arcane, stultifying debate about legalisms, funding, or institutional structures, we could instead define policy goals in terms of outcomes that are meaningful to the non-politicians amongst us. Take, for instance, climate change. The psychological connection between cuts in emissions of greenhouse gases and climate stability is a tenuous one, even if the physical relationship turns out to be direct and significant. Legislating for cuts in greenhouse gases is already proving divisive, and threatens our entire climate stabilising project. Much better, in my view, for policymakers to target climate stability itself; a goal with which all of us can identify. Let investors in [2]Climate Stability Bonds work out how best to achieve this goal; responding as only motivated private

sector agents can to our rapidly growing knowledge about the causes and effects of climate change.

1. http://www.spiked-online.com/index.php?/site/article/6998/
2. http://socialgoals.com/ieakyototext.html

6.6.6 Where are we heading? (2009-06-14 17:04)

Diminishing numbers of people voting; a disdain for incumbent parties; a disenchantment with existing politics...the results of the recent European Union elections just reinforce what we already know and feel: the widening gap between politicians and the people they are supposed to represent. The British Members of Parliament expenses scandal adds piquancy to the mix. The centralising of government and its continued accretion of powers great and small are reaching their logical conclusion: an almost complete detachment of politics from ordinary people. Apathy and resentment - and the possible rise of extremist parties - are an almost inevitable result. It's particularly unfortunate now, when humanity's challenges are so urgent, and so demanding of a consensus and social cohesion that are rapidly disappearing.

I don't think we can continue along these lines, and see a necessary, painful transition to a new sort of politics . But what will be the result? Here are some possibilities:

1. A benign authoritarianism, Singapore-style. A corporatist-style government : freedoms are sacrificed to economic growth, punishments for misdemeanours are harsh, parliament is a rubber-stamp, and any political opposition is only token. Social cohesion is enforced and synthetic. Society and the environment are managed. The big advantage is that the streets are safe and with smart people at the top, the system works well in its own terms.

2. The US model, but without the economic growth that sustained it. Something along South African lines, where people retreat into their own communities; intra -community relationships are tense; anybody who can afford it lives in a gated suburb.

Neither model is attractive to those used to the western way of doing things. And that's where Social Policy Bonds, or something like them, could enter the picture. Currently politicians form a separate caste, and political debate centres on arcane spending and legal decisions

with all the opportunities that presents for conscious corruption or the massive over-representation of special interest groups. Under a Social Policy Bond regime political goals would be expressed in terms of outcomes that are meaningful to ordinary people. Government funds would be exactly congruent with the achievement of social and environmental outcomes.

Risks of underperformance and failure would be borne by the private sector, rather than taxpayers. Goals would command a wide consensus, being of broad appeal. There wouldn't be the destructive , corrosive and ultimately distracting arguments about who should provide various socially beneficial goods and services. Instead there would be a strong emphasis on efficiency, and one that would arise naturally by the workings of a free market in Social Policy Bonds.

People understand outcomes, and there would be greater public participation in which goals shall be targeted. Such participation is an end in itself, and could be worth even more than the efficiency benefits that, in my view, a Social Policy Bond regime would generate. At a time when the current system appears to be disintegrating, and the alternatives seem unattractive or repellent, Social Policy Bonds, with their focus on meaningful outcomes and consensual goals, would bring something absolutely critical to policymaking and something that is fast running out. And that is buy-in: people's agreement to support something because they have been involved in formulating it.

6.6.7 Ends and means in transport (2009-06-16 00:14)

Though I try to look after myself, eating carefully and going to the gym frequently etc, I now doubt whether Social Policy Bonds will be issued within my lifetime. But, quite apart from the potential of [1]cryonics, I take heart that at least one of the principles underlying the bonds is entering the mainstream; and that is the much deeper thinking about the social and environmental outcomes we want to see. Away from the mainstream media anyway, there is greater clarity about the conflicts between vague, implicit or unstated policy goals and these outcomes. For instance, transport is being seen more and more not as an end in itself, but as a as means to various other ends - with which it might be in conflict. A large part of the problem is that many of the outcomes we want to see are less easily quantified than traffic flow figures and the like, so they fall through the cracks in our highly centralised bureaucracies. [2]John Adams is perfectly aware of these ends, and thinks that as well as asking:

> Would you like a car, unlimited air miles and Bill Gate's level of access to all the electronic modes of travel? [3]
>
> *Hypermobility : too much of a good thing* (pdf)

we should also ask:

> Would you like to live in the sort of world that would result if *everyone's* wish were granted? Assistance with the answer might be given by rephrasing the question - would you like to live in a dangerous, ugly, bleak, crime-ridden, alienated, anonymous, undemocratic, socially polarized, fume-filled greenhouse threatened by terrorism without precedent?

Quite so. We need absolute clarity about the ends of all social and environmental policy. There might have been strongly causal relationships between means (road links, for example) and ends (more wellbeing) in the past, or at certain stages of societal development, but that doesn't mean they will always apply. Or, as Mr Adams puts it, in relation to transport:

> To question the benefits of hypermobility is not to deny freedom and choice. It is to ask people what it is that they really, really want, and to confront them with the fact that their choices have consequences beyond the primary objects of their desires.

1. http://www.alcor.org/
2. http://john-adams.co.uk/about/
3. http://john-adams.co.uk/wp-content/uploads/2006/hypermobilityforRSA.pdf

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6.6.8 SocialGoals.com (2009-06-18 21:42)

The [1]Social Policy Bonds website is up and running again. It's not the most visually innovative site, but it does the job. It will probably need some tweaking, which I intend to do over the next few days.

1. http://socialgoals.com/

6.6.9 Why the state cannot save the economy (2009-06-19 19:01)

Concluding his article titled [1]*Why the state cannot save the economy*, Frank Furedi says:

> [The UK public sector's] inefficiency will not be overcome any time soon. This is not to counterpose the state to the market, but rather to say that there are states which are weak or strong, smart or stupid. We are good at recognising failed states in Africa, but not so good at noticing the failed states closer to home. Similarly, markets are by no means always robust and there are some in major need of overhaul. What we need, and this is something we can all help to bring about, is a state with new policies that are more worthy of the twenty-first century and which is better able to meet our needs. We do need a state that can contain the most destructive effects of the global crisis, but we mustn 't think for one second that the state can save the economy. That is because we
>
> shouldn 't be trying to save the economy – we should be restructuring it. ' Spiked', 18 June

I'm not sure what Mr Furedi means by 'we' here. I'm more sure that any conscious effort at restructuring is unlikely to be fruitful and quite likely to be disastrous. Society is a complex as an ecology and if the economic history of the past 100 years teaches us anything it's that central planning and picking winners fail even in their own terms. And that strenuous, government-backed efforts in economics usually concentrate on one or two specific variables - with Mao Tse - Tung it was steel production or sparrow destruction; with most governments now it is economic growth - at the expense of everything else, including human wellbeing .

So I for one am wary of vague efforts calling for the sort of reform that can be carried out only by government and its agents. I'd rephrase Mr Furedi's last sentence to say: 'we shouldn't be trying to save the economy - it should be refocused so that it supplies broad social and environmental goals'. Government does have an indispensable role to play and

those are in doing what only it can: articulating society's concerns, and raising the revenue to finance their achievement . Where government fails is when it detaches itself from society, and tries to achieve goals itself. Part of the reason for its failure is that it's not subject to the efficiencies of a competitive market. In particular, it doesn't terminate failed experiments . Any monopoly, whether private or public sector, stifles diversity and the variant approaches to which it gives rise. We need diverse, adaptive projects and programmes, focused toward achieving our broad social and environmental outcomes.

Social Policy Bonds are a means whereby this sort of restructuring could come about. Under a bond regime, government would do what it's good at doing: setting social and environmental target, while investors in the bonds would do what the private sector is good at doing: exploring, investigating and implementing an array of approaches, responsive to events and specific to regional variations, all in the service of the overall goal. Their rewards would be inextricably linked to their success in bringing about society's wishes, as articulated by government. Only then would efficiency in the fulfilment of social goals, almost a forgotten concept in government circles these days, be maximised.

1. http://www.spiked-online.com/index.php/site/article/7042/

6.6.10 Success cannot always be codified (2009-06-21 22:12)

> For anyone who genuinely wants to quit smoking, an
>
> Easyway
>
> session can be both an enlightening and exhilarating experience. For an observer, especially a non-smoker, it must be as
>
> interesting
>
> as reading the instructions for assembling a model aircraft kit, without have the slightest intention of actually putting the contraption together. After sitting through four four-hour sessions, [Dr] Judith [
>
> Mackay
>
> , Director of the Asian Consultancy on Tobacco Control and anti-smoking campaigner] had to admit that she could not fathom how the method works. Not knowing the answer to this question has never bothered me.... [1] Allen Carr
>
> , [2]*Packing it in the Easy Way* (page 237)

There are large, important areas of individual life where even after we have achieved something, we find it difficult to articulate how we did it. Mr Carr's [3]

Easyway

method was successfully followed by millions of smokers who wanted to quit, but Mr Carr found it impossible to explain how it works.

Doing the right thing so often is the result of behaviour that cannot be codified, even by an individual practitioner. How then can we devise institutional arrangements that will ensure, for example, that a catastrophic nuclear exchange will not take place, that we can avoid environmental calamity, or that children shall not die of malnutrition or malaria in their millions? I think

it can be done, but only in retrospect. Allow experimentation, and in particular the termination of failed approaches, so that only the successes are widely applied. But for that to happen, we need to start with an array of diverse approaches .

So it's unfortunate that those the organizations to whom we look for solutions to our most important social and environmental problems are large enough to be immune from extinction if they fail: I refer to national governments and supra-national bodies such as the United Nations. Particularly when it comes to global challenges, they function as monopolies, insofar as they crowd out diverse approaches even if they do not actively stifle them.

Something like

Easyway

- successful, but impossible to codify - would never be considered by a government body. Tried, tested and failed approaches will always be preferred to something that by its success and its non-compliance with codified procedures threatens existing organizations' over-arching goal of self-perpetuation.

That's where Social Policy Bonds could help. Under a bond regime our existing monopolistic bodies - national governments - could still have roles to play: articulating society's concerns, and raising the revenue for their achievement. These are crucial roles, and the monopoly powers of government mean that only they can do them effectively . But under a bond regime the actual achievement of social and environmental goals would be contracted out to the private sector. Bondholders would have incentives to investigate and explore diverse approaches, and there would be no safety net for failures. Success in achieving social goals efficiently would be the sole criterion for a particular policy approach. In such a way could we bypass the stultifying barriers to successful new approaches imposed, consciously or not, by government, with its monopoly powers and insistence on

codifiable

, tested methods.

1. http://en.wikipedia.org/wiki/Allen_Carr
2. http://www.amazon.co.uk/Packing-Easy-Way-Allen-Carr/dp/0718146573
3. http://www.allencarr.com/

6.6.11 Outcomes trump intellect... (2009-06-24 20:34)

...as a policy driver. [1]Chris

Blattman

quotes from

Mahmood

Mamdani

's [2]*Saviours and Survivors*:

> ’The Rwanda genocide unfolded at the same time as the elections marking the transition to a post-apartheid South Africa—during the first half of 1994. At a meeting of African intellectuals called in
>
> Arusha
>
> later that year to reflect on the lessons of Rwanda, I pointed out that if we had been told a decade earlier that there would be reconciliation in one country and genocide in another, none of us could have been expected to identify the locations correctly—for the simple reason that 1984 was the year of reconciliation in Rwanda and repression in the townships of South Africa. Indeed, as subsequent events showed, there was nothing inevitable about either genocide in Rwanda or reconciliation in South Africa.’

Mr

Blattman

goes on to ask:

> I’m only a few pages into
>
> Mahmood
>
> Mamdani
>
> ’s *Saviours and Survivors*, but I’m immensely enjoying it already. ... The book is
>
> Mamdani
>
> ’s broadside against the tide of
>
> Darfur
>
> advocacy movements in the US. The academic in me loves
>
> Mamdani
>
> ’s basic point: politics, like life, is complex. Boiling the
>
> Darfur
>
> conflict down to a slogan and popular campaign is at best naive, and is probably doing a disservice to peace and stability itself. The problem as I see it: simple messages, credos for action, and the call to "save" Africans will always mobilize more attention and enthusiasm than "Well, on the one hand...". Are we ...doomed to obscurity by our monotony and
>
> evenhandedness
>
> ?

I think the answer is ’yes’, but obscurity need not mean ineffectiveness. It probably does when there’s a strong correlation between spending and results, but that doesn’t always apply. Indeed, some conflicts, particularly in the Middle East, would probably benefit hugely from obscurity to the point of being invisible to the outside world. Complex issues are rarely amenable to the solutions available to large single organizations, like governments. Such organizations just are not responsive enough either to local variations, to information flows, to new technology, or to events on the ground.

Where governments, or supranational organizations like the United Nations could help is in funding the achievement of objectives by, for instance, issuing Social Policy Bonds. Preventing or ending conflict in

Darfur

or anywhere will probably require a mosaic of diverse, responsive projects, policies and initiatives. Social Policy Bonds would motivate investors to explore and implement these and, importantly, to terminate those that don't perform.

By issuing Social Policy Bonds governments, or the UN, or any group of interested philanthropists could fund a complex array of solutions to the conflict they target, even if they cannot anticipate what these solutions shall be. For more on this, see my essay on [3]*Conflict Reduction Bonds*.

1. http://chrisblattman.blogspot.com/2009/06/thinkavist-manifesto.html#comments
2. http://www.amazon.com/Saviors-Survivors-Darfur-Politics-Terror/dp/0307377237?&camp=212361&linkCode=wey&tag=httpchrisblat-20&creative=380737
3. http://socialgoals.com/wpbsshort.html

6.6.12 Threat simulation (2009-06-27 13:14)

We'll probably never fully understand why we dream but, in an article suggesting reasons, [1]Jesse Bering describes the 'Threat Simulation Theory':

> Originally proposed by Finnish neuroscientist [2] Antti
>
> Revonsuo , this clever evolutionary theory holds that dreaming serves a biologically adaptive function because it allowed our ancestors to simulate problem-solving strategies for genuine, waking life threats. [3]Antonio Zadra , Sophie Desjardins , and Eric Marcotte of the University of Montreal neatly summarize the central argument of the theory this way: "By giving rise to a full-scale hallucinatory world of subjective experience during sleep, the dream production mechanism provides an ideal and safe environment for such sustained practice by selecting threatening waking events and simulating them repeatedly in various combinations." What we should see in contemporary dreams, argues Revonsuo , are "threat scripts" depicting primitive themes of danger that would likely have been relevant in the ancestral environment, such as being chased, falling and so on. [4]*Dreaming of Nonsense: The Evolutionary Enigma of Dream Content* , ' Scientific American', 25 June

Could the benefits of testing alternative scenarios outweigh the costs, in terms of a brain that's more active than you'd think it needs to be? It's plausible , if unprovable. But it's a fact that whether we are conscious of it or not, much of our individual decision-making relies heavily on trial and error. Real life is messy, in the sense that there often are too many variables and time lags to to relate unequivocally cause and effect.

Unfortunately, in handing our social and environmental problems to large organizations,

like governments, we are effectively making the very large assumption that the causes of our problems can be fixed with a minimum of trial and error. That's because large monopolistic organizations just do not do trial and error: they have their own ideas about how to go about things, often dictated by ideology or, more likely these days, by corporate interests and campaign funders, but either way, immune from competition from alternatives. So failed experiments are never terminated, while ordinary people's coping mechanisms are undermined.

All of which is not to say that government shouldn't get involved in solving our social and environmental problems. There are some things that only governments do, and that they can do well. One such is raising the revenue to tackle our problems; the other would be to articulate these problems in the first place. But the efficient *achievement* of our targeted outcomes requires the sort of trial and error, and the continual selection of only the best method; and that is something that governments are too big, too monolithic and too unmotivated to do. And that's where Social Policy Bonds enter the picture. Under a bond regime trial and error - essential at the societal as well as the individual level - operates automatically to select the most efficient projects and programmes. Failures are swiftly terminated. And this happens because society's targeted goals are exactly the same as those who invest in the bonds who bear the risks of failure while society benefits from their success.

1. http://www.scientificamerican.com/author.cfm?id=1684
2. http://www.psy.utu.fi/henkilot/anttirevonsuo.html
3. http://dreamtalk.hypermart.net/member/files/antonio_zadra.html
4. http://www.scientificamerican.com/article.cfm?id=evolutionary-enigma-dream

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6.6.13 Download the book, free (2009-06-28 21:50)

The pdf of my book on Social Policy Bonds is now available for free download. There is a permanent link in the right hand column.

6.7 July

6.7.1 Flying blind (2009-07-01 17:24)

There is optimistic talk about emerging from the recession in the UK and Europe. I think we are confused on several fronts. First, the health of an economy, even if it were accurately measured, is not the health of a society. Second, because what passes for the health of an economy these days are, essentially, the profits and sales of large corporations, and the rate of growth of house prices. Far more important though, are what is left out: the numbers of unemployed, debt levels, crime rates and the huge negative non-market impacts that a growing fossil-fuel dependent economy has on the environment. All this is not to deny that there are positive non-market externalities when the economy, as simplistically measured, is doing well. There are, but the negative impacts: climate change, for instance, or the risks of other environmental catastrophe, or an alienating physical infrastructure; these are ever

more serious on a shrinking planet.

And we're not addressing them. The politicians and their corporate paymasters are desperate to revive the old economy. At the global level there are no systems in place to deal with climate change, nor man-made disasters such as a nuclear exchange. There's very little explicit targeting of such desirable but elusive goals as 'avoiding catastrophe'. At the national level, governments fiddle with well-intentioned, but meaningless or even [1]harmful Mickey Mouse targets. The problem is similar to that of the public sector: the interests of government agencies and public sector auditors are the interests of their organization, and when they conflict with the greater good - for which, admittedly, goals are difficult to define - it's the wellbing of the organizations that wins every time.

So we are flying blind. Our flightpath is determined by powerful corporate interests and their friends in government. On our aircraft there are many well-intentioned people doing the right thing. But the overall direction they are travelling in bears little relation to their efforts or intentions. It's not the wellbeing of ordinary people that will determine whether, or when, we fly into a mountain, or crash into the sea, but the short-term interests of large organizations, public and private sector, as measured - badly - by the accountants.

1. http://www.dailymail.co.uk/health/article-1196300/Leading-doctors-demand-end-target-driven-patient-care-endangers-lives.html

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6.7.2 Emails gone astray (2009-07-05 23:30)

If you have recently tried to email me using the encrypted email address on the socialgoals.com site, and not received a reply, please try again, using the new link the right-hand column on this page. There was a technical problem which has now been solved.

6.7.3 Biologically programmed to crash and burn (2009-07-05 23:42)

As products of evolution probably the one thing that we are not designed for is to live sustainably. Evolution selects for reproductive fitness. Now that *can* be consistent with restraining our numbers in the short run or, less often, with restricting our consumption levels, but it is more generally in conflict with them. Our institutional apparatus - bodies like United Nations peacekeepers , atomic energy watchdogs, or the numerous non- governmental

organizations working in the developing world - do heroic work in difficult

circumstances . But their influence on the big picture seems peripheral . Are they merely pebbles on the road to ruin? Faced with overwhelming

environmental or man-made catastrophe, we appear not to be very interested in looking after the long-term interests of human, animal or plant welfare. We all know that it's in nobody's interests to have, for instance, a rapidly changing climate, or the proliferation of nuclear weapons. But we seem unable to link that knowledge to effective action. Perhaps we are genetically incapable of defusing crises unless they are fast-moving and have readily identifiable causes.

Social Policy Bonds could help by targeting universally desired outcomes: perhaps above all the [1]avoiding of catastrophe. They could blur the distinction between our narrow, short-term, individual goals, and the greater good of the planet. They could align our daily self- and family-sustaining activities with the achievement of our broad social goals. It's a big claim, but I do not see any alternative. The current political system is, frankly, not up to the job of managing our future. More and more it seems we are destined to crash and burn.

1. http://socialgoals.com/dpbs.html

6.7.4 Nobody ever dies of divergent goals (2009-07-07 23:01)

My header is an inelegant echo of an old article by Garret Hardin: [1]*Nobody Ever Dies of Over-population* . What I'm saying is that the current rioting in China is only the most visible sign of an economic and political system gone badly wrong. In brief, the goals of the government and its corporate allies are not only different from, but are in conflict with, the goals of the wider population. And not only different, but diverging. At the beginning of industrialisation it's largely true that what's good for the corporations is good for the people . And when things are improving it's easier to be optimistic that more of the same will bring about a better standard of living for everyone. But at some point, and this is by no means unique to China, government listens less and less to the people, and more and more to the big corporations . The interests of the corporations - essentially reducible to profits, revenue or market share - become identified in the politician's mind with those of the wider citizenry. Then, when even the corporations are ceasing to grow, and the economic figures no longer look promising, the degraded social (and physical) environment assumes a larger, baleful role. The things that cannot be captured by the statisticians and that are of little concern to corporations , begin to assert themselves. Riots, blamed on something else, are one manifestation . We shall see more of this, I'm sorry to say.

One way of realigning ordinary people's interests with those of government and the wider economy would be to introduce government-backed Social Policy Bonds. In a world that is now largely designed by governments and corporations , it's unfortunate that unless something is explicitly targeted, it's going to be neglected and probably suffer as a result. A bond regime could change that by having as its over-arching goals improved social and environmental

wellbeing . We cannot know exactly which goals people will decide on, though I'd offer 'avoidance of catastrophe, man-made or natural' as a high priority: one of the larger benefits of a bond regime is that society's goals would be decided by ordinary people ourselves. That would be in stark contrast to the current system, whereby it's assumed they are congruent with those of politicians and corporations , until the inevitable collapse in social cohesion becomes impossible to ignore.

1. http://www.sustainer.org/dhm_archive/index.php?display_article=vn391bangladeshed

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6.7.5 Two degrees or 350ppm? (2009-07-09 22:40)

The G8 countries have [1]approved a target of 2° C rise in global average temperature above the natural, preanthropogenic climate, that they resolve should be avoided. But would

350 parts per million of carbon dioxide equivalent in the atmosphere be a better target? Frankly, given that the agents ultimately charged with achieving the target are governments, I don't think it matters. There will be no accountability and no penalty if the target is not achieved. Instead - you can hear it now - there will be excuses. Administrations change, and politicians are expert at evading and deflecting blame. They will be able to blame vagaries in measurement, or in the scientific relationships ; or previous administrations , other countries' administrations , 'unexpected' events, ...the list goes on.

Broad target setting is all very well. It does, indeed, underpin the entire Social Policy Bond concept. But there has to be motivation as well. Government and its agencies are paid to perform activities, to stop other people performing activities, to allocate funds, to ensure compliance with rules - and a whole host of other things, not all of them useless. *But they are not paid to achieve outcomes*. Climate change is a huge, urgent challenge. Well-meant targets must be backed up by powerful incentives so as to reward success and penalise failure. And that's where Climate Stability Bonds should enter the picture. The G8 (or the United Nations) could still set broad climate-related goals. They could still raise the funds to reward investors in the bonds. But, by issuing the bonds, they would be contracting out the achievement of climate stability to people who are motivated to succeed, rather than merely paid to turn up to work. A huge, and quite possibly a planet-saving - difference. Look under 'climate stability' [2]here to find out more.

1. http://www.realclimate.org/index.php/archives/2009/07/two-degrees/
2. http://www.socialgoals.com/applications.html

6.7.6 Kyoto will fail (2009-07-15 20:08)

> What the G8 summit in Italy decided to do about climate change last week was much less than is necessary, but the very best that a realist could have hoped for. Some tens of millions of people will probably die as a result, or some hundreds of millions if we are really unlucky, but there is still time to avoid the worst. And anyway, it can't be helped: this is the way we do business. [1] Gwynne Dyer
>
> , 10 July

Talking with friends recently I'm more and more convinced that efforts to cut greenhouse gas emissions are going to have a minimal effect on the climate. As a species our chances of controlling the climate, looking at it from the process-engineering angle, appear to be minimal. That said, the Kyoto process might not be totally without benefit. It might encourage us to do the right things (like reduce our absolute dependence on fossil fuels, conserve energy etc) for the wrong reason. There's nothing wrong with that, except that the Kyoto's upfront costs could probably be better spent in reducing the impact of climate catastrophe; and the risks of failure to stabilise the climate are not only large, but will be borne by the wider population. If the real goal genuinely is to stabilise the climate then something like [2]Climate Stability Bonds would be far more efficient than Kyoto. Incentives are important, and the over-arching incentive I see falling out of the Kyoto process is to game the system.

1. http://www.gwynnedyer.com/articles/Gwynne%20Dyer%20article_%20%20Climate%20Change%20-%20Two%20Cheers.txt
2. http://socialgoals.com/ieakyototext.html

6.7.7 Perils of the McNamara approach (2009-07-17 22:11)

> One of the most intelligent men ever to hold public office, [Robert] McNamara mused in retirement on why a project that promised so much had gone so badly wrong. Decentralised markets had systematically outperformed central plans, planned development strategies had failed. Detroit's obsession with numbers had fallen victim to the Japanese passion for quality, and the American military machine was defeated by the forces of North Vietnam. [1] John Kay
>
> , 15 July

It's worth pondering what might have happened to the car industry if there'd been no Japan, no competition from decentralised markets. We'd have something like we have today in global affairs, where responsibility is largely handed over to huge organizations, devoid of any pressure to be competitive, efficient, or even effectual. The United Nations, for instance, or the World Bank/IMF. The decisions of any large monopolistic body are going to be determined entirely its culture and goals, and there's no inherent congruency between these goals and those of the people they are supposed to serve.

We're coming late to the idea that the evolutionary forces that have propelled most of us out of abject poverty - trial-and-error, experimentation , diverse approaches with termination of failures, adaptation - can actually be consciously deployed, as they would be under a Social Policy Bond regime. But it is heartening to read [2]here that the idea is at last being discussed and tried in an area that desperately needs it: development.

1. http://www.johnkay.com/general/623
2. http://chrisblattman.blogspot.com/2009/07/on-development-experiments.html

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6.7.8 (2009-07-21 08:09)

This is a very interesting post. NGO's are with small budget, but they are service oriented, in the sense that they will help as far as they can.

6.7.9 Does government intervention lead to too much monoculture? (2009-07-21 20:34)

'Too much' in the sense that a properly functioning policy, with undistorted competition, would lead to more diversity and less vulnerability to drastic downturns. I suspect the answer is 'yes'. Take agriculture. Government has a long history of intervention in agriculture in the industrial countries. Perverse subsidies to the sector in the rich countries have contributed to the devastation of the physical environment, diverted wealth from the poor to the rich and accelerated the massive overcapitalization of farms and rural depopulation.

And in much of the countryside in the west, the visual testament to a long history of government involvement is square kilometre after monotonous square kilometre of land devoid of trees, hedges and human beings, devoted to intensive production of crops or

pasture. Subsidies have exaggerated this specialisation, partly because guaranteed prices have reduced the risks of on-farm specialisation and partly because capital assets receive favourable tax treatment. So one result of the combination of subsidies and centralised price-fixing and subsidies has been a greater degree of monoculture in agriculture than would otherwise prevail. As well, without the high levels of subsidy it's unlikely that farms would be as land-intensive as they are today. Net production would be lower, but so too would use of fossil fuels, pesticides and prices to consumers.

Government involvement in infrastructure has similarly increased our dependence on fossil fuels. Government has implicitly guaranteed oil supplies. It's done it on our behalf and as a result the construction industry has, as in agriculture, entrenched and exaggerated our dependence on oil.

The construction industry: not necessarily a part of government but certainly remarkably close to it. Perhaps my header would read more accurately if I inserted the words "on behalf of its corporate friends" after "intervention". And rephrased it as a statement, rather than a question.

6.7.10 Preoccupied with trivia (2009-07-22 21:37)

> In the midst of the most profound financial and economic crisis in living memory, what issues are the [British] political class arguing over? Not how our society should produce and distribute its wealth in the future, but how much a few bankers should get in bonuses and which bankers or bureaucrats should sit on financial regulation committees. Mick Hume, [1]*What good's an election without alternatives?* 22 July

Public debate is always going to centre around issues that people understand. Our politicians and their corporate paymasters have successfully obscured most of the big issues in politics. Only specialists understand them, so matters of importance to ordinary people are resolved in favour of the existing vested interests. The media are filled with trivia, and urgent crises are ignored.

One of the big benefits of a Social Policy Bond regime is that it would start by clearly and transparently, deciding on society's targeted outcomes. These could include the [2]absence of disasters, as well as more positive goals, such as [3]reducing unemployment, or [4]cleaner air and water. There would, in my view, be significant efficiency gains when a bond regime channelled market forces into achieving these goals. But perhaps of even greater benefit would be the accessibility of the public debate about which outcomes should be targeted, and their relative priority . People understand outcomes, so we could expect greater public participation in policymaking . We could also expect more attention to be paid to the big issues, rather than the trivia .

1. http://www.spiked-online.com/index.php/site/article/7175/
2. http://socialgoals.com/dpbs.html
3. http://socialgoals.com/btwbs.html
4. http://socialgoals.com/epbs.html

6.7.11 Give greed a chance (2009-07-26 23:09)

Climate change, the world's financial system, the risk of nuclear war or pandemics: the list of huge problems that our politicians are unable to comprehend, let alone deal with, is scary. We know little about the exact scale of the problems, still less about how costly will be their solutions. And even less about how most efficiently to go about finding such solutions. The consequences of getting any of these calculations wrong under the current command-and-control policy system is immense. And these consequences are borne entirely by people who cannot or do not want to bear them.

Social Policy Bonds can transfer the risks of getting it wrong to people who are prepared to take on that risk, in the hope of profiting from solving our social and environmental problems. The bonds channel the market's incentives into the achievement of universally desired goals rather than, as now, corrupting the global banking system or marketing dogfood . It is only 'greed' in the sense that going out to work, rather than staying at home while collecting a lesser sum on the dole is also 'greed'. That sort of greed can be helpful to us all if it's channelled correctly, and if the 'greedy' people's goals are exactly congruent with those of society. They would be so congruent under a Social Policy Bond regime. Read more by clicking on the links in the right-hand column.

6.7.12 Conflict Reduction Bonds (2009-07-29 17:44)

I've just begun reading [1]*Breaking down the wall of silence*, by Alice Miller. From the preface:

> What makes a person wish to destroy the world? ... [T] echnology alone is not sufficient to protect us from the consequences of denied, and thus uncontrolled, emotions. Without facing up to their origins - the production of hatred in childhood - we will be unable to resolve such hated and put an end to the work of devastation. It is in no way exaggerated to say that *every tyrant*, without exception, prefers to see thousands and even millions of people killed and tortured rather than undo the repression of his childhood mistreatment and humiliation , to feel his rage and helplessness in the face of his parents, to call them to account and condemn their actions.

This sounds plausible to me. The problem, from the point of view of policymakers, is that the evidence for or against it is too scanty right now to provide a firm basis for policy. Our national political systems are geared to deterring or fighting wars, rather than their looking for their psychological causes. Our global political systems are geared to intervening in existing conflicts or interposing themselves between likely antagonists. Investigating the psychological causes of war is too speculative and long term for government bodies. Government, including global bodies like the United Nations, are good at dealing with, say, disease outbreaks or natural disasters. There, the causes are by and large known, the actions to take are specific, monitoring of progress is easy. Indeed, only large organisations like government can effectively deal with such emergencies. Where such organisations fail, though, is when the relationship between cause and effect is not so simple to identify. The tendency then is to allocate resources according to factors other than long-term effectiveness and efficiency.

Prevention of violent political conflict may well require a mosaic of approaches, including those currently followed by the United Nations. But if Ms Miller is correct, then the huge disparity between the resources given to current prevention methods as against investigation of psychological causes would be especially grievous. When faced with something as apparently intractable as war, the right approach, I believe, is to specify a desirable outcome - some robust definition of 'peace' in this example - and reward people for achieving it, *however they do so*. We can't know in advance whether looking at children's treatment in the family will reduce the level of conflict, but we can take steps to encourage investigators inspired by Ms Miller to pursue their enquiry if it shows signs of promise. [2]Conflict Reduction Bonds, issued with the goal of reducing violent political conflict to a very low level, would channel resources impartially into the most promising lines of enquiry, however obscure or unfashionable they might now appear.

1. http://www.amazon.com/Breaking-Down-Wall-Silence-Liberating/dp/0452011736
2. http://socialgoals.com/wpbsshort.html

6.8 August

6.8.1 Magical solutions (2009-08-02 22:58)

> [T]he British government has enacted a law ...requiring emissions reductions of 34 percent below 1990 levels by 2022, which would be upped to 42 percent if the world reaches a global climate agreement in Copenhagen in December. What is missing from the debate over targets and timetables is any conception of the realism of such proposals. If a proposal is not realistic, it is not really a policy proposal but an exercise in symbolism, a "magical solution." Symbolism is of course an essential part of politics, but when it becomes detached from reality — or even worse, used to exclude consideration of realistic proposals — the inevitable outcome is that policies will likely fail to achieve the promised ends. This outcome is highly problematic for those who actually care about the substance of climate policy proposals. [1]Roger A Pielke , Jr

Professor Pielke goes on to point out that if Britain is going to achieve its stated reduction goal it would have to deploy about 30 new nuclear power plants in the next six years. 'One does not need a degree in nuclear physics to conclude that is just not going to happen.'

What's going on? It's part of a broader problem: conventional policymaking is too complex for ordinary people. There are just too many diversionary opportunities for powerful interests to exploit. We cannot safely not evaluate policies or politicians in terms of outcome: there are too many variables involved, and too many time lags. Cause and effect are obscured and political debate centres around soundbites and personality as portrayed on tv .

Or symbolic statements that have no meaning. As Professor Pielke says:

> [C] limate policy has become about demonstrating one's strong feelings about the reality and urgency of climate change and not so much about implementing policies that can actually work.

We could, of course, let outcomes drive policy. If we are serious about climate change, even allowing for the massive uncertainties over what's going on and what's causing it, we'd issue [2]Climate Stability Bonds, which would reward people for taking measures to stabilise the climate (or reduce the impact of an adverse climate). But that would be an efficient, effective solution, rather than a magical one.

1. http://www.e360.yale.edu/content/feature.msp?id=2175
2. http://socialgoals.com/ieakyototext.html

6.8.2 Violence and farm subsidies (2009-08-06 19:48)

More from [1]Alice Miller:

> National leaders intent on war do not want to believe that the destructive
>
> forces from which they constantly attempt to free themselves at other people's expense are in themselves revenge feelings for old, very personal wounds. in the face of even the possibility of nuclear war, we simply cannot afford to go on ignoring this fact. But that is exactly what we do: numerous civil servants and government specialists deal with the results of child abuse, without being able to see and know its origins.
>
> [2]*Breaking down the wall of silence* (page 94)

If Alice Miller is correct, violence against children is self-entrenching. The more it's done, the more it will happen in the future. In this it's similar to other destructive policies: farm subsidies for example, which enrich a tiny minority at great cost to everyone else and the environment, and enable this minority to oppose their removal. The corrupt madness of agricultural subsidies in the west has been known about for decades, but last year they totalled [3] $265 billion. And in both areas, it's going to take a long, wearisome wait, for better policies to arrive. Darwinism selects only for a fairly narrow definition of fitness; it does not select for 'optimal from the point of view of human wellbeing '. Even then, I don't think we could rely on evolution to work, even after many generations, unless perhaps we are considering large numbers of planets and are indifferent to what happens on our own.

Agricultural

subsidies , for all their many faults, don't threaten entire populations, but nuclear warfare does. We might well be inhabiting a planet where violence against children has irredeemably taken hold, and the 'fittest' in that paradigm are fit only to destroy human life on it. Rather than hope for the best, or wait eons for evolution to work in our favour, we could instead let a basic targeted outcome drive policy: absence of nuclear war. We could do this by issuing [4]Conflict Reduction Bonds. It's true that, given numerous planets, the ultimate survivors may be those on the planet that, for some random reason, did not succumb to self-entrenching destructive madness. But for our planet and in our time, I think we need explicitly to target human survival, and to reward the people who help maintain it.

1. http://en.wikipedia.org/wiki/Alice_Miller_%28psychologist%29
2. http://www.amazon.com/Breaking-Down-Wall-Silence-Liberating/dp/0452011736
3. http://www.economist.com/markets/indicators/displaystory.cfm?story_id=14098262
4. http://socialgoals.com/wpbsshort.html

6.8.3 Number one in a field of ...one (2009-08-09 22:25)

- [1]

1. http://img7.imageshack.us/img7/3555/recommended.png

6.8.4 Who's in charge? (2009-08-11 23:34)

> Europe's dairymen are so obsessed by the need for regulation that the worst economic slump in more than 70 years barely enters their consciousness.The European Commission will spend €600m this year on export subsidies and buying unwanted dairy goods which will then moulder in cold storage (the EU is not recreating mountains, insists one Eurocrat , "more a butter hillock"). [1]Economist , 6 August

Who are these people, channeling your savings and the next generation's income into subsidised overproduction of butter? Who makes these decisions? It's been known for at least thirty years that these subsidies do very little except bolster the market value of farmland and transfer funds from ordinary people [2]to the very rich. As with the bonuses for cynical bankers, our political system seems incapable of behaving rationally.

The truth is that, without any guiding principle other than expediency, our politicians are lost. There's no relationship between the policies they enact and the outcomes the people they represent want to see. Society, economics, the law; they and the way the interact are far, far too complex for anyone fully to understand. So short-term considerations are king.

A Social Policy Bond regime would be different. It would subordinate all activity to targeted outcomes. There can't be many who'd want to see the corrupt, insane systems of agricultural support of the west, which apart from enriching aristocrats are environmental and economic disastrous. People or governments would instead concentrate on defining the outcomes that we do actually want to see, and let the market decide how best to achieve them.

1. http://www.economist.com/world/europe/displaystory.cfm?story_id=14170799
2. http://publications.oxfam.org.uk/oxfam/display.asp?K=002P0136&aub=Kevin%20Watkins&sort=sort_date/d&m=3&dc=21

6.8.5 Policy by interest group (2009-08-13 22:40)

Patrick Basham describes how tobacco policy in the UK is being shaped by anti-tobacco groups:

> So just who, then, in the DoH [Department of Health was responsible for conducting a wide-ranging, objective, and transparent review of the evidence about tobacco advertising and tobacco displays and their supposed effect on young people? It certainly wasn't regular civil servants with expertise on tobacco issues who approached the issue without a vested interest. Instead ...the review was a product of Cancer Research UK, a charity that has also acted as an advocacy group consistently calling for bans on tobacco displays. [1]Displaying the truth about policymakin[2]g, Spiked, 13 August

In this blog I've often criticised wealthy corporate bodies, as well as government agencies, for their influnece over policymaking. They take advantage of the difficulty of non-initiates in comprehending the often arcane and always complex, long-winded process of law-making. Mr Basham's article is a reminder that it is not only large corporations who can hijack policy, but also well-intentioned lobby groups:

> In effect, the government's policy about tobacco displays is not the result of wide-ranging research, evaluated objectively and transparently, but rather was based on a single report produced by an advocacy group campaigning for a display ban, and helped along by a senior official from that group working inside the DoH. What's objective, evidence-based, comprehensive, or transparent about that?

1. http://www.spiked-online.com/index.php/site/article/7262/
2. http://www.spiked-online.com/index.php/site/article/7262/

6.8.6 Complexity and catastrophe (2009-08-17 17:34)

With time lags and great complexity, it's all too easy for people to game a system, consciously or not, so that they benefit in the short term by either spreading the costs of their activities to society in general (socialising them) or by postponing them to future generations. In a sense, mankind has been doing that since the time of Malthus; and our existence as well as our very high material standard of living are the happy outcome of unforeseeable technologies arising that do much more than solve old problems. But I wonder whether we can still afford to do this when we bump up against finite limits. Dissemination of successful technologies has, so far, and with a couple of close shaves, outpaced our destructive tendencies. But there is no inevitability about that it will continue to do so.

We don't know what are the biggest threats to our existence: nuclear proliferation? Climate change? Impact with an asteroid? What the credit crunch and climate change appear to tell us is that disaster are probably unfolding now, but we have no idea what forms they will take. Still less do we have a political system capable of defusing enormous threats before they become perilously close to reality.

This is perhaps where Social Policy Bonds score heavily over the current way of doing

things , which is essentially a passive approach, characterised by too much or too little action when it's too late. Under a bond regime we can prescribe an outcome and contract out its achievement to a number of investors, who will have incentives to cooperate to bring about this outcome. Social Policy Bonds could function as an insurance policy against specified or unspecified catastrophe. Backers of [1]Disaster Prevention Bonds, whether they be government or private sector philanthropists, could choose to reward the continuing absence of major human catastrophe without specifying the nature of the catastrophe , and without themselves having to pick out potential solutions. In that way, the complexity that allows us to ignore unfolding disasters can work in humanity's favour, by selecting efficient, effective solutions.

1. http://socialgoals.com/dpbs.html

6.8.7 Doing something, achieving nothing (2009-08-20 14:22)

Regardless of what you might think of Richard Courtney's suggested solution, his summary of our response to the possibility of catastrophic climate change is accurate:

> Developing countries say they will not limit their emissions, and industrialised countries have problems reducing theirs. China releases more of the emissions than any other country, is industrialising, and says it is entitled to the same emissions per head of population as the US. So, China says it intends to increase its emissions more than four fold. India says the same. The US is having problems adopting a 'Cap and Trade' policy that would harm American industries and force industries from America to China. The EU adopted a 'Cap and Trade' policy that collapsed and has not affected the EU's rising emissions. The Australian Parliament has recently rejected a similar policy.
>
> Politicians have been responding to the failure of the Kyoto Protocol by showing they are 'doing something'. They have adopted pointless and expensive impositions on energy industries, energy supplies and transportation. And the public is paying the large costs of this in their energy bills.
>
> The Copenhagen Conference will provide a decision because it has to, but that decision will have no more effect than the Kyoto Protocol. And this will put more pressure on the politicians to be seen to be 'doing something' with further cost and harm to peoples and to industry. [1] Richard S. Courtney , 17 August

As with climate change, so with nuclear proliferation or any number of other possible disasters. We shall never know for certain, until it's too late, whether threats are potential or actual. Our default position then, is as described by Mr Courtney: to do nothing. There's something to be said for that: it costs very little. In particular, it avoids the payment of large upfront costs for uncertain future gains.

But the threats might turn out to be real, in which case today's inaction is criminally negligent. What is a genuinely concerned individual - politician or not - to do?

I can't think of a better solution than Social Policy Bonds. Governments or groups of concerned people could issue bonds that would reward the avoidance of

anything they don't want to see: from a rise in regional unemployment to a global catastrophe. They wouldn't have to decide how likely is the disaster they wish to avoid; nor would they need to know how best to avoid it. Those decisions would be taken collectively , by investors in the bonds. These investors would have powerful incentives to explore, research and implement the most efficient ways of avoiding calamity. Importantly, they would also have incentives to terminate failed experiments. They would also bear the risks of failure.

Social Policy Bonds with the aim of [2]avoiding disasters might not forestall all calamities. But they would be much, much better than our current efforts.

1. http://wattsupwiththat.com/2009/08/17/stopping-climate-change/
2. http://socialgoals.com/dpbs.html

6.8.8 The bean counters move into childcare (2009-08-24 17:48)

A US study, as reported by Frank Furedi , suggests that between 1981 and 1997:

> there has been a noticeable increase in the amount of time that children spend on scheduled activities. ...Children's free time has declined, and free time is
>
> increasingly structured. [They] spend less time playing and more time 'going places'. This development ... reduces the amount of time family members spend just sitting around, talking and not doing anything in particular. In turn, parents spend more time organizing and driving children from one stimulating activity to the next. [1]Paranoid Parenting
>
> (page 84)

Many of the world's problems, in my view, can be attributed to the difference between accountancy and human wellbeing . One is about ticking boxes and measuring that which can be measured. The other is about leaving people to find their own ways of fulfilling themselves. Even economics - the allocation of scarce resources to best meet prescribed ends - doesn't see quantification and management as ends in themselves. The ends in economics can be broad and, if well chosen, can correlate strongly with

wellbeing . But so much of policy is no longer about wellbeing ; it's about process and covering yourself; implementing procedures that have been tried, tested and (often) failed. It's about concentrating on those things that can be easily measured, while ignoring the broader concerns.

That approach worked when numbers correlated strongly with what we actually want to achieve. And for much of the world today many numbers still do: improvements in Gross Domestic Product, nutritional intake, basic literacy and numeracy, or something like the [2]Human Development Index, for instance.

But that approach, which serves developing economies quite well, is failing us in so many areas. Rich countries still pursue economic growth as if it's a solution to all our problems. Major challenges, such as nuclear proliferation or climate change, go unmet. Surveillance powers combine maximum intrusion to minimum effect. Schooling is an opportunity for social engineering. The disconnect between politicians and the people they are supposed to

represent grows wider and wider. And as Mr Furedi indicates, the same tendency to manage everything and achieve numerically impressive results at the expense of everything else, has moved into childcare or 'parenting' in western countries.

1. http://www.amazon.co.uk/Paranoid-Parenting-Frank-Furedi/dp/0713994886
2. http://en.wikipedia.org/wiki/Human_Development_Index

6.8.9 Targeting the bigger disasters (2009-08-27 23:41)

> [A] robust system needs to produce frequent crashes, with citizens immune to them, rather than infrequent total collapses which we cannot cope with. By constraining cycles and assuming "no more boom and bust" (as [the UK] current government did) you end up with a very large bust – and I am sure that I do not need more events like the recent crisis to prove the point. [1]Nassim Nicholas Taleb,
>
> 27 August

Experts in process engineering, with whom I've recently talked, have suggested that Social Policy Bonds might well control the smaller, frequent crashes, or their equivalents. In other words, you could use the bonds to, say, reduce unemployment or achieve universal literacy and numeracy. But, they say, that would come at the cost of an increased risk of a bigger problem. My response is twofold: First, we could issue Social Policy Bonds that target as a priority the bigger problems: global catastrophe or major [2]disasters, however caused. Social Policy Bonds are a versatile concept: the exact nature of any disaster to be avoided need not be specified in advance. And second, I point out that the bonds are to be compared with the current system, which as Mr Taleb rightly points out, is geared toward actively encouraging bigger catastrophes.

1. http://www.guardian.co.uk/commentisfree/2009/aug/27/climate-change-taleb-tax-conservatives
2. http://socialgoals.com/dpbs.html

6.8.10 Agricultural subsidies (2009-08-29 02:09)

Is there anything to be said in favour of the west's agricultural subsidies? [1]No there isn't. And here's more:

> A study in the American Journal of Clinical Nutrition found that a dollar could buy 1,200 calories of potato chips or 875 calories of soda but just 250 calories of vegetables or 170 calories of fresh fruit. With the backing of the government, farmers are producing more calories — some 500 more per person per day since the 1970s — but too many are unhealthy calories. Given that, it's no surprise we're so fat; it simply costs too much to be thin. [2]Getting real about the high price of cheap food, 'Time', 21 August

1. http://socialgoals.com/blog/2006/04/farm-subsidies-get-rid-of-them-all.html
2. http://www.time.com/time/health/article/0,8599,1917458-2,00.html

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6.9 September

6.9.1 What really drives policy? (2009-09-01 20:09)

There's no one single driver of course. In many countries ideology is one of the biggest. In the UK, ideological egalitarianism has been an important driver of education policy, for instance. Personality and imagery are also important. But in the US, increasingly and overwhelmingly, corporate money is the biggest policy driver. Paul Krugman explains why health care reform is now far harder to contemplate than it was during President Nixon's time:

> [O] ur political system's ability to deal with real problems has been degraded to such an extent that I sometimes wonder whether the country is still governable. As many people have pointed out, Nixon's proposal for health care reform looks a lot like Democratic proposals today.
>
> Nixon also embraced tighter regulation of insurers, calling on states to "approve specific plans, oversee rates, ensure adequate disclosure, require an annual audit and take other appropriate measures." No illusions there about how the magic of the marketplace solves all problems. So what happened to the days when a Republican president could sound so nonideological , and offer such a reasonable proposal? Part of the answer is that the right-wing fringe ...over one of our two major parties [the Republicans].
>
> But there's another reason health care reform is much harder now than it would have been under Nixon: the vast expansion of corporate influence. ... The health insurance industry, in particular, saw its premiums go from 1.5 percent of G.D.P. in 1970 to 5.5 percent in 2007, so that a once minor player has become a political behemoth, one that is currently spending $1.4 million a day lobbying Congress. [1] Missing Richard Nixon , 30 August

Even that might not be reprehensible if corporate lobbying power were correlated in some way to people's preferences. But, as Noam Chomsky has [2]pointed out, corporate power is instead used to manipulate markets and distort the regulatory environment.The winners are the big corporations. The losers are smaller businesses, ordinary people, and the environment .

We need a better policy driver. Policy is complex; there are too many variables and time lags for any but the specialist to have any idea what's going on, and even they get it wrong frequently and in big ways. Corporate interests are adept at filling this vacuum , and Mr Krugman well describes one, but only one, of the policy areas that they have adapted to their own purposes.

Social Policy Bonds could be the answer by which the interests of all of us could be represented and achieved . Social Policy Bonds would subordinate all policies, all activities and institutions, to socially desired outcomes. Corporate power would result from success in achieving these outcomes, rather than a determinant of policy. Under a bond regime corporations and their interests would be entirely subordinated to the goals of policy. And because policy goals are more readily comprehensible to the public than the myriad complex ways in which they are supposedly achieved, these goals would generate public participation in their formulation and, crucially, buy-in. Sadly both are missing when it comes to making

health policy in the US; and to much policy elsewhere: one reason why the political system of the US and other countries has become incapable, as Mr Krugman puts it, of dealing with real problems.

1. http://www.nytimes.com/2009/08/31/opinion/31krugman.html?_r=1
2. http://socialgoals.com/blog/2005/12/markets-and-markets.html

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6.9.2 Outcomes a better policy driver than advocacy research (2009-09-05 20:58)

In his discussion about child-rearing techniques Frank Furedi tells us:

> The experience of the past tells us that when science is used to provide legitimacy to speculation, there is always a possibility that we will find what we are looking for. Researchers sometimes admit that they are looking for research-based evidence to justify a cause. ... Most of what goes by the name of parenting research is best described as advocacy research . Advocacy
>
> research does not set out to discover what's not known it seeks to convince and influence public opinion. [Emphasis in original] [1]Paranoid Parenting: abandon your anxieties and be a good parent (pages 156, 160)

Of course it's not only in parenting that you can generate figures that confirm your prejudices. My own field, economics, is another obvious case in point. It's an important consideration in the world of policymaking . Mr Furedi raises the questions of breastfeeding or smacking children. Similar reservations arise in other fields: crime, for instance , or mental health. What exactly is the role of government when research findings are inconclusive and controversial?

Social Policy Bond could help. They would stipulate a targeted outcome, rather than the supposed means of achieving it. So if society's goal is, for instance, to reduce lung cancer rates, then a bond issue would - probably - lead to the sort of restrictions on smoking that we now see. But if the goal is to reduce crimes committed by young people, where the scientific evidence on raising children is far more equivocal, investors in bonds would have to investigate and explore a much wider range of alternative approaches, the nature of which need not be specified in advance . Advocacy research would be regarded with far more skepticism than currently, because investors in bonds targeting youth crime would be looking for results, rather than confirmation of their prejudices . They would

have powerful incentives to find only the most efficient ways of reducing youth crime, and to that extent would be impartial in their observations and conclusions.

Social Policy Bonds' focus on outcomes would have the same impartiality in helping achieve a wide range of social goals where research findings are vague or hotly disputed, and so we are collectively paralysed into inaction. They include larger ones about which I have written many times before, such as [2]climate change or the [3]prevention of natural or man-made catastrophes .

1. http://www.amazon.co.uk/Paranoid-Parenting-Frank-Furedi/dp/0713994886
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.com/dpbs.html

6.9.3 What sector shall we subsidise next? (2009-09-09 19:57)

When policy takes the form of targeting, you have to be very careful that your targets either are, or are inextricably and strongly correlated with, what you want to achieve. I've blogged many times about the meaninglessness of gross domestic product as a target (see [1]here or [2]here, for instance). Governments implicitly or explicitly target GDP per capita (as 'economic growth'), often with unfortunate results such as the degradation of the social or physical environment.

Here's another instance of policymakers getting it wrong. Not long ago governments were in thrall to the motor industry. Then came computers and IT. But today, or until recently, it was finance. Here's George Monbiot quoting UK Prime Minister Gordon Brown:

> In 2004 he told an audience of bankers that "in budget after budget I want us to do even more to encourage the risk takers". In 2007 he boasted that the City of London's success was the result of the government "enhancing a risk based regulatory approach, as we did in resisting pressure for a British Sarbannes - Oxley after Enron and Worldcom ". [3]The great cop-out, 8 September

The problem is deeper and more widespread than that of governments' complying with the wishes of their paymasters in big business. Our governments are democratic, so have to sell their degenerate thinking to the electorate. And, not being specialists, we too easily identify the success of particular sectors or, say, an increase in GDP, as improvements in societal wellbeing . This, they might have been at lower levels of development. But they are not always so, and our policymaking system has been too slow to recognise this.

It's hardly surprising. Society is so complex that it takes us too long to identify the causes of social and physical depredations, by which time it's very often to do much about them. The policymaking process to the outsider is too complex and arcane to follow closely. Perhaps Social Policy Bonds are the answer. They would subordinate all activity and funding to the achievement of social and environmental outcomes, rather than try to prejudge how best to achieve these outcomes. Insiders and outsiders would see clearly that a healthy finance, or IT, or whatever, sector is not an end in itself, but a means to various ends, and that government would be both more efficient and more transparent if it targeted these ends directly.

1. http://socialgoals.com/blog/2006/12/gdp-default-target-for-government.html
2. http://socialgoals.com/blog/2009/03/meaninglessness-of-abstract-economic.html
3. http://www.monbiot.com/archives/2009/09/08/the-great-cop-out/

6.9.4 (2009-09-14 23:53)

I often see an approach to a problem apparently making things worse. For example, rising pregnancy and abortion rates in the UK by under 16's, in spite of a huge sex education drive over the last several years.

In light of a failure to produce the promised outcome, their solution was to increase funding even higher. More free condoms, younger sex education, more advertising.

I think the entire approach is flawed, and only makes things worse.

How would your policy bond concept facilitate a recognition that the approach is flawed given the outcome hasn't been achieved?

(Sorry, point me to another post if the answer is relevant, rather than retype a response here)

6.9.5 (2009-09-15 00:21)

Thanks Zen Tiger for your comment. I agree with you about the existing approach and its flaws. Typically a government agency looks at something like abortion rates or teen pregnancy rates and thinks it knows best how to reduce them. It identifies a cause (in this instance, lack of education and condoms) and channels other people's money into its preferred solution. When that doesn't work, it does more of the same. The Social Policy Bond mechanism is quite different. It would set explicit targets for abortion rates and teen pregnancy. It would reward their achievement *however they are achieved*. The sum of money it would devote to the purpose would be stipulated in advance and capped. Purchasers of the bonds would have incentives to seek out and implement the most efficient ways of reducing abortion and teen pregnancy rates. These ways could include a mass condom helicoptering and leafletting operation, but it would be up to bondholders to work out which ways are going to achieve the best result for each taxpayer dollar. Crucially, investors in the bonds would have incentives to terminate useless programmes. Efficiency - as well as transparency and a cap on expenditure - are built into the Social Policy Bond mechanism.

6.9.6 Corporate welfare: Wal-Mart (2009-09-15 23:18)

> Around the time that the young Sam Walton opened his first stores, John Kennedy redeemed a presidential campaign promise by persuading Congress to extend the minimum wage to retail workers, who had until then not been covered by the law. Walton was furious. Now the goddamn federal government was telling him he had to pay his workers the $1.15 hourly minimum. Walton's response was to divide up his stores into individual companies whose revenues didn't exceed the $250,000 threshold. Eventually, though, a federal court ruled that this was simply a scheme to avoid paying the minimum wage, and he was ordered to pay his workers the accumulated sums he owed them, plus a double-time penalty thrown in for good measure. Wal-Mart cut the checks, but Walton also summoned the employees at a major cluster of his stores to a meeting. "I'll fire anyone who cashes the check," he told them. Harold Myerson, [1]In Wal-Mart's Image, 11 September

Here are the types of subsidy that Wal-Mart receives, as documented by [2]Good Jobs First (pdf).:

Free or reduced-price land

Infrastructure assistance

Property tax breaks

State corporate income tax credits

Sales tax rebates

Enterprise zone (and other zone) status

Job training and worker recruitment funds

Tax-exempt bond financing

General grants

1. http://prospect.org/cs/articles?article=in_walmarts_image
2. http://www.goodjobsfirst.org/pdf/wmtstudy.pdf

6.9.7 Mickey Mouse indicators (2009-09-16 21:52)

Simon Darragh [1]writes about his experiences of mental health care in the UK:

> [A]bout nine years ago I was close to suicide again and found myself being taken into another hospital. Things had changed. Now we had the policy of 'care in the community'. All notion of protection, of asylum, had gone: a patient (or was it 'client'?) information leaflet explained that one's stay would be as brief as possible. Nurses no longer spent much time with patients: they were closeted together in an office filling in 'care plans', and could get quite cross if one knocked on the door to point out that a patient was smashing up the furniture or another patient. Usually, in fact, knocks on the door were ignored. True, we saw psychiatrists as often as once a week, but their concern was to see whether we were ready to be discharged. We lived in dread of being called before the psychiatrist: many, including myself, tried to seem madder than we were in the hope of delaying discharge. I managed to stay a month – twice as long as the 'target' period – before being ejected despite my vigorous protests. I was soon back. Returning to the same hospital I expected the nurses to be surprised and disappointed to see me again; they batted not an eyelid. Soon I noticed familiar faces among the other patients; people who had been discharged during my earlier stay and who were back again. Nine years later I have lost count of how many times the NHS has 'cured' me of severe depression. Clearly the new policy is statistically – and that's what counts – very successful. It must have cost them far more than one long stay, but they' ve had half a dozen cures instead of one. Simon Darragh , Letter to the Editor of London Review of Books , dated 24 September

Our big, complex societies do require the targeting of some sort of numerical indicator and mental health is an extremely difficult concept to quantify. But surely we can do better than the number of discharges from psychiatric hospital care? Such indicators are rather like economic variables: if they are too narrow, the tendency will be to game the system,

consciously or not. I've blogged [2]before about meaningless targets in the UK health system.

Under a Social Policy Bond regime , there would be similar problems in choosing the best indicators to target. But there would be much more ingenuity applied to devising them. They would be broad rather than narrow, and transparent. But most important, they would be inextricably tied to societal wellbeing , in a way that 'number of hospital discharges' plainly is not.

–

Every 100 posts, I update progress on the Social Policy Bond idea. This is my 700 th post, and there has been zero progress in the past few months. Sales of my [3]book have been negligible, and after initial bursts of enthusiasm from one tv producer in particular, interest has fizzled out. The Social Policy Bonds concept has now been in the public arena for 20 years but, as far as I know, nobody issues them. I intend, though, to continue to post on this blog, and to maintain the main Social Policy Bonds [4]website.

1. http://www.lrb.co.uk/v31/n18/letters.html
2. http://socialgoals.com/blog/2009/06/mickey-mouse-micro-targets.html
3. http://www.lulu.com/content/paperback-book/market-solutions-for-social-and-environmental-problems-social-policy-bonds/5177566
4. http://socialgoals.com/

6.9.8 (2009-09-17 05:34)

Thanks for that explanation, I understand the concept now. (Actually, I just needed my memory jogged as it has been a while since I first read about this [here amongst other places], and your blog had slipped off the reading list when I changed browsers).

Good to see you still blogging.

6.9.9 Into Africa (2009-09-18 20:10)

From [1] ClubOrlov :

> Medical reform has been attempted before, and the outcome can be foretold with some accuracy: efforts at reform will fail because any meaningful reform would be financially damaging to powerful vested interests, and so national bankruptcy will have to be an essential part of the work-out. Feelings of the electorate on the matter are irrelevant.

And from [2]Rolling Stone:

> Just as we have a medical system that is not really designed to care for the sick, we have a government that is not equipped to fix actual crises. What our government is good at is something else entirely: effecting the appearance of action, while leaving the actual reform behind in a diabolical labyrinth of ingenious legislative maneuvers.

The cynicism bodes ill but is quite justifiable. The gulf between voters and the people supposed to represent us is is wide and growing. We might well be reaching a tipping-point when we all feel it's our right - or duty - to game the system for the benefit of ourselves and our families.

It might be time to look at another way of formulating policy. The current way is obscure, complex and legalistic. It's far too arcane, time-consuming and open to manipulation to serve ordinary people.

Social Policy Bonds could be the answer. A bond regime would target outcomes that are meaningful to all members of society. All activities, research, programmes and initiatives would be devoted to achieving these outcomes at least cost to the taxpayer. Apart from the huge benefit of greater efficiency, Social Policy Bonds would be transparent. If the aim were to subsidise or buy off medical insurance companies, for example, that would have to be openly stated when the redemption terms for the bonds are drafted. Even US lawyers and lobbyists might find it irksome to insert such terms into a list of otherwise socially beneficial policy goals.

What's the alternative? Societies in which extracting whatever one can get away with for oneself and one's family are not pretty. Theordore

Dalrymple writes about his experiences in Rhodesia:

> The black doctors who earned the same salary as we whites could not achieve the same standard of living for a very simple reason: they had an immense number of social obligations. They were expected to provide for an ever-expanding circle of family members and people from their village, tribe, and province. An income that allowed a white to live like a lord scarcely raised a black above the level of his family. Mere equality of salary, therefore, was quite insufficient to procure for them the standard of living that they saw the whites had and that it was only human nature for them to believe themselves entitled to, on account of the superior talent that had allowed them to raise themselves above their fellows.
>
> These obligations also explain the fact, often disdainfully remarked upon by former colonials, that when Africans moved into the beautiful villas of their former colonial masters, the houses swiftly degenerated into a species of superior, more spacious slum. The degeneration of colonial villas had nothing to do with the intellectual inability of Africans to maintain them. Rather, the fortunate inheritor of such a villa was soon overwhelmed by relatives and others who had a social claim upon him. They brought even their goats with them, and one goat can undo in an afternoon what it has taken decades to establish. [3]Out of Africa, 'The American Conservative', 16 January 2006

1. http://cluborlov.blogspot.com/2009/09/caution-white-people.html
2. http://www.rollingstone.com/politics/story/29988909/sick_and_wrong
3. http://amconmag.com/article/2006/jan/16/00020/

6.9.10 We're all Siberians now (2009-09-21 19:01)

Colin Thubron quotes ' Shamil ', an inhabitant of Severbaikalk , at the northern tip of Lake Baikal:

> Young people don't feel connected with this country, because its system isn't ours. It's an old people's system. It comes from another time. So we'll go to America, or anywhere that will free us. It's not that we don't love Russia, it's just that we have to live properly. We're young men born into an old man's world. Colin Thubron , I[1]n Siberia (page 151)

Old people as individuals probably do feel some responsibility for their legacy. But old people collectively, acting politically, are different. They are bequeathing a world in which environmental challenges are addressed, if at all, when it's too late to do much about them. Similarly for man-made challenges, such as the risk of nuclear catastrophe. The systems supposed to solve global problems, and many national problems, have been given over to organizations that take an old-fashioned view of problem-solving; a command-and-control paradigm that relies on top-down identification of the causes of a problems, and the hand-picking of the most politically correct solutions . It is in that sense that we are all Siberians.

A Social Policy Bond regime would be different. The identification of causes of problems would be contracted out to investors in tradable bonds, which become redeemable for a large sum only when the targeted problem has been solved. No special political caste, or priesthood, would choose how to solve the problem; that would be left to powerfully motivated bondholders , or their competitors in the bond market. In such a way, failed solutions would be swiftly terminated, rather than, as now, continued indefinitely to save political face or to prolong the life of redundant, but politically powerful, vested interests. A Social Policy Bond regime would be a young person's system, in the sense that it would reward efficiency and success rather than seniority and control.

1. http://www.amazon.com/Siberia-Colin-Thubron/dp/006095373X

6.9.11 Going nowhere, doing nothing (2009-09-26 19:43)

> Kyoto's approach has not obviously paid off. Global carbon-dioxide emissions have grown by 25 % since the protocol was adopted in 1997. That is partly because the treaty left out big emissions sources such as deforestation ..., but also because potential participants were put off by the idea of internationally binding commitments. [1]Avoiding a crash at Copenhagen, 'Economist', 26 September

Quite. There are no meaningful incentives actually to comply with Kyoto. All the costs are upfront and obvious; all the benefits well into the future, and diffuse. The fact is that if we want to cut emissions, we have to provide incentives to cut emissions. I'd go further: if we want to reduce climate instability (or the damage done by climate instability) then we have to provide incentives to reduce [2]climate instability. All the portentous talk and well-intentioned but meaningless declarations of intent by the world's top politicians will not alter these facts.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=14506350
2. http://socialgoals.com/ieakyototext.html

6.9.12 Closing the gap (2009-09-27 19:20)

A week ago I [1]blogged about the widening gap between voters and the people who are supposed to represent us. 'We might well be reaching a tipping-point when we all feel it's our right - or duty - to game the system for the benefit of ourselves and our families.' For a similar view, beginning with examples from sport, read the [2]article by Will Hutton in today's Observer :

> What is dangerous is that when cheating reaches a certain mass, it becomes impossible to contain. Rules become there to be broken. Those who dive on the football field will hardly think an annulled suspension for a couple of matches for Arsenal's Eduardo sufficient deterrent not to try it themselves – and the football authorities have to be careful in their sanctions, because diving is so rife. Equally, governments find it hard to challenge the accounting industry, along with much of the financial services' so-called structured (cheating) investment operations, built around advising the rich how to avoid (and even evade) tax. Too many people have been allowed for too long to build a career on advising others how to cheat. ....
>
> There is a change in society that has driven the growth of cheating – from sportsmanship to business ethics – over the last generation. It is not that there was some cheat-free golden age. Back in the 1960s and '70s there were sports cheats and some businesses bent the rules. However, most CEOs of public companies were like Courtaulds ' Sir Arthur Knight, punctiliously filing every penny of his income and refusing "tax efficiency" schemes on principle as dodges to help the rich avoid their civic responsibilities. He strongly believed he was a privileged member of a community whose rules he wanted to respect. I know a few CEOs like him now, but it is a culture that is fast disappearing.
>
> The problem is that the social sanctions against cheating are becoming ever harder to operate as communities disintegrate. ....
>
> The outstripping of the top 0.1 % from the rest – in sport and business alike – has undermined the core belief in reciprocity on which association and rule-keeping depends. If the top does not need the approval of others – because the distance between us in income, wealth and status has grown so vast – then we cannot make them feel the harm that they do. They do not feel the consequences of not paying tax, rigging markets or bending the rules. They can behave unfairly without consequence. The leaders set the tone; the rest follow and so cheating becomes the norm. [3]We now live in a society so cynical that cheating has become the norm, 'The Observer', 27 September

As I said in my post, the end-point of widespread cheating is not a pretty sight, but we are moving toward it so long as the ends of politicians are different from the ends of ordinary people. And unfortunately, they seem to be both wide and diverging.

Social Policy Bonds cannot, themselves, rebuild communities - not immediately anyway. But they could be a way of bridging the gap between politicians and public. By focusing political debate on outcomes, rather than process, spending or activity, they could boost public participation in the policymaking process. Under a bond regime it would be more

difficult for large corporations or government agencies to influence or dictate the direction of policy. The distinction between leaders and the rest of us would diminish.

1. http://socialgoals.com/blog/2009/09/into-africa.html
2. http://www.guardian.co.uk/commentisfree/2009/sep/27/will-hutton-banking-rules
3. http://www.guardian.co.uk/commentisfree/2009/sep/27/will-hutton-banking-rules

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6.10 October

6.10.1 Evolution in business and public policy (2009-10-02 15:16)

I've talked about evolution as against command-and-control many times. Evolution has the big advantage that it implies the termination of failed projects and programmes. This is especially important when, as in public policy, the suppliers of services are (usually) government-funded monopolies: there's no competition to ensure selection for efficiency. John Kay sums up the role of evolution in business:

> Businesses are also complex systems. We tend to infer design where there was only adaptation and improvisation, and to attribute successful business outcomes to the realisation of some deliberate plan. .... Large and complex corporations not only are, but could only be, the product of incremental change and adaptation. The specific mechanisms of organisational evolution differ from those of biological evolution. But their common essential characteristic is inexact replication. Such replication is associated with a tendency to favour modifications that improve the fit between the organism and the environment. There is a better shortened explanation of the success of evolution than the survival of the fittest. It is that "evolution is smarter than you". [1]Evolution is the real hidden hand in business, John Kay, 'Financial Times', 30 September

Social Policy Bonds would introduce evolution into the provision of public services. Under a bond regime, government could continue to stipulate and reward the achievement of agreed social and environmental outcomes. But the bonds would, in effect, contract out the achievement of these goals to the private sector. Investors in the bonds would compete with each other to supply goal-achieving services. The more efficient they think they will be, the more they will bid for the bonds. Once holdings have been allocated on that basis, the incentives will be to co-operate with other bondholders to achieve goals as efficiently as possible. Unlike biological evolution, which has only reproductive success as its over-arching goal, Social Policy Bonds would have objectives that are, or are strongly correlated with, social and environmental wellbeing .

1. http://www.johnkay.com/in_action/639

6.10.2 (2009-10-03 06:15)

Interesting Ronnie.

We have similar aims, I think

You came up on radar recently when someone commented on an Economist article.

http://www.economist.com/displaystory.cfm?story _id=14493098

We've been active as a business for social purpose and it was also interesting to see you blogging about Siberia where our first project took place.

http://www.p-ced.com/projects/russia/

From what I read on the Observer article, and between the lines, venture capitalists want to pass off both your efforts and ours as their own thinking.

Jeff

6.10.3 (2009-10-03 15:45)

Thanks Jeff; and thanks also for the P-CED link. Many years ago I did try to interest Sir Ronald Cohen in Social Policy Bonds; I don't remember his exact reply, but it wasn't enthusiastic. After reading the 'Economist' article I emailed to see if he and his organization think they could benefit from some of my work. I'll do a blog post if I hear anything. I'll probably do a post soon anyway on the 'Economist' article. Funnily enough, in the same issue there was an [1]article about paying people not to destroy forests - at some point the movers and shakers there were interested in using the Social Policy Bond idea for that purpose. But nothing came of it.

1. http://www.economist.com/sciencetechnology/displaystory.cfm?story_id=14492973

6.10.4 Social Policy Bonds become mainstream! (2009-10-04 13:09)

Well almost: to readers of this blog, this will sound familiar:

> A more innovative idea, perhaps, is the "social impact bond", the brainchild of [1]Social Finance. The idea is to attract private capital into solving a deep-rooted problem that is soaking up public money. Take, for example, reoffending by released prisoners, which costs the British government millions of pounds a year. A social-impact bond could raise money to pay for the expansion of organisations with the expertise to reduce reoffending rates. The more money the organisations save the government, the higher the return the bond would pay investors. This goes beyond a standard public-private partnership, which is expected to provide the same service as the state, but more cheaply. The social-impact bond would reward better social outcomes and not merely cut costs. [2]A place in society, 'The Economist', 26 September

I have emailed Social Finance to see if they are interested in the work I have done on Social Policy Bonds. I am glad that the idea of rewarding socially and environmentally beneficial outcomes, as against activities, inputs, outputs or gestures, is becoming more widely accepted. It's 20 years since I first floated the Social Policy Bond idea into the public arena - and about 19 years since I sent information about it to 'The Economist'.

1. http://www.socialfinance.org.uk/
2. http://www.economist.com/displaystory.cfm?story_id=14493098

6.10.5 Kyoto's going nowhere (2009-10-07 17:09)

Talking to friends attending the United Nations climate change [1]talks being held in Bangkok it's clear that any outcome will be political: representation is largely of nation states, by nation states. Influencing national governments are business people on the one side, who argue that any effective disciplines will undermine the economy; and people whose highest priority is the environment, for whom drastic reductions in greenhouse gas emissions are a necessary, but not sufficient, way of avoiding global catastrophe.

I am in the comfortable intellectual position of being able to accommodate the wishes of both sides. By issuing [2]Climate Stability Bonds, we shouldn't need to take a position on (a) whether catastrophic climate change is happening, or (b) what is causing it if it is happening, or (c) how best to deal with it, whatever is going on. Issuers of Climate Stability Bonds would only need to define objectively the boundaries of acceptable climate, impacts of climate, or rate of change of climate. They then need issue bonds redeemable for a fixed sum only when the array of stipulated climate variables fall within their ranges for a sustained period of time. Everything else would be left to potential and actual investors in the bonds.

If climate change is not actually happening (as some still believe), then the cost to governments of achieving climate stability will be minimal. They would issue bonds that would fetch a high prices, relative to their redemption price, on the open market. If it is happening, then investors in the bonds would be powerfully motivated to stop it. They might well choose to cut back on greenhouse gas emissions, but even if - as with Kyoto - that is their only solution, they would go about it more efficiently than the cumbersome, inefficient and divisive way that we are currently pursuing. More likely they would research, explore and implement all sorts of ways of reducing climate instability: their investigations would be impartial as between country or method. Their projects would be entirely subordinated to results, and these would be entirely defined by how much climate instability they would achieve per dollar spent. There would be all sorts of costs to taxpayers and consumers; but under a bond regime, in stark contrast to the current system, these would be minimised. And the costs of failure would be borne not by taxpayers, but by bondholders.

1. http:///
2. http://socialgoals.com/ieakyototext.html

6.10.6 The end of fish (2009-10-08 14:39)

Daniel Pauly writes:

> One study, published in the prestigious journal Science, forecast that, by 2048, all commercial fish stocks will have “collapsed,” meaning that they will be generating 10 percent or less of their peak catches. ....There is no need for an end to fish, or to fishing for that matter. But there is an urgent need for governments to free themselves from the fishing-industrial complex ..., to stop subsidizing the fishing-industrial complex and awarding it fishing rights, when it should in fact pay for the privilege to fish. Daniel Pauly, [1]
>
> Aquacalypse Now , ’The New Republic’, 28 September

Yes, a vital first step, and one that we seem incapable of taking in [2]agriculture as well as fisheries, is to stop subsidising environmental destruction. That’s necessary, but hardly sufficient. Rejigging the incentives is crucial, as Mr Pauly suggests. But if, as Mr Pauly also says, ’[t]he truth is that governments are the only entities that can prevent the end of fish,’ then we are in a sorry state indeed (as we are when dealing with other urgent global challenges - see my previous post, about climate change).

Government’s incentives are different from those of the people they represent, and they are certainly different from the wider interests of the world’s human population.

So how would Social Policy Bonds try to avert the impending collapse of world fisheries? First : stipulate a goal. Governments are more likely to agree on a desirable outcome, than they are the means of reaching it. And ordinary people are more likely to get involved when policy is seen to be about meaningful outcomes than about surreptitiously subsidising favoured interest groups. So we could expect that national governments, influenced by genuine public participation , will collectively decide that the survival of the world’s fisheries are a worthwhile goal. The definition will be subject to negotiation and fine tuning of course. Most likely ’survival’ would include an array of stock and flow variables that would have to fall into stipulated ranges for the target to be deemed met. But once the goal has been defined, governments, under the auspices of some global body, would undertake to redeem the ’Fisheries Survival Bonds’ that they back, once the target had been met and sustained for a lengthy period.

The effect would be to generate financial incentives for people to take care of the world’s fisheries. Of course there would be difficulties with this approach. But I’d expect they’d be mostly semantic (what is ’a fishery’? ’what is survival?’) and technical (how do we measure the health of a fishery?) and therefore solvable. What’s clear is that the current course is heading for calamity. Has anyone got any better idea?

1. http://www.tnr.com/article/environment-energy/aquacalypse-now
2. http://www.amazon.com/Improving-Environment-through-Reducing-Subsidies/dp/9264170936/ref=sr_1_1?ie=UTF8&s=books&qid=1255009637&sr=1-1

6.10.7 What exactly do we want? (2009-10-09 14:19)

> People nevertheless use the stockmarket as a barometer of economic health. So a rise in equity markets can be (and has been) seen by governments and central bankers as evidence that the economy is headed in the right direction. That can lead to policy mistakes, such as a lax monetary stance, and further irrational exuberance. [1]The nature of wealth, ’The Economist’, 8 October

Our economies and societies are almost too big to govern in any way other than targeting highly aggregated data. Sadly, today that is being done opaquely, unsystematically , and almost unconsciously. In sum: badly. Social Policy Bonds are not utopian , but they would be better than the current system, under which appallingly inadequate indicators (not only stockmarket indices, but things like Gross Domestic Product or house prices) are implicitly or explicitly targeted because nobody's bothered to ask: what exactly do we want?

You couldn't get away with such ineptitude - bumbling at best, corrupt at worst - under a Social Policy Bond regime, because when issuing bonds you would have to be clear right at the start about desired outcomes. Nobody would target house prices, or GDP or share prices under a Social Policy Bond regime, because these are not ends in themselves. Indeed, the confusion between ends and means at the highest levels of policymaking probably explains much about why we may well be heading for social, environmental and economic disaster.

1. http://www.economist.com/businessfinance/displaystory.cfm?story_id=14587262

6.10.8 Anything except outcomes (2009-10-10 07:38)

The Nobel Peace Prize committee has been awarded to US President Barack Obama "for his extraordinary efforts to strengthen international diplomacy and cooperation between peoples." That is, for efforts, rather than achievements. Or perhaps it's for hope? Or for who the President is, rather than what he's done? This sort of nonsense is one reason why we are in such dire trouble. We reward anything - activity, image, inputs, outputs, victimhood - anything ... except outcomes.

All institutions have as their over-riding goal that of self-perpetuation. If the Nobel people were really concerned with peace, they'd reward one of the thousands of dedicated people working selflessly and successfully in dangerous areas trying to prevent or defuse conflict. But they are more concerned about raising the profile of their committee and their lucrative, [1]ludicrous prizes. Is there any field of public life immune from celebrity worship?

1. http://news.antiwar.com/2009/10/09/bizarro-peace-prize-awarded-to-obama/

6.10.9 Not fit for purpose: our justice and healthcare systems (2009-10-14 15:54)

Two [1]podcasts from the Cato Institute, the Criminalization of (Almost) Everything , and How American Health Care Killed My Father , go a long way in showing how far removed our legal and healthcare systems are from the interests of ordinary people. The costs, financial and human, are huge; the waste extraordinary. Unfortunately, efforts to re-orientate the systems in piecemeal fashion are also likely to be very [2]costly. As well, they'll require more regulation and more government intervention. The problem is one of capture by vested interests, including government agencies; nothing is changing there, so the divergence between the goals of each system and the public is likely to continue.

Social Policy Bonds are a meta-system. If any current correctional or healthcare (or education, or environmental, or whatever) system were actually efficient and meeting defined

needs, then under a Social Policy Bond regime little would change. But even if the starting point were the same, you would not get, under a bond regime, the gradual evolution of systems to serve the service-supplying institutions and other vested interests rather than ordinary citizens. Social Policy Bonds subordinate all activities, programmes and projects to targeted, meaningful social and environmental goals. Under the current system, it's the institutions - generally public or private sector monopolies - that call the shots. And their over-arching goal has little to do with public benefit. Quite simply, it's self-perpetuation.

1. http://www.cato.org/podcasts/
2. http://www.economist.com/world/unitedstates/displaystory.cfm?story_id=14636213&fsrc=rss

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6.10.10 Everyone's doing it... (2009-10-18 16:20)

...I mean, misdirecting or abusing taxpayer funds (sigh):

> The [UK] Department for International Development (DfID) claims to be "leading the UK government's fight against world poverty". However, by 2011 it will have spent over £1 bn of taxpayers' money on propaganda, according to Fake Aid , a new report from International Policy Network. Recipients of this money include trade unions and other partisan political organisations in the UK. Examples include:
>
> –£1.2 million given to the Trades Union Congress (TUC) since 2003 for activities including: lobbying, hiring new staff and a Caribbean-themed party to celebrate "International Women's Day" in the UK. DfID also paid the TUC to hold lessons in how to apply for DfID funds.
>
> –£300,000 to the National Union of Teachers to "enable them [teachers] to become global agents of change". ...
>
> The report highlights the waste of DfID funds on political campaigning while a child dies every 30 seconds from malaria in poor countries. "The money DfID is wasting in this year alone could in principle treat 230 million people suffering from malaria," concluded [one of the report's authors, IPN's Julian Harris. [1]Over £1 bn of UK foreign "aid" used to spread propaganda, International Policy Network

Our government agencies are too removed from the world of ordinary people to attend to their stated remits. They are far more concerned with self-perpetuation. In this, they are like any other large organization. Big private sector corporations are not inherently different; there is an element of competition which helps to keep them honest, but once they have become big they often find it more profitable to manipulate government regulations, and subvert competition and free markets, than to engage with them. It's a flaw intrinsic to any large institution : government agencies, corporations, universities, trade unions etc. Perhaps it's built into our psychology: words, thinking, concepts and ideals so often screen us from reality, creating a self-perpetuating secondary reality that separates us from the truth. At the individual level, meditation, music, humour of breathing techniques can all be used to steer us back to the real world. But what to do with organizations?

Perhaps Social Policy Bonds, with their insistent emphasis on meaningful outcomes as the measure of success , are the answer. Under a bond regime, all activities would be subordinated to social and environmental goals. The bonds would build the need for efficiency in achieving stated outcomes into an organization's everyday thinking, as well as longer-term projects. Organizational thinking then would become exactly congruent with societal thinking. The DfID grants described above, and far more wasteful expenditures, would be unthinkable under a bond regime. Bondholders who engaged in inefficient or corrupt spending would quickly find themselves outbid for their bonds by more efficient operators. And 'efficiency' in a Social Policy Bond regime means

efficiency in achieving social goals - not simply in managing to keep an organization going.

1. http://www.policynetwork.net/main/press_release.php?pr_id=150

6.10.11 Objectives and outcomes (2009-10-21 14:22)

John Kay writes that, after the fall of France in 1940:

> neither Churchill nor any other British leader could have had any realistic conception of how that goal [victory] would be achieved. Even if the Germans failed to invade Britain, a British invasion of Europe without overwhelming assistance and support was inconceivable. Churchill understood that American participation in the war was a precondition but had no means, and no plan, for bringing this about. The events that changed the direction of the war – the failed German attack on Russia and the Japanese bombing of Pearl Harbor – were neither predictable nor predicted. ... Maintain a clear sense of long-term objectives but acknowledge the limits on your day-to-day actions. The gravest errors in the financial and business world are made, not by those who control or know too little, but by those who control or know less than they think. [1]True survivors do not clutch at straws , 'Financial Times', 21 October

It's amazing what can be done if you have a clear, long-term goal in mind. Unforeseeable events are immediately interpreted in relation to that goal. One's entire attitude of mind is orientated toward achieving the goal. When our leaders' goals coincide with public benefit, then the possibilities are immense. But what happens when they don't?

Very much what we have now. Serious environmental challenges that are not being addressed. The piling up of conventional weapons and the proliferation of nuclear warheads. The subordination of global outcomes to the nutters and ideologues, whether they be 'religious' or political extremists. The drift toward financial collapse, and economic ruin. The alienation of the moderates. The continuing fraying of the social fabric.... Our politicians are letting us down: their goals, if they have them, are political survival, and the possibility of personal (or familial) enrichment. Our bureaucrats don't want to rock the boat. It seems as if our policymaking system, like our [2]legal, or (in the US) healthcare systems, are divorced and diverging from public needs.

Unless there's an obvious, and preferably (tele)visual crisis on our hands, we don't think in terms of clear, long-term goals. A Social Policy Bond regime could change that. We could aim to address urgent, meaningful global problems such as [3]war, [4]climate change,

or [5]disasters of any sort. We could focus on [6]regional conflict, or national problems such as [7]unemployment. In all cases, a bond regime would start off with clear, transparent, meaningful long-term goals. Investors in the bonds, and the wider public, would then have a strong interest in seeing targeted objectives become outcomes.

1. http:///
2. http://socialgoals.com/blog/2009/10/not-fit-for-purpose-our-justice-and.html
3. http://socialgoals.com/wpbsshort.html
4. http://socialgoals.com/ieakyototext.html
5. http://socialgoals.com/dpbs.html
6. http://socialgoals.com/mepeacebonds.html
7. http://socialgoals.com/btwbs.html

6.10.12 Plundering the future (2009-10-26 13:07)

A scary post on the UK's national debt concludes:

> if we wanted to be cautious - admittedly not something our present rulers have been much good at - we'd say our real national debt is now in the range £7-8 trillion. Or around £300 grand for every single household. Wat Tyler, [1] Latest on Real National Debt , 19 October

That works out at slightly more than £100000 per person. When people point out to me some of the difficulties of a Social Policy Bond regime, my response is simple: such a regime would by no means be easy to implement, but it would be better than the current system. One of the difficulties of a bond regime would be in trying to anticipate and target for elimination, all such negatives as plundering the future, whether by building up debt, or destroying the physical environment. Surely, I'm asked, we'd simply transfer problems to unforeseeable policy areas? A first answer then would be that the current system doesn't even attempt to address such concerns. There's very little, for instance, environmental accounting, and we all know now that there's very little account taken of the financial needs of future generations. The current system relies on postponing problems for at least as long as it takes a new set of politicians to take over, during which time they accumulate and their effects become catastrophic.

How could a Social Policy Bond regime be worse? It could actually be a lot better. We couldn't foresee, 50 years ago, the shape of future environmental catastrophes (the ozone hole, for instance, or climate change). But if Social Policy Bonds were around then, we could have issued something like Disaster Prevention Bonds, that would have given incentives for people to avoid all the impacts on humans of all catastrophes, however caused. People who undertook research into the long-term impacts of CFCs , or fossil fuel burning could have expected to receive additional funding from holders of Disaster Prevention Bonds. By focusing on outcomes, rather than their causes, Social Policy Bonds issued now could do a lot to prevent the building up of all disasters, environmental, financial or social, even if their full scale would not be apparent for decades to come.

1. http://burningourmoney.blogspot.com/2009/10/latest-on-real-national-debt.html

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6.11 November

6.11.1 A victory for short-termism (2009-11-01 07:46)

In a fascinating article, unfortunately gated, Thomas Geoghegan writes about the US economy:

> First, we removed the possibility of creating real, binding contracts by allowing employers to bust the unions....Second we allowed those same employers to cancel existing contracts, virtually at will, by transferring liability from one corporate shell to another, or letting a subsidiary go into Chapter 11 and them moving to 'cancel' the contract rights....As one company after another 'reorganized' in Chapter 11 to shed contract rights, working people learned that it was not rational to count on those rights and guarantees, or even to think in future -oriented ways. [1]Infinite Debt: How unlimited interest rates destroyed the economy , 'Harper's Magazine' (subscription), April 2009

As with the environment, so with the financial system: our policymaking is heavily slanted towards the interests of the paymasters of the political parties. And these interests are overwhelmingly narrow and short-term. They have nothing to do with the long-term goals of society: indeed, they militate against long-term interests.

Rather than allocate blame for this flaw, I would advocate Social Policy Bonds as a possible solution. About policy objectives, there is a wider consensus than about the means of achieving them. Current policymaking centres on institutional structures, spending allocations, and government's necessarily limited thoughts about how best to manage problems. In contrast, a Social Policy Bond regime would subordinate all activities to society's targeted outcomes. These would be broad, and long term in nature. Stability of objectives would be one of the features of a bond regime that would make it more efficient than the current system; it would also be an end in itself; people would have a clearer idea about what society is aiming for, and what sorts of behaviour will be rewarded. As for the current system, as Mr Geoghegan says: 'No wonder people in our country began to live for the moment and take out loans and start running up debts.'

1. http://www.harpers.org/archive/2009/04/0082450

6.11.2 (2009-11-02 06:55)

Problem is that people at policy level have inherent biases. Take a look at
http://online.wsj.com/article/SB40001424052748704335904574495643459234318.htm l

one proposed solution to pump sulphur dioxcide into air. The science say it could work and makes the point that seemingly insurmountable problems often have cheap and simple solutions

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6.11.3 (2009-11-02 10:06)

Thanks for your comment. I agree that sometimes solutions can be cheap and simple, but I do not agree that pumping sulphur dioxide into the atmosphere is one such solution. This [1]post convinced me of that. Just one reason: pumping SO2 into the air would not stop the acidification of the oceans. Your broader point is well taken though. We do need incentives for scientists to look for the most efficient solutions to our social and environmental problems, and our current policymaking system does not do that. It is largely driven by the interests of large organizations, be they public or private sector. These interests are not always the same as those of most ordinary people - and often conflict with them.

1. http://www.realclimate.org/index.php/archives/2009/10/why-levitt-and-dubner-like-geo-engineering-and-why-they-are-wrong/

6.11.4 Lobbyists, buy-in and climate change (2009-11-03 11:07)

As policymaking becomes ever more remote from the people it's supposed to benefit, it's salutary to recall that it wasn't always like that:

> As Kim Phillips- Fein recounts in her new book, [1]Invisible Hands, most Fortune 500 firms didn't have Washington public -affairs offices in 1970, but 80 percent did by 1980.... [2] Labour's last stand , Ken Silverstein , 'Harper's Magazine', July

That's aside from the the cash directed at the political parties. I think it's quite dangerous to have such a disconnect between politicians and the public. The corporations have objectives of their own, which have more in common with each other and government agencies than they do with ordinary people. Results are a widespread disenchantment with politics in general, apathy and cynicism. Issues such as climate change become highly politicised, which reduces their chances of being addressed properly.

A Social Policy Bond regime could narrow the gap between politicians and people. It would take as its starting point desirable social and environmental outcomes. These are more amenable to public participation than the legislative game-playing at which Washington lobbyists are so adept. Greater public participation would promote public buy-in to policies, some of which will urgently need it. To take climate change again: there are disagreements as to whether it's happening and (more so) about what we should do about it if it is happening. A Climate Stability Bond issue that targeted an array of physical measurements, and human, animal and plant life indicators could reward the achievement of a stable (however defined) climate to the satisfaction of ordinary people. It would be left to the market to assess, continuously, what's actually going on with the climate, and to bear the risks of failing to get it right. That has to be better than the current approach, which, bogged down as it is by lobbyists, charlatans and politicians of all flavours is, to be frank, going nowhere.

1. http://www.amazon.com/Invisible-Hands-Making-Conservative-Movement/dp/0393059308
2. http://www.harpers.org/archive/2009/07/0082563

6.11.5 Government and big business versus ordinary people (2009-11-05 06:13)

> The world's largest economies have agreed to end fossil-fuel subsidies, according to a statement made at the G-20 meeting in Pittsburgh on 25 th September 2009. Leaders of the G-20 committed to phasing out the controversial subsidies 'over the medium-term,' blaming them for encouraging wasteful consumption and undermining efforts to combat climate change. [1]Global Subsidies Initiative

Unfortunately, according to the same source: 'the announcement did lack details. In particular there was no information offered on how subsidies would be defined or the plan would be implemented.' A similar story on a larger scale is told by Simon Johnson, in 'the Atlantic':

> recovery [in the US] will fail unless we break the financial oligarchy that is blocking essential reform. And if we are to prevent a true depression, we're running out of time.
>
> The Quiet Coup , 'The Atlantic', May

It comes down to attacking the vested interests, who have become powerful enough, thanks to taxpayer funding, to resist the withdrawal of their favourable treatment. An essential first step, and one that is built into the Social Policy Bond idea, is to make policy transparent. It's quite possible that voters in a democracy would vote to sacrifice hospitals and schools to further enrich huge oil corporations or enormously wealthy bankers, so why not give us the choice? Or at least make what's going on comprehensible to outsiders. Simon Johnson again:

> As the crisis has deepened and financial institutions have needed more help, the government has gotten more and more creative in figuring out ways to provide banks with subsidies that are too complex for the general public to understand.

Government and big business versus ordinary people. A familiar match. What chance have we got?

1. http://www.globalsubsidies.org/en/subsidy-watch/analysis/g-20-leaders-announce-fossil-fuel-subsidy-phase-out-though-details-lacking

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6.11.6 Chaotic evolution (2009-11-05 12:12)

> Centralised systems experiment too little. They find reasons why new proposals will fail – and mostly they are right. But market economies thrive on a continued supply of unreasonable optimism. And when, occasionally, experiments succeed, they are quickly imitated. If market economies are better at originating and diffusing new ideas, they are also better at disposing of failed ones. Honest feedback is not welcome in large bureaucracies.... John Kay, [1]Chaotic evolution defines the market economy, 'Financial Times' 4 November

Thanks largely to over-centralisation, we are all in a position where we need the very solutions that centralisation cannot bring us. It was national governments that created and subsidised our absolute dependence on fossil fuels, for instance, and we are looking to a centralised non-solution - Kyoto - to solve the problem. Exactly the same goes for the finance sector.

These, and other, large problems require the diversity and adaptivity of markets. That means that governments are going to have to relinquish a degree of control. But they will still have vital tasks to perform, and that is where Social Policy Bonds could be valuable. Under a Social Policy Bond regime governments would articulate society's goals and raise the revenue to reward those who achieve them. Only democratic governments can do these things, and they do them very well. But governments should bow out of actually achieving these goals, and the market's 'chaotic evolution' choose the best approaches. Is it going to happen? Frankly, I think not in the foreseeable future.

1. http://www.johnkay.com/in_action/645

6.11.7 Heading for Disaster: Copenhagen and climate change (2009-11-06 12:14)

I've updated my article on [1]Climate Stability Bonds to reflect the latest lack of progress.

1. http://socialgoals.com/ieakyototext.html

6.11.8 The private sector and social goals (2009-11-08 06:58)

A correspondent asks: According to the laws of economics if there was a potential gain for private enterprise in targeting social goals, they would have addressed it by now. If the opportunity exists, what was holding back the development of such a concept until now?

A first answer of course is that the private sector does help solve social problems, largely by employing people and paying them salaries, but only as a by-product of more financially profitable activities. A more relevant answer is that most of the funds available for directly achieving social and environmental goals are appropriated from the private sector and channelled through government agencies, which have their own goals (primarily self-perpetuation), and enriching the private sector is not one of them. If government relinquished control over the allocation of some of taxpayer funds, via for instance Social Policy Bonds, then that would animate the private sector much more than the relatively paltry after-tax sums ordinary people have for solving other people's problems. In fact, these sums go to charities and NGOs , and it's generally thought they are much more efficient at solving social problems than government. Mainly, though, the private sector would have to compete with government agencies, which apart from being big, entrenched monopolies are extremely reluctant to relinquish even control of funds, let alone funds themselves, to the private sector. Once a government did start to allow the private sector access to tax revenues, by for example issuing Social Policy Bonds, then we'd see entrepreneurs take a serious interest in solving social problems.

6.11.9 Q+As (2009-11-08 23:19)

My correspondent (see previous post) goes on to ask some further questions:

If the opportunity exists to commercialise social goals, who are the players?

- *Who are the players for it?*
- *Who are the players against it?*

...players for it...? Anyone sincerely interested in efficient solution of social problems. I'd have thought philanthropists or their journals would be interested, but not one has ever responded to my emails.

...players against it...? Plenty, especially government agencies. In the epilogue to my book I relate this episode: "In April 2002, I presented a paper on the bond concept to joint meeting of the Agriculture and Environment Committees at the Organisation for Economic Cooperation and Development (OECD) in Paris. ... Perhaps one of the delegates articulated the deeper feelings of those present, who were overwhelmingly government employees: 'if this gets adopted we'll all be out of jobs!' My OECD paper went no further. "

What would they use such platform for? How can be made sure that it does

not back fire and turn into an accessory to pursue unintended/adverse

goals?

I assume that philanthropists or public sector Social Policy Bond issuers would aim to achieve social and environmental goals about which there is a wide consensus. Perhaps along the lines of avoiding of catastrophe, or achieving basic minimum levels for such things as literacy, nutrition; or maxima for environmental pollution, unemployment, crime. As for the second question: I'd have to assume that (1) people or institutions would not want openly to declare themselves in favour of anti-social goals: remember the Social Policy Bond concept is entirely transparent; redemption terms are written into each bond issue and available to everyone, and (2) there is sufficient existing sanction against illegal acts. I do address the possibility of negative-but-legal actions in my book. (See link in right-hand column.)

Whose economic or political interests are supported by the securitisation

of social goals, and whose big toe would it step on?

Similar answer to players for and against it, above. Also, obviously the finance industry would benefit from securitisation. I'd hope that sincere representatives of disadvantaged people or countries would be most interested in the concept.

At what point would the platform become a competition and to whom?

I envisage Social Policy Bonds would be a bit like equities: there would be competitive bidding for the bonds at flotation and at all times thereafter, but holders would have an interest in co-operating with each other to help achieve targeted social goals after purchase.

"Are there any forerunners of this concept, and if yes how did they go.

What did they achieve, and what mistakes did they make?"

I don't think so. That's one reason I think Social Policy Bonds need careful trialling, discussion and refinement before they can be applied to larger issues. Sadly, this hasn't happened yet.

6.11.10 England: 1381 (2009-11-10 13:04)

Writing in History Today , Dan Jones describes England at the time of the 'summer of blood' in the year 1381. This was the Peasants' Revolt, when the lower classes, emboldened by the labour shortages that resulted from the Black Death, flexed their muscles. In the summer of that year they began the first English rebellion of workers against their masters. Mr Jones points out the 'profound echoes with our current times':

> ...ordinary people protesting against an ill-manged, expensive war [against France] and the corruption of the super-rich who were seen to grow fat while the rest of the population were taxed through the nose; consciousness of and resentment towards the interfering presence of government in everyday life; the fear of homegrown subversive elements in society, organised in secret cells and mobilised through local communities. [1]The Peasants' Revolt (subscription), 'History Today', June 2009

Sounds familiar? asks Mr Jones, and indeed it does. Ordinary people, in much of the developed world, are having a rough time of it. Our political system seems biased heavily in favour of those who work for government agencies, or those in big corporations who can successfully influence government. The losers are small enterprises and the public. In so many broad policy areas: finance, the physical environment, the social environment, our politicians have taken the easy option, postponed the difficult decisions, and allowed problems to grow so that they have become systemic threats.

That way of doing things cannot, in my view, continue. Unfortunately, the scenarios on offer seem about as unappealing as the rioting , looting, terror and counterterror that followed the Peasants' Revolt. If that sounds far-fetched, consider this display of extreme attitudes depicted by Paul Krugman :

> Last Thursday [5 November] there was a rally outside the US Capitol to protest pending health care legislation, featuring the kinds of things we' ve grown accustomed to, including large signs showing piles of bodies at Dachau with the caption "National Socialist Healthcare ." It was grotesque — and it was also ominous. [2]Paranoia strikes deep, 'New York Times, 9 November

One way of closing the gap between people with different views, and the yet more grievous gap between politicians and ordinary people, is to recast policy in terms of outcomes. Our current system exaggerates the impact of special interests: it is these who bankroll the political parties, and they have little interest in the longer-term concerns of wider society. Ordinary people, rightly, feel disenfranchised and either adopt extreme attitudes, become cynical, or disengage from politics altogether.

Yet most people would probably find themselves in agreement about the policy outcomes they'd like to see: universal literacy, and basic minimum levels of income, housing and health care, for instance. There would also be a surprisingly wide consensus over the need to achieve some sort of climate stability - despite the huge gulf between people on different sides of the debate about what's actually happening to the climate.

Social Policy Bonds could help to close these gaps. Where people differ is less about the outcomes we want to see, and more about the ways in which government goes about achieving them - or failing to. A Social Policy Bond regime, with its focus on outcomes that are meaningful to ordinary people, would draw more people into the policymaking process. There will always be limited resources, and under a bond regime there would still be debates about priorities and costs. Politicians would have to relinquish their power to decide on how goals are to be achieved; they would, in effect, contract that out to the market. That would generate huge efficiency gains, but it would also mean an informed, public that participates and helps determine policy. Such a public would be far less likely to engage in the scary display of extremist attitudes that occurred last week in Washington DC, or the destructive, bloody actions that occurred in England in 1381.

1. http://www.historytoday.com/MainArticle.aspx?m=33416&amid=30284980
2. http://www.nytimes.com/2009/11/09/opinion/09krugman.html

6.11.11 Ending war (2009-11-13 12:29)

I'm pleased that someone else shares my belief that we can, and should aim to, end war. [1]Gordon Fellman is Professor of Sociology at Brandeis University. Here is a link to a talk he gives entitled [2]Ceasefire: the case for ending war. Some, though not all, of the impetus for weapons-making and war comes from financial incentives, and I think that if we supply sufficient incentives to end war it will become less the intractable feature of human life (as the ancient Greeks thought), and more another social problem that is best addressed by adaptive, diverse responses, of the sort that would be stimulated by Social Policy Bonds. See my essay [3]Conflict Reduction Bonds: give greed a chance.

1. http://people.brandeis.edu/%7Efellman/
2. http://uc.princeton.edu/main/index.php/component/content/article/28-all-videos/5194-cease-fire-the-case-for-ending-war
3. http://socialgoals.com/wpbsshort.html

6.11.12 The policy monoculture (2009-11-15 13:06)

The Organization for Economic Co-operation and Development reports on the subsidies , worth US $285 billion, given to OECD farmers in 2008:

> Support is becoming increasingly conditioned by requirements on producers to follow certain production practices in pursuit of broader objectives, such as preservation of the environment, animal welfare or food safety. Payments involving the fulfilment of such requirements comprised 4 % of [subsidies to farmers] in 1986-88, a share which had increased to 32 % by 2006-08.... [1]Agricultural Policies in OECD Countries 2009: Monitoring and Evaluation, summary (pdf)

As in agriculture, so in every other policy area: government assistance becomes conditional on doing things the way government wants you to. There are important considerations of freedom here, especially when government is becoming ever more involved in every aspect of social and economic organisation. But I am also concerned about the efficiency and risk management aspects of this sort of process-driven micro-management. They can be summarised briefly:

- Government does not always know the best ways of achieving social and environmental outcomes; when it gets it wrong it does so on a big, and possibly catastrophic scale;
- The ways government chooses are likely to be fossilised in time, and incapable of taking into account local circumstances; government intervention will discourage adaptive, diverse approaches, experimentation and the termination of failed approaches.
- Government's edicts are also likely to be heavily influenced by considerations other than efficiency , such as the interests of large corporations.

I write at greater length on this causes and consequences of this policy monoculture in my [2]book - see the links in the right-hand column.

1. http://www.oecd.org/dataoecd/34/35/43247947.pdf
2. http://www.socialgoals.com/_the_book.html

6.11.13 The corruption of scientific research (2009-11-19 10:47)

A scary article by Stuart Parkinson and Chris Langley in the New Scientist . Their organization, Scientists for Global Responsibility has looked at impact of commerce on science and technology over the past 20 years:

> Over the past two decades, government policy in the US, UK and elsewhere has fundamentally altered the academic landscape in a drive for profit. ... Chemical engineering and geology are strongly linked to oil companies, for example, and it is hard to find an engineering department in the UK which does not receive funding from the arms industry. And many life sciences

> departments have extensive links with the biotechnology and pharmaceutical industries. This creates enormous potential for conflicts of interest. ... Another cornerstone of science that is being eroded is the freedom to set the public research agenda so that it serves the public interest. [1] Stop the sell-out , 'New Scientist', 7 November

Governments are increasingly focusing on the interests of corporations; and these are naturally enough focused on immediate financial benefit. The result? 'Environmental and social problems and 'blue sky' research commonly lose out to short-term commercial gain'.

It's the way of the world. As the gap between ordinary people and policymakers has widened, it has been filled by the corporations, and it is their interests that are best served under the current system. Sometimes these interests coincide with ours; often they don't; and far too often the two sets of interests conflict with each other. One reason for the disconnect between people and policymakers is the complexity of policy, focused as it is on legalistic debates about institutional structures and processes, spending patterns, personalities, image or ideology. Ordinary people aren't interested in such things. Above all we are concerned about outcomes - and that is about the only thing that policymakers do not target explicitly.

So instead of targeting something meaningful, like reducing the crime rate, governments make decisions about prisons, police numbers, justice procedures and the rest. Instead of targeting the rate of change of climatic variables, they target emissions of greenhouse gases, which by sheer coincidence require a large bureaucracy to oversee. And in matters such as scientific research, where government could usefully target broad social and environmental outcomes , it's the corporations and their goals that are served instead. Government just does not think in terms of outcomes, yet it is outcomes that matter most.

Social Policy Bonds would refocus our priorities onto outcomes. By relinquishing control over how things are done, governments could still set the agenda, but they would contract out the achievement of outcomes to the private sector. Under a Social Policy Bond regime, corporations would still play their part, and still have the chance of making profits, but only if they were efficient at achieving ordinary people's social and environmental goals. Government would become a matter of selecting and prioritising society's goals, and raising the revenue to achieve them. That would be healthier, in my view, than the current system, which is largely about government fulfilling the wishes of the private sector in pursuit of funds to finance re-election campaigns.

1. http://www.newscientist.com/article/mg20427335.400-stop-selling-out-science-to-commerce.html?DCMP=OTC-rss&nsref=comment-analysis

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6.11.14 The ideologues are winning (2009-11-23 09:53)

Writing about the collapse of professional journalism, Mark Bowden says:

> Work formerly done by reporters and [TV] producers is now routinely performed by political operatives and amateur ideologues of one stripe or another, whose goal is not to educate the public but to win . This is not a trend likely to change.
>
> [1]The story behind the story

, Mark Bowden , 'the Atlantic', October

Society is complex and so is policymaking . Ideology simplifies the otherwise impossible process of relating a social problem to its causes. But it's necessarily a distortion of reality; we are in an era now where the ideologues don't communicate with each other. Take any issue - abortion, smoking, healthcare , capital punishment, climate change... - there is plenty of debate, but less and less communication going on. Vested interests fill the gap between complex problems and ordinary people's understanding of them. As Mr Bowden puts it 'the quest for information has been superseded by the quest for ammunition'.

I think this will continue so long as society remains complex and we continue with a policymaking system that seems almost designed to translate the obscurity of the relationships between cause and effect into advantage for vested interests - generally corporations, government agencies - at the expense of the broader public. We need, I believe, to think in terms of desirable social and environmental outcomes. All activities, institutional structures and spending plans should be subordinated to outcomes. A Social Policy Bond regime is, I think, the most efficient way of targeting such outcomes . It would , in essence, contract out the achievement of social goals to those players - public or private sector- who are most efficient at achieving them. The losers? The vested interests who benefit now by gaming the current system; and that includes the ideologues on all sides.

1. http://www.theatlantic.com/doc/200910/media

6.11.15 (2009-11-24 06:36)

This is a great post.. Very informative... I can see that you put a lot of hard work on your every post that's why I think I'd come here more often. Keep it up! By the way, you can also drop by my blogs. They're about [1]Vegetable Gardening and [2]Composting. I'm sure you'd find my blogs helpful too.

1. http://vegetablegardeningideas.com/
2. http://compostinstructions.com/

6.11.16 Incentives to intermarry (2009-11-24 11:46)

It's a while since I suggested that one way of bringing about peace in the Middle East might be for investors in Middle East Peace Bonds to subsidise intermarriage. Happily, it seems that that particular suggestion looks like being implemented in Iraq:

> Iraqi Vice President Tariq
>
> al - Hashemi has an unusual proposal to mend some of Iraq's sectarian wounds: He offers mixed couples a $2,000 "gift" if they get married.
>
> [1]USA Today 24 November

My original essay is available at: [2] Middle East Peace Bonds: Give greed a chance .

1. http://www.usatoday.com/news/world/iraq/2009-11-23-iraq-wed_N.htm
2. http://socialgoals.com/mepeacebonds.html

6.11.17 Shakespeare versus Chekhov: Justice versus Survival (2009-11-27 01:34)

Amos Oz, writing in 1993:

> At the end of a Shakespeare tragedy the stage is strewn with dead bodies, and maybe there's some justice hovering high above. A Chekhov tragedy, on the other hand, ends with everybody disillusioned, embittered, heartbroken, disappointed, absolutely shattered, but still alive. And I want a Chekhovian resolution, not a Shakespearean one, for the Israeli-Palestinian tragedy. [1]Source

We might do better to target such a basic goal - human life - than strive for fairness and justice, when it comes to making policy. This certainly applies to the Arab/Israeli conflict (see my [2]essay on applying the Social Policy Bond principle to the Middle East). Justice and fairness can be sought for, but they must overlie the even more fundamental goal of human survival.

The same applies to [3]climate change: arguments about which countries are most responsible for the build-up of greenhouse gases in the atmosphere may be necessary, but they should not impede the more fundamental goals of reducing the rate of climate change and its impacts. Similarly with other global threats, such as nuclear proliferation. More than all else that we'd wish to see in these policy areas is human survival.

Thankfully, the Social Policy Bond mechanism allows us to fold such desirable goals as justice and fairness into that over-arching objective . Social Policy Bonds targeting [4]world peace, say, would not discourage the pursuit of justice; they would even encourage it when doing so makes human survival more likely . But they could also introduce an element of unfairness, for the sake of the greater good. Holders of bonds targeting peace would have every incentive, for example, to bribe people espousing inflammatory views to keep quiet, or to take an indefinite vacation at the golfing resort of their choice. It might not be fair; it might lead to gaming of the system; but the benefits to everyone else would be huge. We shouldn't forget either that there's plenty of such unfairness in the current system. The difference - and it's crucial - is that currently it just as often acts to worsen the chances of human survival as to enhance them.

1. http://www.thenation.com/doc/20050124/wilentz
2. http://socialgoals.com/mepeacebonds.html
3. http://socialgoals.com/ieakyototext.html
4. http://socialgoals.com/wpbsshort.html

6.11.18 Kyoto-Copenhagen: deeply flawed (2009-11-30 11:07)

> The warming effect of carbon dioxide has been known since at least the 1900s, and that of ozone since the 1970s, but the importance of black carbon was discovered

> only recently. ... no on knows exactly how much warming [black carbon] causes, but even the most conservative estimates indicate a nontrivial impact. [1]The other climate changers: why black carbon and ozone also matter, Hessica
>
> Wallack and Veerabhadran
>
> Ramanathan , 'Foreign Affairs', Sept/Oct 2009 (subscription, but see [2]here)

Black carbon is a widespread form of particulate air pollution and mostly originates from the burning of biomass or fossil fuels. But the important phrase is 'no one knows'. It is that phrase that exposes the flaw in the entire Kyoto-Copenhagen approach to climate change. Even if titanic efforts to reduce carbon dioxide emissions are made, at great social, financial and political cost, no one knows if they'll have any effect. Perhaps all such efforts will be swamped by any of the myriad other variables about which no one knows.

It's imperative that we shift from trying to work out the causes of climate change and acting on those, to an approach that targets the outcome we want to achieve and rewards people for doing so. We need an approach that will respond quickly to our rapidly expanding, but still deficient, scientific knowledge, and to new events. We need an array of adaptive, diverse approaches. Kyoto-Copenhagen is none of these things. It's deeply flawed and it's going to fail, however much money is thrown at it.

I've been talking and writing about [3]Climate Stability Bonds for many years now, and will continue to do so until I see a better solution. It's a bit disheartening that the bonds' outcome-based approach is not generating any interest at political level, but I cannot see any better solution either to climate change or to any of our other social and environmental problems whose complexity will defeat any approach based, like Kyoto, on deficient, fossilised, information.

1. http://www.foreignaffairs.com/articles/65238/jessica-seddon-wallack-and-veerabhadran-ramanathan/the-other-climate-changers
2. http://ucsdnews.ucsd.edu/newsrel/science/08-09BlackCarbon.asp
3. http://socialgoals.com/ieakyototext.html

6.12 December

6.12.1 Climategate (2009-12-03 15:08)

Robert Murphy quotes from [1]one of the emails leaked the Climate Research Unit at the University of East Anglia:

> The fact that we can not account for what is happening in the climate system makes any consideration of geoengineering quite hopeless as we will never be able to tell if it is successful or not! It is a travesty! [2]Apologist Responses to Climategate Misconstrue the Real Debate (Quantitative, not Qualitative)

Mr Murphy goes on to say:

....the above email is simply jaw-dropping. If the climate scientists cannot tell if a particular remedy is working, it means that they aren ’t exactly sure how the climate would have evolved in the absence of such a remedy. In other words, Trenberth at least is admitting that he is not at all confident in the precise, quantitative predictions that the alarmists are citing as proof of the need for immediate government intervention. And this expression of doubt wasn ’t from the distant past: Trenberth sent the above email in October of this year!

Precisely so: there’s little point on embarking on policies if we cannot, or don’t bother to, measure how effective they are. Sadly, such fecklessness is typical of most government interventions (see [3]this paper by Stephen van Evera). It’s irresponsible, wasteful, and often corrupt. It’s also quite normal and generally accepted, and Kyoto-Copenhagen is simply an extrapolation of it onto a global scale.

Which is why I advocate [4]Climate Stability Bonds, which would inextricably bind all policies, activities and projects to objectively verifiable targets and indicators. Governments would not have to accept models of climate sensitivity - or indeed any other climate data - from scientists as true or false: under a bond regime assessment of that information would be done by would-be investors in the bonds. These people, or institutions, would have incentives to respond rapidly to our rapidly expanding scientific knowledge - unlike the Kyoto-Copenhagen approach, which assumes that we already know all the important causes and consequences of climate change.

Quantitative targets would be built into the Climate Stability Bond approach; but the beauty of the bonds is that they don’t assume fixed relationships between interventions (cutting greenhouse gas emissions, for instance) and how climate will respond. That would be up to bondholders to work out themselves; at their own risk, and in ways that respond continually to new information. I think that’s far preferable to whatever agreement will come out of Copenhagen. You can be sure that if there is such an agreement, the single impact that will be monitored assiduously and unambigously will not be that on climate, but rather the money flows from rich to poor countries.

1. http://www.eastangliaemails.com/emails.php?eid=1052&filename=%201255523796.txt
2. http://www.blogger.com/09/12/sarcastic-responses-to-climategate-misconstrue-the-real-debate/
3. http://dspace.mit.edu/handle/1721.1/5533
4. http://socialgoals.com/ieakyototext.html

6.12.2 Soviet Earth; or Government doesn’t do diversity (2009-12-06 07:21)

Mick Hume writes:

> The top bankers and businessmen of the UK might have proved themselves worse than useless. But an economy managed by state bureaucrats will be no better. ... We are left with the prospect of the worst of all worlds – a state-subsidised capitalist economy, but one denuded of the dynamic side of capitalism that Karl Marx long ago identified alongside the system’s destructive aspects, and which has driven economic growth through the modern age. [1]What happens if the state turns off the ‘life support’?, 25 November

All the evidence bears out Mr Hume. Government intervention has generally started out with the best of intentions: to maintain employment, to prop up allegedly strategic industries (like car assembly or industrial agriculture), and before long it becomes indispensable to its favoured sectors. Taxpayer support is capitalised into asset values, making its withdrawal problematic. Sectors use their status and subsidies to bias the international trading and domestic regulatory environments in their favour, and to finance lobbyists whose job is to maintain their vested interest. State supoprt, like a drug habit, is easy to start, difficult to stop. And now it's propping up not just individual sectors, but our entire financial system. The result will be ossification, the Sovietization of our economies and, inevitably, collapse. If that sounds far-fetched, consider that, government accounted for [2]two-thirds of the Welsh economy - before the financial crisis. (And read about some of the social implications [3]here.)

Difficult to imagine, but it gets worse. We are now looking to manage our global environment in the same manner: that is, by setting irrelevant targets, imposing them heavy-handedly, pre-supposing that government knows what's best, and suppressing alternative solutions. I refer of course to Kyoto-Copenhagen, where government is using fossilised science to tackle one of the alleged causes of climate change. Spectacularly expensive, politically divisive, bureaucratically intrusive - Kyoto-Copenhagen will Sovietize the entire planet. The end result is absolutely foreseeable: runaway climate change, widespread poverty and an ever more entrenched and brutal bureaucracy telling the rest of us us what to do.

The debate is so debased and politicised that anybody reading the above will think I don't believe anthropogenic climate change is happening, or that government should just sit back and do nothing. But it's just the opposite: I think climate change is far too serious to be left to the same government mentality that has given us, for example, an agriculture sector absolutely dependent on imported oil, with its denuded landscape, devastated wildlife, and polluted waterways. Government does have an indispensable role to play in ensuring climate stability: it can define our climate goals, articulating society's wishes. It can raise revenue to reward the people to help achieve that goal. But, crucially, it must stand back from dictating how that goal shall be achieved (see [4]here for my suggestion).

We need diverse, adaptive approaches, and we need them urgently. Unfortunately - tragically - government doesn't do diversity nor does it have the ability to adapt quickly to changing circumstances.

1. http://www.spiked-online.com/index.php/site/article/7750/
2. http://www.walesonline.co.uk/business-in-wales/business-news/tm_objectid=17144842&method=full&siteid=50082&headline=wales-relies-more-than-china-on-public-cash-
3. http://cc.bingj.com/cache.aspx?q=soviet+britain+dalrymple&d=4919047563313956&mkt=en-GB&setlang=en-GB&w=64d0f954,1d8f853c
4. http://socialgoals.com/ieakyototext.html

6.12.3 Heading for disaster (2009-12-12 11:37)

This post summarises my position on climate change

There is overwhelming, but not quite conclusive, evidence that the global climate is changing. That said, scientists and policymakers are divided as to (a) how fast climate is changing, (b) what is causing it to change, (c) the likely effects of climate change, (d) how much we can do about it, and (e) how much we should do about it. Despite these uncertainties, climate change has the potential to inflict serious harm on large populations, so there is a strong argument for doing what we can to prevent it or minimise its adverse effects. The December 1997 Kyoto treaty required developed countries to bind themselves internationally to numerical targets. If there is any universal consensus about Kyoto it is that, for all the bluster and bureaucracy, its impact on the climate will be so small as to be unnoticeable.

Gaming the system

The forthcoming climate change summit in Copenhagen, if deemed successful, will be more of the same. At best we can look forward to minimal reductions in emissions; undetectable effects on the climate; and the squandering of billions of dollars on wasteful, corrupt schemes all over the world. The big beneficiaries will be third-world dictators, Swiss bankers, and the burgeoning bureaucracies at national and supra-national level who will be charged with administering and ensuring compliance with whatever emission reduction regime is agreed. This is not cynicism, it's realism. The manoeuvrings of the various interest - fossil fuel extractors and users, as well as farmers, forest owners, the auto industry, politicians and officials - tell us all we need to know about where human ingenuity is going: in bickering, lobbying in defence of vested interests, and competing with other interest groups for subsidies. Gaming the system in other words. One example: US companies and interest groups involved with climate change hired 2430 lobbyists just last year, while 50 of the biggest US electric utilities spent $51 million on lobbyists in just six months.

They are all reacting perfectly rationally to the incentives on offer, and those incentives are perverse. They have little to do with actually solving meaningful problems, and far more to do with the prime, over-arching goal of all institutions: that of self-perpetuation – even if the rest of the world has to undergo catastrophic climate change. Under Kyoto-Copenhagen that's where humanity's boundless energy and ingenuity will be diverted and that's why it's not going to work.

Rewarding achievers

Here's a different approach: agree on the outcome we want to achieve, and reward people for achieving it. The outcome we should be targeting is some agreed, meaningful definition of climate stability, which should include indicators of human, animal and plant wellbeing as well as climatic variables and the rate of change of those variables. Targeting climate stability means that we don't prejudge the best way of achieving it. This is, in my view, the most glaring flaw of the Kyoto-Copenhagen approach: it assumes that the best way of tackling climate change is to reduce anthropogenic greenhouse gas emissions. There is no evidence for this, even though the evidence that links such emissions to climate change appears convincing – with our current knowledge.

But our knowledge is rapidly expanding. We are constantly discovering more about the links between greenhouse gas emissions and the climate, and about ways in which we can

prevent or minimise the impacts of climate change. Kyoto is a single, one-size-fits-all, top down, supposed solution to the climate change problem, and it's based on science fossilised in the last 20 years. But the climate change problem may be so huge and so urgent that we need instead a mosaic of diverse approaches that can adapt to our rapidly changing knowledge and rapidly changing circumstances.

We also need to enlarge and motivate the pool of people prepared to do something to tackle climate change. Currently there is probably more human ingenuity devoted to marketing new brands of dog food or securing the bonuses of failed bankers than to finding ways of preventing or mitigating climate change. The fact is that the rewards to a successful pet food campaign manager or a reckless banker can be in the millions of dollars, while someone trying to generate new ideas for tackling climate change that don't fit in with the Kyoto paradigm will have difficulty getting attention, let alone adequate funding.

We need to target a stable climate however that goal is to be achieved. We cannot afford to let the bureaucrats who run the Kyoto-Copenhagen industry dictate the pattern of the world climate: we cannot afford the waste and inefficiency of brainpower that people will expend on gaming the current system.

Climate Stability Bonds

It is for all these reasons that I believe [1]Climate Stability Bonds would be an improvement over Kyoto. Climate Stability Bonds would be backed by the world's governments. They would be redeemable once a specified climate stability goal had been achieved and sustained. They would be freely tradable and their value would rise or fall as the targeted goal become more or less likely to be achieved. The goal could be specified as a combination of climate and other indicators. And crucially, Climate Stability Bonds would not prejudge the best ways of achieving our goal. They would reward the achievement of a sustained period of climate stability, however it is achieved. Investors in the bonds would have incentives to respond quickly, appropriately and with maximum efficiency to new knowledge about what is causing climate change and to new ways of dealing with it. Governments would be the ultimate source of finance for achieving climate stability, but the private sector would allocate society's scarce resources. Investors in Climate Stability Bonds would have exactly the same interest as society: achieving climate stability and the lowest cost.

A Climate Stability Bond regime would express its aims in terms that people can understand. Its explicit goal would be climate stability. If people understand what a policy is all about, they can participate more in its development, refinement and implementation. This matters hugely when, as with climate change, government will probably have to encourage us to rein in activities to which we have become accustomed. Kyoto discourages buy-in because it is focused entirely on one single policy: the cutting back of net anthropogenic greenhouse gas emissions which, at best, will do little to prevent climate change and despite being ineffectual will impose heavy, and up-front, financial costs.

There is still some legitimate doubt about just how big a threat climate change represents. Here Climate Stability Bonds have another huge advantage: because they would be auctioned on the open market, it would be bidders for the bonds, rather than governments, who would have to take a position on just how much will have to be spent to achieve climate

stability.

To summarise: Climate Stability Bonds have a comprehensible, meaningful goal: the achievement of climate stability. They would channel the market's incentives and efficiencies into the solution of our most urgent environmental problem, at least cost to society. And with their focus on a targeted outcome, rather than a supposed means of getting there, they would also encourage greater public participation and buy-in to the solutions they generate. We need a widely supported, coherent, and efficient response to climate change. Climate Stability Bonds have all those features. Kyoto, and whatever will be agreed at Copenhagen, have none.

1. http://socialgoals.com/ieakyototext.html

6.12.4 We need explicit, meaningful, policy goals (2009-12-13 14:39)

Society's size and complexity mean that numbers are going to have to be used to help determine policy. Numbers inevitably distort, but if things aren't measured they tend to be ignored at the policy level. We want numbers, ideally, to represent human wellbeing - which immediately raises the question of whether or how animal and plant life are to be weighted when it comes to setting policy goals. There are many other questions, but where numbers correlate strongly with what we want to achieve, there's no objection to targeting them, a la Social Policy Bonds, as part of a wider political process. The key is to ensure that the correlation remains strong over the target range. For instance, the correlations between, say, educational level, household income, or longevity, and wellbeing are strong at the lowest levels of all these variables, but become much more tenuous as we move into tertiary education, higher incomes or age ranges.

If Social Policy Bonds were ever to be issued, they would benefit from the work already being done to quantify even such complicated things as human wellbeing - see, for instance, the [1]Human Development Index. Now it appears that people are trying to aggregate and quantify climate change. A group called the International Geosphere -Biosphere programme has launched the '[2] IGBP Climate-Change Index'. This and the HDI would need refinement before they could be explicitly targeted, and there would always be debate about what they should include and relative weightings.

Even then, they might not be perfect as policy instruments. But what is the alternative? In the absence of explicit targets that are meaningful to ordinary people we are seeing the good intentions of politicians being almost entirely hi-jacked by the short-term financial interests of rich corporations. If that sounds far-fetched, you have only to look at the levels and persistence of government (taxpayer) support for the banks.

> We the paying public can't do anything much except admit defeat and settle back for the next set of bills. In the meantime, perhaps we should try and think of a name for the new economic system, which certainly isn't capitalism: that, remember, is all about 'creative destruction', and the freedom to fail. That's exactly what we don't have. The most accurate term would probably be ' bankocracy '. [3] Bankocracy , John Lanchester

, 'London Review of Books', 5 November

1. http://en.wikipedia.org/wiki/Hdi
2. http://www.igbp.kva.se/page.php?pid=505
3. http://www.lrb.co.uk/v31/n21/john-lanchester/bankocracy

6.12.5 Subsidising planetary destruction - the story continues (2009-12-16 10:34)

> Subsidyscope researchers found that [1]non-users of the highway system contributed $70 billion for nationwide road construction and maintenance in 2007. [2]Source

That refers to the federal US highway system, and works out at about 35 percent of the total. This amount excludes the costs of accidents, air and noise pollution, and the impacts on wildlife. It appears that state and municipal roads in the US are [3]even more heavily subsidised.

Social Policy Bonds would mean contracting out the achievement of social goals to the private sector. Two crucial points relevant to roading are: (1) clarifying whether cheap, easy transport is an end in itself or a means to ends that would be better targeted more direction, and (2) transparency, which in this context is about making it clear to people where there taxes are going. In short, it's quite possible that people are willing to pay for cheap roading , even if many of us are nonusers. We might even be willing to shore up reckless banking behaviour, or massive agribusiness corporations, car and truck manufacturers and all the rest. But we should be given the option. The current system doesn't allow that: by emphasising process, institutional structures and spending, regulations and legalisms, it tends to exclude ordinary people from policymaking . In contrast, Social Policy Bonds would have transparency built in. A more ethical, as well as more efficient, way of achieving social goals, I think.

1. http://www.worldchanging.com/archives/008264.html
2. http://www.worldchanging.com/archives/010807.html
3. http://www.txdot.gov/KeepTexasMovingNewsletter/11202006.html#Cost

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6.12.6 Sterile life-prolongation (2009-12-24 11:33)

Sterile life-prolongation, as against creative destruction. It's what you get when major funding decisions are made on the basis of who you are (or how much you give to political parties) rather than what you achieve. And, increasingly, it's the regime under which we live. It's the way our politicians operate, in conjunction with their friends and paymasters in the large organizations, whether they be government agencies, corporations or trade unions. It's the system that brought the Soviet Union to collapse and it's well on the way to securing the same

destiny for the west. (See [1]here for a blog making this comparison.)

Creative destruction means that unsuccessful businesses fail. In social policy it should mean the same for unsuccessful programmes. But it rarely does; government too often acts as a monopoly supplier of social and (increasingly) environmental services. As tax revenues rise, government tends to crowd out alternative ways of doing things. Take scientific research, which is now essentially a nationalised industry. In itself, this need be no bad thing, but the way government typically allocates funding is always going to be determined by politics rather than results. Funding is to institutions, rather than outcomes. This leads to idiocies like the use of citation indices to evaluate research.

What's needed is a more direct relationship between taxpayer funds and those outcomes that are meaningful to ordinary people. Government can -and indeed, should - be the articulator of society's goals, and it has a vital role in raising the revenue needed to achieve them. But like all big organizations, and like monopolies in particular, it doesn't work well when creative destruction is required. It's too big to adapt quickly; it's too slow to terminate failures. It doesn't like diversity, and it doesn't do creative destruction. No single organization can. And we need diversity and adaptiveness in complex, uncertain ventures, especially where our scientific knowledge is growing rapidly. I've written numerous times about the need for a mosaic of different approaches to tackle problems like [2]climate change or [3]war. Such problems just cannot be solved by any single organization, however big and however well intentioned. Sadly, the vast majority of resources aimed at these problems is now allocated by government. Even more sadly, the failure of government to address these challenges threatens our entire species.

Social Policy Bonds would, in contrast, supply the necessary creative destruction. Projects would be appraised continuously by highly motivated actual or would-be investors in the bonds. There motivation would be pecuniary, of course, but through a bond regime it would be channelled to serve the interests of society as a whole. Funding would be allocated entirely according to results, as anticipated by a plurality of interests. Sterile life-prolongation (a la Kyoto, for instance) would surrender to creative destruction.

1. http://cluborlov.blogspot.com/
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.com/wpbsshort.html

6.12.7 (2009-12-30 02:47)

I usually don't post in Blogs but your blog forced me to, amazing work.. beautiful ...

6.12.8 Why are modern scientists so dull? (2009-12-30 11:49)

Why are modern scientists so dull? asks [1]Bruce G Charlton. His conclusion?

> [S] cientists are dull mainly because the progressive increase in the requirements for long-term plodding perseverance and social inoffensiveness has the effect of deterring, driving-out and failing to reward too many smart and creative potential scientists before they ever get a chance to engage in independent research.

I think the same could be said of policymakers and public servants and for broadly similar reasons. Any large organization is going to rely more on willingness to conform to the organization's rules and processes than on the contribution an individual makes to a particular outcome. An individual's conformity to procedures is much easier to measure than his or her contribution to a possibly nebulous or undefined outcome.

In my [2]book about Social Policy Bonds I explain how attempts in the 1980s to reform New Zealand's public service faltered over the question of how to measure departmental performance. At the outset of the reform programme, government departments had been envisaged as achieving specific outcomes , but instead outputs became the measure by which departments' performance is judged . Why did that happen?

> One reason is said to be the self-interest of ministers and public servants, who are unwilling to be scrutinised. Another is that while the supply of outputs can be directly attributed to departments performance, outcomes can be influenced by factors beyond their control. As one commentator put it: outcomes are externalities in two-party relationships; therefore it is exceedingly difficult to assign responsibility for them. [3]Market solutions for social and environmental problems: Social Policy Bonds

So it looks very much as though the perceived need to assign responsibility in effect hijacked more thoroughgoing reform. The perception of such a need arises because the players - those whose responsibility is to be assigned - are known in advance and are assumed constant . And who are these players? Why, they are the existing government departments, of course. In effect the New Zealand reforms have subordinated results to an assumed need to assign responsibility, which in turn seems to be driven by existing institutional structures and their wish to perpetuate their own existence and degree of control. It's a potentially disastrous failing: leading to a divergence of the objectives of departments in particular and government in general from the people whom they are supposed to serve. The results, throughout the democratic countries, are becoming all too clear: a widespread disenchantment with conventional politics, a growing cynicism and despair over government ever being able to deliver what ordinary people want and need.

1. http://medicalhypotheses.blogspot.com/2009/02/why-are-modern-scientists-so-dull.html
2. http://socialgoals.com/_the_book.html
3. http://stores.lulu.com/store.php?fAcctID=2906202

2010

7.1 January

7.1.1 What would Ivan do? (2010-01-03 06:34)

Chase Madar writes:

> Elite professional groups, wrote [1][Ivan] Illich , have come to exert a “radical monopoly” on such basic human activities as health, agriculture, home-building, and learning, leading to a “war on subsistence” that robs peasant societies of their vital skills and know-how. The result of much economic development is very often not human flourishing but “modernized poverty,” dependency, and an out-of-control system in which the humans become worn-down mechanical parts. [2]The People’s Priest, ’American Conservative’, February 2010

Illich does seem to have anatomised a growing problem: our passivity in the face of the growing influence of corporations, and their crowding out of non-corporate - that is, human - ways of doing things. I would include government here one of the corporations. Criticism is all very well, but as Mr Madar says:

’A common, spluttering response to Illich ’s polemics was “Just what does he propose we do instead?” Good question.....’ Perhaps the answer is twofold: first, that economic development has gone hand in hand with population growth and life expectancy; it might not, in net terms, have raised the quality of life much, but it has certainly raised the quantity of life. We have collectively consented to that trade off, and presumably we could, if we wanted, reverse that decision.

A more proactive answer would be to subordinate economic growth or social change not to corporations (including government again) and their incentives (primarily [3]self-perpetuation), but to the outcomes that ordinary people would wish for. A Social Policy Bond regime, for example, would allow our social and environmental outcomes to be achieved by means that are diverse, rather than dictated by government or corporations. Radical monopolies need not arise, because the most efficient way of achieving a specified outcome will most likely vary according to space and time. Investors in the bonds will be motivated to continuously reappraise their projects; they would have no built-in bureaucratic or ideological wish to convert the rest of us to their way of doing things.

1. http://en.wikipedia.org/wiki/Ivan_Illich
2. http://amconmag.com/article/2010/feb/01/00024/
3. http://socialgoals.com/blog/2009/01/condemned-by-governmental-structures.html

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7.1.2 Systems or results? (2010-01-08 10:45)

Reading [1] Infinite Potential , the biography of David Bohm by [2]F David Peat, one is struck by the overwhelming wish of great physicists to unify and systematise; to generalise from past data or past experience; to abstract principles that can apply to new situations. We probably all have this tendency, which has served us very well, for the most part. But in great scientists it seems to be all consuming and, perhaps inevitably, to lead to grief. Reality is just too complicated.

Policymakers in our increasingly large and complex societies are ever more remote from ordinary people. So they rely more and more on the advice of experts, all of whom are trained to abstract general principles and relationships from history and datasets . It's a never-ending, never-complete task of course but it's an approach that yields useful insights and has led to the development of unambiguously good policies. Unfortunately, though, many of our most urgent policy goals are just not amenable any longer to that approach. We are increasingly interlinked; relationships between cause and effect are ever more tangled; and society is changing so fast that there is very little precedent for solving some of our most challenging social and environmental problems.

But our policymaking system doesn't recognise this. As a result, it's both too limited and, perversely, too ambitious. Too ambitious, as, for instance, when it tries to tackle climate change by identifying one variable that it can control (or say it's trying to control) - greenhouse gas emissions - and assuming that that will be enough. Too limited, in that it fails to deal with problems, such as war, that it recognises it has no hope of solving with the current array of policy instruments.

Our policymakers are perhaps more interested in control than in results. They want not so much to see problems solved, but rather to identify organising principles and approaches that they can use to solve our problems. Implementing Social Policy Bonds would mean that politicians would have to relinquish some of their power and to subordinate their wish to identify and control policy levers (even if there aren't any) to the achievement of results. It would mean a massive psychological shift. But the rewards are potentially huge.

1. http://www.amazon.com/Infinite-Potential-Life-Times-David/dp/0201328208
2. http://www.fdavidpeat.com/

7.1.3 Madness (2010-01-10 11:28)

According to the New Scientist 's review of [1] Storms of my grandchildren , James Hansen believes that the threat posed by climate change:

> ...is far worse than [I] thought even a few years ago. The very survival of life on Earth is at stake.... "Your governments are lying through their teeth", he says. [T]he Kyoto protocol is a dismal failure, and its proposed successors, along with the cap-and-trade schemes favoured by [US] President Barack Obama, have no chance of achieving what is needed
>
> either . [2]Earth on the brink, 'New Scientist', 12 December 2009

James Hansen and I agree that our political system is incapable of acting effectively because politicians serve the short-term interests of special interest groups with plenty of money to throw around, rather than the long-term welfare of citizens. It's madness.

1. http://www.amazon.com/Storms-My-Grandchildren-Catastrophe-Humanity/dp/1608192008
2. http://www.newscientist.com/article/mg20427381.700-will-you-stand-up-against-climate-disaster.html

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7.1.4 What is government for? (2010-01-13 13:56)

> In contrast with the past, what is good for America's global corporations is no longer necessarily good for the American people. [1]The disposable worker, 'Business Week', 7 January

Exactly. Big corporations are like big government: concerned almost solely with self-perpetuation. It's unreasonable to expect them to be altruistic, under the current legislative arrangements, but it is reasonable to expect governments to change those arrangements so as to favour ordinary people. Instead, most governments and political parties, most of the time, still believe that corporate goals are identical with those of wider society. Or, if they don't believe it, they behave as if they do. Often, their funding depends on maintaining that fiction.

At best, government has confused ends and means. It should concentrate not on bailing out failed businesses, or supporting inefficient sectors, but on the wellbeing of its citizens. What do we see instead? Massive transfers not only to bankers, but to large industrial and agribusiness corporations that would otherwise go under. Government instead of facilitating the creative destruction of failed business models, is resisting it. Big corporations are the winners (in the short run). So is government, which enlarges its role in the economy. But ordinary people are losing out.

We need, urgently, to realign government with the interests of natural persons, as against corporations. Social Policy Bonds could refocus government on ordinary people's wellbeing , not on the presumed ways of reaching them. If that means that certain businesses or sectors go to the wall, then so be it. Government should be about protecting disadvantaged people, not subsidising inefficient corporations.

1. http://www.businessweek.com/print/magazine/content/10_03/b4163032935448.htm

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7.1.5 Taking refuge in equations (2010-01-15 10:05)

> Not only was [David Bohm] not given full credit for his plasma work, but most physicists appeared uninterested in the deeper philosophical questions of their subject. To make matters worse, they even ignored the underlying physics they were studying , preferring the surface brilliance of mathematical techniques. [1]Infinite potential: the life and times of David Bohm , F David Peat

Sadly economists and, increasingly, policymakers have exactly the same tendency. You might think or hope that their cynosure would be the wellbeing of ordinary people. But no. Like the foremost physicists of their generation, their focus is on intellectual elegance, symbol manipulation and mathematical consistency. And, in truth, it is easy to be distracted or hypnotised by the numbers and to work on the assumption that relationships that held in the past hold true today. So we have the lazy, implicit, targeting of Gross Domestic Product per capita , which takes no account of, amongst other determinants of wellbeing as the state of the environment or leisure time. Or, when the maths manifestly fails, the substitution of ideology for pragmatism, when pragmatism would do the job.

But the pragmatic approach, in policy, means some humility on the part of our politicians and bureaucrats. Social Policy Bonds, about which I have been talking for 20 years now, have gone nowhere, partly I suspect because governments would have to relinquish some of their assumptions about how policy goals are to be achieved. The bonds would encourage diverse, adaptive approaches to solving our social and environmental problems. Nobody - least of all governments - would know in advance which approaches would work and which would not. Much easier to preserve the illusion of emotional security by adopting an ideological position or taking refuge in the internal consistency of elegant equations.

1. http://www.amazon.com/Infinite-Potential-Life-Times-David/dp/0201328208

7.1.6 Economic growth = hungry children? (2010-01-16 12:54)

From the current Economist':

> According to the Food Bank for New York City, an estimated 1.3m New Yorkers now rely on soup kitchens (which provide hot meals) and food pantries (which give away food). The number of people having trouble paying for food has increased 60 %, to 3.3m, since 2003. ... Almost half of all New York City households with children have difficulty affording enough food. A staggering one in five of the city's children, 397,000 small people, rely on soup kitchens — up 48 % since 2004. [1]The Big Apple is hungry
>
> (subscription), 'Economist', 14 January

This must be the 'Bush Boom', that Jerry Bowyer writes about. As the blurb for his book, The Bush Boom: How a Misunderestimated President Fixed a Broken Economy has it:

> [George W Bush] resolved to pursue an economic policy that included unprecedented tax cuts. What's the result of Bush's low-tax economic program? Jerry

> Bowyer confronts the critics and offers clear and convincing evidence that the Bush Administration fixed a broken economy, boosting the fastest economic turnaround since President Ronald Reagan. [2]Source

1. http://www.economist.com/world/unitedstates/displaystory.cfm?story_id=15271055
2. http://www.amazon.com/Bush-Boom-Misunderestimated-President-Economy/dp/1594670870

7.1.7 When intentions and self-interest conflict (2010-01-23 09:48)

Frederick Barthelme describes a genial shift manager at the Paradise Casino, in his novel [1]Bob the Gambler:

> Phil Post was always pleasant, always commiserating, urging us to leave when we were ahead or when we got even after a bad run of cards. He seemed genuinely friendly, but he worked for the Paradise, so who knew. He was paid to grease the skids, to shill, so it didn't matter whether he was friendly or not, because even if he was, even if everything he said to us and everybody else he dealt with was as genuine as the day was long, it still amounted to coaxing more money out of our pockets. (page 123)

It's unfortunate that, as with the well-intentioned but necessarily compromised casino employee, policymakers have no real interest in downsizing or efficiency. From the current Economist :

> Periodic attempts to build "bonfires of regulations" have got nowhere. Under [George W] Bush the number of pages of federal regulations increased by 7,000, and eight of Britain's ten biggest regulatory bodies were set up under the current government. The power of these regulators is growing all the time. Policymakers are drawing up new rules on everything from the amount of capital that banks have to set aside to what to do about them when they fail. Britain is imposing additional taxes on bankers' bonuses, America is imposing extra taxes on banks' liabilities, and central bankers are pondering ingenious ways to intervene in overheated markets. Worries about climate change have already led to a swathe of new regulations, for example on carbon emissions from factories and power plants and on the energy efficiency of cars and light-bulbs. But, since emissions are continuing to grow, such regulations are likely to proliferate and, at the same time, get tighter. The Kerry-Boxer bill on carbon emissions, which is now in the Senate, runs to 821 pages.
>
> Fear of terrorism and worries about rising crime have also inflated the state. Governments have expanded their ability to police and supervise their populations. Britain has more than 4m CCTV cameras, one for every 14 people. In Liverpool the police have taken to using unmanned aerial drones, similar to those used in Afghanistan, to supervise the population. The Bush administration engaged in a massive programme of telephone tapping before the Supreme Court slapped it down. [2]Leviathan stirs again, 'The Economist' (subscription), 23 January

I don't see big government as necessarily a problem, but I do see remote, inefficient government as a problem, and one that's getting worse. Government is now so big it alone determines its size and rate of growth. In my view, the size of government should be a by-product of the social and environmental outcomes we want to achieve. There are some things that only government can do, two of which are articulating society's goals and raising the revenue for their achievement. Where government tends to be inefficient is in actually achieving these goals. Contracting out such achievement, as would be done under a Social Policy Bond regime, would bring competition to many services that are currently delivered by government agencies. Competition is not an end in itself, of course; it is a means to the end of greater efficiency. Unfortunately, our current system is not efficient. Some of its achievements have been impressive, but much of their cost has been deferred as far as politically possible. That's the financial cost. There have been other costs, as the Economist points out, including ever-growing state intrusion into our lives. Social Policy Bonds, or something like them, could be the answer.

1. http://www.amazon.com/Bob-Gambler-Frederick-Barthelme/dp/039592474X
2. http://www.economist.com/world/international/displaystory.cfm?story_id=15328727

7.1.8 Deployment of Social Policy Bond principle! (2010-01-26 11:57)

"Today I am launching a new fund – www.arrestblair.org – to reward people who attempt to arrest the former prime minister." [1]A Bounty for Blair's Arrest , George Monbiot

1. http://www.monbiot.com/archives/2010/01/25/a-bounty-for-blairs-arrest/

7.1.9 Corporations versus humans (2010-01-31 10:19)

We constantly confuse means with ends. For most of recent history a society's corporate health was a fairly reliable indicator of economic health which, in turn, was reasonably well correlated with the wellbeing of an entire population. But there's nothing inevitable about such strong correlations. Corporate objectives differ from those of ordinary individuals, and often conflict with them. But large corporations and government are now so big that they can manipulate the legislative environment to make sure they grow even bigger and more influential. Any link between the success of big organizations and the wellbeing of ordinary people is nowadays almost coincidental.

Social Policy Bonds could restore that link. They would subordinate the interests and activities of corporations and government agencies to outcomes that society itself chooses. Ones that would be inextricably linked the wellbeing of ordinary people. They would eliminate the confusion between ends and means that bedevils current policymaking at any but the most local level.

Meantime, the role of the corporate actor continues to expand. David Bollier reports that, on 21 January:

> [T]he U.S. Supreme Court gave the go-ahead for corporations to enclose our democracy. The Court ruled that corporations must legally be considered "persons" who are

> thereby entitled to First Amendment rights. By this tortured logic, long-standing limits on corporate contributions to political campaigns constitute an unconstitutional infringement of free speech. [N]ow paid speech (on behalf of market interests) is privileged over people's speech in electing our political leaders. "We the Corporations…." Corporations may now drown out the speech of real, live human beings for whom the First Amendment was designed. [1]The Corporate Enclosure of Democracy, David Bollier , 21 January

1. http://www.onthecommons.org/content.php?id=2630

7.2 February

7.2.1 (2010-02-02 00:59)

I think there's a bit of what you say and should have management analysts in Argentina that are public and detached from the press that determine if a certain person ruled well or badly, or you can occupy a position superior political effectiveness is not by popularity.

7.2.2 (2010-02-02 01:09)

Thanks Julio. Under Social Policy Bonds ruling would be more about articulating society's wishes than about courting popularity. And people's wishes would be determined and then targeted; they would therefore be quite calculated, rather than (as now) responsive to immediate events and so more likely to be based on emotion.

7.2.3 Galbraith and government (2010-02-03 00:36)

> While [J K Galbraith] is perfectly able to see the defects of businessmen — their inclination to megalomania, greed, hypocrisy, and special pleading — he is quite unable to see the same traits in government bureaucrats.... A man who has devoted his life to the study of economics — and occupies one of the most prestigious chairs in the subject in the world — does not appear to understand that the existence of thousands of corporations, as well as the possibility of starting new ones, introduces a significant difference from a situation in which there is a single employer under very tight political control. [1] The Galbraith Revival , Theodore Dalrymple , 'City Journal', Winter 2010

It's a common mistake, and an easy one to make for those of us lucky enough to live in societies with a history of benign and not-too-disastrous public policy. But the limitations of the single- employer approach are increasingly apparent. Dr Dalrymple mentions "the fact that Britain spends nearly $100,000 per child on public education, and yet a fifth of the population

is unable to read with facility or do simple arithmetic...". I would point also to the persistence of poverty and disease in the poorer countries, the failure to eradicate war, and the increasing risk of catastrophic environmental or nculear disaster. We do, I think, need an explicit focus on such problems, and government is big and (generally) sufficiently well intentioned to provide it. But we also need a large array of diverse approaches and problem-solving bodies that can adapt their approach quickly to changing circumstances. We need in particular, a means by which inefficient solutions to social problems are terminated quickly. And government, however big and well intentioned, cannot effectively manage diverse, adaptive approaches. No single organization can.

Social Policy Bonds could square that circle. Under a bond regime, government, whether national or supra-national, is big enough to target global social problems and to raise the revenue for their achievement. It could stimulate diverse, adaptive solutions by issuing the bonds, which would be redeemed only when targeted outcomes - world peace, for example, or climate stability - had been achieved. Government can perform these tasks without getting involved in actually achieving these goals: such achievement would, under a bond regime, be contracted out to agencies (mainly private sector) who would be highly motivated to explore and implement only the most efficient solutions to our problems. Government would then function not as the monopolistic 'single employer', but more as the articulator of society's goals and the agency that transfers our scarce resources to the people who help achieve them.

1. http://www.city-journal.com/2010/20_1_otbie-john-kenneth-galbraith.html

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7.2.4 Social Policy Bonds: an alternative to policy mashup (2010-02-08 13:45)

Jaron

Lanier :

> If everything is a mashup of everything, then everything becomes the same, gradually .... You need to have membrane walls to have creative evolution. The reason the Beatles are the Beatles is they evolved initially somewhat separately at a club in Hamburg (Germany) and at this funny club in Liverpool. If everybody is on Ed Sullivan all the time, you can't ever get a Beatles; everything will be the same. [1]Silicon Valley visionary says life online needs some humanity, 24 January

A policymaking culture where there is only one solution to a given problem is unlikely to be effective. Government policy is increasingly centralised, and so becoming less capable of dealing with diverse populations and circumstances. Even if a policy applied very widely is efficient to begin with it will be unable to respond creatively to changing circumstances.

There's nothing wrong with wanting a uniformly agreed outcome, such as universal literacy, or reduced crime rates. But it is folly to imagine that a single approach can be efficient in supplying one. People differ, circumstances vary, and times change. Governments are too big and cumbersome to respond, and they much prefer a uniform approach to anything more administratively untidy.

Social Policy Bonds might be the answer. They would reward people for achieving outcomes as broad as world peace or the eradication of global hunger, but they would not stipulate how these goals shall be achieved. That would be up to investors in the bonds, who would have every incentive to seek out and implement any of a wide and expanding array of approaches, varying according to space, population and time. The contrast with the current policy mashup is stark.

1. http://www.pittsburghlive.com/x/pittsburghtrib/s_663442.html

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7.2.5 Zombie politics (2010-02-09 10:35)

Describing the reaction of those conservatives in the US who now accept the mainstream scientific position on climate change, Jonathan Chait says:

> [R] ather than proceed from that premise to some program of reduced emissions, they have feverishly devised a series of rationales for unlimited carbon use. Some have embraced fantastical geoengineering schemes–massive machines, for example, that would suck carbon out of the sky–with the rabid certainty of a science-fiction nut. Others insist that limiting U.S. emissions will do nothing to help force developing nations to do the same. Still other conservatives argue that the future world will be richer and thus able to cope with whatever calamities a hotter planet will bring. The telling thing here is not that these arguments are provably wrong, though they are highly speculative. It's that those conservatives who have accepted climate-change science immediately jumped to some other reason to oppose government action. ... [V] irtually no conservative intellectuals seem to settle, even temporarily, on the view that climate change is real and that government regulation is therefore appropriate. They cling to climate-science skepticism like a life preserver, and then, when they can't hold on any more, they grasp immediately for a different rationale. If government intervention appears to be the answer, they must change the question. Jonathan Chait , [1]The rise of Republican nihilism , 'The New Republic', 30 December 2009

It wouldn't matter so much of these deadbeat political parties were subject to genuine competition or the sort of market disciplines that they themselves claim they would like to see in the economy. Sadly, though, they and their corporate paymasters are together powerful and self-interested enough to stifle any chance of real reform. Ideology becomes a means by which to paper over the widening gap between politicians' interests and those of ordinary people. It can't go on indefinitely, but it could well be that any worthwhile convergence will be preceded by some sort of catastrophe.

One way of avoiding that would be a gradual

transition to a Social Policy Bond regime. If that seems drastic and far fetched, then at the very least we should start to express policy goals in terms of meaningful outcomes, rather than as ideological counters, activities or spending on government agencies.

1. http://www.tnr.com/article/politics/the-rise-republican-nihilism

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7.2.6 Use broad, meaningful, numbers (2010-02-15 11:10)

Severe winter weather in England. Some schools decide to close, others to stay open. Marjorie Clarke from Devon, in a letter to 'the Independent', explains why:

> [I]f a school decides to close, it will not affect the official attendance record, but if it opens and only half the pupils attend, this will be counted as poor attendance ....
>
> Letters , 'The Week', 16 January

...and the school penalised accordingly. School attendance records like this constitute another in the UK's prolific series of Mickey Mouse micro-objectives.

Using numerical indicators and targets is perhaps a regrettable, but largely inevitable part of governing large, complex societies . My work on Social Policy Bonds has convinced me that those numbers that are used should be as broad as possible, and inextricably linked to what we are really trying to achieve. There needs to be more clarity about means and ends. School attendance, for instance, however measured, is not a social goal: better educational outcomes are.

So my advice to the UK Government, or any well-intentioned body aiming to achieve meaningful social and environmental goals, is to think carefully about what you want to achieve and, as far as possible, reward people for achieving. It sounds simple, and it's the underlying principle of Social Policy Bonds. But with the odd exception it's rarely been deployed, and when it has (see [1]here, for one example), it's seldom by governments, who are responsible for by far the biggest sums supposedly devoted to achieving social goals.

1. http://www.arrestblair.org/

7.2.7 Gaming the system, again (2010-02-17 15:21)

Further to my previous post about Mickey Mouse micro-objectives in education: [1]here's a story that describes something else that can happen when incentives are perverse: teachers changing their students' answers on tests from wrong to correct.

1. http://www.nytimes.com/2010/02/12/education/12georgia.html

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7.2.8 Crisis of capitalism (2010-02-24 10:03)

Capitalism succeeds mainly because of creative destruction: the failure of businesses that respond inefficiently or not at all to the concerns of ordinary people, as manifested in a relatively free market. It fails when businesses become so big that they constitute monopolies, or so powerful that they can manipulate the trade and regulatory environment to suit their short-term interests at the expense of the longer-term interests of society and the environment. Such failure takes the form of inefficiency and a widening gap between government and big business on the one hand, and ordinary people and smaller enterprises on the other.

We are beginning to see a crisis of capitalism playing out now. Government and big business have done their best to subvert creative destruction, and are powerful enough to succeed. They are the most influential entities in our societies and they are big enough to distort or eliminate the market's way of responding to individuals' wishes. The result will be more central planning, and the increased alienation of ordinary people from the political process.

Social Policy Bonds might be a way of reconciling the need for centralised guidance of our large societies with the equally important need for efficiency - and freedom. They would contract out the achievement of our social and environmental goals to the private sector. Inefficient players would find themselves bid out of their part of the contract. Our goals would still be large scale, but the organizations of people with a vested interest in achieving them - holders of Social Policy Bonds - could be of any size, with a constantly varying composition. More important, these organizations would be subject to creative destruction. That's a marked contrast to the current system, under which the organizations supposed to help achieve our social goals are government agencies, whose immunity from creative destruction and whose close relationship to big business are at risk of discrediting the best features of capitalism and market forces for a long time to come.

7.2.9 Lamentable (2010-02-26 12:16)

I refer to the standards of debate and the aspirations of some of our political representatives:

> Mr Farage [UK Independence Party] drew jeers on Wednesday when he told the chamber of the European Parliament that Mr Van Rompuy had "the charisma of a damp rag" and the appearance of a "low-grade bank clerk". [1]Source

It seems it's now respectable to judge our leaders by their appearance or whether they have charisma or not. Our political process is so corrupted and obscure that, it seems, we rely on a politician's image when it comes deciding whether or not they're worth voting for. Mr Farage is probably in sympathy with a large part of the electorate in this. It's the system that's at fault, and the fault is that we have become habituated to judging politicians by anything except outcomes. In a rational society outcomes would matter most. The problem is that society is so complex, and the political process so arcane, that identifying cause and effect in politics is largely impossible.

One result is the disengagement of ordinary people from the policymaking process. Corporations and lobbyists take their place. In a vicious circle, the wide gap between politicians and the people they are supposed to represent grows every larger. The current system makes it too easy for politicians and bureaucrats to evade or deflect censure for their inefficient or bad policies.

Social Policy Bonds would, I think, have many advantages. One is that they would refocus political debate on outcomes that are meaningful to ordinary people. In stark contrast to the current system, rewards would be inextricably linked to achievement of these outcomes, and the outcomes would be clear, explicit and stable. More people could be involved in the policymaking process; they would also have more realistic views about what can be achieved

with public funds and about the inevitable trade-offs that have to be made. One huge benefit is that people would buy in to the process and the resulting goals. In such a process, we'd assign the personality or appearance of politicians correctly - as zero.

1. http://news.bbc.co.uk/2/hi/uk_news/politics/8538281.stm

7.3 March

7.3.1 Who cares about the planet so long as Al Gore look silly (2010-03-01 11:53)

One of the virtues of the Social Policy Bond approach is that setting goals would be done deliberately, consciously and more rationally than it is now. Consider this quote from David Brooks, a 'New York Times' columnist says:

> I have to confess, I am not at my best when dealing with environmental issues. On the one hand, I totally accept the scientific authorities who say that global warming is real and that it is manmade. On the other hand, I feel a frisson of pleasure when I come across evidence that contradicts the models. I don't know if this is just because I distrust people who are so confident they can model complex systems or because I relish any fact that might make Al Gore look silly. [1]Source (quoted [2]here)

This sort of puckish perversity does matter, especially when widely promulgated in the mass media. In the absence of referendums about climate change and other major policy issues, it stands in for, and influences, received opinion. Yet his conclusion doesn't even reflect Mr Brooks' own opinion about the fact of climate change. Our current system gives us so little influence over policy that we treat the whole process as an entertainment.

Social Policy Bonds would bring some rationality to policymaking. Instead of focusing on personalities a bond regime would start out by considering which social and environmental goals we should aim to achieve. Because it is entirely focused on meaningful outcomes, it would bring more people into the policymaking process. We'd think carefully about which outcomes we want to target, and how we'd rank them and, in contrast to the current system, we'd do so relatively dispassionately.

1. http://opinionator.blogs.nytimes.com/2010/01/07/new-years-resolutions/
2. http://www.grist.org/article/2010-02-25-attack-on-climate-change-science-is-oj-simpson-moment/

7.3.2 More transfers from the poor to the rich (2010-03-02 11:19)

George Monbiot writes about the UK Government's feed-in tariffs for electricity produced by photovoltaic (PV) panels:

> The government is about to shift £8.6 bn from the poor to the middle classes. ... On April 1st the government introduces its feed-in tariffs. These oblige electricity

> companies to pay people for the power they produce at home. ... . Solar PV is a great technology - if you live in southern California. But the further from the equator you travel, the less sense it makes.... It's not just that the amount of power PV panels produce at this latitude is risible, they also produce it at the wrong time. In hot countries, where air conditioning guzzles electricity, peak demand coincides with peak solar radiation. In the UK peak demand takes place between 5 and 7 on winter evenings. [1]A great green ripoff, George Monbiot , 1 March

And so on and on.... This is what happens when policy is determined by image, sentiment, lobbyists and corporations. It's policy as if outcomes don't matter in the least.

A Social Policy Bond regime wouldn't allow this sort of nonsense to occur. Correction: it would - but only if people actually wanted it. That's to say, if people deliberately choose to transfer millions of pounds from the poor to the rich and to fraudsters, they could do so under a bond regime. The difference is, they'd be doing it with their eyes open, instead of having their view obscured by a policymaking regime that is concerned mainly about image, the welfare of corporations and government agencies, and arcane debate about structures and process.

1. http://www.monbiot.com/archives/2010/03/01/a-great-green-rip-off/

7.3.3 Low-hanging fruit (2010-03-07 11:47)

This blog has moved to [1]http://socialgoals.blogspot.com. I am working on an automatic redirect.

The way big organizations work, whether they be public or private sector, there's often little incentive to explore cheap but effective ways of improving performance. There's little glamour attached to mundane ideas and, where status is correlated with budget size, little reason to adopt them when there's a more expensive option available. This mentality, of course, is encouraged by an environment in which outcomes don't matter. But when people do care about outcomes, there's a surprising amount of low-hanging fruit available for the plucking. Here's the result of using checklists for surgical procedures for 8000 patients for six months:

> In every hospital major complications were reduced by 36 per cent and the death rate was halved.
>
> One minute with Atul
>
> Gawande
>
> , 'New Scientist', 20 February

This is outcome-based policy at its best. (See [2]here for more.) All 167 hospital trusts in the UK are now adopting this simple innovation.

A Social Policy Bond regime would similarly encourage the adoption of efficient techniques, even if they are unglamorous. It would build efficiency incentives into all activities aimed at

achieving the targeted goal. As Dr Gawande's work indicates, the scope for improvement under the current system is quite astonishing.

This blog has moved to [3]http://socialgoals.blogspot.com. I am working on an automatic redirect.

1. http://socialgoals.blogspot.com/
2. http://news.bbc.co.uk/2/hi/health/8493922.stm
3. http://socialgoals.blogspot.com/

7.3.4 This blog has moved (2010-03-07 12:26)

This blog is now located at http://socialgoals.blogspot.com. Please check your Favorites or Bookmarks.

7.3.5 Overcoming mistrust of science: Climate Stability Bonds (2010-03-09 13:24)

As a means of averting disaster, we might be better to formulate policy by targeting basic goals, such as human survival, rather than wait for evidence that will persuade enough people to ensure that action is taken, eventually, by our current political process. Too many influential organizations have vested interests in opposing policies that would benefit society as a whole. George Monbiot suggests that no amount of evidence will convince some people:

> [I]n some cases debunking a false story can increase the number of people who believe it. In one study, 34 % of conservatives who were told about the Bush government's claims that Iraq had weapons of mass destruction were inclined to believe them. But among those who were shown that the government's claims were later comprehensively refuted ... 64 % ended up believing that Iraq had WMD . [1]The Unpersuadables , George Monbiot , 8 March

One of the huge advantages of the Social Policy Bond approach is that the evaluation of evidence about such potential problems as climate change is done by private interests. If [2]Climate Stability Bonds were issued, it would be potential purchasers of the bonds who would have to evaluate the evidence about climate change, its causes and consequences , and the best ways of dealing with it. They would have to do continuously from the time the bonds are first floated until they are redeemed. They would have every incentive to do so, and to do so impartially; that is, regardless of their opinion of the science, or the influence of powerful corporations or environmental bodies.

Mr Monbiot is gloomy about the prospects of doing things the conventional way:

> The battle over climate change suggests that the more clearly you spell the problem out, the more you turn people away. If they don't want to know, nothing and no one will reach them.

But even people with a visceral distrust of science; even those who genuinely believe that climate change isn't happening, could not rationally oppose a Climate Stability Bond regime, under which the costs of failing to assess the risks accurately would be borne not by taxpayers, but by those who are willing and able to accept that risk by investing in the bonds. By targeting the desired outcome - a climate with tolerable impacts - governments or whoever issues Climate Stability Bonds could avoid the divisive, arduous and protracted process of evaluating the mass of evidence about climate change. It would be much easier to generate buy-in to the goal of climate stability, than to massive and shifting scientific evidence that will underpin any activities taken to bring it about.

1. http://www.monbiot.com/archives/2010/03/08/the-unpersuadables/
2. http://socialgoals.com/ieakyototext.html

7.3.6 Business as usual (2010-03-11 10:28)

World recession? People being thrown out of jobs? House foreclosures? An imploding financial system? No worries - if you're a subsidised US farmer:

> the United States budget for 2011 announced this February proposed to cut back spending by reducing agricultural subsidies by US $ 10 billion over ten years. It suggested that subsidies only be granted to farmers earning under US $ 250,000 a year, down from a current cap of US $500,000 a year, and cutting aid to crop insurance companies. According to [1]Reuters, this proposal was rejected on 3 March by the U.S. House Agriculture Committee, who stated that changes to farm policies should wait until the next farm law is negotiated in 2012. [2]Will budget deficits provide leverage for farm subsidy reform?, 'Global Subsidies Initiative'

1. http://www.reuters.com/article/idUSN0319258520100304?type=marketsNews
2. http://www.globalsubsidies.org/en/subsidy-watch/news/will-budget-deficits-provide-leverage-farm-subsidy-reform-0

7.3.7 Social Policy Bonds: an alternative to the bolshevik approach (2010-03-14 11:46)

Comparing the relative economic performance of Russia and China, David Ellerman writes:

> Another part of the pragmatic approach, also evident in China, is the willingness to allow parallel experiments in different parts of the country and then foster horizontal learning and the propagation of the successful experiments. This is an important part of the alternative to the bolshevik / jacobin approach of legislating the brave new world from the capital city to be applied uniformly across the country.
>
> [1]Pragmatism versus economics ideology in the post-socialist transition: China versus Russia(pdf), David Ellerman , real-world economics review, issue no. 52, 10 March

This explains much of the relative economic success of China. Unfortunately it's not the way most of our social and large-scale environmental problems are tackled. For these, government agencies are usually in charge, and they adopt the top-down approach. They are also far more tolerant of failed experiments than any moderately sized private sector business can afford to be. (The largest corporations can often suppress competition so their inefficiencies can persist.) So while a competitive private sector fosters efficiency , the public sector does not. This is not only a waste of resources; it also limits our vision of what government - and only government - can do. When the public sector becomes a byword for inefficiency we don't, for example, even imagine that it can tackle such tenacious and seemingly intractable problems as violent political conflict, for instance, or global poverty.

And that's where Social Policy Bonds come in. Under a bond regime government would still do what it does best - and what only government can do: tackle large-scale social and environmental problems, and raise the revenue to reward people who solve them. But, by issuing the bonds, government would, in effect, contract out the achievement of our social goals to the private sector who would have exactly the same incentives to be efficient as any but the largest corporations have today to achieve their more limited goals. The current approach to tackling our most urgent and challenging goals is what Mr Ellerman would call bolshevik or jacobin . Social Policy Bonds would be the pragmatic alternative.

1. http://www.paecon.net/PAEReview/issue52/Ellerman52.pdf

7.3.8 (2010-03-14 22:48)

That's Jaro**n** Lanier.

Great to see you blogging again, or to have noticed your feed change and seen your blogging again.

Mikee

7.3.9 (2010-03-15 00:12)

Oops! (Fixed) Thanks Mike and good to see you again.

7.3.10 The problem with lobbying (2010-03-18 09:47)

Michael Tomasky writes about the lobbyists against health care reform in the US:

> At one point last year, more than 3,300 people were registered as lobbyists on health care. That's six for every member of Congress, House and Senate combined. ... In addition, it's worth remembering that, apart from lobbying legislators, these organizations spend vast sums for television and radio advertising. [1]The Money Fighting Health Care Reform, 'New York Review of Books', dated 8 April

Lobbying is, of course, a legitimate activity. What makes it problematic, for me, is that it is almost all done by organizations, supposedly on behalf of their members. These organizations can be corporations, trade unions, NGOs, or other bodies, but they have in common that their over-arching goal is self-perpetuation. It is not the long-term interests of their members as individuals , still less of people in general. Lobbying today is, essentially, lobbying of corporate interests by corporations. And in achieving their main goal, they are remarkably successful. With corporations going bust everywhere, growing unemployment and a still-fragile economy, as Mr Tomasky says, 'federal lobbyists and their clients spent more than $3.47 billion last year [2009]. That is an all-time high, according to the [2]Center for Responsive Politics, whose executive director notes dryly that lobbying is one business that appears to be "recession proof." '

We need a way of re-orienting policy towards the interests and aspirations of ordinary people. Transparency about what are government's goals would help, and a Social Policy Bond regime would necessarily bring that about. Under a bond regime, government funding would be inextricably tied to efficient achievement of agreed, explicit social and environmental goals. There would probably still be lobbyists - but no longer could they concentrate their efforts (and enticements) on the (much smaller) number of legislators. Instead they would have to convince the rest of us as to the justice of their cause. A stark contrast to, and I believe, a big improvement on the current system.

1. http://www.nybooks.com/articles/23764
2. http://www.opensecrets.org/about/index.php

7.3.11 Social Policy Bonds and Social Impact Bonds (2010-03-22 12:09)

Social Impact Bonds are a new financial instrument being developed in the UK by the [1]Young Foundation and [2]Social Finance. There is more about them [3]here and [4]here. They are similar to Social Policy Bonds in that they link rewards to success in achieving meaningful social outcomes. They appear to differ in that unlike under a Social Policy Bond regime, the contract to achieve the specified outcome would not be tradable . It seems that Social Impact Bonds would reward pre -selected organizations, or parts of pre -selected organizations for working efficiently: they would still have incentives to achieve the specified goal. They might even contract out some of the required work.

Compared with Social Policy Bonds, though, SIBs would be less tradable . There would be no transparent market for them. The composition and structure of the organization trying to achieve the outcome would therefore be fixed and pre -determined. Under a Social Policy Bond regime, on the other hand, the type, structure and composition of organizations working to achieve the target would be subordinate to the most efficient way of reaching it. This means, amongst other things, that broad, longer-term goals could be targeted. The identity of the organizations envisaged as benefiting from any efficiency gains under a SIB regime is another point of departure. They seem to be local authorities or other government agencies. It would appear, therefore, that gains from improved efficiency would be most likely to be remain with the agency and so, perhaps regrettably, be less motivating than direct financial incentives to employees.

1. http://www.youngfoundation.org/
2. http://www.socialfinance.org.uk/

3. http://www.socialfinance.org.uk/services/index.php?page_ID=15
4. http://www.youngfoundation.org/social-innovation/tips/social-impact-bonds-and-social-value#comment-833

7.3.12 It's not going to work (2010-03-24 08:48)

Concluding his litany of the deficiencies of the United Nation's Clean Development Mechanism (CDM), Mark Schapiro says the market for carbon offsets is:

> ...an elaborate shell game, a disappearing act that nicely serves the immediate interests of the world's governments but fails
>
> to meet the challenges of our looming environmental crisis.
>
> [1]Conning the Climate
>
> (subscription), Mark Schapiro , 'Harper's Magazine', February

Not only the immediate interests of the world's governments (politicians and bureaucrats) but also the interests of the legions of economists, assessors, validators , and big corporations. Everybody who counts that is. Heaven forbid that we reward the outcome we actually want to achieve: a climate that's reasonably stable, however one wants to define that.

Even if we believe that capping anthropogenic greenhouse gas emissions is consistently found to be the best way of averting climate change and its worst effects; even then, this author believes that the CDM and all entire Kyoto-Copenhagen edifice is structurally unsound.

But how would my proposal - a [2]Climate Stability Bond regime - be any better? Holders of Climate Reduction Bonds would probably still target anthropogenic greenhouse gases in a similar fashion to Kyoto, but they would have strong incentives to do so more efficiently . They would want and would have wider scope for action. For example, they wouldn't be bound by political correctness or realpolitik of the sort that exempts some countries that emit huge quantities of greenhouse gases from any disciplines at all. They would have the flexibility to buy these regimes off or otherwise undermine any weakening of the disciplines. Kyoto-Copenhagen is so politicised and its money flows so unpalatable that it is seen as an imposition: in the rich countries it's seen as an imposition by environmentalists on everybody else. In the poor countries it's seen as an imposition by the rich countries on them. It means huge upfront costs for a very small payoff well into the future. Being a political construct it is so compromised that even its most ardent advocates think it ineffectual in its own right. They see it as first step; but it is one that might well not be actually taken – as distinct from being endlessly discussed, debated, written into law and performed as an elaborate charade or shell game.

Climate Stability Bonds, in contrast, would target an array of outcomes that ordinary people can understand, empathise with, and support, or at least, buy into; and that would entail taxpayer spending only when it had been achieved. If we are serious about climate change and its effects, we are going to need the buy-in that only an outcome-based regime, such as Climate Stability Bonds, can bring about.

1. http://www.harpers.org/archive/2010/02/0082826
2. http://socialgoals.com/ieakyototext.html

7.3.13 Command and control versus evolution (2010-03-29 09:52)

When it comes to generating wealth we accept that a Darwinian approach is best. This is not only on the basis of economic theory, but on empirical evidence. Success, broadly defined, comes from the creative destruction of inefficient or ineffective firms, and the redeployment of society's scarce resources into more profitable investments.

For a mixture of ethical and historical reasons, we don't adopt the same approach when looking at social and environmental problems. Here the model tends to be command-and-control. This approach can work; indeed sometimes it is the only answer, despite occasional resistance. Thus, *The Times*, editorialising (on 1 August 1854) against measures to provide basic sanitation in London:

> [W]e prefer to take our chance of cholera and the rest than be bullied into health.

Sometimes, though, government or any big organization gets it wrong. And when these organizations are too big, there's very little we can do about it, except perhaps wait for their folly to antagonise coalitions of interests (natural or man-made) that are big enough to oppose them. In the ensuing conflict - between reality and nature, between opposing coalitions - large numbers of people are generally killed. It's a sort of Darwinism, but not one whose terms people would choose to accept, because its destructive power is immediate, large scale and permanent, and any benefits too nebulous and remote.

If we accept, though, that a global population of more than six billion requires big government and large corporations, we can try to supplant this clumsy, destructive way of proceeding with something less haphazard. And that's where Social Policy Bonds can come in. A Social Policy Bond regime could combine the benefits of creative destruction with those of the command-and-control approach. The difference is that instead of prescribing how social goals are to be achieved, government (or non-governmental organizations, or philanthropists) would limit themselves to setting these goals and raising the revenue required to achieve them. The market for Social Policy Bonds would bring about the termination of inefficient projects, and motivate would-be investors to seek out and implement only those projects - or combinations of projects -

that are efficient and effective .

Under a bond regime, creative destruction would play its part in selecting for efficiency, while command-and-control would do what it's best at: prescribing meaningful social and environmental outcomes for the benefit of large populations.

7.3.14 (2010-03-31 12:45)

I do so agree with this and described a microcosm in this little paper:
[1]Sensor networks and social policy bonds

1. http://www.hughbarnard.org/content/sensor-networks-and-social-policy-bonds

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7.3.15 (2010-03-31 13:16)

Thanks Hugh; I've put a [1]link to your paper on my home site.

1. http://www.socialgoals.com/social_policy_bonds_on_other_websites.html

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7.4 April

7.4.1 'The Myth of Europe's High Taxes' (2010-04-02 09:07)

> SIR – Thank you for enlightening us about health care. Were it not for your cogent arguments I would never have realised that what America needs are increased taxes , a massive expansion of the federal government, less personal responsibility, more price-fixing and hundreds of billions of dollars added to the deficit to finance one of the biggest entitlement programmes in our history. Now I better understand why our forefathers risked their lives to separate themselves from Britain. Letter to the editor of the [1]Economist (subscription), Cary Alberstone, Camarillo, California, 31 March (my emphasis)

Mr Alberstone believes that Americans pay lower taxes than the British. But all is not as it seems:

> Do Americans really pay fewer taxes than Europeans? Contrary to conventional wisdom, the answer surprisingly is: not really. That's because in return for their taxes, Europeans – even those unemployed during these tough times – have access to a generous support system for families and individuals that most Americans can only imagine. That includes not only quality health care but also child care, a good retirement pension, inexpensive college education, job retraining, paid sick leave, paid parental leave (after a birth or to care for sick children), ample vacations, affordable housing, adequate senior care and more. In order to receive the same level of benefits as Europeans, most Americans have to fork out a lot of out-of-pocket payments, in addition to our taxes. These payments often are in the form of fees, surcharges, higher tuition, insurance premiums, co-payments and other hidden charges. Steven Hill, [2]The Myth of Europe's High Taxes , OnTheCommons.org, 23 February

Any decent outcome-based policymaking process wouldn't be particularly interested in tax figures of the sort that mean so much to Mr Alberstone. It would instead be concerned with meaningful social outcomes and their total cost to society. More important than how public goods and services are paid for, is their efficiency and their cost to society as a whole.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=15814161
2. http://www.onthecommons.org/content.php?id=2664

7.4.2 Subsidising planetary destruction (2010-04-06 13:38)

Or: read and weep. Or: why am I not surprised?:

> EU subsidy payments are helping to fund the overfishing of depleted stocks such as cod and bluefin tuna, according to new research. T
>
> he [1]Poseidon Aquatic Resource Management consultancy and [2]Pew Environment Group analysed data from the EU's 'Financial Instrument for Fisheries Guidance', which paid almost £4 billion in fishing subsidies between 2000-2006. [3]EU subsidies linked to overfishing, 'The Ecologist', 31 March

The good news is that:

> 17 per cent of the subsidy payments went towards measures that would clearly result in a reduced fishing capacity ....

The bad news is that:

> 29 per cent helped to fund what the study defined as 'negative measures', including modernising the fleet and constructing new and more powerful fishing vessels.

And the ugly news is that:

> The study's authors said they were stopped from analysing the funding from current subsidy scheme, the European Fisheries Fund (EFF), running from 2007-2013, because of new EU disclosure rules. 'Transparency has been removed with the new funding instrument....' said Markus Knigge , policy and research director at the Pew Environment Group.

This sums up all we really need to know about policymaking today. The only outcomes our political class is concerned about are the short-term ones favoured by corporations and lobbyists. When the disastrous nature of their policies threatens to become public, their first instinct is to suppress further investigation. It's a self-perpetuating and self-reinforcing system. It's corrupt and it's insane. Social Policy Bonds would not be perfect. But, with their targeting of transparent, explicit, meaningful goals, they would be far better than the system we have today, under which we are not only destroying the planet, we are subsidising its destruction.

1. http://www.consult-poseidon.com/index.htm
2. http://www.pewtrusts.org/our_work_category.aspx?id=110
3. http://www.theecologist.org/News/news_round_up/453125/eu_subsidies_linked_to_overfishing.html

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7.4.3 Policy by and for large organizations (2010-04-10 10:56)

> This court, although it regards the arguments presented in favour of removal in this case to be of grave significance, nevertheless deems it necessary to consider the good of the Universal Church together with that of the petitioner, and it is also unable to make light of the detriment that granting the dispensation can provoke with the community of Christ's faithful, particularly regarding the young age of the petitioner. English translation of an excerpt from a [1]letter to Oakland Bishop John S Cummins, signed by Cardinal Joseph Ratzinger, 1985. (My emphasis)

Without making too much of an out-of-context translation of an extract from a single piece of correspondence, we can at least recognise just how powerful is the over-arching institutional goal of self-perpetuation, even when it conflicts with justice, humanity or rationality.

Every large organization is the same, whether it be a religious body, a large corporation, a trade union, university or a government agency: institutional survival is first and foremost. And, since government policy is made by and for large organizations, and government policy is now the single most important determinant of human and environmental wellbeing...well, we have a problem. The problem takes the form of social and environmental collapse. My previous post talked about subsidised over-fishing, but we face a broader challenge on many fronts. As nuclear weapons proliferate, as the climate (almost certainly) seems to be on the verge of alarming instability, policymaking hasn't adapted. While paying lip service to humanitarian concerns, we rarely see the explicit targeting of such meaningful goals as the [2]avoidance of catastrophe, the [3]stabilising of the climate, or the[4] prevention of war. Instead, the existing array of incentives, the ones that have done so much to bring us mayhem in many different manifestations, continue to enrich the powerful and to finance any opposition to their reform or removal. Like the Roman Catholic Church, our most powerful institutions - governments - hold as their highest priority, self-perpetuation. Justice, humanity or even economic rationality don't stand a chance.

All this is well documented and unoriginal. Where I perhaps differ is in offering Social Policy Bonds as a corrective: a way of re-orienting government policy, and the massive incentives it offers, to favour the achievement of goals with which individuals can identify.

1. http://news.bbc.co.uk/2/hi/europe/8612596.stm
2. http://socialgoals.com/dpbs.html
3. http://socialgoals.com/ieakyototext.html
4. http://socialgoals.com/wpbsshort.html

7.4.4 No vision = mass apathy (2010-04-14 10:57)

In trying to explain the mass apathy around the forthcoming British election, Anatole Kaletsky writes:

> A more convincing explanation [than colourless] personalities or [expenses scandals is with respect to] ideas. There are plenty of new policies in the manifestos. Some are even quite good, such as the Tory plan to finance new schools run by parent co-operatives or Labour's promise of a green investment bank to finance energy technologies that cannot compete commercially with fossil fuels. The problem for all parties, as many commentators have noted, is the absence of any overarching narratives, ideological worldview or even tribal and class loyalties to link these scattered ideas. [1]The old politics is dead. But where is the new?, Anatole Kaletsky , 'The Times', 14 April

I think Mr Kaletsky is onto something here. There's no coherence behind the ideas; only sound-bite sops to interest groups . Such ideas as there are pay lip service to efficiency or value for taxpayers' money, but there's no compelling vision. He goes on:

> What Britain will need in the next five years is not less government and more market or vice versa , but a whole new agenda of policies combining and adapting the principles of market and political competition to promote objectives ranging from stable financial markets and clean energy to efficient social services that neither markets nor bureaucratic institutions can achieve on their own.

That's where some combination of outcome-based policies and market incentives could play a role. I'm still hopeful that one day Social Policy Bonds will at least be considered. There are a few straws in the wind, in the form of policies that link rewards to outcomes ([2]Social Impact Bonds for example) - but they are few, and they don't have the breadth or fluidity of Social Policy Bonds. Government at all levels does find it hard to relinquish control, and rarely does so without a struggle. So, in contrast to my earlier thinking, I now believe private entrepreneurs or groups of philanthropists will be the first to try out the bond principle.

1. http://www.timesonline.co.uk/tol/comment/columnists/anatole_kaletsky/article7096764.ece
2. http://socialgoals.blogspot.com/2010/03/social-policy-bonds-and-social-impact.html

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7.4.5 More on Social Impact Bonds (2010-04-19 10:37)

I've blogged [1]before about [2]Social Impact Bonds and how they adopt one of the principles of Social Policy Bonds: that of linking rewards to outcomes. Unfortunately, in my view, it appears that the recipients of such rewards are to be those agencies already working to achieve the specified outcomes. This limits not only the efficiency of the bonds but, perhaps more crucially, their range of operation. Existing bodies tend to have expertise in doing specified things in a certain way. Their vision is limited by the specificity of these things . Any stipulated goals, under a Social Impact Bond regime would, I believe, therefore be too narrowly defined to allow for broad social and environmental goals and the [3]creative destruction of those that are unpromising. Sadly, therefore, it would seem that Social Impact Bonds are afflicted by that bane of

policymaking worldwide: their effectiveness and efficiency are subordinate to current institutional structures. To that extent then, Social Impact Bonds represent only an incremental improvement over conventional policymaking . Under a Social Impact Bond regime our social and environmental objectives , would continue to be driven not by society's wishes, but by the organisational needs and limited vision of those currently supposed to be supplying them. To me, that's a recipe for failure.

Nevertheless, I have emailed both the [4]Young Foundation and [5]Social Finance (as well as the [6] Economist , which publicised Social Impact Bonds) and invited them to make use of my work on Social Policy Bonds if they wish. None of these organisations has responded to any of my emails.

1. http://socialgoals.blogspot.com/2010/03/social-policy-bonds-and-social-impact.html
2. http://en.wikipedia.org/wiki/Social_impact_bonds
3. http://socialgoals.blogspot.com/2010/03/command-and-control-versus-evolution.html
4. http://www.youngfoundation.org/
5. http://www.socialfinance.org.uk/
6. http://www.economist.com/displayStory.cfm?story_id=14493098

7.4.6 UK election (2010-04-24 14:02)

Asked about my interest in the UK election, I do not say that there's no difference between the parties. The winner would surely do things differently from the losing parties. But I do say that the nature of that difference and its implications cannot be known in advance . In 1997, former British Prime Minister, Tony Blair, said that his priorities would be 'education, education and education'. The results, after 13 years, have been dismal: 'teaching to the test', a switch to less demanding subjects, and grade inflation.

> Although the current Labour government has doubled spending on schools since coming to power in 1997, pupils are falling behind their counterparts in other rich countries. Their recent showing in the tests of 15-year-olds' reading, mathemantics and science skills...has been sobering. Between 2000 and 2006 Britain tumbled down the OECD's rankings in all of them.... [1]A classroom revolution (subscription), 'The Economist', 24 April

Politicians should talk about outcomes, not intentions. And election campaigning should discuss outcomes, rather than intentions, platitudes, spending plans, or vague and often conflicting so-called priorities.

1. http://www.economist.com/displaystory.cfm?story_id=15949738

7.4.7 Nobody knows, even assuming they care (2010-04-26 13:49)

> [E] conomic historians will probably spend the next 75 years debating whether monetary or fiscal policy dragged the developed world out of [the current] recession, just as they still discuss whether the actions of the Roosevelt administration really shortened the Depression. [1]Heat and Dust, the 'Economist' (subscription), 24 April

Cause and effect in economics, as in society and ecology, are nearly impossible to disentangle. There are too many variables and time lags. Conditions are never replicable; experiments are close-to-impossible. As well, the interests of politicians, bureaucrats, and technocrats are rarely exactly aligned with those of society. Yet the policymakers' influence is huge, as is the scale of the problems they attempt to solve. In short, we don't know how best to solve society's complex and urgent problems, and we can't be certain that policymakers really want to.

That's where Social Policy Bonds might offer an improvement over today's approach to policymaking

which , as the excerpt above points out, is somewhat haphazard. A bond regime would mean that policymakers don't have to have advance knowledge of the best way of solving social problems: all they would have to do is target each problem, and supply a rough estimate of the maximum value to society of its solution. Investors and potential investors in the bonds would work out the best combination of ways in which the problem could be solved. They would be highly motivated to do so throughout the time it takes to solve the problem which, for broad, ambitious, social goals, could be years or decades - much longer than the usual planning horizon of politicians. And they would do so adaptively; continually monitoring the impacts of their approaches and projects so as to maximise their benefit per dollar spent. They

would choose from a diverse array of possible approaches, because that would maximise their chances of above-normal success. And because bondholders' rewards would be inextricably linked to society's benefit, everyone would gain. Rather than the random approach to policy that generates the bewilderment described by the Economist , a Social Policy Bond regime would generate valuable information about those approaches that work and those that don't.

The contrast with today's top-down, one-time-only, one-size-fits-all approach is stark.

1. http://www.economist.com/businessfinance/displaystory.cfm?story_id=15955520

7.4.8 Transparency and trade-offs (2010-04-28 04:39)

Notions of trade-off rarely make it into the public discourse. In the abstract, we know that taking resources from, for example, people who buy food to some of the wealthiest [1]people in the land, means that ordinary people will have less to spend. But we find it very difficult actually to make some people worse off. Our policymaking system doesn't encourage us to limit expenditure on individual programmes, however ludicrous they might be, and even when it's rising insanely. The aggregate result is simply not sustainable. Joel Achenbach , says that the US national debt "which totaled $8,370,635,856,604.98 as of a few days ago, not even counting the trillions owed by the government to Social Security and other pilfered trust funds" and points out that:

> In addition to running a budget deficit, Washington for years has had a massive deficit of political will. Over the past decade, lawmakers have avoided the kind of unpopular decisions – tax increases, spending cuts or some combination – needed to keep the debt under control. Federal Reserve Chairman Ben Bernanke testified recently that, for investors, the underlying problem with the debt isn't economic. "At some point, the markets will make a judgment about, really, not our economic capacity but our political ability, our political will, to achieve longer-term sustainability," he said. Joel Achenbach , [2]The national debt and Washington's deficit of will,
>
> 'Washington Post', 25 April

One advantage of a Social Policy Bond regime would be its transparency, not only about what would be our social goals, but about their cost. When meaningful outcomes are targeted, people can enter into meaningful debate about which ones they value most. A bond regime would mean people choosing between outcomes, sensibly and rationally. It would be clear to everyone that choices are limited by available resources and that trade-offs are inevitable. Funding of outcomes means that any organizations that came about to achieve these outcomes would be entirely subordinated to society's goals rather than, as now, to the perceived need of every public sector organization to perpetuate itself. To see this, consider what would happen if government were pressured into setting an unrealistic objective under a Social Policy Bond regime: the market value of the bonds would be so low on flotation that the cost to society of achievement would be very high but, more importantly, it would be seen to be very high, well in advance of any government spending actually being incurred.

There are many other advantages of Social Policy Bonds over the current system, about which I have written at length in my [3]book, which can be downloaded free of charge.

1. http://www.oxfam.org.uk/press/releases/subsidies220305.htm
2. http://www.washingtonpost.com/wp-dyn/content/article/2010/04/23/AR2010042302222.html
3. http://www.socialgoals.com/_the_book.html

7.5 May

7.5.1 The curse of narrowly defined objectives (2010-05-02 09:31)

> Teachers and doctors strongly resist the introduction of a bonus culture: not just because they resent measurement of performance and accountability for their activities – although they do, and with little justification – but because they oppose importing the culture of assembly lines. They fear an environment in which they would be encouraged to focus on narrowly quantifiable objectives at the expense of the underlying needs of clients. Even if many teachers and doctors are incompetent and lazy, many others are seriously committed to the organisations for which they work, the subjects and specialisations to which they are devoted, and to a broader sense of professional ethics: and it is only people like these who establish the kinds of schools and hospitals we want as parents or patients. In education and medicine, both employees and customers sense that the disadvantages of the systemic consequences of large personalised incentives on values in organisations are likely to outweigh the benefits of such incentives for individual motivation. John Kay,
>
> [1]When a bonus culture is just a poor joke, 'Financial Times', 28 April

Sadly, perhaps, in our complex, highly aggregated societies, we might have to accept the targeting of quantifiable objectives, for all their faults. In the western world, as in the former centrally planned economies, indicators are for the most part, narrow, unsystematic and unsophisticated; they are seldom strongly correlated with what their designers actually want to achieve, and still less so with societal well-being. The key is to use broad indicators, with which the best teachers and doctors would have no quibble and could indeed, help design: universal literacy and numeracy, for example, or longevity, perhaps [2]adjusted to take account of quality of life. Such, of course, is the Social Policy Bond principle.

Even when following that approach policymakers will need to be guided by the limitations inherent in quantifiable indicators. The policy implication would be that government could usefully concentrate on those policy areas where numbers are unequivocally helpful. It is generally at low levels of health, educational level, housing, income, caloric intake etc, that increases are strongly correlated with an individual's welfare. Beyond basic levels, individuals' ultimate objectives are for the most part inescapably subjective. They cannot be measured, nor can the societal counterpart of social welfare, and government should recognise this limitation. It can never know as much about people's well-being as other people: Lord Kelvin's remark, that 'everything exists in some quantity, and can therefore be measured' is, of course, nonsense. A better guiding principle is that attributed to Albert Einstein: 'Not everything that counts can be counted, and not everything that can be counted counts.'

1. http://www.johnkay.com/2010/04/28/when-a-bonus-culture-is-just-a-poor-joke/
2. http://en.wikipedia.org/wiki/Quality-adjusted_life_year

7.5.2 Et tu, Amnesty? (2010-05-07 05:54)

Innumerable government agencies, churches, universities, trade unions, and now the - formerly - very best-intentioned non-governmental organisations: all are susceptible to sacrificing their ideals on the altar of self-perpetuation. Theodore Dalrymple

discusses Amnesty International, originally formed to support prisoners of conscious. It has recently taken on two further causes: a reduction in the disparity of maternal mortality rates in the US, and the elimination of the death penalty, where it is applied. Of the first, Dr

Dalrymple comments

> This is a tragedy for all concerned. In other words, while the disparity is indicative of a problem, it is not itself the problem. The infringement of human rights has nothing to do with it. [1]Mission Creep Causes Amnesty International to Lose Focus, Theodore Dalrymple , 3 May

And of the second:

> Now there are, of course, strong arguments for the abolition of the death penalty (the strongest of which, in my opinion, is the occurrence of judicial error even in the most scrupulous of jurisdictions). But there are also arguments in favor of the death penalty, and it is possible, and perhaps even likely, that the majority of the human race accept these arguments. Be that as it may, a murderer awaiting execution in the United States is hardly to be equated with a prisoner of conscience, even if it is cruel and unusual punishment to keep such a murderer on death row for years.

It's hardly surprising. Organizations do a lot of good work, but as they grow they become less focused on their original aims and more on the survival and growth of the organization itself. When these organizations become too influential, as big business and government have, then we are in trouble. The difference between the ideals and aspirations of the individuals who work in them, and the direction the organization actually takes, is often stark.

Social Policy Bonds would bring about a new type of organization: one whose existence, funding, structure and activities would all be aimed at achieving society's objectives. The organization would, in other words, be subordinate to social and environmental goals. People's loyalty would be to the goals, rather than the institution.

And Amnesty?

> It is as if Amnesty grew bored with its original purpose and now seems to suffer from what one might call the not-a-sparrow-falls-but-it-is-our-moral-concern syndrome, itself a result of believing that virtue is proportionate to the number of good causes that one espouses. Therefore, one must spread one's moral wings and fly off into the ethical stratosphere.

In this sort of mission creep, it's no better or worse than most of the other organizations supposedly aimed at achieving social and environmental goals.

1. http://pajamasmedia.com/blog/mission-creep-causes-amnesty-international-to-lose-focus/?singlepage=true

7.5.3 Voting for politicians is an outmoded concept (2010-05-11 09:34)

The three major parties in the recent UK General Election could persuade only [1]57 percent of the electorate to vote for them. Proponents of Proportional Representation claim that:

> ...political debate and engagement will be improved if we overhaul the system. This makes their campaigning a displacement activity of epic proportions. They have mistaken a serious political crisis – involving collapsing ideologies, a dearth of big and inspiring ideas, and a gaping chasm between the public and the political parties – as simply a technical problem of how we vote. Their campaign is the equivalent of fiddling while politics burns. [2]The delusions of the electoral reform lobby, Brendan O'Neill, 10 May

I agree with Mr O'Neill. Politics is something of a fiction these days. It's driven by personalities, sound bites, and trivia. At the same time we are failing to address huge, urgent social and environmental challenges. Just as with the world's economic system, politicians and bureaucrats have little incentive to tackle these challenges until they become emergencies. Structural weaknesses are papered over until it's too late. It makes little difference who's in power, and ordinary people know that.

Here's another idea: instead of voting for political party, or for the politician who looks best on tv , or for the ones that avoid real issues in the most convincing manner, how about letting us vote for outcomes? Not for the politicians who say they'll deliver outcomes, or for the political party that, way back in history, did once deliver outcomes, but directly for outcomes. Take, for instance, the goal of [3]avoiding catastrophic climate change. That option was not offered by any of the British political parties. It's not on offer, in fact, anywhere, as a policy for which people can vote. What is on offer are promises made by members of a political caste to do something that might do something to reduce greenhouse gas emissions, which in turn might, but probably will not, do anything significantly to stabilise the climate. Then these promises, however nugatory, [4]are broken anyway.

That's where Social Policy Bonds can play a part. Under a bond regime, the currency of debate would be outcomes rather than political parties or well-meaning but hollow promises. Outcomes are inherently more amenable to the sort of consensus and buy-in that are essential if we are to avoid serious economic, social or environmental problems. And Social Policy Bonds, as well as increasing transparency and stability of targeted goals, would minimise the cost of achieving them. More could be done with society's scarce resources than under the current system. Efficiency, transparency and buy-in: exactly what are lacking in today's system. No wonder, then, that participation in a general election is so low.

1. http://www.spiked-online.com/index.php/site/article/8860/
2. http://www.spiked-online.com/index.php/site/article/8859/
3. http://socialgoals.com/ieakyototext.html
4. http://www.nytimes.com/2010/04/28/world/asia/28australia.html

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7.5.4 Voting for outcomes rather than slogans (2010-05-14 04:19)

Discussing Venezuelan President, Hugo Chavez, the Economist says:

> His fans salute him as a saviour for the downtrodden of the planet.... But to many others...he has come to embody a new, post-cold-war model of authoritarian rule which combines a democratic mandate, populist socialism and anti-Americanism, as well as resource nationalism and carefully calibrated repression. This model has proved surprisingly successful across the world. Versions are to be found in countries as disparate and distinct as Iran, Russia, Zimbabwe and Sudan. In one way or another, these regimes claim to have created a viable alternative to liberal democracy. [1]The wrecking of Venezuela
>
> (subscription), 'the Economist', 13 May

What I take from this is that democracy, as currently practised, no longer means buy-in. People vote for a party, a party leader, or for a collection of policies or attitudes. We are very rarely given the chance to vote for a single policy. We vote, indirectly, for people or parties that may or may not deliver certain collections of outcomes. There is so little correlation between a party's manifesto and those outcomes that, inevitably, other factors come into play, of which image, slogans, poses and rhetoric are prominent. This sort of politics has all sorts of disadvantages, of which one is that it tends not to be practised by people with integrity, with results that the Economist , rightly, laments. The politicians play off one group of people, or special interests, against another. They have little interest in maintaining social cohesion. The consequences are likely to be destructive or even tragic.

Rather than emphasise party and personality, as do current democratic systems, we could consider focusing on outcomes. We face urgent social and environmental challenges that need buy-in and cohesion, which the current system is not delivering. Social Policy Bonds could help in this. We could target outcomes that, when not advocated by polarising figures, most people would agree with: the avoidance of [2]nuclear catastrophe, or any major [3]disaster, for example; or the attainment of [4]universal literacy. (For more examples see [5]here.) Even people who disagree with such goals are less likely to oppose them when the process for targeting them is more robust and direct than under the current system.

For all sorts for reasons (see my [6]book) Social Policy Bonds would be more cost-effective than the current system. But in focusing attention on outcomes rather than party or personality, they would also, I believe, generate more buy-in to the entire policymaking process. Social cohesion could only benefit.

1. http://www.economist.com/opinion/displaystory.cfm?story_id=16109302
2. http://socialgoals.com/wpbsshort.html
3. http://socialgoals.com/dpbs.html
4. http://socialgoals.com/womensliteracybonds.html
5. http://www.socialgoals.com/applications.html
6. http://www.socialgoals.com/_the_book.html

7.5.5 Adaptation is smarter than we are (2010-05-16 11:30)

I haven't, yet, read John Kay's new book, [1]Obliquity: why our goals are best achieved indirectly , but I have heard his [2]podcast on the subject in which he says "Adaptation is smarter than we are". One of the great advantages of Social Policy Bonds over the usual way that policymakers try to achieve goals, is their inherent capacity to stimulate adaptive

approaches to social problems. Under a bond regime, people are rewarded for achieving targeted social and environmental goals, however they do so. Long-term, broad, goals, such as the [3]elimination of war, become feasible, because government (or whoever eventually pays for the goal's achievement) does not have to specify who shall achieve it or how they are to go about it. That would be left to investors in the bonds, who can be expected to have diverse views about how best to eliminate war, and to adapt their views both with time and according to each conflict (or potential conflict).

If we were prepared to accept adaptation as a policy instrument, then we could not only achieve our goals more efficiently than under the current, top-down, one-size-fits-all centrally planned government-directed way of doing things. We could, as I say, target much broader goals such as the elimination of war, the ending of poverty, and universal [4]literacy. Adaptation is indeed smarter than we are. We ought to recognise that fact, and deploy it to the advantage of all mankind.

1. http://www.amazon.co.uk/Obliquity-goals-best-achieved-indirectly/dp/1846682886
2. http://www2.lse.ac.uk/publicEvents/events/2010/20100513t1830vNT.aspx
3. http://socialgoals.com/wpbsshort.html
4. http://socialgoals.com/womensliteracybonds.html

7.5.6 Target ends, stimulate diverse, efficient means (2010-05-22 12:00)

> From Washington to Athens, the economic crisis is producing consolidation rather than revolution, the entrenchment of authority rather than its diffusion, and the concentration of power in the hands of the same elite that presided over the disasters in the first place. Ross Douthat , [1] The Great Consolidation , 'New York Times', 16 May

When the only tool you've got is a hammer, you're likely to see every problem as a nail. Our policymakers' hammer is control. Unable to relinquish it, they accumulate more and more, creating a policymaking monocultre. And, as in agriculture, a monoculture raises the stakes: a shock can become a catastrophe.

One answer might be for government to realize that, while its stated goals may be laudable and almost universally approved of, there are many different ways of achieving them. Regulations, for example, are means rather than ends. Why not target ends rather than means? Clarity about ends would mean clarity about the costs of achieving them: something which our current system doesn't achieve. Fiscal deficits have accumulated to dangerous levels, simply because the obvious fact that you cannot spend more than you earn indefinitely has been obscured by a policymaking system that prefers vague, uncosted , mutually conflicting goals, to one that offers transparency, stability and public participation and buy-in.

That's where Social Policy Bonds can enter the picture . They explicitly targeting ends, rather than means. Their ends are costed and minimised by a competitive market. The bonds generate a cascade of incentives for all involved in achieving social and environmental goals to be efficient . One way they do this is by stimulating the exploration, investigation and implementation of diverse, adaptive approaches to our social problems, rather than the top-down, one-size-fits-all, centrally planned, uniform approach so favoured by our current

policymaking system. That system, as we see, is extremely fragile. Unfortunately, it might take us all down with it.

1. http://www.nytimes.com/2010/05/17/opinion/17douthat.html

7.5.7 The Empathic Civilization (2010-05-27 11:16)

Jeremy

Rifkin

writes:

> The Empathic Civilization is emerging. A younger generation is fast extending its empathic embrace beyond religious affiliations and national identification to include the whole of humanity and the vast project of life that envelops the Earth. But our rush to universal empathic connectivity is running up against a rapidly accelerating entropic juggernaut in the form of climate change. Can we reach biosphere consciousness and global empathy in time to avert planetary collapse? '[1]The Empathic Civilization': Rethinking Human Nature in the Biosphere Era
>
> , Jeremy
>
> Rifkin
>
> , 11 January

There's much to agree with here. But there is a fraction, however small, of the human population that does not, and might never be able to, feel empathy. The mayhem that even a few such people can cause when they go against the hopes and instincts of the rest of humanity is well known and well documented, in for instance, the history of the 20 th century and the lives of Stalin, Hitler and Mao. We can hope that our 'empathic connectivity' can prevail against this fraction of humanity and against climate change (and other challenges). But we can also assist the process: by providing monetary incentives to encourage human survival and well-being.

Social Policy Bonds could do this. It might go against notions of fairness or justice, for instance, but paying influential psychopaths to take indefinite golfing holidays on the atoll of their choice would be a bargain for the rest of humanity. That's one example of a way in which Social Policy Bonds rewarding the [2]avoidance of catastrophe could operate. Another would be to look at the relationship between empathy and welfare: I suspect empathy comes into play only when our basic survival needs have been met and secured. Satisfying those needs for all humanity could be a most effective way of removing threats to the empathic civilization . The point is that incentives of the sort that Social Policy Bonds would supply, which do not prejudge how to achieve a specified goal, can encourage the exploration of a wide array of approaches to bring about empathy and to ensure our survival and prosperity.

1. http://www.huffingtonpost.com/jeremy-rifkin/the-empathic-civilization_b_416589.html
2. http://socialgoals.com/dpbs.html

7.5.8 Peace in the Middle East (2010-05-31 19:51)

Who wants it? Ordinary people, mostly. It's difficult, though, for them to express that preference. We're all susceptible to anger and impulse, to propaganda and, especially, emotional television pictures of conflict. It doesn't help, though, that the financial and status incentives are overwhelmingly on the side of conflict. The arms sellers, the men of (so-called) religion, the state and non-state militias: all have their own reasons for keeping conflict going, some of them perfectly logical. What's missing are countervailing incentives, and that's where [1]Middle East Peace Bonds could enter the picture. Ordinary people, perhaps following initial contributions from philanthropists, could set up a fund to be used for the redemption of the bonds. The bonds could aim to achieve a sustained period of peace, defined and verified objectively. It would be up to bondholders to devise and investigate the multitude of possible ways in which conflict can be avoided. They would have incentives to deploy only the most efficient of such ways.

People often write about 'intractable' ethnic, religious, or territorial conflicts. But these conflicts do fizzle out and, on reflection, the conflicts were not so intractable after all. Historical grievances, and notions of fairness or justice, loom large and play a part in perpetuating conflict. But not inevitably. People get tired, deals are done, compromises made, other events assume greater importance or time heals. Middle East Peace Bonds could accelerate all these processes. They could channel the wishes of the majority of ordinary people in the Middle East and beyond into the attainment of peace in the region. Incentives do matter.

1. http://socialgoals.com/mepeacebonds.html

7.6 June

7.6.1 (2010-06-02 08:22)

Maybe this is also the reason why people could easily adapt to a lifestyle they want to have.

7.6.2 Preventing disasters (2010-06-05 12:08)

The vast majority of spending on social and environmental programmes is carried out by bodies whose success is barely linked to the welfare of those who are their intended beneficiaries. These bodies, for the most part, are government agencies, or non-governmental organizations. The motivations of individual employees can scarcely be questioned. My own experience of working in the public sector tells me that they are usually well intentioned and hard working. But they work for an institution within which the over-arching goal is self-perpetuation, and that goal often conflcits with the ostensible aim of the organization. The bigger the organization, the more remote it is from both the people it employs and the people it is supposed to serve. About half of the funds allocated to humanitarian relief and development aid organizations [1]stays with these bodies. Corporations are little different from government. Big private sector companies spend much of the time and energy trying to manipulate government and stifle competition. Unfortunately, the trend is toward more

bigness.

Social Policy Bonds could be one way of realigning the goals of organizations with those of ordinary people. Under a bond regime, it would be unimportant whether problem-solving organizations were public or private sector. The structure and activities of the organization would be entirely subordinated to the goals targeted by Social Policy Bonds. The organization's funding - its very existence - would be dictated by the well-being of society, as expressed in the social and environmental outcomes targeted by the bonds. New types of organization could come into being, motivated by the cascading incentives that the bonds would generate.

All this would be a radical change from the current system. But a gradual transition is possible: one that would reward and encouarge those who, even under the current system, are efficient in converting taxpayer dollars into meaningful outcomes. I go into some detail as to how a transition to a Social Policy Bond regime can occur in my book, which can now be downloaded freely - see [2]here.

1. http://www.amazon.com/Lords-Poverty-Prestige-Corruption-International/dp/0871134691
2. http://www.socialgoals.com/_the_book.html

7.6.3 Externalities (2010-06-08 15:23)

Externalities are impacts from economic activity that don't enter the market. They can be negative or positive. The negatives attract a lot of attention, especially if they are visible. George Monbiot [1]writes eloquently of the environmental costs of the oil pollution in the Gulf of Mexico. Less obvious are the social impacts, positive and negative, of business. The Gulf of Mexico pollution is truly appalling. But not all its non-market costs result in additional profits to BP . Some of it takes the form of lower oil costs. Through those, most of us benefit and so are complicit. Ideally, externalities would be internalised: costs of products would embody the social and environmental impacts of their production; and not just the visible impacts. But that's just too complex an exercise.

Social Policy Bonds might help in dealing with the most catastrophic of the negative externalities arising from our way of life. They could target the largest, most obvious potential disasters, and reward people for making sure such disasters do not occur. Because they do not prejudge *how* a negative externality shall be eliminated, they would reward the most efficient ways of avoiding disaster. And only the desired outcome, rather than the exact nature of the disaster, need be specified. The health of plants, animals and humans could all be targeted: investors in the bonds would have incentives to mitigate any sort of threat. Click on the link to read more about [2]Disaster Prevention Bonds.

1. http://www.guardian.co.uk/commentisfree/cif-green/2010/jun/07/bp-oil-profits-future-disaster
2. http://socialgoals.com/dpbs.html

7.6.4 Smoking and health (2010-06-11 20:26)

> Anna Gilmore of the University of Bath and her colleagues looked at how many people were admitted to hospital with a heart attack in England between 2002 and 2008. About 110,000 people are struck down each year.... Ms Gilmore and her team found that, in the 12 months after the smoking ban came into force, some 1,200 fewer people were admitted to hospital with heart attacks than even the prevailing downward trend had suggested was likely. That drop of 2.4 % saved £8.4m in emergency hospital care.
>
> [1]Breathe Easy, 'The Economist' (subscription), 10 June

There are several problems with drawing any policy conclusions from this. The most important is: what happened to physical well-being as a whole? Heart attacks might have fallen (though not by very much), but did other forms of morbidity rise? For instance (as pointed out by one of the commenters):

> The prevalence of allergic asthma and allergic rhino-conjunctivitis decreased, in a dose-response manner (P = 0.03 and P = 0.004, respectively), with increasing exposure to tobacco smoke in the adult study population. ... This study demonstrates an association between current exposure to tobacco smoke and a low risk for atopic disorders in smokers themselves and a similar tendency in their children. [2]Does tobacco smoke prevent atopic disorders? A study of two generations of Swedish residents. Hjern A, Hedberg A, Haglund B, Rosén M., 'Clinical and experimental allergy: journal of the British Society for Allergy and Clinical Immunology ', June 2001

The other important qualification is that the reduction in heart attacks might have causes completely unrelated to bans on smoking: one correspondent [3]suggests the withdrawal of hydrogenated fats from supermarket shelves.

More generally, results like this point to the need for broad indicators, not only of health, but of education, poverty, and well-being generally, including environmental well-being. Unfortunately, we are not geared up to using broad indicators for policy purposes. Or the broad indicators that do have de facto status as targets, such as Gross Domestic Product (or GDP per capita), are seriously [4]flawed in that they bear no necessary relationship to well-being. Other indicators tend to be dictated by governmental structures, rather than the other round: policy is subordinated to the perceived need to keep public sector agencies happy, rather than to the well-being of ordinary people. (If this sounds far fetched, take a look at my piece on the New Zealand public sector reforms of the 1980s in my [5]book.)

Social Policy Bonds would allow and encourage governments - and others - to target broad indicators of well-being; including those with a very long lead time. A [6]new type of organization would result: one whose existence, structure and activities are totally subordinated to societal goals, rather than to current vested interests. If it comes to a choice between (say) a small number of heart attacks versus a higher incidence of asthma, then such choices, under a bond regime, would be made transparently and according to transparent criteria.

1. http://www.economist.com/node/16333351
2. http://www.ncbi.nlm.nih.gov/pubmed/11422156
3. http://www.timesonline.co.uk/tol/comment/letters/article7148326.ece
4. http://socialgoals.blogspot.com/2005/09/on-commons.html

5. http://socialgoals.com/_the_book.html
6. http://socialgoals.blogspot.com/2006/05/new-type-of-organisation.html

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7.6.5 Expanding the corporatist state (2010-06-17 20:54)

From a [1]comment (subscription, I think) to the Economist :

> All right, Obama is not a socialist: he is a corporatist. Is that better? He would yoke government and big business together, pulling towards objectives defined by the great and good.

I'd disagree to the extent that I think the great and good can sensibly define objectives: it's when the ways of achieving them are centrally planned that things go awry. As the commenter recognises. He goes on:

> This ignores the fact that it was this collusion that primarily got us into this mess in the first place. For example: government mandates that poorer people get houses. The mortgage industry, which is backstopped by a government controlled (and now owned) "company," tries to devise ways to do this without losing its shirt. These new techniques seem to work so well that they generate a huge bubble. The bubble bursts. And what happens then? The government intrudes even further into the home mortgage industry.

Again, the problem is government prescribing how things shall be done, rather than prescribing what shall be achieved.

> "Too big to fail" is a symptom of the corporatist disease; so are "national champions," propped up by the state, to the detriment of innovation and competition. And instead of unwinding the relationship between big business and government, we're entwining them yet more. This marginalizes small businesses, which is where most of the innovation and job creation takes place. How can a small business make any plans, or hire any workers, when every day seems to bring down a new government mandate that favors large corporations? The law is ignored (as during the Chrysler bankruptcy, when bondholders were slighted in favor of unionized workers) to bring about a politically favored result. Only large companies, with corresponding muscle, can play on this politicized field.

Exactly so. Government and big business on one side, versus ordinary people and small enterprises on the other.

> Communism, socialism, fascism, corporatism: all branches of the same tree, and all based on the premise that a chosen elite must guide the average person, who will otherwise screw it up. The perversion of the Enlightenment and the long march back to serfdom continues.

I don't know about serfdom, but I do foresee a crisis. Government - and big organizations generally - are, it seems, instinctively against the 'creative destruction' of capitalism, which has

done so much to lift people out of poverty. The largest corporations work more by manipulating government and trying to subvert markets. Government and big business collectively have become too big. Not 'too big to fail', but too big to ensure that, when they do fail, society can recover without crises and extremely painful transitions. Corporatism has created a [2]policy monoculture, with all the fragility and potential for disastrous consequences that that implies.

1. http://www.economist.com/comment/574555#comment-574555
2. http://socialgoals.blogspot.com/2009/11/policy-monoculture.html

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7.6.6 Social Policy Bonds: free riding and perverse incentives (2010-06-22 19:42)

The Social Policy Bond principle really needs to be tried, discussed and refined before large-scale implementation. At a recent discussion with a London think-tank, I was asked a couple of questions about free-riding and perverse incentives.

I have in fact written about the possibility of some purchasers of Social Policy Bonds wanting to free ride on the activities of those bondholders who will work to achieve a targeted goal. In chapter 4 of [1]my book, I examine the issue and come to the conclusion that it probably wouldn't do much to undermine the bond mechanism. other purchasers. But, what about a variant in which people would buy a large proportion of the bonds very cheaply and sit on them with the intention of selling them for a higher price to people who are prepared to achieve the goal. This would be counter-productive to the extent that it would deter the would-be goal-achievers from actually working to achieve the goal. How could the issuers prevent this sort of free-riding? They could ensure that the initial price of bonds is not negligible. The choice of objective, the number of bonds issued, and their redemption value could all be chosen with a view to seeing that a bond redeemable for £100, say, could be expected to sell for anywhere between, say, £30 and £90.

- They could give the bonds an expiry date, so that if there were no significant progress toward the objective being achieved, or if the market value of the bonds showed no significant increase, the bonds would become invalid.

- The issuers could retain the power to declare a particular bond issue invalid, either at their discretion or, better, if certain objective criteria, such as each bond's market price, were not fulfilled.

Another question posed was: could people buy the bonds, and do nothing to achieve the targeted goal in the expectation that the issuers are so keen to see the goal achieved that they then will issue more bonds and so boost the value of all the issued bonds, including their passive holding? The possibility of a supplementary bond issue would then have the effect of reducing the motivation of would-be target-achievers to take action. If this were thought to be a significant deterrent to achieving the targeted goal, again, the issuers could:

- Build in an expiry date to the bond issue, and issue a completely new set of bonds targeting the same goal, so that holders of the first bond issue would lose their investment.

- Retain and, if necessary, exercise the power to declare the first bond issue invalid.

For large-scale issues of Social Policy Bonds then, the conclusion is that issuers should retain the right to declare bond issues invalid if bondholders don't comply with the spirit, as well as the letter, of the bonds' redemption terms.

1. http://www.socialgoals.com/_the_book.html

7.6.7 Process and image versus outcomes (2010-06-24 23:41)

Frank Furedi writes:

> This is probably the most disturbing revelation to come out of the Washington hearings: that oil companies now devote far greater time and energy to managing how they appear in the eyes of the public than they do developing an effective emergency-response plan. So we learned that ExxonMobil 's emergency-response plan has 40 pages on dealing with the media but only nine on dealing with an oil spill. The plan seems more preoccupied with the science of drafting press releases than with the science of taking practical steps in an emergency. [1]Why BP is not very slick in an emergency, Frank Furedi , 21 June

We do need clarity about means and ends. One of the virtues of a Social Policy Bond regime is that it would inextricably bind policymakers to focus on ends rather than procedure. If the goal, for instance, is to avoid environmental catastrophe, then Social Policy Bonds can be issued that will target the sustained absence of environmental catastrophe. Investors in the bonds would have powerful incentives to ensure that resources went into avoiding catastrophe, rather than ticking boxes or shaping a company's image. Government could spend less time trying (unsuccessfully) to regulate against every conceivable adverse event, and more time focusing on the broad social and environmental outcomes that society wants to see. Incentives, in short, would be channelled into society's goal, rather than that of corporations or government agencies.

1. http://www.spiked-online.com/index.php/site/article/9028/

7.6.8 (2010-06-25 09:16)

What I wanted to say with your social Bonds idea is that it's great the only problem is who decides when targets are met? After all a 'drop in crime'is actually a subjective thing.

7.6.9 (2010-06-25 14:51)

great stuff, but can u tell me where i should buy a social policy bond ?? or, do i contact my local government office ? or some other entity ???

maybe they can be used to [1]help other people and various worthy causes !??

1. http://thebestnet.atspace.com/

7.6.10 (2010-06-25 21:00)

Thanks moneymike for your comment and question. Unfortunately, nobody is issuing Social Policy Bonds yet; not that I am aware of. There has been a bit of interest over the years, but nobody has actually issued them. I am hopeful that some people will get together and issue their own bonds, without the public sector getting involved. I have tried to interest philanthropic organizations but have had very little response.

If you, in conjunction with others, are interested in issuing your own Social Policy Bonds, I should be happy to help with advice and suggestions. You could also click [1]here and then download my pdf handbook.

A similar idea, which is more focused on local objectives, is the Social Impact Bond. For information about Social Impact Bonds, click [2]here. For my view of SIBs click [3]here.

1. http://www.socialgoals.com/issue_your_own.html
2. http://www.socialfinance.org.uk/services/index.php?page_ID=15
3. http://www.socialgoals.com/frequently_asked_questions.html

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7.6.11 (2010-06-28 13:50)

But anyway the ultimate high context society according to Hall is Japan where words are almost not neccessary .

7.6.12 Transition to a Social Policy Bond regime (2010-06-29 20:53)

Asked about a migration path to a Social Policy Bond regime, I give the example of health. On introducing such a bond regime a government could decide to reduce its funding of health authorities and research institutes by 1 percent a year, in real terms. (The government could allocate the saved funding to the future redemption of the Health Bonds it has issued.) So after five years, each health authority would be receiving directly from central government only 95 percent of the funding that it formerly received. But bondholders could choose to supplement the income of some of these health bodies. They may judge a particular group of health authorities to be especially effective at converting the funds they receive into measurable health benefits, as defined by their bonds' redemption terms. Particularly effective health authorities might be working in deprived areas, where small outlays typically bring about larger improvements in health. Or bondholders might judge a particular research body to be worthy of additional funding, because it was conducting excellent research into a condition that would be likely to respond especially effectively, in terms of health outcomes,

to additional expenditure. In such cases, bondholders would supplement their selected health authorities' or research institutes' funding. It may well be that these favoured bodies end up receiving a large boost in income throughout the lifetime of a bond regime.

It could also happen that investors in bonds targeting health look at completely new ways of achieving health objectives; ways that currently receive no, or very little, funding. To give a plausible example, they may be convinced that one of the best ways of achieving society's longevity objectives is to deter teenage drinkers from driving. Following this logic, they may find that one of the most efficient ways of doing so would be to lay on subsidised taxis for teenagers attending parties on Friday and Saturday nights – but only in certain parts of the country. It is difficult to imagine how our current centralised government fund allocation mechanisms could go about implementing such a programme. A Social Policy Bond regime would quickly eliminate some of the less rational distortions in other health care matters, amongst them the British National Health Service's terminal-care budget, 95 percent of which was allocated to the 25 percent of the UK's population who die from cancer, and just 5 percent to the 75 percent who die from all other causes. It is also likely that holders of bonds targeting health outcomes would greatly expand funding in areas such as health education or preventive medicine that rely on expertise outside those bodies traditionally devoted to health care.

The important point is that a transition to an outcome-based, Social Policy Bond regime need not be disruptive. Nor need it necessarily mean the loss of funding to existing bodies, simply because they have been around for many years. But it would mean the beginning of the end for bodies that are inefficient and, in the eyes of bondholders, incapable of becoming efficient. The winners would be society as a whole, and taxpayers in particular.

7.6.13 (2010-06-29 21:12)

Thanks for your comments. The key, when it comes to picking targets, is to make them as objective as possible. Crime victim surveys could be more helpful than 'reported crimes'. Or insurance payouts. Indicators could include foot traffic on urban streets or objective statistics of (admittedly) subjective criteria (eg: 'do you feel safer now than you did give years ago?'.

On Japan, yes, I include a short section at the end of my [1]book on how the Japanese currency of respect is more efficient than our large and increasing use of money to indicate status.

1. http://www.socialgoals.com/_the_book.html

7.7 July

7.7.1 How policy is made (2010-07-02 20:31)

> When [Tony] Blair announced that 50 per cent of young people would be able to go to university, the first the civil servant in charge of higher education knew about it was when he heard it on the radio.... Things like that and the scheme to take drunken

> yobbos to cash points to pay on-the-spot fines were mainly dreamt up in the back of a car when Blair was on his way to a meeting or a TV studio. As quoted by Sue Cameron, 'Notebook', Financial Times, 1 July

What is particularly striking is how, at the highest level of national government, big decisions appear to be made on the basis of reactive, primal emotion. Rationality and the long-term interests of the people politicians are supposed to represent hardly figure at all.

> …policies are often adopted on the basis of less careful analysis than their importance warrants, leaving wide room for mistakes and misperceptions . Forces of knowledge destruction are often stronger than those favoring knowledge creation. Hence states have an inherent tendency toward primitive thought, and the conduct of public affairs is often polluted by myth, misinformation, and flimsy analysis. [1]Source (pdf)

This type of thinking is particularly dangerous when military conflict looms. An article about Henry Kissinger's role in US foreign policy quotes him saying to US President George W Bush's speechwriter, about radical Islamic opponents: 'We need to humiliate them'. Comments like this abound in high politics. George W Bush himself cried 'bring 'em on' at an early point in the invasion of Iraq. These are not examples of high-level thinking.

One of the benefits of a Social Policy Bond regime would be the clarification of social goals, and the transparency of the process that targets them. Goals would have to be articulated before targeting. It's unlikely that random emotional outbursts would crystallise into policy in such a policymaking environment, however eminent the people who make them.

1. http://web.mit.edu/polisci/research/.../why_states_believe_foolish_ideas.pdf%20

7.7.2 Government by television (2010-07-10 21:03)

One of the main policy drivers, clear to all, but rarely acknowledged, is the urge not to look bad on television. Failure is acceptable, provided it doesn't take the form of tv footage.

A Social Policy Bond regime would be different. Objectives would be chosen in a calm, rational manner. Unlike under the current regime, they would be stable over time. Stable objectives would mean that rational allocation of resources would not be undermined by high-profile events. For instance, in the aftermath of a tragic rail disaster in London that resulted in the deaths of 40 people the UK Government came under considerable pressure to order the installation of an automatic braking system for trains that go through red signals. Cold calculations showed that this would cost around $21 million for each life that the system could be expected to save. This is around five times the figure that the UK Treasury used as its benchmark valuation of a human life, which means that if the government had succumbed to pressure to install the automatic braking system it would have diverted funds from more cost-effective life-saving projects, and so caused the loss of more lives than it would have saved.

A Social Policy Bond regime that had as its objective the maximising of the number of lives saved per government dollar would not waver in the face of spectacular one-off events.

7.7.3 Non-linear processes (2010-07-11 18:07)

In the fields of economics, ecology and social affairs, small differences in where you start can have a huge impact on where you end up. This is the path dependency that led to driving on the left hand side of the road (in the UK), or the near-universal use of the ([1]supposedly) inefficient QWERTY keyboard. Since tiny causes can have large effects on complex systems then 'even knowing 99 % of what you need to know leaves you vulnerable to large errors. And 100 % knowledge is impossible.' ([2]Source).

All this is one reason for considering Social Policy Bonds for, especially, those social and environmental goals that have many possible causes and are characterised by time lags and seeming intractability . The peaceful resolution of [3]conflicts, for instance, or the promotion of biodiversity, or the avoidance of natural or man-made [4]catastrophe.

As society becomes increasingly complex, you would think that policy instruments that reward positive outcomes but do not prejudge how to achieve them, such as Social Policy Bonds, might be considered more widely. I did try to interest the [5]Santa Fe Institute in Social Policy Bonds. It conducts research into complexity. However, I didn't receive a response to my approach (made nearly two years ago).

1. http://books.google.co.uk/books?id=CQFixQA6p9UC&pg=PA13&lpg=PA13&dq=qwerty+inefficient&source=bl&ots=NfeIII8KAS&sig=mpd-6e91OUAKmijQZthFHVDl9NA&hl=en&ei=l_05TMq
2. http://www.johnkay.com/2003/10/29/economic-forecasting-will-never-be-an-exact-science/
3. http://socialgoals.com/wpbsshort.html
4. http://socialgoals.com/dpbs.html
5. http://www.santafe.edu/

7.7.4 The unimportance of being right (2010-07-15 19:28)

> In a series of studies in 2005 and 2006, researchers at the University of Michigan found that when misinformed people, particularly political partisans, were exposed to corrected facts in news stories, they rarely changed their minds. In fact, they often became even more strongly set in their beliefs. Facts, they found, were not curing misinformation. Like an underpowered antibiotic, facts could actually make misinformation even stronger. [1]How facts backfire, Joe Keohane , 11 July

It's a scary, but not unexpected, finding. With so much information and misinformation about, we tend to ignore the facts that go against our prejudices. All the more reason then, you might think, for policy debates to concern themselves with social and environmental goals, rather than the different - prejudiced - views about the ways of achieving them. The world is too finely grained for most of our political prejudices. We are fairly sure, for instance, that central planning, as practiced by the Soviet Union and China, was a disaster for human welfare. But central planning isn't always a bad thing. Far better to let unprejudiced actors work out for themselves what works best for any particular social goal, on the basis of evidence and an incentive to get things right.

That's where Social Policy Bonds could enter the picture. Investors in the bonds would have powerful incentives to work out the best approaches to social and environmental

problems, and to terminate failures. Careful definition and targeting of society's desired goals would mean that the bondholders' interests would be exactly congruent with those of society. If bondholders held mistaken views about how to achieve these goals, they would lose. They certainly wouldn't profit by pumping more resources into their failed projects. That's in stark contrast to the current system, whereby government agencies face few sanctions even if they make huge mistakes and persist with them for decades.

1. http://www.boston.com/bostonglobe/ideas/articles/2010/07/11/how_facts_backfire/

7.7.5 The unimportance of outcomes (2010-07-16 21:28)

> President Gamal Abdel Nasser brought Egypt dictatorship, economic ruin and humiliation in the six-day war with Israel. On his sudden death from a heart attack in 1970 Egyptians erupted in grief; some 5m people mobbed the funeral. His successor, Anwar Sadat, freed political prisoners, revived the economy and won a peace agreement with Israel that got back what Nasser had lost. When he was assassinated in 1981, Egypt fell eerily silent. His funeral was attended by foreign leaders but very few of his own people. [1]After Mubarak (subscription), 'The Economist', 15 July

Charisma, televisual appeal, soundbites or superficiality of any sort are not a sound basis for choosing policy. Currently though, we have little alternative; even those of us who aren't Egyptians. We are allowed to choose policymakers rather than policies; and we choose them on the basis of image at worst, or their stated policy priorities or ideological leanings at best. Rarely are we given the chance to target desirable outcomes.

The reasons for this are mostly historical. People were less educated and had less time to take an interest in policy. But we ought now to be in a position at least to move toward outcome-based policy. That would mean public participation in the choosing and prioritising of social and environmental goals. Social Policy Bonds lend themselves to a gradual transition to this sort of policymaking : by focusing on outcomes to be targeted they would be more transparent than the current policymaking process. They would generate more consensus, or at least - and, just as important - buy-in, for chosen goals. A transition to a Social Policy Bond regime would be quite easy to arrange, with funding to existing activity-based bodies (mostly government agencies) being reduced gradually, at the same time as funds for Social Policy Bond redemption rise. (See my book for further details.)

Nasser is not the only charismatic personality in recent history who led his people to disaster. Choosing policymakers is fraught with problems, even if they happen to be televisually appealing, trustworthy, genuine and honest. It's time to move toward choosing outcomes; there are plenty of alternative careers to politics for people with charisma and ambition.

1. http://www.economist.com/node/16564196?story_id=16564196

7.7.6 Doing what the corporates want (2010-07-20 21:23)

One of the virtues of Social Policy Bonds is that people, as distinct from government agencies and corporations, would decide on policy goals. As human beings, we probably would not want

to divert funds from taxpayers and consumers to, for example, [1]big agriculture, [2]wealthy landowners, or big energy. The sums involved are staggering:

> ...more than US $ 550 billion was spent in 2008 on subsidies to oil, natural gas and coal by 37 of the world's developing and emerging economies ...their removal would result in significant energy savings. [3]G-20 Summit sees little mention of pledge to reform fossil-fuel subsidies, by Fernando Cabrera Diaz , Global Subsidies Initiative, June/July

It's only because of the way in which government and big business make policy that they can get away with such a waste of resources. The current way of deciding on policy priorities is too obscure and protracted to engage ordinary people. Big corporations and government bodies fill the vacuum.

Social Policy Bonds would be different. The focus would be on outcomes right from the start. Organizations would be entirely subordinate to chosen social and environmental goals. A [4]new type of organization - one whose rewards would be inextricably tied to its success in achieving society's goals - would come into being. Even under a bond regime, people would disagree with some chosen policy priorities. But, having been able participate actively in the selection process, they would be more inclined to buy in to targeted goals. Of course, even then we might still opt to tax the poor and subsidise big energy and big agriculture. But we'd be doing so with our eyes open, not as a result of being excluded from the decision-making process.

1. http://www.oligopolywatch.com/2007/06/06.html
2. http://www.blogger.com/oxfam%20cereal%20injustice
3. http://www.globalsubsidies.org/en/subsidy-watch/analysis/g-20-summit-sees-little-mention-pledge-reform-fossil-fuel-subsidies
4. http://socialgoals.blogspot.com/2006/05/new-type-of-organisation.html

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7.7.7 Heading for disaster: Kyoto, Copenhagen and climate change (2010-07-26 21:24)

This is an updated version of an article that first appeared in Economic Affairs, **22** (3), *September 2002, published by the Institute of Economic Affairs, London. If you wish to publish it, please email me.*

There is overwhelming, but not quite conclusive, evidence that the global climate is changing. That said, scientists are divided as to (a) how fast climate is changing, (b) what is causing it to change, (c) the likely effects of climate change, (d) how much we can do about it, and (e) how much we *should* do about it. Despite these uncertainties, climate change has the potential to inflict serious harm on large populations, so there is a strong argument for doing what we can to prevent it or

minimise

its adverse effects.

The December 1997 Kyoto treaty

required developed countries to bind themselves internationally to numerical targets. Despite Kyoto's flaws, between 1990 and 2007 emissions of greenhouse gases did fall by 4 % in these countries.

(Carbon dioxide, which is given off by fossil fuel combustion, is thought to be by far the most important of the man-made greenhouse gases that form an insulating blanket around Earth.) But evaluations by leading scientists indicate that Kyoto's environmental effects, for all the bluster and bureaucracy, may be so small as to be almost unnoticeable.

Yet we are heading for more of the same. If any successor to Kyoto is ever agreed - or, more important, implemented - we can look forward to minimal reductions in emissions; undetectable effects on the climate; ingenious attempts to game the system; and the squandering of billions of dollars on wasteful, corrupt schemes all over the world. The big beneficiaries will be third-world dictators, Swiss bankers, and the burgeoning bureaucracies at national and supra-national level who will be charged with administering and ensuring compliance with whatever absurd regime is agreed. This is not cynicism, it's realism:

Canada has exceeded its Kyoto target by 29 %,[1]

[1]

but does anyone imagine it will be punished? And do we really want to see national democratic governments coerced by yet another supra-national governmental body into doing something to which their electorates object?

The successor to Kyoto will share the same, ludicrous assumption that afflicted its predecessor: that government knows the best way of achieving its goals. But with climate change the biological and physical relationships involved are many and complex. Even specialists in climatology disagree about the degree to which any of the myriad components of the world's climate contribute or react to climate change. It would therefore appear to be poor policy to impose expensive, divisive, unpopular and upfront controls on certain activities on the basis that they *might* help bring about a slightly more stable climate some time in the future.

People who were serious about addressing climate change would not embody the assumption that they know exactly how the Earth's climate is changing, what is causing it to change, and what is the best way of dealing with any change. They would not ignore a potentially catastrophic problem, but would try to be as cost-effective as possible, especially because of the colossal expenditures that will inevitably be incurred. An ideal policy would encourage innovative solutions, stimulating the investigation and adoption of promising new technologies, and be open to new information about the causes and effects of climate change. It would most probably seek to constrain the negative impacts of climate change, while doing little to discourage any positive effects.

An ideal solution would also use markets.

Now markets are getting a bad press right now. Many blame them for the current financial crisis and for environmental depredations. And it's true that unregulated markets are being abused to serve purely private interests at the expense of the wider public.

So it is important to remind ourselves that a market economy is consistent with many different outcomes and that market forces can serve public, as well as private, goals. Markets are simply

the most efficient means yet discovered of allocating society's scarce resources. An ideal solution to the climate change problem would use market forces to

channel people's self-interest into the solution of the climate change problem.

If such a solution could be found, it would be bound to attract more support from world leaders, non-governmental organisations, and the public in general than Kyoto. Such buy-in is essential, because any solution is probably going to entail enormous costs and sacrifices.

Targeting outcomes, not activities: Climate Stability Bonds

Climate Stability Bonds would be a new globally backed, financial instrument, designed to achieve climate stability, rather than to regulate emissions, activities or institutions. These bonds would be issued on the open market and would become redeemable for a fixed sum *only when the climate had achieved an agreed and sustained level of stability.* In this way there is no need for the targeting mechanism to make assumptions as to *how* to stabilise the world climate - that is left to bondholders.

There are obvious difficulties involved in defining what a stable climate actually is, *but the same difficulties apply when attempting to monitor the success or otherwise of Kyoto, neo-Copenhagen or any other regime.* A Climate Stability Bond regime could target an array of objectively verifiable indicators such as temperature, change in temperature, rate of change of temperature, precipitation, frequency of extreme climatic events, ice sheet volume and many other variables, at a wide range of locations. It could also target for reduction the *effects* of a changing climate on human, animal and plant life. All indicators would have to fall into a satisfactory range for a sustained period before the bonds would be redeemed.

Normal bonds are redeemable at a fixed date, for a fixed sum, and so yield a fixed rate of interest. Climate Stability Bonds would not bear interest and their redemption date would be uncertain.

Bondholders would gain most by ensuring that climate stability is achieved quickly.

Internationally backed Climate Stability Bonds would be issued by open tender, as at an auction; those who bid the highest price for the limited number of bonds would be successful in buying them. A fixed number of bonds would be issued, redeemable for, say, $10 million each, only when climate stability, as certified by objective measurements made by independent scientific bodies, has been achieved and sustained. Once issued, the bonds will be freely tradeable on the free market.

What will determine the price of the bonds? Most obviously, the market's assessment of how close climate stability is to being achieved. Interest rates on alternative investments will also be a factor. The bonds would sell for small fractions of their issue price if people thought there were virtually no chance of climate stability being achieved in their lifetime. People will differ in their valuation of the bonds, and their views will change as events occur that make achievement of a stable climate a more or less remote prospect. They would also change as new information about climate, and about the causes of climate change, is discovered. But the bonds, once issued, would be transferable at any time. Bondholders, having done their bit to achieve climate stability, could sell their bonds, realising the capital gain arising from the higher market price of their bonds. These market prices would be publicly quoted, just like those of ordinary bonds or shares.

Assume that Climate Stability Bonds, redeemable for $10 million each, have been issued, and that they each sell for $1 million. People, or institutions, now hold an asset that can give them a return of 900 percent once a stable climate has been achieved. It is this prospect of capital gain that gives bondholders a strong interest in bringing about a stable climate, as cost-effectively as possible.

Climate Stability Bonds could be issued by a world body, perhaps one supervised by the United Nations or World Bank. This body would undertake to redeem the bonds using funds that could perhaps be obtained from all countries, in proportion to their Gross National Product. It would be up to individual countries to decide how to raise funds, presumably from taxation revenue. Importantly though, no bonds will be redeemed until the objective of a more stable climate has been achieved and sustained.

What would bondholders do?

How might bondholders aim to accelerate the achievement of a stable climate? They could:

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help finance countries' or companies' greenhouse gas emission control programmes;

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pay vacationers to stay at home rather than fly;

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supply solar heaters to villages and households in poor countries;

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carry out, or subsidise, research into schemes to remove greenhouse gases from the atmosphere.

Bondholders can also be expected to finance other climate stabilising initiatives, the precise nature of which we cannot, and *need* not, know in advance. Of course, governments, research institutes and others are already carrying out many of these activities. But there is a crucial difference. Under a Climate Stability Bond regime, the motivation arises from the self-interest of bondholders, *who have the incentive to seek out those ways of achieving a stable climate that will give them the best return on their outlay*. Their outlay, of course, is the taxpayers' outlay. But note that it is only when the targeted degree of climate stability is achieved that governments end up paying for it. Until then, it is bondholders who have to finance the initiatives that they think will achieve climate stability. The issuing body will, in effect, be contracting out the *achievement* of climate stability to the private sector. But it will be stipulating the degree of climate stability that it wants, and undertaking to reward bondholders when that objective has been achieved.

Many will be skeptical that bondholders can actually do anything to combat climate change. It is true that too large a number of small bondholders would probably do little in isolation to bring about climate stability. If there were many such small holders, it is likely that the value of their bonds would fall until there were aggregation of holdings by people or institutions large enough to initiate effective problem-solving projects. As has happened with share privatisation issues, the bonds would mainly end up in the hands of large holders - probably institutions, brokers, governments or corporations.

Even then, each such body would probably not be big enough, on its own, to achieve much without the cooperation of other bondholders. They might also resist initiating projects until they were assured that other holders would not be 'free riders'. But note that they will have a strong incentive to cooperate with each other, and to do so as cost-effectively as possible. If they did not, the market value of their bonds would fall. Their common interest in seeing climate stability achieved quickly means that they would share information, trade bonds with each other and collaborate on climate-stabilising projects. They would also set up payment systems to ensure that people, bondholders or not, would have an incentive to perform efficiently. Large bondholders, in cooperation with each other, would be able to set up such systems cost-effectively. Governments holding bonds would benefit by enacting legislation aimed at achieving climate stability, while large bondholders could lobby for such legislation, targeting their lobbying energies at those governments who will respond most readily.

Advantages of Climate Stability Bonds

There are two critical advantages that Climate Stability Bonds have over Kyoto and its likely successor. One is that the bonds do not rely on the robustness of our existing scientific knowledge. Kyoto aims to reduce emissions of a small range of gases. But there may be other causes of climate change that are far more important, of which we are currently unaware. And these need not be man-made: natural variability of climate has had severe impacts on human life in the past. Kyoto, responding to effects whose causes are uncertain, embodies a limited number of fixed ideas about the nature of the relationships involved. A bond regime, targeting climate change directly, may well lead to cuts in greenhouse gas emissions, but it would not assume that doing so is the best solution. Climate Stability Bonds improve on Kyoto because they encourage behaviour leading to the desired outcome, rather than seeking to control activities whose effects on the climate stability are not fully known.

The other major advantage of a Climate Stability Bond regime is that bondholders will support whichever climate stabilising projects will give them the best return for their outlay. These may involve controlling greenhouse gases, but they could also mean furthering research into such ideas as genetically engineered cyanobacteria that can soak up carbon dioxide from the atmosphere. The more efficient bondholders are in achieving climate stability the more they will gain from appreciation in the value of their Bonds. This efficiency maximises the degree of climate stability that can be achieved per dollar outlay. Because of the colossal sums involved, the benefits that Climate Stability Bonds offer in comparison to activity-based regimes, such as Kyoto, are likely to be huge.

Further advantages of a bond regime are:

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the bonds would have considerable informational advantages over such measures as Kyoto, which target activities rather than outcomes. Greenhouse gases are emitted from many sources. About half of carbon dioxide emissions, for instance, come from dispersed sources, such as cars and home heating systems. Immense quantities of information would be needed to establish and monitor a comprehensive system of control using taxes or tradeable emission permits. Costs of obtaining such information and resentment against the intrusiveness required to ensure compliance are going to be high. By contrast, Climate Stability Bonds would target and monitor a much smaller number of global indicators.

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governments would pay up only when a stable climate has been achieved - any risk of failure or of undershooting the climate stability target is borne by bondholders, rather than taxpayers;

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funds for global climate stability could bypass corrupt or inefficient governments or, by appealing to their financial self-interest (if they were bondholders, or bribed by bondholders) could effectively modify their behaviour in favour of achieving climate stability; and

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formulating the redemption terms for Climate Stability Bonds will entail clarifying of what is actually wanted. Framing the debate in terms of outcomes, rather than institutions or activities, will bring about greater public participation and buy-in to the entire process: essential of the challenge is to be met.

Achieving a stable climate will unquestionably require a wide range of diverse, responsive projects. Reducing greenhouse gas emissions or sequestering carbon may be helpful ways, but they are not necessarily going to be the most cost-effective. Other ways yet to be discovered may be far cheaper. Kyoto is, in my view, deficient, in that it offers no incentives to find out how to achieve a stable climate most cost-effectively. Climate Stability Bonds would encourage the most efficient solutions given the knowledge available at any time, and they would stimulate research into finding ever more cost-effective solutions. This occurs because of the nature of the bond mechanism, and requires no presupposition as to the optimal set of solutions. Scientists and governments would need to decide only on the objective - climate stability - not on the ways of achieving

it.

Of course, the Climate Stability Bond concept involves surrendering of policy instruments to the private sector, and this may be difficult for politicians to swallow, even though, under a bond regime, they would continue to set, and be the ultimate source of finance for, the targeted objective. The potential benefits of a bond regime are colossal. In economic theory, and on the evidence of recent history, market forces are the most efficient means yet discovered of allocating society's limited resources.

Under a bond regime, government would do what it's good at doing: articulating society's wishes and raising the revenue for achieving them. Where government often fails is in actually achieving these goals efficiently and that is where investors in the bonds would do what they are best at; exploring, investigating and implementing an array of approaches, while responding to events and our rapidly expanding scientific knowledge; all in the service of the overall goal of climate stability. Investors' rewards would be inextricably linked to their success in bringing about society's climate stability goal, as articulated by national governments. Rather than punish countries, upfront, for dubious long-run benefits, the bonds would reward and motivate people for achieving demonstrable gains in climate stability.

Climate Stability Bonds are intended to channel the market's incentives and efficiencies into the achievement of *society's* overriding environmental objective. By appealing to people's self-interest, Climate Stability Bonds could be far more effective at achieving climate stability than Kyoto or whatever deal is struck in Copenhagen. And, by targeting a desired outcome but leaving it for the market to achieve, the principles underlying the bond concept could show the way to solving other seemingly intractable global problems, including other environmental

problems, war, civil war, disease and malnutrition.

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'Investing for the Future', UK CEED Bulletin No 35 (September-October 1991), Centre for Economic and Environmental Development, Cambridge, UK.

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[2]

[1]

Avoiding a crash at Copenhagen , 'The

Economist', 24 September 2009

1. http://www.blogger.com/post-edit.g?blogID=9695147&postID=3627433055603738727#_edn1
2. http://www.blogger.com/post-edit.g?blogID=9695147&postID=3627433055603738727#_ednref1

7.7.8 Evolutionary fitness (2010-07-30 20:02)

> ...5 % of movies pay for the other 95 %, and success or failure is unpredictable. The best the studios can hope to do is find contractual mechanisms that back success after it happens and thus leverage their profits. This was what they had with distributors and cinemas, and it worked. They just didn 't realise it was these deals and almost nothing else that was paying for their
>
> Cohiba cigars. The movie industry was what Arthur [de
>
> Vany]] loves best: "a complex, adaptive, decentralised system". [1]Exactly like the human body. Evolutionary Fitness: the diet that really works, Brian Appleyard [UK] 'Sunday Times', 17 August 2008

And exactly like human society. The problem is that top-down planning cannot deal with such a system: it much prefers to impose the idea of equilibria , steady states, homeostasis and normal distributions about the mean on systems to which they don't apply.

> Almost all dietary and fitness regimes are based on a homeostatic view of the body – meaning it is a self-regulating system that maintains itself in a continuous, stable condition. The average is the ideal. So we are told to eat regular meals consisting of a balance of the food groups and to take regular exercise, dominated by steady aerobic activity like cycling or jogging. This is all wrong.

We have seen where this line of thinking takes us in banking and finance too (see my post about [2]Black Swans). And I suspect it fails in other policy areas, such as welfare, health and education. Our tendency is to ignore or discount the possibility and impact of catastrophe.

This is one area where Social Policy Bonds can function as a societal insurance policy against large-scale disasters that policymakers would otherwise neglect. The cause of the the disaster need not be specified: the bonds would function in a similar way to increasingly popular [3]catastrophe bonds, except that they would have the purpose - and the backing- of making it worthwhile for investors to *prevent disasters happening*. A national government (or a consortium of corporations, non-governmental organizations and concerned philanthropists) could issue Social Policy Bonds that would reward investors if an event killing more than, say 10000 of a country's citizens in any one 48-hour period, does not occur before a specified date.

Such [4]Disaster Prevention Bonds would encourage investors to investigate all sources of potential disaster, *impartially*. Unlike current attempts at disaster prevention, then, they wouldn't concentrate on those disasters that have a high media profile, for example.

The concept could be scaled up: a collection of governments under the auspices of the United Nations or non-governmental organizations could issue similar bonds, aimed at preventing even larger-scale disasters, such as a nuclear exchange. It's also conceivable that, again, the private sector could issue bonds that could, for example, aim to defuse regional conflicts (preventing war), or lessen the impact of malaria or crop failure in specified parts of the world.

1. http://women.timesonline.co.uk/tol/life_and_style/women/diet_and_fitness/article4523487.ece?token=null&offset=0&page=1
2. http://socialgoals.blogspot.com/2007/06/black-swans.html
3. http://en.wikipedia.org/wiki/Catastrophe_bond
4. http://socialgoals.com/dpbs.html

7.8 August

7.8.1 Give greed a chance (2010-08-03 21:34)

Tyler Cowen asks:

> How many [books on morality and markets] take seriously the notion that our moral intuitions can be badly misguided for judging the operation of an impersonal market economy in the modern world? Not so many, though all seem to think they do. [1]Source

I sometimes am asked how Social Policy Bonds, which envisage self-interest as playing a still bigger role in our economy, can be reconciled with morality and ethics? I have two answers. One, that morality is at least as much a matter of outcomes as about the means of reaching them. Our private sector, whose motivation is profits (or sales, market share, or revenue), generates much of the tax revenue with which we help the disadvantaged and supply public goods and services. It also contributes much in the way of positive non-market

impacts: through employment it alleviates poverty and crime, etc. In short, a system based (apparently) on greed, as regulated by government, enables us to raise the wellbeing of all, especially the disadvantaged: greed can be good.

My other answer is that what is labelled as self-interest and is disdained for that reason can be no more than someone going to work for money, to support him/herself and his/her family. Under a Social Policy Bond regime, investors in the bonds would make capital gains if they help achieve society's targeted goals. That doesn't make them profiteers or worthy of condemnation. It makes them entrepreneurs willing to take a risk so that they can pay themselves and people who work for them (at a lower risk) salaries. Competition for the bonds would bid away excess profits anyway. Largely for reasons of history and (I think) too-little-examined moral disdain for self-interest, we've been reluctant to channel self-interest into the solution of social problems. Those who are charged with solving them are rarely rewarded in ways that correlate with their success in doing so. Social Policy Bonds are my suggested way of channeling the incentives and efficiencies of the market into the achievement of social goals, including those, such as world peace and the elimination of poverty, that most would agree are morally uplifting. My header says it all.

1. http://www.marginalrevolution.com/marginalrevolution/2010/08/what-ive-been-reading-1.html

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7.8.2 Socialism, American style (2010-08-08 18:44)

That's the title of a post by Denis Weisman, which outlines some of the laws that protect US car dealers from having to beheave competitively.

> Some states make it illegal to sell cars at lower prices to high-volume dealers than to low-volume franchisees. Some prohibit car companies from selling directly to the public (say, via the Internet) because it would adversely affect the competitive position of the dealers. [1]Socialism, American Style, Denis Weisman, 26 July

How did this come about? It's the usual tawdry tale of lobbyists filling the vacuum created, in my view, by a complex political system that's opaque to non-specialists; that is, ordinary people, as distinct from corporations.

> In the American political system, a highly focused, well-funded lobby with tight connections in every House district is almost unbeatable when it chooses to play rough.

It's policymaking by the rich, for the rich, and there's little sign of it ending any time soon.

You can see where I am heading with this. A Social Policy Bond regime would target outcomes. Outcomes that are meaningful to ordinary people. Corporate success would be a by-product of a prosperous population, not something that grows out of the power of the lobbyist. Government's raison d'etre is to enhance the wellbeing of the population, not corporations. Policymaking should subordinate corporate interests to those of ordinary citizens, and a Social Policy Bond regime would do that.

1. http://regulation2point0.org/2010/07/socialism-american-style/

7.8.3 Scary (2010-08-14 20:48)

An article in the Atlantic , highlights the likelihood of Iran's developing nuclear weapons.

> The Iranian leadership's own view of nuclear dangers is perhaps best exemplified by a comment made in 2001 by the former Iranian president Ali Akbar
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> Hashemi - Rafsanjani , who entertained the idea that Israel's demise could be brought about in a relatively pain-free manner for the Muslim world. "The use of an atomic bomb against Israel would destroy Israel completely while [a nuclear attack] against the Islamic countries would only cause damages," Rafsanjani said. It is this line of thinking, which suggests that rational deterrence theory, or the threat of mutual assured destruction, might not apply in the case of Iran, that has the Israeli government on a knife's edge. [1]The Point of No Return, Jeffrey Goldberg, 'The Atlantic', September

And much of the rest of the world. But if the leaders of Iran aren't rational human beings, that doesn't mean they aren't susceptible to incentives. The usual incentives might not apply to them, themselves. But the people who work for them, who follow their orders, who supply their centrifuges or generate their electricity: some of them will be susceptible. And this is where Social Policy Bonds could help. A [2]Middle East Peace Bond or, more broadly applicable, a [3]Disaster Prevention Bond, could focus people's attention on what needs to be done in a more systematic, incentive-driven manner, than the current array of high-stakes bluster, talks about sanctions, talks about talks and all the rest of it.

1. http://www.theatlantic.com/magazine/print/2010/09/the-point-of-no-return/8186/
2. http://socialgoals.com/mepeacebonds.html
3. http://socialgoals.com/dpbs.html

7.8.4 The costs of free parking (2010-08-15 19:09)

> In his book, Professor Shoup estimated that the value of the free-parking subsidy to cars [in the US] was at least $127 billion in 2002, and possibly much more. ... "Who pays for free parking? Everyone but the motorist." [1]Free parking comes at a price, Tyler Cowen , 'New York Times', 14 August

One big advantage of Social Policy Bonds is their transparency. If we wanted to subsidise car drivers, for example, a Social Policy Bond regime would require that we do so with our eyes open. Under the current arcane, opaque policymaking process those interest groups with (essentially) the most muscle can manipulate the legislative and regulatory environment to suit their own ends. So we end up with free car parking for the minority of people who drive cars a lot. The price is high, but it's borne by society in general. The car drivers who benefit, pay very little. It's the same pattern in other sectors. The well resourced use the vagueness of current policymaking to their own advantage. And who are the well resourced? Large corporations or government agencies. More and more, it seems, their goals are not only different from those of ordinary people; they are in conflict with them.

1. http://www.nytimes.com/2010/08/15/business/economy/15view.html?_r=1&src=busln

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7.8.5 An argument for a governing aristocracy? (2010-08-17 23:21)

Or perhaps, [1] lottocracy ? In a review of Philip Ziegler's biography of the former British Prime Minister, Edward Heath, Ferdinand Mount says:

> [Heath] promised a 'quiet revolution', in terms which understandably convinced his right wing that he had come over to their way of thinking. By instinct, though, he preferred to control things rather than let them run free and endure the consequences . [2]Plonking, Ferdinand Mount, London Review of Books, 22 July (subscription)

I wonder whether this is a feature of all non-aristocratic policymakers. Which is to say, those politicians - almost all of them nowadays, and definitely Mr Heath - who had to struggle mightily to get to their position. Effort is all very well but, especially when it has successfully advanced a person's career, it will predispose to a controlling mindset; one that will be predisposed to work on problems , rather than let them solve themselves. One that will be biased toward intervention and top-down, one-size-fits-all planning, rather than creating an environment whereby adaptive, diverse policies can achieve outcomes without government prejudging how they shall do so.

Social Policy Bonds could perhaps be a compromise. Under a bond regime, politicians would still articulate our social goals, and control their funding and priority; they would, though, relinquish their power to dictate how these goals shall be achieved.

1. http://en.wikipedia.org/wiki/Demarchy
2. http://www.lrb.co.uk/v32/n14/ferdinand-mount/plonking

7.8.6 Biodiversity and Social Policy Bonds (2010-08-25 21:13)

> Already the UN has conceded that [1]the targets for safeguarding wild species and wild places in 2010 have been missed: comprehensively and tragically.
>
> [2]Talk has not halted biodiversity loss - now it's time for action, Guillaume Chapron and George Monbiot , Guardian.co.uk, 13 August

It's a tough one. Some Guardian readers' ideas, many of them worth considering, are presented [3]here. Could the Social Policy Bonds principle help? Part of the problem is to clarify whether biodiversity is a means to an end or an end in itself; and another is how to quantify what biodiversity is and what we want from it.

One option could be to for experts to list their top, say, 10000 plant and animal species, according to their intrinsic value, or their status as indicator species, representing the broader state of the environment, including biodiversity. It would probably be impractical to legislate effectively against serious depredations of such a large number of species. But a Biodiversity Bond, following the Social Policy Bond principle, could be issued, perhaps by a

combinatin of governments, non-governmental organizations, and environmental bodies. What would such Biodiversity Bonds target? Not the health or survival of the full panoply of 10000 species; that would be too complex and expensive. But what about the health and habitats of, say, 100 of these species? That would be a fairly simple matter. The key to such

a regime is that the 100 species would not be known in advance by either the bonds' issuers or investors in the bonds.

Instead, the 100 species could be randomly chosen from the 10000 towards the end of bonds' stipulated expiry period. The bonds could target a broad definition of biodiversity, encompassing the 10000 species, 30 years hence. Towards the end of that 30 years, 100 out of those 10000 species or habitats would be randomly chosen. If all 100 were doing well, surviving and thriving, the bonds would be redeemed. If not, they wouldn't.

Bondholders would then have incentives to preserve biodiversity of all the 10000 species (or ecological systems), but there need be no onerous, contentious and expensive monitoring of all 10000 species. Only a fairly small sample, randomly chosen after 29 years, need be examined. That, in my view, would make targeting biodiversity a practical proposition.

Your thoughts or comments on this idea are particularly welcome.

1. http://www.guardian.co.uk/environment/2010/apr/29/international-failure-biodiversity-decline
2. http://www.guardian.co.uk/environment/georgemonbiot/2010/aug/13/biodiversity-100-tasks-campaign
3. http://www.guardian.co.uk/environment/interactive/2010/aug/13/biodiversity-100-ideas

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7.8.7 Surrogate markers, in medicine and policy (2010-08-28 19:24)

> A surrogate marker is an event or a laboratory value that researchers hope can serve as a reliable substitute for an actual disease. A common example of this is blood cholesterol levels. These levels are surrogates, or substitutes, for heart disease. If a medical study demonstrates that a medication can lower cholesterol level 10 %, then we assume that this will also lower the risk of cardiovascular disease. Why doesn 't this same study determine if an anti-cholesterol drug decreases heart attack rates directly? After all, most folks would rather be spared a heart attack than have a silent decrease in their blood cholesterol levels. ...Surrogates often take on a life of their own, far removed from the actual disease they represent. Patients shouldn 't care if their 'surrogates' are improving; their objective should be to prevent disease, feel better and live longer. [1]Evidence-based medicine in disguise: beware the surrogate, '[2]MD Whistleblower ' (blog by Michael Kirsch), 1 August

Quite so. And as in medicine, so it is in policymaking , and for much the same reasons: 'It's much easier and cheaper ...to measure surrogates than actual disease events.' It's much, much easier to measure a government agency's spending than it is to measure its success or otherwise in delivering meaningful outcomes.

The problem isn't always that of measurement, or of short-term interests trumping long-term benefits. There is also the inescapable subjectivity of an important components of welfare: psychological wellbeing . To take one example that has obvious policymaking implications: in the UK for several years crime appears to have fallen, while fear of crime has risen (see [3]here). The answer, if there is one, might be to re-localise some policymaking . Some of the most important components of wellbeing simply cannot be quantified and aggregated for efficient use by our highly centralised bureaucracies. Withdrawing unemployment benefit, for instance, could actually help someone who's lacking in motivation and would gain by being

made to find a job. To another person, though, the loss of a welfare payment could mean calamity. No bureaucracy can make such a distinction, and we might not want one with the intrusive powers that could.

Social Policy Bonds are no different from conventional policy in that respect, except that they have to answer , upfront, the difficult question of whether a specified goal is a surrogate (a supposed means to an end) or an end in itself . Having to do that at the outset of making policy, is probably an advantage over the current system in which, too often, objectives are vague, conflicting, and only tenuously related to policy instruments allegedly supposed to bring them about.

1. http://mdwhistleblower.blogspot.com/2010/08/evidence-based-medicine-in-disguise.html
2. http://mdwhistleblower.blogspot.com/
3. http://www.economist.com/blogs/newsbook/2010/07/crime_statistics

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7.9 September

7.9.1 Through failure to success (2010-09-03 15:03)

> If you want to be more successful, increase your failure rate. Attributed to Thomas Watson, founder of IBM

We can probably all attest to the wisdom of that dictum. The problem, as I see it, is that with highly centralised government and huge corporations, we are creating a policy environment that eliminates the diversity that gives rise to success through repeated experimentation and adaptation. Decisions in policy areas such as the environment or finance are taken at such a high level of aggregation that there is no realistic chance of comeback if they fail. Government favours the uniform approach, and big corporations can attribute much of their size to their ruthless elimination of competition - in defiance of their much-lauded 'market forces' - with the full connivance of government. The entities that dictate how our ever-smaller planet shall be run now are so large that we can't afford an increase in the failure rate.

We need to revert to an environment in which failure can not only be tolerated, but can perform its necessary function of generating improved policy. Social Policy Bonds are one possibility. Under a bond regime decisions could still be taken with the aim of improving outcomes at the global level. But, unlike under the current system, the bonds would stimulate the exploration, implementation and refinement of diverse solutions. By contracting out the achievement of broad social and environmental outcomes to the private sector, the bonds would encourage diverse approaches, many of which would fail to be efficient and effective solutions to our social problems. Et voila: an increased failure rate!

7.9.2 (2010-09-04 06:39)

> I estimated that the subsidy for off-street parking [in the US] in 2002 was between $127 billion and $374 billion, or between 1.2 percent and 3.6 percent of the gross

> domestic product. In comparison, in 2002 the federal government spent $231 billion for Medicare and $349 billion for national defense. Donald Shoup ,
>
> [1] Shoup to O' Toole : The Market for Parking Is Anything But Free, 1 September

How do we get ourselves into this sort of mess? Bureaucracy and the big corporations have their own agenda. When it comes to parking, it takes the form of mandated parking spaces for new buildings, residential and commercial. To the vast majority of us who are turned off by the whole policymaking process, minimum parking requirements sound sensible, at first hearing. (So too, did subsidies to 'family' farms, many decades ago.) The end result is the apotheosis of the car; subsidies from the poor (who have no, or minimal access, to cars) to the rich, and an aesthetic and environmental calamity.

One thing that outcome-based policy would do right from the start is bring into question such superficially appealing notions as minimum parking requirements. By focusing on ends, rather than means, Social Policy Bonds would lead to a total reappraisal of transport and town planning policy - and one in which ordinary people could participate. Is easy transport a means to an end, or an end in itself? What exactly are town planners trying to achieve? Are ordinary people consulted? Perhaps we'd all be better off if government at all levels were to target the minimal well-being of all its citizens rather than (inadvertently, perhaps, and surreptitiously, almost always) the agenda of big corporations.

1. http://www.streetsblog.org/2010/09/01/shoup-to-otoole-the-market-for-parking-is-anything-but-free/

7.9.3 The American ruling class (2010-09-09 14:56)

> Today, few speak well of the [American] ruling class. Not only has it burgeoned in size and pretense, but it also has undertaken wars it has not won, presided over a declining economy and mushrooming debt, made life more expensive, raised taxes, and talked down to the American people. Americans' conviction that the ruling class is as hostile as it is incompetent has solidified. The polls tell us that only about a fifth of Americans trust the government to do the right thing. The rest expect that it will do more harm than good and are no longer afraid to say so. [1]America's Ruling Class – And the Perils of Revolution, by Angelo M. Codevilla , 'The American Spectator', July-August

Even years after policies have been implemented, it's often difficult to know whether they were right or wrong. For that reason alone, public buy-in is increasingly necessary, as society becomes still more complex and interdependent. One reason such buy-in is difficult to bring about in today's policymaking

environment is the casting of policy in terms of activities, lofty but vague ideals, spending patterns, and arcane legislative decisions. It's difficult for ordinary people to understand and follow the policymaking process.

Social Policy Bonds could help generate more public participation and more buy-in. Their starting point is the targeting of outcomes that are meaningful to natural persons - as distinct from abstractions like corporate profits, or 'the economy'. Discussion would centre on these

outcomes, their costs and relative priority.

It's dangerous, I think, when people become feel so alienated from the political class that we become cynical or despairing. Even sound, sensible policies then become objects of suspicion. Buy-in to crucial policy decisions , in times such as these, is not a luxury. It's a necessity and one that the current system is failing to provide.

1. http://www.blogger.com/America%27s%20Ruling%20Class%20--%20And%20the%20Perils%20of%20Revolution%20%20By%20Angelo%20M.%20Codevilla

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7.9.4 What drives policy? (2010-09-14 05:47)

Sometimes rationality takes a back seat:

> Based on surveys ...the top five worries of parents are, in order:
>
> 1. Kidnapping
> 2. School snipers
> 3. Terrorists
> 4. Dangerous strangers
> 5. Drugs
>
> But how do children really get hurt or killed?
>
> 1. Car accidents
> 2. Homicide (usually committed by a person who knows the child, not a stranger)
> 3. Abuse
> 4. Suicide
> 5. Drowning
>
> Quoted by [1]Bruce Schneier , orignally from [2]NPR

Unfortunately, policy is often made on the basis of public perception, rather than a cool, rational appraisal of the facts. It's a widespread problem:

> …policies are often adopted on the basis of less careful analysis than their importance warrants, leaving wide room for mistakes and misperceptions . Forces of knowledge destruction are often stronger than those favoring knowledge creation. Hence states have an inherent tendency toward primitive thought, and the conduct of public affairs is often polluted by myth, misinformation, and flimsy analysis. [3]Source (pdf) [4] [5]

Social Policy Bonds could make a difference here. We react to events impulsively and irrationally but we do so for a reason: generally, to return to the status quo ante. Often, in our irrationality, we overreact. 'Too much, too late', is the common, and destructive, impulse. A bond regime, in contrast, would supply incentives to achieve the same goal, but more rationally. So, for instance, if our goal is to minimize the dangers to children, we could issue Social

Policy Bonds that would aim to reduce the numbers of people dying or suffering serious injury, from any cause, before the age of 18. This goal would be stable over time, despite events that in today's environment would sway politicians and lead to irrational policy. But at the same time, investors in the bonds would have incentives to react rationally and efficiently to genuine changes in the number and severity of threats to children.

1. http://www.schneier.com/blog/archives/2010/09/parental_fears.html#comments
2. http://www.npr.org/blogs/health/2010/08/30/129531631/5-worries-parents-should-drop-and-5-they-should?sc=fb&cc=fp
3. http://web.mit.edu/polisci/research/vanevera/why_states_believe_foolish_ideas.pdf
4. http://www.blogger.com/post-create.g?blogID=9695147#sdendnote1sym
5. http://www.blogger.com/post-create.g?blogID=9695147#sdendnote1anc

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7.9.5 Incentives for peace (2010-09-20 13:00)

> ...I hear two of the wisest Israelis I know say quietly that, against all odds, these peace talks will succeed, because "we are all so tired, so weary for peace", then the Ararat test is the one to set. Can Jews and Arabs opt to forget en masse? [1]When misery is a legacy, Peter Preston, 19 September

In truth, we don't really know whether tiredness - or forgetting, for that matter - lead to peace. Society is so complex, there are bound to be occasions when either condition could contribute to war. You might just as easily find an Israeli or Arab say "we are all so tired, so weary of being persecuted by the other side...". Which is not a gloomy hypothesis: it suggests that peace can break out at any time, regardless of expectations or the views of commentators or the opinions of political leaders.

But incentives matter, and the dice are still loaded in favour of protracted Middle East conflict. Entire bureaucracies and career pathways for ambitious politicians, arms companies and men (generally) of so-called religion depend depend on this and other conflicts continuing into the indefinite future. These people aren't not necessarily evil. They, for the most part, didn't deliberately or even consciously perpetuate the conflict or the conditions that keep it going. But they do depend on its continuing.

And that's why the Social Policy Bond principle can break the circle. The politicians, the generals, the men with beards and countless others are reacting rationally to the incentives on offer. Those incentives are geared toward perpetuating conflict, and not only in the Middle East. Changing these incentives so that peace is rewarded instead of penalised could change everything. And a bond regime could do that. The backers of [2]Middle East Peace Bonds don't need to work out who or what is responsible for the conflict; they don't need to devise road maps or put their livelihoods (or lives) on the line. All they need to do is to define the sort of peace they want to see, and pump as much of their own and other people's money into redeeming the bonds once their peace target has been achieved and sustained. It would be up to investors in the bonds to work out the most effective and efficient ways of reaching that target. They would probably deploy a diverse range of approaches; they would have incentives to explore, implement and adapt the more promising of these, and to terminate the failures. The bonds' backers would be recasting the incentives to encourage peace making, and if there were sufficient funds behind them, there's no reason why they would not succeed.

People casually talk about conflicts that are 'intractable'. I say, read up about the 300-year conflict between England and Scotland, then take a look at the Anglo-Scottish border. It's pretty quiet these days.

1. http://www.guardian.co.uk/commentisfree/2010/sep/19/turkey-armenia-genocide-history-passion
2. http://socialgoals.com/mepeacebonds.html

7.9.6 What did they expect? (2010-09-21 15:31)

> An analysis published a few days ago by the campaigning group [1]Sandbag estimates the amount of carbon that will have been saved by the end of the second phase of the EU's emissions trading system, in 2012; after the hopeless failure of the scheme's first phase we were promised that the real carbon cuts would start to bite between 2008 and 2012. So how much carbon will it save by then? Less than one third of 1 %. [2]Source

Climate change might be our most urgent environmental challenge. Or it might not. It might lead to catastrophic changes in weather patterns around the world, threatening millions of those people who are least able to adapt. Or it might not.

Our policymaking system doesn't deal well with such uncertainty. It's in most policymakers' interests to delay significant action until it becomes impossible to ignore the consequences of doing so. In similar policy areas, perhaps in most, that isn't too disastrous a policy. But there are occasions when the scale of the consequent disaster is immense.

In all these years of discussion about climate change, I haven't been persuaded that there's anything more likely to meet the climate challenge effectively than [3]Climate Stability Bonds. Under a bond regime, the private sector would bear the consequences of over- or under-estimating the severity of the problem. And they would do so adaptively. That contrasts with the current approach, whereby policymakers employ a limited number of experts using today's science in an attempt to grapple with tomorrow's events - at a time when our knowledge of the causes and consequences of climate change is small, but expanding at a prodigious rate.

It's no wonder then that, perhaps at the unconscious level, our policymakers have decided to do nothing, other than engage in bureaucratic displacement activity. There's an unknowable, but non-zero, probability that we shall get lucky, and that this approach will prove to have been wise; but we can know that only in retrospect. And even if that were to be the case, Climate Stability Bonds, because of the way they work, would still have functioned as an insurance policy. One that could have a massive positive payoff, and one that in any event would be no more costly than the pointless rituals that signify the current way of pretending to deal with the problem.

1. http://www.sandbag.org.uk/
2. http://www.guardian.co.uk/commentisfree/2010/sep/20/climate-change-negotiations-failure
3. http://socialgoals.com/ieakyototext.html

7.9.7 Don't watch this space... (2010-09-27 13:04)

...well, not too avidly anyway.

My 800 th post, so time once again to look at where Social Policy Bonds are heading. The answer is a little disheartening: nowhere. At least, not that I'm aware of. More dispiriting still, the distance between ordinary people and the politicians who are supposed (in the democracies) to represent them appears to be growing wider. But what about the Tea Party movement? Isn't that a genuine grass-roots, bottom-up, closing-the-gap, trend to be welcomed? At first sight, perhaps. But its funding sources raise [1]suspicions and, more important (to me) is that it seems less interested in outcomes and more interested in the same distractions that bedevil conventional politics; foremost among them personality and ideology.

Politicians are becoming a class apart, sharing few of the concerns of their constituents. Corporations, and especially the biggest corporations, are ever more influential in determining policy. Natural persons view politicians with disdain; politics with indifference, cynicism or despair. A realignment, along the lines of Social Policy Bonds, whereby government targets outcomes that are meaningful to ordinary people cannot come soon enough.

1. http://www.sourcewatch.org/index.php?title=Tea_Party_movement_funding

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7.10 October

7.10.1 Numbers have limits (2010-10-06 08:32)

> The dietary guidelines for Americans should focus on whole foods and eating patterns rather than individual nutrients, argue Dr Dariush Mozaffarian and Dr David Ludwig in the [1] Journal of the American Medical Association pointing out that this is not a radical approach at all, but a return to more traditional, time-tested ways of eating. 'The greater the focus on nutrients, the less healthful foods have become,' they write. Quoted in [2]GI News

As society grows more complex and centralised, we see metrics taking over from intuition, instinct and insight. Much as we might try to define well-being in terms of numerical indicators, they are always going to be imperfect at best and in conflict at worst. We might, for instance, target an indicator like literacy for instance but, in doing so, transfer resources away from infant mortality, say, in such a way as to reduce overall social well-being. It's a difficulty for the Social Policy Bond approach, but it's also a difficulty with the current approach to policymaking.

The bonds do have the merit of forcing a focus on what policy is out to achieve, and to express these goals in terms of objectively verifiable numbers. That, in turn, would focus attention on those metrics that are inextricably linked to well-being. Lofty sounding goals ('punching above our weight', 'making us more secure', 'safeguarding the auto industry', 'saving the family farm') would be seen right from the beginning for what they are: distractions - and often very expensive distractions. A bond regime would probably then see more emphasis on safety-net measures: it is for the most disadvantaged that numerical indicators (of income, nutrition, literacy, for instance) most closely correlate with well-being. It would also show a

sharper focus on reducing the probability of catastrophe (via [3]Disaster Prevention Bonds, for instance) because, unlike under the current system, the precise nature of the catastrophe need not be specified in advance for funds to be devoted to its mitigation.

The limitations of metrics could function as a useful discipline. They would tend to concentrate government interventions on those policy areas where they can do most good: helping the disadvantaged and insuring against catastrophe. Government could limit itself to those areas without issuing Social Policy Bonds, of course. But they don't.

1. http://jama.ama-assn.org/cgi/content/extract/304/6/681
2. http://ginews.blogspot.com/
3. http://socialgoals.com/dpbs.html

7.10.2 Means and ends (2010-10-10 11:41)

Michael Mascarenhas [1]asks "how do we actually measure this complex activity known as water access in subsistence communities?" and, as his article shows, it is a genuine problem. In rural Africa it's difficult to imagine any centralised system of programme funding allocation and assessment working well. The well-being of an individual or community, while it is likely to be accurately perceived by insiders, would be difficult to quantify in a way that's useful to national or NGO decision makers.

But the Social Policy Bond approach could help. Rather than try to measure such abstract concepts as 'availability', it would instead focus on, and target, the benefits that such availability will have on verifiable outcomes: infant mortality, morbidity, longevity, birth weights, to give a few possibilities. It would be a shame, I think, if the failed paradigms of the west - the implicit or explicit targeting of such close-to-meaningless accountancy-type abstractions as 'the economy', GDP etc - were to be adopted by the developing countries. They have led us astray, quite dramatically; with the full ramifications yet to be felt.

1. http://scientistatwork.blogs.nytimes.com/2010/09/15/leaving-the-land-of-a-thousand-hills/

7.10.3 The caste of politicians (2010-10-13 11:05)

Brendan O'Neill articulates our disenchantment with today's politics, commenting on the recent leadership contest for the UK opposition Labour Party:

> [T]his was a decadent, neo -aristocratic affair, with various party grouplets shifting their allegiances around for no clear or rational reason, while media insiders sought to provide a political personality and narrative for Ed [Miliband , the eventual winner]. [1]Spiked
>
> , 27 September

More than ever, politics resembles a caste system. Any causal relationship between the public's goals and actual outcomes seems more and more to be coincidental: a random occurrence, independent of the wishes or actions of the politicians.

Social Policy Bonds offer a way to reconnect the public with policymaking . Under a bond regime, instead of choosing professional politicians, people would choose the social and environmental outcomes they wish to see. Instead of government-funded ministries and departments choosing how to bring about undeclared, vague, or mutually conflicting objectives, as under the current system, a bond regime would see the spontaneous creation of a [2]new type of organisation, whose structure and activities were entirely subordinated to society's goals.

Of course, any adjustment to such a rational system of policymaking would take time. In my [3]book I describe a migration pathway; essentially entailing the gradual reduction in funds allocated to traditional organisations along with a corresponding expansion of funds allocated to redeeming Social Policy Bonds. It would mean a radical re-thinking of the way in which society is organised. But the alternative - the entrenchment of a political caste almost totally removed from ordinary people, and consequent alienation of even more of us from politics - would be far less edifying.

1. http://www.spiked-online.com/index.php/site/article/9658/
2. http://socialgoals.blogspot.com/2006/05/new-type-of-organisation.html
3. http://www.socialgoals.com/_the_book.html

7.10.4 Outrageous (2010-10-18 12:41)

> [President Obama's] political difficulties began with the revelation that AIG, which had received $170 billion from the government, had paid out $165 billion in bonuses to the division that had brought the company down. [Treasury secretary Timothy] Geithner had known about the bonuses but insisted there were no legal grounds to block them. (It then came out that Geithner had pressured Senate Banking Committee Chairman Chris Dodd to insert a provision into the stimulus bill that protected the bonuses.) [1]The Unnecessary Fall, John B Judis, The New Republic, 2 September

This is what happens when politics becomes a specialised craft; something so arcane that outsiders take no interest, out of apathy or cynicism. But it's the outsiders - that is, ordinary people - who suffer as a result.

One answer to the alienation caused by this extreme specialisation is perhaps more specialisation in the form of Social Policy Bonds. Under a bond regime, politicians would be limited to what they do best: articulating society's wishes and raising the revenue for their achievement. But the actual choice of objectives and their relative priority, would be in the hands of the public. And the public would be far more likely to take an interest: we'd be choosing outcomes. Outcomes that are meaningful to ordinary people. Targets like lower crime rates, more employment, a cleaner environment. Expressing politics in terms of outcomes is far more likely to engage the public than the (deliberately, one might think) opaque discussions about process, institutional structures and legalisms that feature most prominently in current politics. Once targets have been set, a bond regime would contract out their achievement to investors, whether they be public or private sector. They would have incentives to be efficient: the bonds would always be in the hands of those who believe they can achieve society's targeted goals most cost-effectively. A stark contrast with the current system, where most of

the people working for organisations charged with achieving social goals are paid simply to turn up at the office. I refer, of course, to government agencies.

Social Policy Bonds, in short, would see politicians and the market each do what they are best at. Respectively: expressing our wishes as realizable, costed goals and raising revenue; and allocating resources to achieve these goals most effectively.

1. http://www.tnr.com/article/politics/magazine/76972/obama-failure-polls-populism-recession-health-care

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7.10.5 The problems are systemic (2010-10-27 10:24)

Johann Hari sums it all up in an article about US politics, but which could apply to all the democratic countries:

> If you want to run for national office in the US, you have to raise huge sums of money from corporations and very rich people to pay for the adverts and the mailings that get you on the ballot and into office. These corporations will only give you money if you persuade them that you will serve their interests once you are in power. If you say instead that you want to prevent anything destructive they are doing to ordinary people, or tax and regulate them, you will get no money, and can't run. As the Wisconsin politician Ed Garvey puts it: "Even candidates who get into politics with the best of intentions start thinking they can't get re-elected without money. Senators get so reliant on the money that they reflect it; they stop thinking for themselves, stop thinking like the people who elected them. They just worry about getting the money." ...[W]e have to be honest: the continuities with [President George W] Bush are far more pronounced than the differences. [1]The real reason Obama has let us down - and endangered us , 25 October

Against this systemic flaw, what can Social Policy Bonds offer? The clue is in my tag line: Policy as if Outcomes Mattered. The current system is too indirect. Apart from representing our views and raising revenue, government and officials are employed by organisations that are supposed to achieve these goals: government agencies, or contractors working for them. This obscures the relationship between intention and achievement . It's particularly corrosive when there's no correlation between social outcomes and the rewards to the people who are supposed to be achieving them. The system is inherently cynical: if a government agency , at any level, is too successful in, say, reducing crime, or raising literacy, it's likely to shrink in size, with its funding reduced accordingly.

It's no surprise then that, with such a loose connection between government and outcomes, ordinary people are turned off by the whole exercise. Those who do take an interest are those who are paid to: lobbyists, usually employed by large organisations : corporations, trade unions, religious bodies, or government agencies themselves. These organisations

have as their overarching goal, not the interests of society, but their own self-perpetuation. Who loses? Ordinary people. Who wins? The wealthy organisations, as Mr Hari elouqently points out.

Social Policy Bonds could help. Under a bond regime, society's goals would have to be

declared at the outset. We'd focus on outcomes. Not the structures or funding of government agencies; not the personalities, peccadilloes or ideology of prominent politicians; and not the high-sounding, emotional, appeals to patriotism or other sound-bites, crafted solely to garner votes under an inherently corrupt system. Government's role would be to articulate our goals, and to raise the revenue required to achieve them. But, because our politics would be expressed in terms of outcomes and their costs, ordinary human beings could participate in the policymaking process. And end in itself, but also a way of engendering buy-in - something that we need if we are, as a society, to meet our urgent social and environmental challenges.

1. http://johannhari.com/2010/10/25/the-real-reason-obama-has-let-us-down-and-endangered-us

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7.10.6 Insanity (2010-10-30 11:09)

Even little New Zealand feels it has to subsidise the rich:

> The extra [NZ] $20 million subsidy for The Hobbit will be paid as a tax break on a pool of profits to be shared by actors and other workers on the films, including director Sir Peter Jackson, it is understood. The Government has kept under wraps details of the extra cash incentive to Warner Bros, which comes on top of the 15 per cent subsidy worth about $65m on the budget for the two movies of about $670m. Prime Minister John Key said yesterday that commercial confidentiality meant he could not say what the money would go on. [1]Source

This is rancid politics. It's government pandering to the rich and glamorous with taxes paid by ordinary people. It's quite outrageous.

1. http://www.stuff.co.nz/dominion-post/news/4288950/Extra-Hobbit-subsidy-will-be-staff-tax-break

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7.11 November

7.11.1 No way... (2010-11-02 09:42)

No way to check emissions puts climate deal in danger

reads the header of a recent article by Fred Pearce in 'New Scientist'. One example:

> China does not record CO2 emissions from its small coal-burning factories and long-standing fires in mines which may result in under-reporting by as much as 20 per cent. The uncertainties for other greenhouse gases are even greater.... 'New Scientist', 9 October (page 12)

Another article, Dead Oceans , in the same issue (page 37) talks about the possible consequences of oxygen-deprived dead zones in the oceans; a result of warmer waters and the smaller quantity of dissolved oxygen they can contain. These regions:

> ...could come to host bacteria that emit nitrous oxide, a powerful greenhouse gas. Working out the likely extent of such feedback processes...will be a major preoccupation for scientists in the coming years.

We might not have those years. Our policymaking systems are incapable of dealing with a problem like climate change. Focussing as they do on processes and institutions they seek, at their best, to identify the causes of problems before they set up institutions supposed to solve them. Of course, these institutions develop their own agenda, and the people working for them aren't paid in ways that reward successful solutions but, given sufficient funding and sufficiently robust knowledge of the relationships between cause and effect, and plenty of time, this mechanism has been known to work.

Sadly, though, the deficiencies of such an approach become serious flaws with potentially disastrous challenges like climate change. The relationships, as the two snippets quoted above suggest, are just too uncertain and complex. Our knowledge of them, though expanding rapidly, is too sparse to generate the buy-in required to deliver effective solutions. We need diverse solutions that can adapt to changing circumstances and our expanding knowledge. And we need to target the outcome we want to achieve, rather than waste years trying (and, most likely, failing) to identify the important scientific and economic relationships before we take effective action.

That's where [1]Climate Stability Bonds could help. They'd be issued by some global organisation, and be backed by contributions from national governments. They would define some climate target, probably in terms of a combination of physical, biological and financial indicators. The bonds would reward the maintenance of a climate whose index fell within defined boundaries. It would be up to investors in the bonds to decide how best to deploy resources to achieve our goal. They would have incentives to do so as cost-effectively as possible. It would be up to them to keep abreast of all the important science. They would adapt their approaches as our knowledge expands. Every aspect of this behaviour would be far, far better than the current approach, which, to put it mildly, is not working.

1. http://socialgoals.com/ieakyototext.html

7.11.2 Why wait centuries? (2010-11-06 11:14)

The late Tony Judt, historian, in an [1]interview published in The Nation , 17 May:

> Democracy has always been a problem. The truly attractive features of the Western tradition that we accidentally - and it really is accidentally - get the benefit of are the rule of law, liberalism and tolerance, all of which are virtues inherited from predemocratic societies, whether they were based in eighteenth-century Anglo-American aristocratic individualism or nineteenth-century European forms of a type of developed postfeudal legal state.

Indeed, the accidental effects of human actions can be beneficial as well as disastrous. Adam Smith's Invisible Hand generates material benefits, as does government planning. But they also create social and environmental problems, and only partly because of market failure. In my view, the world is too small now for the solution of social and environmental problems to

be left to chance. And, once we have achieved, however haphazardly, virtues such as the rule of law, liberalism and tolerance, and once we see recognise their importance, we can consciously set out to maintain them.

This is what Social Policy Bonds could do. One of the great advantages of the bond approach is that we can encourage people to achieve social goals without anyone knowing in advance how they will do so. Issuers of 'Rule of law' Bonds could target the achievement of rule of law, in societies that currently don't have it; and its continuance in societies that do. The accidental achievement of rule of law (and liberalism and tolerance) in the societies that have it took centuries of conflict and bloodshed. We cannot know how best to achieve these virtues in remote, complex societies, nor how to sustain them in more fortunate societies. But we can offer incentives for people to do so. Yes, defining what we mean by 'rule of law' poses difficulties. But the alternative, waiting for societies to achieve it accidentally is unlikely to be any easier.

1. http://www.thenation.com/article/talking-tony-judt

7.11.3 Catastrophe avoidance: we're not doing it (2010-11-14 23:46)

Stepping back from the society's turmoil for a moment, it's pretty clear that we aren't developing ways of dealing with our social and environmental problems. The negative impacts of a person or firm's profit-making used to be either small, or uncertain, or simply ignored because society as a whole counted for too little against the power of wealth. There was much distress, then, as costs of economic activity were socialised, while most of the gains accrued to the few. In response, we have laws, rules, and regulations. But the disparity between the wealth of the corporate sector and the ever more constricted and degraded lives of most individuals has rarely been so striking as today. On the whole, the aggregation of corporate incentives is not, these days, seen as improving the quality of life of most of the population. The planet is too small for the corporate sector's bye-products, social and environmental, to be absorbed or ignored as in the past. And corporate incentives now influence (to put it mildly) much of government: the form of organisation whose legitimacy is entirely based on its role in enhancing the lives of most of its citizens. No wonder, then, that we are facing multiple crises, taking the forms of cynicism and despair about politics, and threats of massive financial, economic and environmental disruption.

In response, I believe we need to make a conscious effort to re-align incentives. Society and the environment are too complex and rapidly changing for market failure to be addressed by laws, regulations and small-scale tax or price adjustments. We urgently need to give priority to things that really matter. I'd target, above all else, the avoidance of catastrophe, however caused.

Social Policy Bonds are one way in which we can give catastrophe avoidance the priority it deserves. It's clear now that it needs explicitly to be targeted, and [1]Disaster Prevention Bonds are one way of rewarding people for maintaining a habitable planet. How would they work? Governments (and non-governmental organisations) would set up a fund that would be used to redeem bonds, issued on the open market, that would become valuable after a sustained period during which no major disaster has occurred. Investors in the bonds would have incentives to anticipate potential catastrophes and seek out those ways of avoiding

them that are most cost-effective. The advantages over the current way of doing things are many: The exact nature of the catastrophe need not be known in advance. We'd stimulate a diverse, adaptive range of approaches. Cost-effectiveness is built into the bond mechanism. In effect, we'd be creating a new, protean, type of organisation: one that, in contrast to the current multiplicity of, mostly, ineffective bureaucracies, would be motivated not merely to turn up for work and perform various activities, but actually to achieve an explicit, urgent, and vital goal: the survival of human beings on planet Earth.

1. http://socialgoals.com/dpbs.html

7.11.4 Innovation is a threat to the public sector (2010-11-25 10:26)

> But the benefit of competition is not just that it serves customers' needs today, but that it is a mechanism for adapting to what they will need tomorrow. The dynamism of a market economy comes from innovation in products and processes, and radical innovation in products and processes often – in fact usually – comes from outside the existing market structure. Apple is changing the nature of the phone industry, Amazon the book business. But anyone who had approached these industries from the marketing or the legal standpoint would have concluded that there was enough competition already. [1]Radical innovation rarely comes from within, John Kay, 'Financial Times', 24 November

There are bodies, whose weaknesses Mr Kay discusses, that are charged with improving competition in the private sector. And it's true that they are often needed. It's unfortunate, though, that there's no such mechanism for public sector monopolies, because it's these bodies, typically government agencies, that are supposed to bring about social outcomes that, from a broad perspective, are far more important than reasonably priced books or phone calls. We rely on various levels of government to, for example, relieve poverty, reduce crime rates or insure against environmental - or financial - catastrophe. The absence of innovation in achieving these outcomes is an embarrassment. Yes, there have been some minor changes in the identity of the service-deliverers, some contractings -out and quite a few privatisations. But on the whole, the contrast between the private and sectors is stark. Our political system, like any other institution, has as its over-arching goal that of self-perpetuation, and its interests are not only different from those of ordinary people; they are often in conflict with them.

Perhaps Social Policy Bonds could re-align the goals of our policymakers with those of the citizens they are supposed to represent. Under a bond regime how outcomes are delivered, and who delivers them, would be less important that the fact of their delivery. There would be less discussion about structures and spending; instead there'd be a constituency of highly-motivated investors whose goals would be entirely congruent with those of society. By maximising their own rewards, bondholders would be necessarily achieving social goals, whether they be local, national or even global, as efficiently as possible. Innovation, to investors in Social Policy Bonds, would be an opportunity not, as under the current system, a threat.

1. http://www.johnkay.com/2010/11/24/radical-innovation-rarely-comes-from-within

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7.12 December

7.12.1 Safe prediction: Cancun will fail (2010-12-05 23:55)

It's too early to say whether the Cancun climate change summit will be deemed a success or not. By keeping expectations low, the myriad bureaucracies involved will be able to term any agreed string of words a victory. One thing though is certain: in any meaningful sense, Cancun will fail. How can I be so sure? For one thing, it is not concerned with climate change: it is entirely preoccupied with (1) [1]political jockeying and [2]finger-pointing, and (2) greenhouse gas emissions. For another, any agreement or commitment (or, more accurately, declared commitment) will be based on current science; it will not have the capacity to adapt to our rapidly expanding scientific knowledge. Bureaucracies understand top-down, one-size fits all, centralised decision-making. They don't understand diverse, adaptive approaches, and they certainly don't like relinquishing control to people who might be better at actually getting things done than government agencies or their pals who run gigantic corporations. Their real expertise at the international level is in making declarations of intent and organising the transfer of large sums of cash from taxpayers in the rich world to such corporations and third-world elites.

So is there anything positive I can suggest? I've talked and written about [3]Climate Stability Bonds for many years now. As far as I know, nobody's thinking about issuing them. Yet they are the only instrument that I've heard of that can address the doubts (genuine or otherwise) about whether climate change is happening, the huge uncertainties over its likely effects and the best ways of dealing with it, and our rapidly expanding scientific and technological knowledge. Even more important, they are the only suggestion I've seen that will subordinate all policies and all activities and intervention to what we actually want to achieve, rather than to the supposed means of reaching it: a stable climate. That's a versatile and adaptive goal, which can encompass plant, animal and human health, and physical, social and financial targets and ranges.

Current policy, including Cancun, will focus on net emissions of those gases thought to be greenhouse gasses. That's not the same as climate stability. So, in the unlikely event of an agreement in Cancun with which the signatories will actually comply, you can be sure that in any meaningful terms the summit will fail.

1. http://www.independent.co.uk/environment/climate-change/latin-american-radicals-call-for-kyoto-renewal-2152179.html
2. http://af.reuters.com/article/energyOilNews/idAFLDE6B020820101202?pageNumber=1&virtualBrandChannel=0
3. http://socialgoals.com/ieakyototext.html

7.12.2 What drives policy? (2010-12-09 09:43)

What does drive policy? Ideology, soundbites, emotion, personality, and institutional inertia are all prime motivators. Another is the desire to be associated with glamour. As the UK Government looks at spending £30 billion of taxpayer funds, which it can ill afford, on [1]high-speed rail, it's all too easy to see the appeal of the grandiose, at the expense of the public, the environment...well, everything really.

> The macho culture of local and national politics means that councillors, county surveyors and politicians want to be associated with grand projects: building a bypass, or a bridge, or a tram or fast train line. [2]Car Sick: solutions for our car-addicted culture, Lynn Sloman , 2006

Transport is typical policy-as-if-outcomes-are-irrelevant territory. You might think that poverty, housing, health and education are more obvious policy areas: in which government intervention can bring about meaningful improvements in wellbeing for society's most disadvantaged people. You might also think, with me, that if it's worth spending billions of pounds to upgrade rail links that will shave a few minutes off journey times, then the private sector should be bear all the risk. But no, politicians feel they must get in on the act.

A Social Policy Bond regime wouldn't put up with such wasteful nonsense. Transport is a means to various ends, not an end in itself. Government should target those ends, and let motivated investors in Social Policy Bonds work out the best ways of achieving them. Clarity, in particular about the distinction between means and ends, is missing from today's policymaking environment. The result is we get lumbered with expensive, futile projects, while those things that government should be doing - and that only government can do well - are too often neglected.

1. http://news.bbc.co.uk/2/hi/uk_news/8564154.stm
2. http://www.amazon.co.uk/Car-Sick-Solutions-Car-addicted-Culture/dp/190399876X

7.12.3 Going where government cannot go (2010-12-13 12:30)

In many policy areas, government does about a good a job as we could expect any single agency to do. Government does well when it's clear what sort of action is required, and when it alone has the organising capacity and authority to get things done. These are generally areas where the problems are obvious, have obvious causes, and where the ways of solving them have been tried, tested and (by and large) successful. Much of the low-hanging fruit has been picked. In most developed countries sanitation is universal or at least widespread, as are literacy and basic health, education and housing. But there are still serious problems, which our current political system seems incapable of addressing.

Perhaps most important are the potentially catastrophic events, often man-made, which our political system is adept at postponing into a fast-approaching future. But, as well, and equally as significant to many, are those policy areas where government has done a lot, but is trying to do more - and failing. And, because it's still trying, it has crowded out initiatives from others, so that the problems remain unsolved.

Take crime, for instance. Most of the heavy lifting has been done. By the standards of even 100 years ago rates of almost all crime are low. But crime still blights many lives and we could perhaps open up crime prevention to diverse, adaptive approaches, of the sort that government cannot follow. Similarly with infant mortality, domestic violence, basic education, health and, more broadly, poverty. Government probably can't do much more than it's already doing so long as it monopolises the actual attempts to alleviate these problems. The single agency, top-down approach tends to be inflexible, incapable of adapting to differing or rapidly changing circumstances.

Government can't solve these problems, but it can tax its population under the pretext of trying to do so. And that's where Social Policy Bonds could enter the picture. Rather than try to reduce crime still further (or raise literacy to 100 percent, or whatever), which it is not doing efficiently, it could contract out the achievement of these goals to the private sector. Under a bond regime it would still be aiming for the same goals, and it would still be the ultimate source of revenue for funding their achievement, but it would be investors in the bonds who would actually achieve them. They would be motivated by the consequent rise in the value of their bonds, as they help achieve the targeted goal.

The same reasoning applies at all levels, and to problems, such as the ending of war or the avoidance of catastrophe, where government hasn't even picked the low-hanging fruit.

For more about Social Policy Bonds, click [1]here. For the application of the Social Policy Bond principle to catastrophe, click [2]here.

1. http://socialgoals.com/
2. http://socialgoals.com/dpbs.html

7.12.4 Government doesn't do diversity (2010-12-18 06:44)

Discussing some of the perils of the internet , Nicholas Carr mentions Frederick Taylor's system of scientific management. It brings great efficiency advantages to manufacturing, but took away the employee's need to:

> 'make his own decisions about how he did his work. ... After Taylor, the laborer began following a script written by someone else. ... The messiness that comes with individual autonomy was cleaned up, and the factory as a whole became more efficient, its output more predictable. Industry prospered. What was lot along with the messiness was personal initiative, creativity, and whim. Conscious craft turned into unconscious routine. Nicholas Carr, [1]The Shallows (page 218)

The trade-off probably works in society's favour when the productivity gains are sufficiently great, and when employees have other outlets for their creativity. Where society stands to lose, though, is when ostensibly scientific scripts are applied inappropriately, and when there is no possibility of their being superseded either by better scripts, or adaptive behaviour. I think this applies to much of current policymaking , where we commonly see approaches that have been tried, tested and found to be inefficient or useless being applied again and again to social and environmental problems.

This need not be a total disaster, so long as there remains in the policy arena some approximation of the 'creative destruction' that characterises perfectly competitive markets. But, sadly, that condition applies less and less to our more serious global or national problems. Government wants to apply its monopolistic approach not only to those areas, such as provision of public services, where that can work well, but also to challenges, like climate change, that urgently demand diverse, adaptive approaches. Government at all levels increasingly takes away our autonomy and writes the script on our behalf. This tendency is partly a fear of litigation where, so long as you can prove that you've ticked all the boxes, you are covered.

But it's also simple inertia, whereby government agencies react rationally to the incentives to enlarge their powers.

One remedy might be Social Policy Bonds, whereby government can still set targets and raise the revenue necessary to achieve them. But it can disengage from actually achieving them and from stipulating how they shall be achieved. For complex problems, where our current knowledge is scanty, and where a mosaic of different approaches is going to be necessary, we need to encourage 'creative destruction': that is, experimentation, with the termination of failed trials. We need, in short, diverse, adaptive approaches, of the sort that government (or any single, large organisation) cannot take. A bond regime, where highly motivated investors would always be on the lookout for better ways of doing things, could be the way forward.

1. http://www.amazon.com/Shallows-What-Internet-Doing-Brains/dp/0393072223

7.12.5 Lies, damned lies, and policymaking (2010-12-30 10:05)

An ethical doctor decides to examine, discreetly, a patient who is being looked at by other doctors:

> [S]he's concerned that, like many patients, he'll end up with prescriptions for multiple drugs that will do little to help him, and may well harm him. "Usually what happens is that the doctor will ask for a suite of biochemical tests—liver fat, pancreas function, and so on," she tells me. "The tests could turn up something, but they're probably irrelevant. Just having a good talk with the patient and getting a close history is much more likely to tell me what's wrong." Of course, the doctors have all been trained to order these tests, she notes, and doing so is a lot quicker than a long bedside chat. They're also trained to ply the patient with whatever drugs might help whack any errant test numbers back into line. What they're not trained to do is to go back and look at the research papers that helped make these drugs the standard of care. "When you look the papers up, you often find the drugs didn 't even work better than a placebo. And no one tested how they worked in combination with the other drugs," she says. "Just taking the patient off everything can improve their health right away." David H Freedman, quoting Dr Athina
>
> Tatsioni in [1]Lies, Damned Lies, and Medical Science, 'The Atlantic', November 2010

A potential difficulty with Social Policy Bonds is that they rely, almost entirely, on meaningful correlations between measured variables and that which society wants to target: most likely, some component of well-being. It's a difficulty, because people can game the system, complying with the letter, but not the spirit, of any defined target-setting.

What's not so obvious is that it's an even bigger problem under current policymaking regimes. In our industrial societies, with their large, complex economies, government bodies and non-governmental organizations have extremely complicated tasks. Increasingly, and of necessity, government already relies on numerical indicators to manage its resource allocation. and largely supplanted families, extended families, and communities in supplying a range of welfare services to a large proportion of their populations. .

But this use of indicators is relatively recent, unsystematic, unsophisticated and incoherent. Indicators such as the number of medical tests performed, or the size of hospital waiting lists don't measure what matters to people or are prone to manipulation. Even when numerical goals are clear and meaningful they are rarely costed , they are almost always too narrow, and they are largely chosen to mesh in with the goals and capabilities of existing institutional structures. Those broad targets that are targeted with some degree of consistency tend to be economic aggregates, such as the inflation rate, or the rate of growth of Gross Domestic Product — which has come to be the de facto indicator par excellence of rich and poor countries alike. But GDP's shortcomings as a single indicator of the health of an economy [2]are serious, and widely known. Government would do better to target ends rather than means: social and environmental outcomes that are meaningful to natural persons, as against government agencies and corporate bodies, rather than growth rates or other abstract economic indicators.

It would appear that the choice will increasingly be between (a) the current de facto targeting of per capita GDP along with an almost random array of narrow, easily manipulated indicators that have no necessary relationship to societal goals, and (b) the targeting of consistent, transparent, mutually supportive indicators that represent meaningful social outcomes, under something like a bond regime.

Social Policy Bonds are not perfect, but they still, I believe, would be better than the current system.

1. http://www.theatlantic.com/magazine/print/2010/11/lies-damned-lies-and-medical-science/8269
2. http://socialgoals.blogspot.com/2006/12/gdp-default-target-for-government.html

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2011

8.1 January

8.1.1 The gap widens (2011-01-03 10:04)

Another year, and the gap between policies and meaningful outcomes continues to widen, as does the gap between policymakers and the people they are supposed to represent. Much of the problem lies in an almost total refusal by policymakers to be open about the costs of their policies. The environment and future generations look like being the most grievous victims. Policies that benefit the rich, large corporations and the present generation of voters at the expense of everyone and everything else are always likely to be made under the current regime, where policymaking is so complex there need be no transparency about who are to be the real winners and losers. Policy goals are unstated, vague, uncosted or mutually conflicting and there is no follow up as to the success or failure of particular initiatives.

Social Policy Bonds offer a transparent alternative. Being entirely focused on outcomes that are meaningful to ordinary people, they are far less likely to be hijacked by corporations and their lobbyists, because outcomes are accessible to all - unlike the arcana of current policymaking .

So where are Social Policy Bonds going? They have been in the public arena now for more than twenty years, and I know of nobody who's actually issued any. I see my present role as one of maintaining my websites and making my work available to all, while standing by in case anybody does want advice. Right now I'm working on updating my [1]book (a little) so that it can be marketed a bit more effectively.

1. http://www.socialgoals.com/_the_book.html

8.1.2 The unimportance of being right... (2011-01-10 12:48)

...if your organisation is a monopoly. Discussing a [1]book by Richard Aldrich about about the UK's

intelligence agency, Government Communications Headquarters, Bernard Porter write:

> The list Aldrich gives of
>
> GCHQ's
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> ...failures of prediction doesn't make for comfortable reading: the Korean War; the Russian atomic bomb; the Soviet invasion of Czechoslovakia; the
>
> Yom
>
> Kippur
>
> war; the rise of Middle Eastern terrorism...; the overthrow of the shah of Iran; the Falklands invasion; the end of the Cold War; the attack on the Twin Towers; and the non-existence of
>
> WMDS
>
> [in Iraq]. [2]Thank God for Traitors (gated), Bernard Porter, 'London Review of Books', 18 November 2010

Another example of policy as if outcomes didn't matter: these agencies secure funding merely because they secured it in the past. Like [3]agribusiness and wealthy landowners, or large corporations in general, the subsidies these organizations receive go to support their own self-perpetuation. It's the [4]Special Interest State, and ordinary people aren't special interests. We urgently need to re-align policy priorities so that the undoubtedly hard-working and well-intentioned people employed by

GCHQ

and the others, have incentives to do more useful work instead.

Social Policy Bonds are one possible way of bring about that realignment. Under a bond regime organizations wouldn't receive funding just because they received it the previous year. Funding decisions would be made by investors who would be rewarded for choosing only the most efficient agencies. The current system allows large corporations to subvert the market and government agencies to monopolise the supply of many public goods and services. Efficiency, effectiveness and the public interest come very low on the list of priorities. A bond regime would be entirely different. It would inextricably tie rewards to outcomes. And those outcomes - in contrast to the current system - would be meaningful to ordinary people, rather than special interests.

1. https://www.amazon.co.uk/GCHQ-Richard-Aldrich/dp/0007278470?tag=dudugo-20
2. http://www.lrb.co.uk/v32/n22/bernard-porter/thank-god-for-traitors
3. http://socialgoals.blogspot.com/2007/05/what-chance-have-we-got.html
4. http://socialgoals.blogspot.com/2009/04/special-interest-state.html

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8.1.3 Large organisations are not human beings (2011-01-11 10:27)

Large organisations aren't human beings. More pointedly, their success does not inevitably mean improvements in human well-being. I am glad that former US labour secretary, Robert Reich, realizes that fact.

> "Corporate America is in a V-shaped recovery.... That's great news for investors whose savings are mainly in stocks and bonds, and for executives and Wall Street traders. But most American workers are trapped in an L-shaped recovery." Robert Reich, quoted in [1]Deepening crisis traps America's have-nots, by Ambrose Evans-Pritchard, 'Daily Telegraph', 11 January

In former decades it was perhaps reasonable to identify corporate health with social well-being. But that doesn't apply now. Government, with its power and responsibility, would do better to target directly social outcomes that are more strongly correlated with well-being than the financial status of large corporations (or what passes for their financial status under a [2]debased accountancy system).

Social Policy Bonds are one way in which governments could target essential elements of social welfare directly. Elements such as: a cleaner environment, universal literacy, better health and housing outcomes. Under a bond regime, governments would define and target such goals, and raise the funding necessary for their achievement. But it would be up to investors in the bonds to work out the best ways of achieving them. Corporations, some of them large and wealthy, might well become larger and wealthier under a bond regime (though [3]new types of organisation can be expected to arise), but if they did they would be doing so only because they are efficient at achieving society's aims, rather than, as under the current system, their own.

1. http://www.telegraph.co.uk/finance/comment/ambroseevans_pritchard/8249181/Deepening-crisis-traps-Americas-have-nots.html#dsq-content
2. http://www.amazon.co.uk/Accounting-Growth-Stripping-Camouflage-Accounts/dp/0712675949?tag=dudugo-20
3. http://socialgoals.blogspot.com/2006/05/new-type-of-organisation.html

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8.1.4 Shambles (2011-01-21 01:40)

There are two simple facts about climate change that are worth emphasising. First, climate change could devastate animal, plant and human life across the planet. Second, we're doing nothing to prevent it. Actually, 'nothing' might be an overstatement: we're still encouraging greenhouse gas emissions through [1]subsidies on fossil fuel extraction and consumption. And for all the endless, divisive, bureaucratic wrangling, we're not actually cutting back global emissions. Elegant so-called solutions, apart from diverting intellectual resources away from the actual problem, attract [2]fraud of the sort that is technically illegal, or are designed to be gamed by the major players.

My role here is not to criticise, but to offer a better solution than those currently on offer. Let's state another simple fact: if we want to reduce climate change, then we ought to reward people who reduce climate change. Definitions are crucial, but there's no need to go into detail here. 'Climate change' can be defined to include physical, biological and financial variables (and rates of change of variables), and 'reduce' can be defined in terms of those costs. What is important is to to set up systems that will see climate change, however defined, reduced. But how are we to convince people that the inevitable costs of preventing climate change are worth paying? The many vested interests who are willing to take refuge in the scientific uncertainties have largely blocked any meaningful international agreement. Well, one huge advantage of a [3]Climate Stability Bond regime is that it wouldn't need to persuade

the vast majority of people that climate change is actually happening. Instead, it transfer the risk of doing too much or too little to those willing to bear it, in return for big rewards if they call it correctly. Another is that whereas scientific uncertainty (and there are some huge ones, over the role of clouds for instance, or methane clathrates) could dramatically undermine the success of the current approach, a bond regime would simply absorb such uncertainty through the market for the bonds. The current approach requires scientists to take a position now on physical and biological relationships that just cannot be identified and quantified. Climate Stability Bonds would adapt to our rapidly expanding knowledge.

It's clear that no better solution is on offer. Resources are going instead into gaming the current approach or defending against climate change - which is something that only rich countries can afford to do (and then, only partially). Kyoto, Cancun and all the rest are a distraction. They are "policy as if outcomes don't matter in the least". They represent payment for activity rather than results. They are doomed to fail, and the outcome will be disastrous for many millions of human beings.

1. http://www.grist.org/article/2009-09-22-fossil-fuel-subsidies-dwarf-clean-energy-subsidies-obama-wants
2. http://www.bbc.co.uk/news/business-12241846
3. http://socialgoals.com/ieakyototext.html

8.1.5 (2011-01-21 04:38)

I am just not sold on the foregone conclusion that there is such a thing as global warming, but then again, I could be wrong as a lowly bail bondsman.

8.1.6 (2011-01-21 09:18)

Thanks for your comment, HBB, and I agree with you. You could be wrong; I could be wrong; the great majority of scientists and policymakers could be wrong. Science is not a consensual process, and it is possible that man-made climate change is not actually happening, or that it might not be disastrous, or that, even if it is happening, we might not be able to do anything to stop it. But I am in the happy position - intellectually - of not needing to have an opinion about what is happening to the world's climate, or any of the other matters. Climate Stability Bonds would be the most cost-efficient way of dealing with climate change *whether we accept the scientific consensus or not and whether climate change is happening or not*. If the market believes it's not happening, then the net outlay by whoever issues Climate Stability Bonds will be close to zero, because the bonds would then be auctioned off for close to their redemption value. The bonds minimise the risk-adjusted costs of taking steps to avoid climate change. Check out my paper on [1]Climate Stability Bonds to see exactly how this works, but if you have any other queries, get in touch again.

1. http://socialgoals.com/ieakyototext.html

8.1.7 Accountants shape society (2011-01-24 09:30)

Who, any more, sees social well-being as anything other than a set of numerical variables to be optimised, subject to financial constraints?

> Patients are to be told to examine themselves at home and email their GP with the results rather than meeting face to face. They would send in a short message describing symptoms which would be answered by a doctor between appointments or at the end of the working day. [1]Now you must email your GP, Sophie Borland , ' [UK] Mail Online', 24 January

Perhaps because easily quantified units of manufacturing output used to be strongly correlated with well-being, we tend to think that something like Gross Domestic Product per capita is a reliable indicator of social welfare. An extrapolation from the corporate sector seems to be going on. Corporations measure their success almost entirely in terms of financial variables; with considerations such as market share or employee welfare only really entering the picture insofar as they affect the long-term financial figures. Any negative impacts of their activities that can be successfully offloaded onto society or the environment will be - and have been, spectacularly so in recent years by the financial sector. All that matters is the numbers. Extrapolating from this, we tend to think that corporate success equals a society's success. It isn't true though. Apart from the non-market social and environmental costs of corporate activity there is, increasingly relevant, the concentration of the financial rewards into ever fewer hands.

It's up to politicians to articulate society's concerns, to regulate the corporations, and to redistribute according to society's wishes. And it's failing. Even when it tries, as with the UK's National Health Service, it apes the corporations in choosing a narrow range of micro-indicators as a way of measuring success. Increasing a doctor's throughput, measured in terms of numbers of patients dealt with per day is, like targeting hospital waiting lists, a waste of time. These indicators are too narrow and too easily manipulated to do much good. We should be targeting broad health outcomes: things like longevity, infant mortality and Quality Adjusted Life Years. Unfortunately, government takes the current institutional structures as given, and applies a set of accountancy-type objectives to them. The incentives, as with doctors reading emails, are to satisfy pre-determined criteria - to tick boxes and apply algorithms - rather than to consider the overall health of the patient.

A Social Policy Bond regime would be different. Under a bond regime, broad outcomes that are meaningful to real people (as distinct from corporations) would be explicitly targeted. Any institutions that arise as a result would be well advised to subordinate all its activities to achieving these social goals, or it will find its bonds bought up by a more efficient investor.

1. http://www.dailymail.co.uk/health/article-1349908/Now-email-GP-Patients-told-come-surgery-instead-symptoms-online.html

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8.1.8 Different or divergent? (2011-01-31 23:16)

The protests in Tunisia and Egypt are not difficult to explain. Rising aspirations are colliding with the inability and unwillingness of governments to meet them. The interests of the politicians and the other pillars of the establishment (the police, the military) are not different

from those of their people but, increasingly, in conflict with them. And there's no mechanism, other than by revolution, by which the widening gap can be closed. So it's not just that people's expectations aren't being met under the current regime; it's that the regime is systemically incapable of aligning itself with those expectations.

It's not that different in the rich countries. Our policymaking is in thrall to special interests; mainly big corporations, trade unions, wealthy individuals, and their lobbyists. Policies that turn out to be counterproductive (to put it mildly) are not just implemented, which would be excusable, but they persist. So we see agribusiness corporations and wealthy landowners in Europe and the US subsidised by taxes on the poor to the tune of billions of dollars annually: not just for a short time during which there is a transition to saner policies, but for decades. Our collective response to the unsustainability of ludicrous policies has been to borrow more money to keep them going; to prop up a corrupt system, at all costs to everyone and everything except the special interests. The special interests are the only winners. The losers are ordinary people, our social environment, and our physical environment.

It doesn't have to be like this. Instead of the special interests dictating policy we could find a way of orienting our politics to society's interests rather than those of the powerful. This is where outcome-based policy in general should play a role. Social Policy Bonds are one way by which all government activity and funding would be subordinated to the greater good. Under a Social Policy Bond regime, government would do what it's good at: articulating society's goals, and raising the revenue for their achievement. These goals would be expressed not, as today, in terms of vague, high-sounding but unverifiable ideals, but in terms of quantifiable outcomes, whose achievement would be inextricably bound to improvements in social and environmental well-being. So, rather than target 'economic growth', say, or GDP per capita, we'd be targeting things like universal literacy, or reduced crime rates, or a cleaner environment. We'd target ends, rather than the supposed means of achieving these ends.

No longer would policy, despite the best intentions of the hard-working people in our government agencies, drift away from the the concerns of ordinary people and align itself with those of large corporations and other special interest groups. Policymaking under a Social Policy Bond regime would be entirely subordinated to society's wishes. Rewards would benefit only those who help make such wishes a reality. Only when the interests of government and people are aligned can we be sure of avoiding north-Africa-style turmoil and social collapse.

8.2 February

8.2.1 Foreign Aid for Scoundrels (2011-02-04 11:24)

Wiliam Easterly writes:

> [T]he nations and organizations that donate and distribute aid do not care much about democracy and they still actively support dictatorships. … [T]he French government continued to aid the Hutu government [of Rwanda] even after the genocide

> had become public knowledge. [1]Foreign Aid for Scoundrels, William Easterly, 'New York Review of Books', 25 November 2010

How does this happen? One reason is institutional inertia:

> Aid agencies exist to give aid, so they must keep the money flowing. The department of an aid agency assigned to help a country may not get a budget next year if its officials don't disburse to the country's ruler this year; so they hand out funds no matter how autocratic he is.

And it's a fact that institutions have objectives that can have little to do with their lofty mission statements. Indeed, their over-arching goal, the one that over-rides all others is that of self-perpetuation. How could it be otherwise? As in biological evolution, considerations such as well-being are important only insofar as they they influence survivability. Since funding determines survivability of institutions, and since [2]nobody bothers to check (pdf) the performance of institutions, let alone reward them according to their success, the current, corrupt, destructive aid regime is an inevitable result.

This is where Social Policy Bonds could make a difference. Under a bond regime, organizational existence would not be taken as a given. In a neat reversal of the current system, the efficient achievement of a targeted outcome (the welfare of a poor country, say) would determine the structure and nature of the organizations that pursue that goal. If any agency trying to improve the welfare of a poor country's people were inefficient, it would lose funding by investors in the bonds. The structure, composition, and all activities of all agencies would be totally subordinated to the bonds' targeted goal.

Of course the Social Policy Bond principle can be applied to the welfare of people in the rich countries too, where there is plenty of inefficiency and the system of poor people subsidising the rich is a long-established tradition (see my posts aid for [3]big business, [4]fisheries, and [5]energy and New Zealand's policy of subsidising [6]movie tycoons). It can also be applied to global challenges, such as [7]climate change or, indeed, any [8]catastrophic event.

It won't be though. The Social Policy Bond idea has been in the public arena for more than 20 years now. The level of interest from individuals, the academic world and think-tanks is heartening; but from policymaking institutions - well, the word 'nil' perhaps overstates their enthusiasm for this (or any other) idea that threatens their funding.

1. http://www.nybooks.com/articles/archives/2010/nov/25/foreign-aid-scoundrels/?pagination=false
2. http://web.mit.edu/polisci/research/vanevera/why_states_believe_foolish_ideas.pdf

3. http://socialgoals.blogspot.com/2008/10/what-is-government-for.html
4. http://socialgoals.blogspot.com/2007/02/subsidising-planetary-destruction.html
5. http://www.blogger.com/post-edit.g?blogID=9695147&postID=117486102393377297
6. http://socialgoals.blogspot.com/2006/01/government-to-millionaires-heres-more.html
7. http://socialgoals.com/ieakyototext.html
8. http://socialgoals.com/dpbs.html

8.2.2 Say no more (2011-02-12 09:54)

> In his dissenting opinion for *Citizens United* v. *Federal Election Commission*, a case that gave the notion that money equals speech and corporations equal individuals the imprimatur of the Supreme Court, Justice John Paul Stevens went so far as to make a sort of bitter joke out of the whole thing: "While American democracy is imperfect, few outside the majority of this Court would have thought its flaws included a dearth of corporate money in politics." [1] Murdoch Triumphant
>
> (subscription), by Marvin Kitman , Harper's Magazine, November 2010

1. http://harpers.org/archive/2010/11/0083179

8.2.3 Social Impact Bonds - progress report (2011-02-15 09:35)

Social Impact Bonds (not to be confused with Social Policy Bonds) were launched in the UK in September 2010. SIBs are similar to Social Policy Bonds in the sense that investors receive higher returns if their social intervention is successful. They are being tried over four years with 3000 UK prisoners at Peterborough prison. The more their reoffending rate falls, the more the backers of the bonds will receive.

> Toby Eccles , development director of Social Finance, says it hopes to launch half a dozen such bonds across the country and for a variety of social projects over the next 18 months. Other groups ... are looking to foster similar bond schemes in areas such as cutting the number of children going into care or handling people with long-term health conditions better. "Making these work is complex," says David Hutchison , Social Finance's chief executive. "You have to be able to measure success accurately and work out how much to pay for it and when. Peterborough is relatively easy – people either reoffend within a year or not. [1]Bonds set to help prisoners break with past, by James Boxell and Nicholas Timmins , 'Financial Times', 10 February

I met Toby Eccles in London last June, and we discussed both Social Impact Bonds and Social Policy Bonds. SIBs are definitely a step in the right direction. The idea of rewarding desirable social outcomes (rather than paying people for simply turning up to work), while obvious in theory, is (sadly) revolutionary in practice. Social Impact Bonds have the great virtue of being easier to trial than Social Policy Bonds. But in other ways Social Policy Bonds have the advantage.

The biggest difference is that, compared with SIBs are less tradeable than Social Policy Bonds. There would be no transparent market for them. The composition and structure of the organizations trying to achieve outcomes under a SIB regime are therefore fixed and

pre

-determined. Under a Social Policy Bond regime, on the other hand, the type, structure and composition of organizations working to achieve the target would be subordinate to the most efficient way of reaching it. This means, amongst other things, that broad, longer-term goals could be targeted. Such goals can be more closely aligned with society's wants and needs. Rather than target a relatively narrow indicator (like the re-offending rate of a certain set of people), over a period of a few years, they could target regional or national crime rates over a period of decades.

Nevertheless, I am pleased to see Social Impact Bonds being tried and I hope that their major departure from current policy - rewards that are inextricably linked to relevant performance - is taken up more widely.

1. http://www.ft.com/cms/s/0/afd66bce-354b-11e0-aa6c-00144feabdc0.html#axzz1E0zd2AYi

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8.2.4 The book (2011-02-18 10:01)

My book [1] Market Solutions for Social and Environmental Problems: Social Policy Bonds , is now also available from CreateSpace (part of Amazon) with ISBN number 978-1456512095 . It costs US $19.95. It's a slightly updated version of the book available from Lulu (see right-hand column) and will eventually supersede it.

1. https://www.createspace.com/3539556

8.2.5 (2011-02-25 09:41)

Ohh , you always write in such a great way. I love reading your blogs and actually can just picture it as if it were happening to me as it usually does lol.

[1]Vancouver Accountants

1. http://www.capitaltaxltd.com/

8.2.6 Black swans (2011-02-28 09:06)

In the Introduction to his book [1] Whoops !, about the 2008 crash, John Lanchester says:

> Many bright, literate people have no idea about all sorts of economic basics, of a type that
>
> financial insiders take as elementary facts about how the world works.

Nor can many of us follow the technical debate about climate change or the dangers of [2] strangelets or [3] supervolcanoes .... Along with the esoterica of the financial markets, the complexities and obscurities of the relevant scientific relationships just cannot be unambiguously fathomed by policymakers - or even teams of experts.

That's why I advocate that, instead of attempting the impossible task of trying to identify such relationships and their consequences, policymakers target outcomes instead. We don't have fully to understand the climate change debate to know that it would be to our advantage to avoid climate catastrophe. Nor should we have had to anticipate the myriad derivatives that the finance industry constructed to avoid the derailing of the entire global economic system. It's the outcomes that matter, not how we reach them.

Under a Social Policy Bond regime, we could define the circumstances we want to avoid, and issue bonds that become redeemable only when these circumstances have not arisen for a sustained period. Defining such circumstances would not necessarily be a simple matter. It could involve constructing an index that combines measures of human, animal and plant health, or physical and financial indicators. No, it would not be simple - but it would be preferable to the current policy, which is basically that of reacting to crises only after they have occurred and caused immense, and possibly fatal, damage. For more on using the Social Policy Bond principle to avoid catastrophe, however caused, see my paper on [4]Disaster Prevention Bonds.

On another note, the Economist of 19 February has an article on [5]Pay for Success Bonds (subscription), a US version of Social Impact Bonds. At first glance they suffer from the same (as I see it) weakness as SIBs : they would not be tradable , and so would be limited to fairly narrow, short-term goals whose would-be achievers are known in advance. (See my previous post, on [6]Social Impact Bonds.) These bonds are definitely a step in the right direction, in that they reward successful achievement of social outcomes, rather than merely pay people to undertake ostensibly beneficial activities. But I think that, because they are non- tradable their scope is necessarily limited, and also that, as a result monitoring their success or otherwise might be too costly in relation to their benefits.

1. http://www.amazon.co.uk/Whoops-Why-everyone-owes-one/dp/1846142857?tag=duckduckgo-d-20
2. http://en.wikipedia.org/wiki/Strangelets
3. http://en.wikipedia.org/wiki/Supervolcanoes
4. http://socialgoals.com/dpbs.html
5. http://www.economist.com/node/18180436
6. http://socialgoals.blogspot.com/2011/02/social-impact-bonds-progress-report.html

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8.3 March

8.3.1 Special interests benefit from obscurity and complexity (2011-03-07 01:38)

John Lanchester writes of the former chief economist of the International Monetary Fund:

> [Simon Johnson's] day job involved going into crisis-struck countries and banging heads together to get them to accept reforms as a price of IMF aid. He acquired an

> extensive experience of countries which had effectively been captured by a ruling elite who governed entirely in their own interests. His startling conclusion about the current crisis is that the US has become of those countries. As the banking sector got richer, its power and influence over US government policy increased - power and influence which the bankers weren't at all afraid to use. John Lanchester , in [1]Whoops!

Or rather 'abuse'. It's becoming a familiar pattern: special interests deploy complexity and obscurity as devices by which they can attract taxpayer funds away from a disengaged public. More regulation seems to be the obvious solution; but that adds to the complexity and obscurity. My suggestion, is, instead, to target outcomes, in such a way that ordinary people engage in policymaking and ensure that rewards are inextricably linked to the public interest rather than, as now, the private interests of those wealthy enough to pay lobbyists and lawyers to manipulate policy for their own purposes.

Social Policy Bonds would do that. One target, for instance, could be the 'sustained avoidance of financial and economic collapse'. Such a collapse could be targeted as an array of financial, economic and social indicators, which would all have to fall within a defined range for a sustained period before the bonds would be redeemed.

More generally, bonds could be issued that targeted any sort of disaster, defined in terms of a combination of, amongst other things, numbers of deaths and serious injuries caused, financial costs, numbers of homeless, and an array of other social, physical and financial indicators. See my paper on [2]Disaster Prevention Bonds. The Social Policy Bond principle though, is a broad one. Essentially, society would decide on what it wants to see, and target the achievement of these goals. It's 'policy as if outcomes mattered', where the outcomes are those that favour society as whole not, as now, a cartel of interest groups and their lobbyists.

1. http://www.amazon.co.uk/Whoops-Why-everyone-owes-one/dp/1846142857
2. http://socialgoals.com/dpbs.html

8.3.2 Providing incentives to prevent humanitarian catastrophe (2011-03-16 08:56)

We have fairly well-developed markets to insure against financial disaster. [1]Catastrophe bonds, for instance, as well as conventional insurance policies. But financial resources rarely correlate with human life and well-being. So incentives to prevent or alleviate humanitarian disasters are left to the caprice of well-intentioned (usually) governments, or superb charitable organisations, which respond quickly and efficiently to crises. Unfortunately, these efforts are unsystematic. There is probably less emphasis on prevention than there should be and there are no systematic efforts to maximise the humanitarian benefit per dollar spent.

[2]Disaster Prevention Bonds could be one way of bringing the prevention of human suffering into the market, and so injecting efficiency into that goal. Markets these days are associated, rightly, with grotesque income and wealth inequalities, and the pursuit of private goals at the expense of social and environmental amenity. But markets can be made to serve the public good, and the Social Policy Bond principle would be one way of harnessing the market's incentives and efficiencies in the service of society's needs. The contrast between

the insurance available for financial disasters as against human disasters is stark and quite tragic. But it is not inevitable.

1. http://en.wikipedia.org/wiki/Catastrophe_bonds
2. http://socialgoals.com/dpbs.html

8.3.3 A single quality of life target? (2011-03-23 11:14)

Narrow social policy targets don't work. Take a goal like "halving the number of deaths from road accidents in the city centre". One response could be for city authorities to make driving attractive in all parts of the city other than the centre, with the same number of deaths occurring outside the target area. Another response (and one which would appeal to drivers in my neighbourhood) would be to encourage driving on the sidewalk, and exclude deaths occurring there from 'road' death statistics.

Even broad goals, such as improved health or educational outcomes, could conceivably be subject to the same manipulation or gaming, under a Social Policy Bond regime. Without very careful targeting, investors in the bonds could make unforeseen, negative trade-offs between societal goals.

Why not then target a single 'quality of life' indicator for the whole of society, taking into account all quantifiable social and environmental objectives: quality of life, physical and mental health, education level, environmental pollution, crime, homelessness unemployment, leisure time and any others? Surely targeting one single aggregated 'social welfare' indicator would be the optimal approach?

The more obvious objection to doing this is the daunting practical problem of defining a meaningful and measurable indicator of social welfare. The second is even more fundamental. Aiming for an increase in a single social welfare indicator carries with it an assumption that society's needs can be traded off against each other. But for many of the needs for which government usually assumes responsibility such trade-offs cannot be made. For the neediest beneficiaries of government's welfare programmes, a massive increase in priority for, say, health care would be unlikely to compensate for a total withdrawal of government funds from, say, basic education. 'Safety net' programmes in particular are scarcely amenable to trade-offs. In the same way a lowering of the crime rate, say, however welcome it might be, could hardly compensate for the total collapse of a country's physical environment.

So experimentation and continuous refinement of the Social Policy Bond principle are going to be necessary. Issuers, public or private sector, will have to be vigilant to ensure that any particular bond issue does not break the spirit of society's stated and unstated goals, as well as the letter of the redemption terms. Of course, this sort of monitoring is necessary in today's policy environment as well - and it's [1]not often practised.

1. http://www.scribd.com/doc/7258590/Van-Evera-Why-States-Believe-Foolish-Ideas

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8.4 April

8.4.1 Postponing and off-loading catastrophe (2011-04-03 08:24)

It's unlikely governments are going to be the first to implement a Social Policy Bond regime. Some private bodies and government agencies are making tentative first steps along the road to paying for the achievement of favorable outcomes (search for, and see my posts on, 'Social Impact Bonds' and 'Payment for Success Bonds). But typical efforts to bring about social and environmental goals focus on the tried, tested and (largely) failed approaches. So while there has been a downward trend in violent political conflict, for example, and increases in the aggregate level of human well-being, it's quite likely that present-day successes are being bought at the cost of more extreme calamities in the future. That is certainly how the current and still unresolved world financial and environmental crises seem to be shaping up.

The underlying reasons can probably be found in the too close relationship between government and large corporations, but identifying them is less important than fending off catastrophic risks to human well-being, which could take the form of an unravelling of our complex financial and economic systems, or large-scale warfare, or calamitous environmental disasters.

I've written a short [1]paper about using Social Policy Bonds to reward people who help avoid such catastrophes. Perhaps the people with the strongest financial incentive to issue such bonds are the combination of private insurance companies, national export credit agencies and multilateral bodies such as the World Bank's Multilateral Investment Guarantee Agency which, according to the current [2] Economist (subscription), offer businesses cover against political shocks such as the 'sudden imposition of currency controls, expropriations, conflicts and terrorism, and for governments failing to keep their part of an investment deal, such a supplying a new factory with electricity.'

It's difficult to get the attention of such bodies. But perhaps even if they did know of Social Policy Bonds they wouldn't be particularly interested. There is huge, tragic, and maybe a growing, mismatch between human suffering and the market. The people who are least able to escape from or adapt to catastrophe of any sort are the ones who cannot afford to buy insurance but who need it most. We could well be seeing not only escalation of problems that aren't dealt with early enough, but the off-loading of these problems onto those least able to bear them. The victims of these escapes from responsibility and are future generations and the poor.

It's unlikely that any coalition of insurance companies or government and multilateral bodies will spontaneously form to mitigate or avoid potential disasters as climate change or, say, large-scale warfare involving poor countries. They have little incentive to do so since the main victims have little market power. My hope is that some combination of philanthropists, non-governmental organizations, and the public will get the ball rolling and together issue Social Policy Bonds that will address the concerns of those who cannot enter the marketplace for conventional insurance.

1. http://socialgoals.com/dpbs.html
2. http://www.economist.com/node/18486071?story_id=18486071

8.4.2 The masonic option for inefficient organizations? (2011-04-05 09:22)

Francis Fukuyama writes of the US:

> Trade unions, agribusinesses, drug companies, banks, and a host of other organized lobbies often exercise an effective veto on legislation that hurts their pocketbooks . It is perfectly legitimate and indeed expected that citizens should defend their interests in a democracy. But at a certain point this defense crosses over into the claiming of privileges, or a situation of gridlock where no one's interests may be challenged. This explains the rising levels of populist anger on both the Right and Left that contribute to polarization and reflect a social reality at odds with the country's own legitimating principles. Francis Fukuyama , [1]The origins of political order

Exactly, and it applies the world over. Every institution - and I would explicitly include corporations , religious bodies, universities and government agencies in Mr Fukuyama's list - has one over-arching aim: that of self-perpetuation. Given the power of these lobbies, it's no surprise that human beings, that is, even those of us who are members of these bodies, are seeing our quality of life eroded. We might be 'organization men', but our humanity is increasingly denied by the organizations that run the planet. If this sounds far-fetched you need only look at the way our cities are almost entirely subordinated to the needs of the car and its attendant interest groups: car manufacturers, fossil fuel suppliers, the construction industry and all the rest. The interests of society and those of large corporations are not merely different, they are divergent and they conflict.

One way of re-orienting society is to re-jig the incentives. Instead of supporting lobby groups that (usually) start out with benign intentions, we could support those benign intentions themselves. We could learn to express our wishes in terms of desirable social outcomes, rather than allocate resources to groups of people who are paid to achieve them, but who inevitably end up serving the institution they work for rather than its ostensible ends. Social Policy Bonds are a financial instrument that can focus our attention on our social goals and reward the achievement of these goals rather than activities or institutions that might have, in the past, been helpful in bringing them about. My [2]book describes the advantages of a Social Policy Bond regime and how we could gradually introduce them, in ways that divert resources away from current institutions only if they are inefficient.

If inefficient organizations want to survive under a bond regime, they have two clear alternatives: they can become more efficient, in which case holders of Social Policy Bonds will fund them. Or, like the stonemasons who used to build cathedrals, they can change the nature of their organization, become self-funding, and devote their energies to activities other than subverting markets and resisting change at the expense of society.

1. http://www.amazon.com/Origins-Political-Order-Prehuman-Revolution/dp/0374227349?tag=duckduckgo-d-20
2. https://www.createspace.com/3539556

8.4.3 'World targets in megadeaths' (2011-04-15 10:44)

The Economist sums up the conflict in Libya:

> Significantly, the earlier chorus of criticism from rebels doubting NATO's stomach for the fight has subsided. Mustapha
>
> Abdulrahman , a rebel spokesman, declared that there had been a "positive change" in the intensity of NATO attacks over the weekend. In short, all sides now seem ready to dig in for the long haul. [1]Libya versus Libya: the Colonel's fake diplomacy, 'the Economist', 14 April

This is the logical outcome of policy driven solely by institutional goals. Does anyone in Nato really think that if they topple Gaddafi the Libyans - or anyone else - will be better off? What exactly is the purpose of this intervention? Is there any objective other than the short -term needs of unpopular politicians and the military? It's a game of "formulate the objective as we go along", conducted at huge expense with funds borrowed from the next generation.

It's also a particularly tragic and visible manifestation of Policy as if Outcomes Don't Matter in the Least; the same idiocy that has led to the poor being taxed to subsidise [2]agribusiness and wealthy landowners, our absolute dependence on fossil fuels, and the desperate fragility of the world financial system - to give just a few examples. It's no longer good enough to assume that the aggregation of government and corporate goals advances human well-being. The planet is no longer big enough to absorb for us to learn from our mistakes, nor do we have that much time. We urgently need to take over from the politicians and corporations that run our lives, and target goals that are meaningful to ordinary people. We need to subordinate all the actions of the powerful to those goals. And the over-riding goal, the one that we need to target most of all, is survival of the human species. Faced with urgent social and environmental challenges our politicians solemnly decide to inflame obscure, inconsequential tribal squabbles, at huge cost. Madness.

1. http://www.economist.com/node/18561839?story_id=18561839
2. http://www.guardian.co.uk/business/2005/jun/26/eu.ruralaffairs

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8.4.4 It's broken (2011-04-18 11:15)

Fareed

Zakaria writes about the US political system:

> We have a political system geared toward ceaseless fundraising and pandering to the interests of the present with no ability to plan, invest or build for the future. And if one mentions any of this, why, one is being unpatriotic, because we have the perfect system of government, handed down to us by demigods who walked the earth in the late 18 th century and who serve as models for us today and forever. [1]Are America's Best Days Behind Us? , 'Time', 3 March

(To 'pandering to the interests of the present...' I would add '...and the wealthy...') How has this come about? I think it's largely because policymaking is opaque to most ordinary people.

It's focused on arcane discussion about laws, organisational structures and institutional funding. All these things are necessary of course, but they should be the by-product of policy geared to the interests of society: what I call outcomes. Opacity and complexity are being exploited - perhaps cynically, perhaps not - in the interests of government and big business, at the expense of small enterprises, the public and the physical environment and, as is becoming ever more apparent, our future.

How to re-orient policymaking so that it focuses on things that are important to people? The essential step is to make it comprehensible, which will encourage greater public participation, and hence buy-in. One way of doing that would be to focus discussion entirely in terms of outcomes. Transparency would generate realistic expectations about what government can and cannot achieve. The notion of trade-offs, absolutely central to politics, would be clear to everyone, not hidden from public discussion.

Social Policy Bonds are one way in which our politics could be re-jigged so as to focus on meaningful outcomes for society as a whole. A bond regime would express its goals in terms of broad social and environmental outcomes, while the market would not only provide best estimates, on a dynamic basis, of their costs, but also reward only the most efficient ways of achieving them. It would represent a radical departure from the existing set-up but, as I explain in my [2]book, a gradual transition could occur, with spending to existing bodies gradually reducing in line with increases in funding allocated to redeeming the bonds.

1. http://www.fareedzakaria.com/home/Articles/Entries/2011/3/3_Are_Americas_Best_Days_Behind_Us.html
2. https://www.createspace.com/3539556

8.4.5 Where we're at (2011-04-28 05:48)

The world seems beset by systemic crises: financial, economic, environmental and social. We appear to be approaching limits on all fronts. The overwhelming reaction has been to do what we've been doing before, except more so. In the economic sphere, this means going for growth, as if that will solve all our problems. It won't. The mis -identification of growth with human well-being is clear to most these days: growth takes no account of distribution, leisure time or its externalities ; in particular the environmental and social impacts of growth that is geared entirely to the narrow, short-term indicators of accountants on behalf of senior executives and major shareholders of large corporations. Government, supposedly the major corrective to these negative impacts, has become complicit with the large corporations. The world more and more looks like a contest between government and big business on the one side, and ordinary people and small businesses on the other, with the odds overwhelmingly in favour of the big and global at the expense of the small and local.

If government is going to use its clout, and is serious about doing so for the benefit of ordinary citizens, it would do better to go above the heads of the large corporations. Even if, at one point in history, it made sense to identify the success of big business with that of economy and society as a whole, it no longer does so. That doesn't mean govern-

ment should actively campaign against big business. It does mean that it should focus directly on the outcomes that it wants for ordinary people, rather than assume that the health of 'the economy' (by which it usually means large corporations) means a better-off population.

I still have some hope that governments will move towards something like Social Policy Bonds, at least in the long run. Society is so complex and intertwined that any relationship between conventional policy and its outcomes is just too difficult to identify. We see governments doing all sorts of bizarre things that do little except benefit its favoured interest groups while alienating the rest of the population: bombing Libya, doling out massive sums of taxpayer revenues to wealthy landowners and agri -business corporates, subsidising the banks, the fossil fuel industry, piling up nuclear weapons and the rest. It cannot be sustained. My hope is that government, rather than carry on diverging from the wishes of the people it's supposed to represent while ramping up the repression,

will instead begin to express its goals in terms of outcomes that are meaningful to ordinary people, and target them directly.

8.5 May

8.5.1 Why are we not surprised? (2011-05-05 06:47)

Tom Philpott [1]writes:

> During the Bush II administration, I used to groan that the closest thing we had to a concerted policy response to climate change was the federal government's slew of goodies for corn-based ethanol. It was a monumentally depressing situation, because propping up corn-derived fuel is expensive and (despite industry hype) doesn't actually do much, if anything at all, to mitigate climate change – but contributes actively to ecological disasters like the Gulf of Mexico "dead zone." Now, two years into the Obama administration, we still have no concerted policy response to climate change, and the corn ethanol program abides, sucking up resources that could be going to actual green technologies.

What actually determines policy in democracies these days? It's not the long-term good of a nation, a society, or the environment. It's not the needs or wishes of ordinary people. No, nowadays it's essentially the medium-term accoutancy goals of large corporations, as interpreted by the politicians they pay for. Society's growing complexity and, in this instance, genuine scientific uncertainties, are smokescreens behind which powerful interest groups operate, manipulating markets, funding decisions, and the regulatory environment for their selfish purposes. Sometimes these coincide with broader long-term social and environmental goals. Very often they don't. And, increasingly, as the scale on which government and corporations operate grows bigger, the stakes are higher, and the goals of large organizations - corporations or government agencies - actually conflict with those of society. The distance between policies and their effect is too large, the relationships too complex, the time lags too intricate , for anyone except specialists employed by the largest corporations to understand and exploit. The result is often as Mr Philpott indicates: a trashed environment; and a trashed society.

Social Policy Bonds might be the answer. The democratic process needs to be re-orientated to respond to the needs and wishes of ordinary people, not large organizations. Expressing policy goals in terms of meaningful outcomes, as the bonds would do, would encourage more public participation in policymaking . The bonds would also subordinate all activity to society's goals, rather than to those of the organizations supposedly achieving them. Under a Social Policy Bond regime, organizations might grow and prosper, but only if they are efficient at achieving society's goals - a stark contrast with the current setup.

1. mhtml:file://C:%5CDocuments%20and%20Settings%5CUser%5CMy%20Documents%5CUnread%20internet%5CGovernment-backed%20corn%20ethanol%20lurches%20on,%20paving%20a%20roa

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8.5.2 How long have we got? (2011-05-12 06:51)

> Only 0.01 percent of all species that have ever existed continue to do so. We happen to be one of them, for now. When [UK Astronomer Royal Sir Martin] Rees looked at the myriad ways in which the present is more perilous than the past in his 2003 book [1]Our Final Hour, he set the odds of human extinction in the next century at 50 percent. [Nick] Bostrom , [an] Oxford philosopher, puts the odds at about 25 percent, and says that many of the greatest risks for human survival are ones that could play themselves out within the scope of current human lifetimes. "The next hundred years or so might be critical for humanity," Bostrom says, listing as possible threats the usual apocalyptic litany of nuclear annihilation, man-made or natural viruses and bacteria, or other technological threats, such as microscopic machines, or nanobots, that run amok and kill us all. [2]What will happen to us?
>
> , Graeme Wood, 1 May

You might think that we'd be well advised, as a species, to look at these survival probability estimates, and see if we can find ways of increasing them. And it's true that many people are working, sometimes heroically, at ways of doing so. There are quite a few organisations, for instance, that seek to raise awareness of the possibility of nuclear conflagration, and many more that seek to mitigate or prevent natural and man-made calamity. The difficulty I have is that their work is unsystematic, unco -ordinated, and is rewarded in ways that bear no relationship to their success or efficiency. As well, and perhaps more dangerously, there are policies in play that can only accelerate disaster, such as: subsidies to fossil fuel extraction and consumption, the accumulation of weapons of all kinds; and the failure seriously to pursue one of the [3]main goals of the [4]Cairo Population Summit, where 179 signatory countries agreed to provide access to family planning services to all the women who want them. And last, there are ways in which our survival is threatened that are beyond our current knowledge and imagination. Nobody is being encouraged to anticipate them.

In short, we need to re-orient the incentives, and to do so in a coherent manner that rewards the survival of our species against calamities of all kinds. This is where the Social Policy Bond principle can help. The issuers of [5]Disaster Prevention Bonds need have no knowledge of the relative likelihoods of known or unforseeable catastrophic events. Neither would they have to pre -judge, with our current limited scientific knowledge, the most efficient ways of ensuring our survival. Instead, the bond mechanism could target the sustained avoidance of any - unspecified - catastrophe. It would do so in a way that encourages the exploration and investigation of all threats, known and new, impartially . Policymakers would not (and anyway

could not) have to decide on how dangerous each threat is. That would be left to bondholders, who would have powerful incentives to do so continuously . Investors in the bonds would be rewarded only if they can adapt to rapidly changing events and to our ever-expanding scientific knowledge.

This is a stark contrast to the current approach; the one that has led to highly intelligent men and women giving our survival such a baleful prognosis. The people who are currently working in favour of humanity do so in ways that, while worthy of great respect, are doing so within a system that is heavily weighted to favour the short-term goals of large organisations, including governments, that have little incentive or capacity to care about the long-term future of the whole of humanity. It's very regrettable, and Disaster Prevention Bonds, issued with sufficient backing, could change all that.

1. http://www.amazon.com/Our-Final-Hour-Scientists-Warning/dp/0465068634
2. http://www.boston.com/bostonglobe/ideas/articles/2011/05/01/what_will_happen_to_us/?page=full
3. http://www.unfpa.org/public/home/sitemap/icpd/International-Conference-on-Population-and-Development/ICPD5-key-actions
4. http://en.wikipedia.org/wiki/International_Conference_on_Population_and_Development
5. http://socialgoals.com/disaster-prevention.html

8.5.3 Philanthropy and outcomes (2011-05-21 20:45)

The Economist writes, in a review of three recent books about philanthropy:

> For Mr Buffett, the main reason why giving is harder to do than making money is that in business "you go after the low-hanging fruit", whereas in philanthropy you are trying to tackle problems that are inherently difficult, such as how to educate demotivated urban kids or end rural poverty.
>
> [1]Giving for results, 'The Economist', 14 May (subscription)

Another of the books argues that:

> philanthropists should create systems that force them to hear what may at times be unpleasant truths about the ineffectiveness of their work, and to be constantly challenged to improve.

I think philanthropy could do a lot more if it subordinated all its activity to meaningful outcomes. It's very clear why government has a built-in resistance to doing so: the jobs of public servants at all levels would be at stake. But philanthropists have their own, less pecuniary, incentives to avoid addressing the 'unpleasant truths'. We could speculate about the reasons, but they are less important than the result: philanthropists underachieve, and in doing so they deter philanthropy.

So there's a lot at stake. I think if philanthropists, instead of trying to prejudge the best ways of achieving noble outcomes, were to issue Social Policy Bonds, the efficiency gains would be large enough to make a difference in their own right, and to encourage more outcome-oriented funding, whether by the public or private sector. As another of the books reviewed says:

> one of the key lessons is for philanthropists and non-profits to be clear about the outcomes they are trying to achieve— and to measure properly the progress they are making towards those goals.

It sounds an obvious discipline. But neither government nor philanthropists follow it. Social Policy Bonds would change that.

1. http://www.economist.com/node/18679019?story_id=18679019

8.5.4 Giving greed a chance (2011-05-22 20:42)

People sometimes challenge the Social Policy Bond principle because of its reliance on financial incentives - also known as 'greed'. I think they are right to do so. Who wants a society in which the lust for more money dictates every aspect of our behaviour? In which people won't do the right thing for society unless there's a financial incentive involved?

My response is that we have such a society already, in which millions of people perform functions that have little direct social content for the purpose of earning a salary. Within 25 metres of where I am typing this, there is a body piercing salon and a tattoo studio. Within several hundred metres there are old people who could do with a bit more help and company. And within a radius few thousand metres crime blights the lives of hundreds.

People do respond to financial incentives. Our problem is that many of the incentives are in place for people to do things that don't actually help society. And this applies to funds ostensibly in place for social or environmental purposes, not just the world of breakfast cereals and bodily mutilation. Government funding, typically, goes to activities or institutions that, are often only nominally linked to achieving social outcomes. In cases, like fossil fuel subsidies or agricultural subsidies, the net effects of these funds is almost entirely in conflict with [1]rationality

itself, as well as society and the environment. The only beneficiaries are a tiny minority of powerful, well-organized, vested interests. So financial incentives, ostensibly for public purposes, already exist in the form of government funding. At best they are unsystematic and inefficient. At worst, they undermine our social and environmental goals. In all cases, they are uncorrelated to outcomes that are meaningful to ordinary people. Social Policy Bonds would rejig existing incentives in favour of such outcomes. People would, as they do today, respond to the incentives on offer, but under a bond regime they would be rewarded for efficiently achieving social and environmental outcomes. What they do with their rewards is up to them, but there's no reason to believe that they would spend them ignobly.

The fact is that monetary payments needn't corrupt. Many people under the current system do all sorts of socially valuable work in return for salaries that aren't very high. They might do more for higher salaries, or more people might do the same sort of work if there were more cash on offer to achieve, a la Social Policy Bonds, a stipulated social or environmental outcome. Salaries, needless to say, can be used for more than frivolous consumption. They can mitigate poverty, increase leisure time, and raise children. Adding to the numbers working for social goals, or paying more to those who do so efficiently , is not negative or evil.

1. http://socialgoals.com/orchard2.html

8.5.5 Wish I'd said that (2011-05-28 21:13)

> The [UK] government has now promised to cut greenhouse gases by 50 % by 2027, which means that, with a following wind, the UK could meet its legally-binding target of 80 % by 2050. For this we should be grateful. But the coalition has resolved the tension between green and growth in a less than convincing fashion: by dumping responsibility for the environmental impacts on someone else. The carbon cut we have made so far, and the carbon cut we are likely to make by 2027, have been achieved by means of a simple device: allowing other countries, principally China, to run polluting industries on our behalf. George Monbiot , 'the Guardian', 23rd May

I have been saying this for years. In climate change, as in other social and environmental challenges, narrow targets are useless. They are far too easily evaded or gamed, so that any supposed social problem is shifted away from the scope of explicit targeting. We should be targeting not British greenhouse gas emissions, nor even global greenhouse gas emissions, but climate instability. If we did that by issuing [1]Climate Stability Bonds, we'd be addressing this global, urgent concern with maximum efficiency. Other targets, as is the UK Government's, are likely to be inefficient and ineffective.

1. http://socialgoals.com/ieakyototext.html

8.6 June

8.6.1 We need to target long-term goals (2011-06-07 17:45)

Democratic governments these days devote much of their energy to kicking problems down the road, for solving at some time in the future that's uncertain, but beyond the lifetime of their administration. It's a pattern. Nuclear weapons pile up; budget deficits rise; environmental challenges are evaded.

On reflection, it's not so surprising. The very idea of a stable society, one that can identify with its future members, has been undermined by the pace of technological change and porous borders. We vote for short-term fixes. Young people can't vote, and nor can threatened non-human species.

But we do have moments of clarity and rationality. We know that certain broad outcomes are desirable. Number one, most likely, is the survival of the human race in the face of natural or man-made catastrophe. Others would include the maintenance of a decent financial and physical environment for future generations. Sadly, our political campaigns are focused almost exclusively on who shall govern us for the next few years. We can choose one person over another (or one party over another), on the basis of what they claim to believe and the activities they promise to carry out over their few years in power. The link between

politicians' promises and their activities is tenuous. That between their promises and short- or medium-term outcomes even more so. And long-term outcomes - the sort that will profoundly affect the lives of future generations - are rarely anything other than a by-product of the accumulated decisions. Distracted by the short term, we fatalistically surrender discussion of the long term to the religious, the chiliasts and the cultists; few of whom care dispassionately about the well-being of the entire planet, or the whole of humanity.

That's where Social Policy Bonds could enter the picture. Existing political activities could be subsumed within a set commitments to achieve society's broad, long-term goals. Under a bond regime, we could explicitly target such objectives as the survival of human beings and the [1]avoidance of catastrophe. The bonds, because they allow the explicit targeting of such very long-term goals, would shift the focus of politics towards the well-being of future generations. We all know that such a shift is essential, but it's also clear that current politics is rigidly, almost obsessively, concerned with the short term.

1. http://socialgoals.com/dpbs.html

8.6.2 Government: picking winners, picking losers; who cares? (2011-06-11 20:27)

> But progressive government – as demonstrated by the Obama administration – flunks any real test of fairness. It clearly favors unionized workers over non-unionized workers, just as it routinely favors the biggest and most politically connected corporations over smaller and more entrepreneurial enterprises. Crony capitalism and the practice of kowtowing to the biggest and most politically assertive unions are joined at the hip in this administration.
>
> [1]Gambling Man, Andrew B Wilson, 'The American Spectator', 6 June

True, but if we simply change "unions" in the last sentence to "organizations" this would apply not only to the current US administration, but to virtually every other administration in every country in the world. It's convenient, at every level, for government to act as though the success of big organizations, including its own departments, implies the success of an economy, a society and the government itself. Not so. All organizations, whether they be government agencies, business of any size, religious and education bodies, and - yes - unions, have as their over-arching goal that of self-perpetuation. Even when that goal diverges from or conflicts with the wishes and well-being of society.

There's little to keep bigger organizations honest, especially when they are so big that they can work on other organizations, including government agencies, to manipulate trade, legislation, the market, and the regulatory environment with the goal of preserving their privileges. Government itself is folded into this process, such that unravelling the mess is going to be extremely difficult. A widespread sense of crisis might help, but there are no guarantees that that would lead to anything better, at least in the medium term.

Setting some broad, long-term goals might help. Government, with all its powers and influence, would, I think, be better advised to consult with the public about what's really wanted. Under a Social Policy Bond regime it could target, not only global goals such as dealing with the threat of [2]man-made or natural [3]catastrophe, or minimising the risk of

nuclear [4] conflict , but national goals such as improved health and [5]education outcomes.

Instead, for its own petty reasons, it wastes time and scarce resources by, for example and as Mr Wilson points out, acting as an investment managers with taxpayers' money. Investment managers, or gamblers, moreover, who are paid however badly they perform.

1. http://spectator.org/archives/2011/06/10/gambling-man/1
2. http://socialgoals.com/epbs.html
3. http://socialgoals.com/dpbs.html
4. http://socialgoals.com/wpbsshort.html
5. http://socialgoals.com/womensliteracybonds.html

8.6.3 Government by the rich, for the rich (2011-06-17 20:08)

> [1]House keeps farm subsidies, cuts food aid as it passes food and farm spending bill 'Washington Post', 16 June

This should be no surprise. We have known for decades that [2]farm subsidies are insane; that they transfer income from the poor to the rich and that they do much to destroy the natural environment and animal welfare. But our corrupt political systems are incapable of stopping them. Much easier to cut food aid to those who count for nothing under the current regime: the poor at home and overseas. This is government for the rich by the rich. It makes a mockery of democracy.

If we made policy as if outcomes mattered, such lunacy would not survive. The tiny number of people who benefit from it can do so only because policymaking is an arcane process focused on procedure, funding, structural and institutional arrangements and other concerns entirely removed from those of ordinary people.

That's where Social Policy Bonds would differ: under a bond regime, projects, funding, and activities would all be orientated towards achieving specified social goals. The connection between policy and targeted outcomes would be explicit and inextricable. The public could engage with policymaking , so goals would have greater buy-in. The current farm subsidy regime is a symptom of a much bigger problem: that of the disconnect between policymakers and the people they represent. Social Policy Bonds, with their focus on meaningful outcomes, could re-connect policy with the public.

1. http://www.washingtonpost.com/politics/federal-government/house-blocks-cotton-payments-to-brazil-renewing-trade-dispute-with-that-country/2011/06/16/AGRZGUXH_st
2. http://socialgoals.com/orchard2.html

8.6.4 Subsidising planetary destruction (2011-06-26 16:42)

The International Energy Agency does valuable work in quantifying the subsidies to fossil fuel production and consumption.

> We estimated that consumer subsidies [for fossil fuels] were worth US $ 312 billion in 2009. In the current economic climate, this is a significant amount of money which could be used to more directly tackle priorities such as poverty alleviation, health or education. Our modelling also showed that if subsidies are reformed by 2020, global energy demand could be reduced by 5 %. This has significant implications for energy markets and efforts to combat climate change. International Energy Agency's Senior Energy Analyst Amos Bromhead in [1]conversation with 'Subsidy Watch', April 2011

It's scandalous that these subsidies continue. They transfer funds from the poor to the rich. They do nothing to help the poor that could not be better done by more-targeted assistance. And they subsidise environmental depredation. In this, energy subsidies have much in common with agricultural subsidies, still continuing decades after their [2]lunacy was exposed and quantified. One example from last year:

> What could be more outrageous than the hefty subsidies the U.S. government lavishes on rich American cotton farmers? How about the hefty subsidies the U.S. government is about to start lavishing on rich Brazilian cotton farmers? If that sounds implausible or insane, well, welcome to U.S. agricultural policy, where the implausible and the insane are the routine. Our perplexing $147.3 million–a-year handout to Brazilian agribusiness, part of a last-minute deal to head off an arcane trade dispute, barely even qualified as news .... If you're perplexed, here's the short explanation: We're shoveling our taxpayer dollars to Brazilian farmers to make sure we can keep shoveling our taxpayer dollars to American farmers — which is, after all, the overriding purpose of U.S. agricultural policy. [3]Why the US Is Also Giving Brazilians Farm Subsidies, by Michael Grunwald 9 April 2010

The gap between the governments we have and the people they are supposed to represent hardly looks like closing. Ordinary people, along with planet Earth, are left behind in the policymaking process. We have to put up with whatever comes out of the bargaining between interest groups, be they large corporations, government agencies, trade unions or (so-called) religious bodies. For reasons social, financial and environmental, such a policymaking process cannot last much longer. If we are lucky, there might be time to turn towards making policy as if outcomes mattered.

1. http://www.globalsubsidies.org/subsidy-watch/commentary/rising-costs-fossil-fuel-subsidies-and-oil-price-volatility-interview-iea-s
2. http://socialgoals.com/orchard2.html
3. http://www.time.com/time/nation/article/0,8599,1978963,00.html?xid=rss-topstories

8.7 July

8.7.1 Taking command of the long term (2011-07-05 19:43)

> Greece has 800,000 civil servants, of whom 150,000 are on course to lose their jobs. The very existence of those jobs may well be a symptom of the three c's, 'corruption, cronyism, clientelism ', but that's not how it feels to the person in the job, who was supposed to do what? Turn down the job offer, in the absence of alternative employment, because it was somehow bad for Greece to have so many public sector workers earning an OK living? Where is the agency in that person's life, the meaningful space for political-economic action? She is made the scapegoat, the victim, of decisions made at altitudes far above her daily life – and the same goes for all the people undergoing 'austerity', not just in Greece. [1]Once Greece Goes..., John Lanchester , 'London Review of Books' online, 30 June

We live and work within a policy framework decided by people at high altitude. Or perhaps 'decided' is too purposeful. Policymakers are only a little less victims of the system within which they operate than ordinary workers. They have few definite, long-term objectives to work for. Perhaps the maximisation of economic growth (or growth per head) which, if it considered at all is assumed to generate enough resources to solve every sort of problem - even those it creates. Other guidelines are even more vague or rarely articulated. The avoidance of social upheaval; the avoidance of 'too much' pollution, or unemployment, or crime, or whatever. Because these guidelines are vague, or seldom made explicit, they have the status of declarations of intent. All this means that society's actual long-term guidelines are either decided by default, or subject to the manipulation of the powerful; including large corporations, government agencies, and the largest trade unions.

So we find, and not only in Greece, explosions in public sector employment, and public debt. We'd all be better off society's longer-term goals, including debt levels, were openly debated and made explicit. They need not be absolute, but there would be incentives for people to achieve them.

Social Policy Bonds, because they are tradeable , could be used to target long-term goals, including guidelines within which, say, debt, or crime, or pollutions must lie. Societal goals, such as limited debt levels, are more stable over time than the supposed ways of achieving them, and we could all benefit if they were targeted explicitly. Outcomes targeted under a bond regime could include those whose origins are uncertain or contested. Just because policymakers don't know all the causes of crime, or climate change, say, does not mean that they cannot explicitly target them and, in effect, contract out the work of identifying cause and effect to a motivated private sector.

1. http://www.lrb.co.uk/2011/06/30/john-lanchester/once-greece-goes

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8.7.2 Targeting GNP: the logical conclusion (2011-07-17 22:57)

Gross National Product, in the absence of any other explicit indicator, is often targeted implicitly; as if GNP, or GNP per head, indicate anything meaningful to ordinary people. [1]This is one example of what happens when governments insist on targeting GNP.

1. http://consumerist.com/2011/07/chinas-hypergrowth-fueled-by-building-giant-cities-no-one-lives-in.html

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8.7.3 The EU: a top-down, one-size-fits-all institution (2011-07-20 22:33)

Frank Furedi writes:

> From its inception, the EU was an elitist managerial project that was able to construct and promote its agenda without having to respond directly to popular pressure. Decisions are never arrived at through public debate, and the majority of EU laws are formulated by the hundreds of secret working groups set up by the Council of the EU. Most of the sessions of the Council of Ministers are held in private, and the EU's unelected European Commission has the sole right to put forward legislation. [1]Why the EU is so clueless about the Euro crisis, 20 July

It's arguable that global crises require global solutions, and EU-wide crises require EU-wide solutions. But I would argue that solutions need to arise from below, rather than imposed from above. They need to be diverse and adaptive. Big government, while necessary to articulate our goals and to raise the revenue for achievement, is rarely best placed to achieve them. The decision-making bodies of big government, such as those that Mr Furedi writes about, might be well meaning and hard-working, and they might even perform adequately when a crisis requires a big, one-size-fits-all, top-down solution. But they tend to be remote, and unresponsive to local circumstances and changing events. The entire EU exercise and, in particular, the Euro, are the apotheosis of big, remote government. They might well be neither responsive nor diverse enough to go on for much longer.

It's too late for the EU, but a Social Policy Bond regime would distinguish between the (1) the articulation and revenue-raising part of government, and (2) the achievement of social and environmental goals.

1. http://www.spiked-online.com/index.php/site/article/10908/

8.7.4 Complexity used to favour the rich (2011-07-23 21:43)

Government and big business have interests that often conflict with ordinary people and smaller businesses. They habitually use complexity to benefit themselves, at the expense of small, local enterprises and natural persons.

> ...leading members of the [US] Senate are seriously considering giving the most profitable companies in the world a total tax holiday as a reward for their last seven years of systematic tax avoidance. Hundreds of billions of potential tax dollars would disappear from the Treasury. And there isn 't a peep from anyone, anywhere, on this issue. We're seriously talking about defaulting on our debt, and cutting Medicare and Social Security, so that Google can keep paying its current [1]2.4 percent effective tax rate and GE, a company that received a $140 billion bailout en route to worldwide 2010 profits of $14 billion, can not only [2]keep paying no

> taxes at all, but receive a $3.2 billion tax *credit* from the federal government. And nobody appears to give a ****. What the hell is wrong with people? Have we all lost our minds? [3] Corporate tax holiday in debt ceiling deal: where's the uproar? Matt Taibbi , 22 July

Complexity, obscurity, and just the plain boredom of the policymaking process are being exploited by powerful interests. They can get away with this, because policy is expressed in terms that are so incomprehensible or vague that they deter outsiders - that's those of us who should be in uproar - from getting involved.

Social Policy Bonds would be different. They would target explicit goals that are meaningful to ordinary people: cutting the crime rate, reducing unemployment, reducing pollution, for instance. The public would take an interest because it can understand outcomes. The bonds could close the gap between the public and the policymakers, which is now not only wide, but widening. Perhaps disastrously so.

1. http://www.bloomberg.com/news/2010-10-21/google-2-4-rate-shows-how-60-billion-u-s-revenue-lost-to-tax-loopholes.html
2. http://www.nytimes.com/2011/03/25/business/economy/25tax.html?pagewanted=all
3. http://www.commondreams.org/view/2011/07/22-14

8.8 August

8.8.1 Who cares about policy? (2011-08-03 17:45)

Mick Hume writes that political life in the UK:

> ...becomes less about what you believe in or achieve, and more about how you appear, where you are seen and who you consort with. Personal image and style become all-important. That is why we find ourselves in a bizarre situation where a Tory prime minister can, on a given day, get more stick in the media for refusing to tip an Italian who did not deliver cappuccino to his table than for failing to deliver anything much in the way of a government programme. [1]How British politics became trivial pursuits, Mick Hume, 3 August

Mr Hume talks about our celebrity political culture, which is partly a result of the lack of any ideological underpinnings to political parties. For me, though, ideology is at least as removed from society's well-being as celebrity. In either case, the interests of ordinary people are removed from the political agenda. Politicians are driven by ideology or by their wish to associate themselves with celebrities, either as an end in itself, or as a means of staying in power, or to distract the masses from matters of substance.

Ideology, celebrity, or the interests of the rich and powerful: in every case the drivers of our politics are not delivering meaningful outcomes to ordinary people. Social Policy Bonds, aside from their efficiency, could re-orientate politics entirely towards the achievement of social and environmental outcomes. Under a bond regime, politics would focus on the

targeting of such outcomes, their relative priority and their cost. All actions set in train by such policymaking would be subordinated to the achievement of these outcomes. Ideology, celebrity and other nonsenses - currently absurdly important - would be seen, accurately, for what they are: self-indulgences.

1. http://www.spiked-online.com/index.php/site/article/10956/

8.8.2 It's obvious really (2011-08-13 17:44)

It's obvious that governments should spend within their means, shouldn't debase the currency, and shouldn't destroy the environment and social cohesion. But today's policymakers operate in a fog of obscurity and micromanagement. They are preoccupied with ideology, activities, institutional structures, spending plans, image and news management. In such an environment, it's too easy to lose sight of principles. Attention spans shorten; the focus shifts from the long term and crucial to the short term and flippant. Problems that can't manifest themselves as dramatic tv footage are neglected.

Expressing policy in terms of broad, desirable goals, as Social Policy Bonds do, could get us out of this predicament. We could issue bonds that become redeemable at the end of a sustained period of, for instance, world peace, fiscal continence, contained inflation and unemployment, and low levels of environmental destruction.

It's unlikely to happen. Governments just don't think like that. It's unfortunate that, at a time when governments are big, democratic and influential enough to articulate society's goals accurately and to raise the revenue to achieve these goals, they cannot relinquish their control over how these goals shall be achieved. Instead, they centralise more and more, as if power is an end in itself. Big government doesn't have to be remote, one-size-fits-all, rigid, error-prone and a threat to the well-being of mankind and every other species. But, because it fails to measure success in terms of explicit, meaningful outcomes, that's precisely what it has become.

8.8.3 Solitudinem faciunt... (2011-08-16 21:59)

Jean Bricmont and Diana Johnstone discuss the NATO intervention in Libya:

> Despite the efforts of a few isolated individuals, there is no popular movement in Europe capable of stopping or even slowing the NATO onslaught. The only hope may

> be the collapse of the rebels, or opposition in the United States, or a decision by ruling oligarchies to cut the expenses. But meanwhile, the European left has missed its opportunity to come back to life by opposing one of the most blatantly inexcusable wars in history. Europe itself will suffer from this moral bankruptcy. [1]Who Will Save Libya From Its Western Saviours?, ' Counterpunch ', 16 August

There are no guarantees against this sort of madness, but western governments that are focused on bringing about the achievement of a few broad, well-defined, explicit social and environmental objectives would find it awkward to explain how taking sides in Libya could help their society's well-being...let alone that of any other society. It's clear that there's no internal mechanism to limit the scope of government, whether at home or overseas. Desperately needed is some discipline that would re-orientate government so that it concentrates on outcomes that are meaningful to ordinary people. The accumulation of sovereign debt in the developed countries is the most obvious and ominous symptom; but the pointless, destructive and barely opposed intervention in Libya is a particularly poignant example.

1. http://www.counterpunch.org/bricmont08162011.html

8.8.4 Reason and prejudice (2011-08-28 17:19)

> According to [1]Hugo Mercier , we've been reasoning about reason all wrong. Reasoning is very good at what it probably *evolved* to let us do—argue in favor of what we believe and try to convince others that we're right. [2]Did reason evolve for arguing?, 'Point of Inquiry', 15 August

According to this theory (elaborated in the POI podcast), the function of reasoning is argumentative. If I have understood it correctly it says that we use reasoning to convince others of our beliefs and prejudices. So "reasoning works well as an argumentative device, but quite poorly otherwise." If we accept this theory, what would it mean for policymaking and policymakers? In an age of extreme specialisation, making policy, or choosing amongst alternative policies, will often be done only by perhaps a single person, who will decide not according to reason and logic, but according to his or her unchallenged beliefs. In this respect, the theory is similar to the that of natural selection. The implication of both theories is that policymakers, even experts, should have some humility.

Both theories support my contention that policy approaches should be subordinated to outcomes. Politicians in democratic countries are good at articulating social goals, and good at raising the revenue necessary for their achievement. But they are not so good at working out how to achieve these goals. Even with a public administration degree, they still won't be perfect. They subvert natural selection, by favouring top-down, one-size-fits-all approaches, which are not always appropriate , and by failing to terminate failed approaches. And, if we

accept Dr Mercier's theory, they are also likely to favour approaches that accord with their own ideology and a priori beliefs, rather than those that can be supported by evidence.

This is where Social Policy Bonds could help. Many goals are not amenable to the top-down approach. But a bond regime would reward successful outcomes however they are achieved. Governments could set social and environmental goals, without having to think of how to achieve them. That would require some humility, of course, as well as politicians' relinquishing some of their power. For that reason and others it's probably more likely that non-governmental actors - NGOs or philanthropists, for instance - will be the first to issue Social Policy Bonds.

1. https://sites.google.comhttp//www.blogger.com/img/blank.gif/site/hugomercier/
2. http://www.pointofinquiry.org/did_reason_evolve_for_arguing_hugo_mercier

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8.9 September

8.9.1 Subsidising the rich (2011-09-01 18:17)

Or rather, transferring resources from the poor (and the environment) to the wealthier members of society.

> The richest 10 per cent of the population receive four times as much public spending on transport as the poorest 10 per cent. [1]Source

It's the usual fare: policy as if meaningful outcomes for ordinary people don't matter.

1. http://www.mansgreatestmistake.com/the-politics-of-cars/with-transport-the-poor-subsidise-the-rich

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8.9.2 Propping up interest groups: everyone loses (2011-09-06 13:13)

John Kay, explaining the current financial crisis, writes:

> The subtle but important distinction between policies that support a market economy and those that support the interests of established large firms was not widely appreciated by policy makers on either right or left. [1]A good crisis gone to waste , 30 August

Governments make this mistake often: they identify the success of the economy with that of large corporations - which often just happen to be big contributors to their party funds. Failing corporations, just like failed policies, are not allowed to expire, but are instead propped up with taxpayer funds. The 'creative destruction' on which our economic system depends, doesn't operate: instead government policy takes over from market discipline. Diversity goes and, with it, the ability of our political and economic system to adapt. What we are seeing now: social, political, evironmental and economic crisis, is largely a result of government propping up special interest groups. The short-term beneficiaries are the bosses of big corporations and the visionless politicians who buy them off. The losers are...well...everybody else.

We urgently need to move toward a system that rewards favourable outcomes. Not, as under the current system, those who say they're going to deliver them or who may have delivered those outcomes in the past, but cannot efficiently do so now. That's where a Social Policy Bond regime could help. Only those who actually and efficiently achieve targeted social and environmental outcomes would be rewarded. In stark contrast with the current system their identity would be entirely subordinated to their efficiency and effectiveness.

1. http://www.johnkay.com/2011/08/30/a-good-crisis-gone-to-waste

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8.9.3 All over the place (2011-09-19 20:52)

With economics as with society and the environment, policymakers are confused. Their only consistent objective seems to be to hang on to power. On issue after issue, whether it's climate change, unemployment, crime or any social or environmental problem, policymakers will choose appearance over reality; the continuation of current policies beyond the point when they become destructive; the placating of powerful interest groups, especially donors to their political party; and the substitution of [1]Mickey Mouse micro-objectives (agreements signed, funding allocated, pamphlets produced) for meaningful outcomes for ordinary people. There need be no conspiracy. Policymakers are simply too busy or too pre-occupied with the short term to consider long-term goals. Kicking the can down the road has become the default mode of operation. Not rocking the boat has become the default, over-arching political objective.

We need to reconnect policymakers with the people they are supposed to represent. The current policymaking mechanism, focused as it is on legislation, arcane discussions about institutional structures and funding, sound-bites and personality, serves only to widen the gap between the government and the people.

One way of bridging that gap might be for all of us to think in terms of the outcomes we want to see from policy, rather than supposed means of achieving them. At the very

highest level objectives such as "economic growth" have now become irrelevant to, or even in conflict with, the aspirations of ordinary people. On a crowded planet, with ever more complex social arrangements, something as vague as GDP per capita correlates very little with human well-being. Why not, then target more directly things that really matter: physical and mental health, low crime rates, universal literacy, a cleaner environment? That is what a Social Policy Regime would look like. A few broad - negotiated - social and environmental goals, to which all government-financed activities would be subordinated. People can understand objectives, even if we (those of us who aren't paid lobbyists) are turned off by legal and political processes. Under a bond regime we could engage with policymaking and, crucially, feel that our voices have been heard. Such a policymaking system would, I think, be not only more efficient than the current, failing, mechanism, but also would generate buy-in from the public; something that is essential if we are goiing to solve the urgent, critical social and environmental problems that we face.

1. http://socialgoals.blogspot.com/2009/06/mickey-mouse-micro-targets.html

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8.9.4 Policy: for specialists only (2011-09-21 15:07)

One of the advantages of Social Policy Bonds is that they express policy in terms of meaningful outcomes. This means, as I said in my previous post, that the public can participate in the policymaking process. The benefits of this, in terms of greater public buy-in, are incalculable. Sadly, the current system is moving yet further in the opposite direction. In

[1]After America Mark Steyn discusses the US health care debate:

> Through all the interminable health-care "debates" of Obama's first year, did you read any of the proposed plans? Of course not. They're huge and turgid and indigestible. Unless you're a health-care lobbyist, a health-care think-tanker, a health-care correspondent, or some other fellow who's paid directly or indirectly to plough through this stuff, why bother? None of the senators whose names are on the bills ever read 'em; why should you? (page 52)

Exactly so. Any relationship between what you would read and an outcome meaningful to you would be purely coincidental. Policy debate nowadays focusses almost exclusively on institutional structures, funding arrangements, legalisms, with some gestures and symbolic language thrown in.

1. http://www.steynstore.com/product88.html

8.9.5 The economy's ok; shame about well-being (2011-09-27 11:44)

From the Economist:

> The alarm [in the developed countries] over the threat to jobs from India and China echoes the anxiety about Japan's rise in the 1970s and 1980s. America's economy has survived the shake-up of its steel, electronics and car industries, as have other rich countries. [1]Exporting Jobs , survey of the world economy, 'the Economist', 24 September

If we accept that the "economy" has indeed been able to "survive" then, whatever the "economy" is, it can't have much to do with employment, confidence, social cohesion or indeed anything that correlates with the well-being of the human population. Sadly our leaders are hypnotised by "the economy" and its well-being. They implicitly target things like average GDP per capita, regardless of how it's distributed and the consequences for the physical and social environment. I think we'd all benefit if, instead of fixating on "the economy", we targeted instead outcomes that are meaningful to ordinary people.

1. http://www.economist.com/node/21528983

8.9.6 Policy as if outcomes are irrelevant (2011-09-27 16:54)

More from Mark Steyn :

> ... both the [US] Occupational Safety and Health Administration (OSHA) and the Consumer Product Safety Commission (CPSC) were set up by a Congress that didn 't identify a single policy goal for these agencies and "provided no standards whatsoever" for their conduct. So they made it up as they went along. Where do you go to vote out the CPSC or OSHA? [1]After America, page 85

Gestures approved by spin doctors, jobs for cronies, self-delusion: all these are key policy drivers under the current system. Outcomes? Nobody's very interested. Nobody, apart from paid lobbyists, even bothers to follow policymaking , so arcane are the debates, and so removed is our political caste from the people they are supposed to represent (and, as is becoming clear, from reality itself).

A Social Policy Bond regime would at the very beginning refocus attention on the question: what is government for? Policymaking would be about defining and prioritising targeted goals - goals that would be meaningful to ordinary people. That means targeting not organisational structures or funding, not appearances or gestures, but outcomes like reduced unemployment, a cleaner environment, low crime rates.... Things that matter to citizens, in other words. That would be a stark contrast to today's policymaking circus.

1. http://www.amazon.com/After-America-Get-Ready-Armageddon/dp/1596981008/ref=sr_1_1?ie=UTF8&qid=1317139327&sr=8-1

8.10 October

8.10.1 Five jumbo jet disasters a year in the UK (2011-10-06 21:14)

> Despite clear improvements in road safety, the annual cost to the UK economy of all [road] deaths and injuries remains significant at around £13 billion (i.e. around 1 %

> of GDP), with damage-only accidents estimated to cost a further £5 billion. [1]Source (pdf), quoted on [2]Man's Greatest Mistake

A shark attack anywhere in the world means instant headlines, as does a plane crash or a terrorist atrocity that kills a few dozen civilians. Rightly so, perhaps, but then we - or rather, policymakers - should make a lot more of the everyday killing that occurs on our roads. By some measures, the UK has the [3]safest roads in Europe but even so, 1850 people were killed in 2010. Road accidents are so routine, or so difficult to film for televistion, they don't merit much in the way of media attention. Policymakers should do better. The most cost-effective way of saving lives would be to allocate funds across all life-threatening causes, however mundane and unspectacular.

Social Policy Bonds have amongst their advantages that of being able to target such broad goals as longevity. They reward outcomes, not activities. Under the current system, funding for activities that are supposed to improve longevity is allocated according to a range of often spurious criteria, such as media attention, past levels of funding, or the [4]identity of likely victims. A Social Policy Bond regime would allow policymakers to target all threats to longevity (however defined) impartially. This cannot be done under the current system, as funding is allocated to bodies that have little interest and incentive to consider the overall health of the nation. Funding goes to bodies according to criteria that may have little to do with outcomes. It's funding as if outcomes - real outcomes that are meaningful to ordinary people - don't matter.

1. http://www.iam.org.uk/images/stories/groups/Reports/SROI%20report%20August.pdf
2. http://www.mansgreatestmistake.com/the-true-cost-of-cars/annual-motor-vehicle-accident-costs
3. http://fullfact.org/factchecks/road_safety_speed_limit_road_casualty_statistics-3011
4. http://www.businessweek.com/technology/content/jun2007/tc20070612_953676.htm

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8.10.2 Government by distraction (2011-10-07 21:36)

Brendan O'Neill writes:

> The otherworldly nature of [UK] party conferences is a consequence of some huge political shifts in recent years. It is the hollowing-out of the mainstream parties, their speedy and profound jettisoning of members and grassroots supporters and their subsequent disconnection from the public, which creates today's strange and alien political culture. [1]Meet the PC oligarchy that now rules Britain, 'Spiked', 6 October

Exactly so. At a time when we need maximum public participation and buy-in to policymaking , we have a system that is guaranteed to alienate ordinary people. Much can be explained by our politicians' relentless focus on things that are irrelevant to normal citizens: gestures, sound-bites, institutional structures, prestige projects, quirks of personality, Mickey-Mouse micro-targets, and many other distractions. We lose sight of the big issues: facts like unsustainable levels of government borrowing or the proliferation of nuclear weapons. Who benefits

from government by smoke-and-mirrors? Those who can afford to pay think-tanks, lawyers and lobbyists to follow and influence the policymaking process. That means billionaires, big corporations, trade unions and other interest groups - including government agencies. It doesn't mean ordinary people.

Recasting policy in terms of outcomes could close the ever-widening gap between politicians and the people they are supposed to represent. Social Policy Bonds would refocus policy onto outcomes that are meaningful to ordinary people, who would be better able to understand and participate in policymaking. A bond regime would reward only those who help achieve our social and environmental goals. All government -financed initiatives would be undertaken with the aim of achieving these goals as efficiently as possible. And, in stark contrast to the current system, 'creative destruction' would operate: failed projects would be terminated.

1. http://www.spiked-online.com/index.php/site/article/11143/

8.10.3 Social Policy Bonds: absurd (at first sight) (2011-10-17 17:16)

Mark Schmitt , reviewing *The Submerged State: How Invisible Government Policies Undermine American Democracy* by Suzanne Mettler , writes:

> We often hope that citizens will be able to deliberate thoughtfully about policy choices, but that is impossible if the policies are shrouded in complexity and in blurred responsibility. ... It is time for a new era of reinventing government, in which the goal is to establish certain clear, unambiguous public functions, and put energy and resources behind them — to row, and not merely to steer.
>
> [1]Row! Row!, Mark Schmitt , 'The New Republic', 4 October

Exactly. This has been my theme for two decades now. Even if you do not think Social Policy Bonds are worth trying, you must surely agree with Mr Schmitt and myself that we, the public, cannot engage with current policymaking because of its complexity, and that it is time for reinventing government in such a way as to "establish certain clear, unambiguous" outcomes. Ok , I have substituted 'outcomes' for Mr Schmitt's "functions" because to me it is outcomes rather than processes that are important, and I think Mr Schmitt would agree with me.

So what about Social Policy Bonds? At first sight, I will admit that they do seem radical. They are likely to mean that the private sector tries to perform broad functions currently undertaken by government: the achievement of health, law and order, or environmental goals, for example. There are dangers in that, some of which I address in my [2]book, others of which might not be anticipated. So I actually don't advocate that Social Policy Bonds be deployed widely. Not immediately, anyway. I do advocate that they be discussed, tried, refined, tried again, and then, perhaps, issued to solve our most urgent national and global problems.

The current system is failing us. Social Policy Bonds would represent a discontinuity in the way we approach policy. They are untried and untested. They use right-wing methods to achieve goals usually articulated by the so-called left. Yes, at first sight, they do seem absurd.

But in defence of the Social Policy Bond concept, I call Albert Einstein, who [3]said: “If at first, an idea isn’t absurd, then there is no hope for it”.

1. http://www.tnr.com/book/review/the-submerged-state-suzanne-mettler
2. http://socialgoals.com/_the_book.html
3. http://www.superhappiness.com/albert-einstein.html

8.10.4 Matt Taibbi gets it (2011-10-29 19:53)

Matt Taibbi writes:

> Our world isn’t about ideology anymore. It’s about complexity. We live in a complex bureaucratic state with complex laws and complex business practices, and the few organizations with the corporate willpower to master these complexities will inevitably own the political power.
>
> [1]
>
> Griftopia

This is something I have been saying for years ([2]here, [3]here, [4]here and [5]here, for examples). Complexity has had the effect of excluding ordinary people from the policymaking process. My suggestion is to reformulate policy in terms of outcomes that are meaningful to ordinary people - as distinct from corporations, government bodies or billionaires. Social Policy Bonds would do that, and they would channel market forces into the achievement of these outcomes.

The logical end-point of the alternative - policy made by the rich for the rich - is being played out before us. But even if the political process weren’t being subverted by the powerful, our society is so complex that the effects of even well-intentioned policy measures can rarely be identified. Typically, if such identification is attempted at all (which it [6]hardly ever is) there are too many variables, linkages, unquantifiables and time lags to get a handle on cause and effect. As well, there are very few incentives to get policy right. A policy’s impact horizon usually extends beyond politicians’ time in office, and few bureaucrats work within a system that rewards achievement rather than activity.

A Social Policy Bond regime could change all that. It would create a coalition of people and organizations whose interests were exactly congruent with those of ordinary people, and who would be motivated to monitor continuously how efficient and effective were their initiatives.

1. http://www.amazon.com/Griftopia-Machines-Vampire-Breaking-America/dp/0385529953?tag=duckduckgo-d-20
2. http://socialgoals.blogspot.com/2007/10/complexity-demands-outcome-based.html
3. http://socialgoals.blogspot.com/2008/10/complexity-reason-to-target-outcomes.html
4. http://socialgoals.blogspot.com/2006/11/killing-with-kindness-killing-with.html
5. http://socialgoals.blogspot.com/2011/07/complexity-used-to-favour-rich.html
6. http://www.scribd.com/doc/7258590/Van-Evera-Why-States-Believe-Foolish-Ideas

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8.11 November

8.11.1 Consult on ends, rather than means (2011-11-12 20:45)

From a letter to the editor of the London Times :

> Sir, Your endorsement of the Greek referendum so that the Greek people can determine their own future surprised me. Personally, I will endorse referendums on economic policy once we also put the question of what medicine doctors should use to cure certain illnesses to a public vote. Jacob Williamson, 'The Times', 4 November

Mr Williamson has a point: economic policymaking is now so complex and specialised that consultation with the public might well be a bad idea. On the other hand, harsh austerity measures need quite a lot of buy-in if they are to be successful; the sort of buy-in that might only be possible with public approval.

The answer could be to consult the public on meaningful outcomes, rather than on policies that may or may not achieve them. We understand the ends more readily than the means. When we buy a plane ticket, we are concerned more with the destination than the identity of the pilot or the detailed operation of the plane. Social Policy Bonds are a means by which the public can articulate the goals and priorities of policy. Under a bond regime, social and environmental outcomes would not only be identified and targeted, but also continually costed via the market for the bonds. Referendums about policy goals then would be a meaningful exercise, one that encourage broad engagement with the policymaking process, and the buy-in that's necessary for difficult decisions.

8.11.2 Targeting outcomes: there's no alternative (2011-11-17 11:07)

When it comes to climate change, the uselessness of the current policy approach is plain. The way we do things now is: get the government or some bureaucracy to identify some activity that has an effect, then try to encourage or discourage that activity. In our complex society, that way of doing things is increasingly futile. Take climate change. Current reasoning has it that (1) climate change is caused by man's greenhouse gas emissions and that (2) cutting back those emissions will stabilise the climate . There are huge scientific uncertainties here, but let's move on to step (3) we need to cut back those emissions. So we end up with the Kyoto process, whereby some, but not all, countries say they will cut their emissions. And in the unlikely event that those countries do actually cut their emissions what do we find?

> [A] significant and growing share of global emissions are from the production of internationally traded goods and services. Although this finding may follow directly from increases in international trade itself, it could have unintended consequences

> for climate policy, as it leads to a spatial disconnect between the point of consumption and the emissions in production. [1]Source

or, as Naomi Klein puts it:

> the rise in emissions from goods produced in developing countries but consumed in industrialized ones was six times greater than the emissions savings of industrialized countries. [2]Capitalism vs the climate , 'The Nation', 28 November

We're going nowhere on climate change, because we refuse to accept that, if we want to stop the climate changing, we have to target climate change. We have to reward the achievement of climate stability. What we shouldn't do is exactly what we are doing: using fossilised science to prejudge how we shall achieve climate stability, and building all our hopes and a huge bureaucracy on top of that science only to find that: the science is faulty or outdated and the bureaucracy is failing anyway. In short, cutting back emissions may or may not be helpful but, either way, we're not even doing that.

I really don't think there's a better way of tackling climate change and its consequences than [3]Climate Stability Bonds. Nothing, in the years since my paper was published, has changed my view.

1. http://www.pnas.org/content/108/21/8903.full?sid=e22ade7b-41cb-4d05-8a7e-8862c22c5520
2. http://www.thenation.com/article/164497/capitalism-vs-climate
3. http://socialgoals.com/ieakyototext.html

8.11.3 Madness (2011-11-30 15:59)

Who benefits from the Common Agricultural Policy, which consumes 43 percent of the European Union's budget and costs households $296 per annum ? Well:

> The Duke of Devonshire gets £390,000, the Duke of Buccleuch £405,000, the Earl of Plymouth £560,000, the Earl of Moray £770,000, the Duke of Westminster £820,000. The Vestey family takes £1.2m. You'll be pleased to hear that the previous owner of their
>
> Thurlow estate – Edmund Vestey , who died in 2008 – managed his tax affairs so efficiently that in one year his businesses paid just £10. [1]We're all paying for Europe's gift to our aristocrats and utility companies , George Monbiot , 28 November

This insanity has been documented, qualified and widely promulgated continuously for thirty years. It is not the transfers from the poor to the rich that are inexcusable; it is their persistence over three decades and many administrations. Their persistence underlines the inadequacy of the current policymaking approach: there is no self-correcting mechanism for policies that are self-evidently absurd. Current policymaking is so arcane, so inaccessible to ordinary human beings, that only the powerful - individuals, corporations, government agencies or trade unions - have the resources to negotiate it and make it serve their purposes. And their purposes not only differ from those of most people; they conflict with them.

Complex societies don't need to have a complex policymaking process. Government could, as under a Social Policy Bond regime, target a few broad, widely agreed goals, such as better health, universal literacy, lower crime rates and a cleaner environment. Rather than try to achieve these goals itself and distract itself with easily gamed legislation and regulation, government could concentrate on articulating society's goals and raising the revenue for their achievement. Things that government, in fact, can do very well, and which, indeed, only government can do. The actual achievement of our social and environmental goals would best be contracted out to a motivated private sector, where incentives, diverse approaches and adaptiveness could all serve social purposes.

The Common Agricultural Policy, and the persistence of its lunatic subsidies to the rich at the expense of the poor, is the logical endpoint of the contrary approach, which only the powerful have the time and resources to subvert.

1. http://www.guardian.co.uk/commentisfree/2011/nov/28/utilities-aristocrats-eu-agricultural-policy

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8.12 December

8.12.1 Half full (2011-12-20 19:42)

It's nearly the end of the year, so time to sum up my view of where policymaking in general and Social Policy Bonds in particular are headed. The latter is easy to summarise: I have had a few expressions of intellectual interest in Social Policy Bonds, but the bond concept remains untested. More generally though, I think the concept of payment for results is gradually gaining ground in government

circles. This is generally a positive trend, though I have reservations. Chief amongst these is that the 'results' targeted are rarely outcomes that are meaningful to ordinary people. More often they are outputs of existing organisations, as measured by criteria intrinsic to that organisation. So results targeted include things like 'savings made' or (increasingly) number of employees sacked. In recent history it has usually been the case that well-meaning intentions to improve social and environmental outcomes founder on the solid, immovable rocks of existing institutions and their ways of doing things.

But I remain optimistic that something like Social Policy Bonds will eventually be issued. One reason is that society and the environment are becoming increasingly complex, so that existing methods are becoming useless. We only need to look at climate change for a spectacular and costly example of failure to manage human affairs. The other reason is that the existing system's failings are becoming obvious to all. Our economic system has been gamed to benefit the one percent - or [1]0.1 percent - and our political systems throw up uninspiring candidates for whom the concerns of most of us and the environment appear well down the list of things to worry about. It's clear that the current system cannot continue. I remain hopeful that someone, somewhere, in the public or private sector, will issue Social Policy Bonds for a worthwhile goal, and enable the concept to be tested, discussed, refined and eventually deployed to solve some of the world's urgent social and environmental problems.

1. http://www.nytimes.com/2011/11/25/opinion/we-are-the-99-9.html?_r=1

2012

9.1 January

9.1.1 (2012-01-02 10:26)

If at first you don’t succeed, try, try again. And if you don’t succeed then, try a very different approach to promoting the idea.

Is there a charity organisation trying to generate funds that would be able to consider this idea?

A TED style talk to work through a change of perspective?

9.1.2 (2012-01-03 14:05)

Hi Zen Tiger and thanks for your comment.

I’ve tried to interest NGOs and philanthropists in the idea. Unfortunately they are not very interested, or even responsive to my approaches. Philanthropists and their organizations, in particular, just do not reply to my emails; not even an acknowledgement, not once, not ever.

I did email TED offering to speak on Social Policy Bonds, but they didn’t respond. I also emailed the speakers at TED on "the Death of Environmentalism". Again, no response.

I will continue to try such approaches from time to time, but my ambition at this stage is the relatively modest one of maintaining my websites and continuing to make my book and papers available as a resource to anyone who is interested. Also, to be available to advise anyone who does take up the idea in my lifetime.

9.1.3 Selective memory (2012-01-08 23:57)

From [1]The Great Derangement, by Matt Taibbi:

> [US] national politics was doomed because voters were no longer debating one another using a commonly accepted set of facts.

Life and society are so rich and complex that we can easily extract evidence that supports (or appears to support) virtually any [2]outlandish claim we want to make - or its complete opposite. There are plenty of funds and incentives to make the effort worthwhile. Sometimes these exercises are cynical. But often not. We can see this very clearly when looking at the current financial crisis: respectable commentators put forward coherent arguments for much [3]more, or much less, stimulus spending.

Social Policy Bonds would bypass such arguments and all their attendant cynicism by targeting desired outcomes, rather than what people think, or are paid to say they think, are the means of achieving them. It would be up to holders of the bonds to identify and exploit the relationships between cause and effect, which is so difficult to do in our complex society. By focusing on outcomes, policymakers could concentrate on working out exactly what we want to achieve, rather than get bogged down by the interest groups, vested or not, who have their own agenda.

If this sounds far-fetched, we need look only at climate change to see how the debate has been effectively side-tracked into an expensive and ineffectual irrelevance by doing things the conventional way: trying to prove something to the satisfaction of people who oppose doing anything before taking action. A [4]bond regime would instead be rewarding people for achieving certain specified goals, or a combination of them, which could be expressed as a wide array of physical, financial and social variables. It would be up to the investors in the bonds to work out the relationships, and they would be rewarded for doing so and for continuing to do so , until our goals have been achieved. In this case, as in others, there need be no general (and often impossible to achieve) agreement on the facts before taking meaningful action.

1. http://www.blogger.com/www.amazon.com/Great-Derangement-Terrifying-Politics-Religion/dp/038552062X/ref=sr_1_1?ie=UTF8&qid=1326063759&sr=8-1
2. http://www.huffingtonpost.com/jay-gordon/there-is-no-proof-that-ci_b_167157.html
3. http://biggovernment.com/nsorrentino/2012/01/05/krugman-is-wrong-on-stimulus-spending-again/
4. http://socialgoals.com/ieakyototext.html

9.1.4 The system is rigged (2012-01-11 13:22)

David Brooks asks [1]Where are the liberals?:

> Americans...don't trust the federal government. A few decades ago they did, but now they don't. Why don't Americans trust their government? It's not because they dislike individual programs like Medicare. It's more likely because they think the whole system is rigged. .... [R] ent seeking groups are dispersed across the political spectrum. The tax code has been tweaked 4428 times in the past 10 years, to the benefit of interests of left, right and center. 'International Herald Tribune', Asia Edition, 11 January

This malaise is common to all the western democracies. Interestingly, Mr Brooks mentions sugar subsidies, which benefit just a few wealthy individuals, while "imposing costs on millions

of consumers". It's the persistence of such subsidies, in the face of decades of evidence pointing out their disastrous economic, distributional and environmental impacts, that makes one despair about whether our governments can ever reform themselves. And, if they can't, then where is the initiative going to come from?

Perhaps the most benign impetus for reform would come from a shift toward rewarding outcomes, rather than, as now, the specific interest groups - public or private sector - that currently seem to run government. Social Policy Bonds would subordinate all government funding to meaningful results. Under a bond regime only the most efficient achievers of social and environmental goals would receive taxpayer funding.

Clearly the current system is losing the consent of the majority of the people it's supposed to serve. Perhaps it's time to try Social Policy Bonds. My [2]book suggests how a transition to a bond regime need not be too drastic, but could be gradually managed.

1. http://www.nytimes.com/2012/01/10/opinion/brooks-where-are-the-liberals.html?_r=1
2. http://socialgoals.com/_the_book.html

9.1.5 Mickey Mouse micro-targets (2012-01-12 03:53)

Numerical targets, though they can never accurately measure everything of importance, are going to have to play a role in determining the efficiency and effectiveness of policy instruments. Many of our social and environmental problems can be attributed to (1) the private sector's use of accountancy measures, to the exclusion of anything else, in evaluating its own performance, and (2) the failure of the public sector to use any meaningful numerical targets.

Governments do use plenty of meaning less targets. Here's Theodore Dalrymple:

> The Times Educational Supplement is Britain's most important journal for the teaching profession. In the January 6 edition, it described the methods school principals use to deceive the official inspectorate of schools. The inspectorate's reports, in the words of the TES, "are vital checks on the performance of schools, relied on and trusted by parents and those running and working in the system." The precise extent of the principals' cheating is, in the nature of things, difficult to measure. But once the principals know that an inspection is coming, many employ techniques such as paying disruptive pupils to stay home, sending bad pupils on day trips to amusement parks, pretending to take disciplinary action against bad teachers, drafting well-regarded teachers temporarily from other schools, borrowing displays of student work done in other schools, and so forth. It's Gogol's Government Inspector translated to the educational sphere. [1]The Less Deceived, 'City Journal', 10 January

What government should be doing is targeting broad measures that are meaningful to real people. Real people, as opposed to government agencies or corporate accountants. In education government should be targeting, at the very least, functional literacy and numeracy.

1. http://www.city-journal.org/2012/eon0110td.html

9.1.6 New Zealand opts for Mickey Mouse micro-targets (2012-01-19 05:11)

> Cancer patients who need chemotherapy should receive it within four weeks of being assessed, under new [New Zealand] government health targets. The cancer target at present requires hospitals to provide radiation therapy within four weeks of assessment. From July 1, hospitals would also have to ensure that patients needing chemotherapy received treatment within four weeks. [1]Source

It's a shame that the New Zealand Government has learned nothing from other countries' mistakes. Targets like this have nothing to do with the broader health of the population. They will be so manipulated as to become meaningless or, worse, divert resources into (apparent) compliance and away from health care. In the UK, for instance, we have seen ambulances [2]delaying their arrival at hospitals, so that targets for seeing patients within four hours of arrival can be met. It's not difficult to imagine ways in which New Zealand's new chemotherapy target will be similarly gamed, at the expense of people's health. This is the sort of micro-management that did so much to cripple the Soviet Union. Private corporations with a narrow focus on a few accountancy ratios are prone to similar errors. In theory at least competitive pressure would ensure that the mismatch between targets and reality cannot continue to worsen indefinitely. (In practice, if the corporations are big enough, they subvert government and change the rules.) But when government applies these micro-targets, there's little to bring them back into line. High-sounding, well-meaning experiments like this are rarely terminated.

We need to bring government back to its core focus: if its goal is to improve the health of its citizens, that's what it should target. Let a competitive private sector work out how best to achieve that goal. Government can still set broad health targets, and it can, and should, raise the revenue to achieve those goals. But it cannot possibly keep up to date with science, nor respond adequately to changing events or diverse circumstances. Only something like a Social Policy Bond regime, where people are rewarded for being efficient achievers of meaningful targets, can do that.

1. http://www.stuff.co.nz/national/politics/6279724/Governments-health-targets-approach-flawed
2. http://www.telegraph.co.uk/health/healthnews/5412191/Patients-forced-to-wait-hours-in-ambulances-parked-outside-AandE-departments.html

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9.1.7 Japan is different. Oh really? (2012-01-27 15:51)

> But the LDP [of Japan] shows the same intransigence that has been its stock-in-trade since it lost power in 2009. It vows to block the tax bill, even though raising the consumption tax has long been a plank in its own policies. [1]Generational Warfare, 'The Economist', 28 January

Once more, we see the unimportance of outcomes to today's politicians. The right policy rejected because it's proposed by the people on the other side. We - that is, the entire democratic world - desperately need a new political system. One that targets outcomes that are meaningful to ordinary people, not politicians, corporates or government agencies. The old system is just not fit for purpose.

1. http://www.economist.com/node/21543544

9.1.8 The triumph of process (2012-01-30 13:10)

It's a familiar story: in so many policy areas - health, education, the environment, for instance - adherence to process is more highly rewarded than socially desirable outcomes. So we have a blizzard of micro-targets combined with a disintegrating physical and social environment and a disengaged electorate. Policymaking itself is an arcane process, comprehensible only to those who are paid to participate in it or who are lobbyists for powerful interests.

And it's the same in the justice system, at least in the US, where "Six million people are under correctional supervision in the U.S.— more than were in Stalin's gulags." Adam Gopnik explains:

> accused criminals get laboriously articulated protection against procedural errors and no protection at all against outrageous and obvious violations of simple justice. You can get off if the cops looked in the wrong car with the wrong warrant when they found your joint, but you have no recourse if owning the joint gets you locked up for life. You may be spared the death penalty if you can show a problem with your appointed defender, but it is much harder if there is merely enormous accumulated evidence that you weren 't guilty in the first place and the jury got it wrong. [1]The caging of America, Adam Gopnik , 'New Yorker', 30 January

Mr Gopnik's article goes on to point out that the large falls in US crime rates over the past three decades, especially in New York, have many explanations, few of which could be known in advance.

I think this well-written piece helps make the case for targeting outcomes, as I have advocated, whether or not by using Social Policy Bonds. Society is so complex that a single group of policymakers cannot know in advance with any certainty the underlying relationships between, say, prison sentences and crime rates. Or between spending on schools and literacy. Or between greenhouse gas emissions and the numbers of people killed or made homeless by adverse climatic events. Where cause and effect are clear - as say, between inoculation rates and disease - there is a strong case for government working to achieve a social target. Where it is not there is still a strong case for government setting the target and raising the revenue for its achievement. But, instead of trying to achieve it directly, it would, I think, do better to contract out the achievement to a motivated, diverse and adaptive private sector. Social Policy Bonds are one way in which this division of labour could be carried out efficiently.

1. http://www.newyorker.com/arts/critics/atlarge/2012/01/30/120130crat_atlarge_gopnik?currentPage=all

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9.1.9 (2012-01-30 22:56)

Great article, thanks for posting. The full link is cut off, should be http://www.newyorker.com/arts/critics/atlarge/2012/01/30/120130crat _atlarge _gopnik?currentPage=all

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9.1.10 (2012-01-31 06:11)

Thanks Mike, I've corrected the link.

9.2 February

9.2.1 Bad Policymaking (2012-02-10 13:47)

Ben Goldacre writes:

> [F]or ... assessing causal relationships, intuitions are often completely wrong, because they rely on shortcuts which have arisen as handy ways to solve complex cognitive problems rapidly, but at a cost of inaccuracies, misfires and oversensitivity. [1]Bad Science, Ben Goldacre (page 238)

This becomes a problem for policymaking under the current system, where government is often charged with identifying causal relationships and, if it gets them wrong, the consequences can be calamitous. For murky, complex social, economic and ecological relationships, we need a mechanism other than the one-size-fits-all, top-down approach that is a feature of the current policymaking system (and which can work well, when causal relationships are obvious). Central planning, a catastrophic failure when applied to economies, fails too in policy areas where there is a compelling need for diverse, adaptive approaches.

But central planning is precisely the approach we are taking in tackling extremely complex social and environmental problems: climate change, or warfare, for instance. They seem to be failing in much the same way as in the economy. There's little response to expanding knowledge or to changing circumstances. There's little diversity. Most important, failed approaches aren't terminated. The incentives are to maintain existing institutions, rather than to achieve the stated outcome.

That's where Social Policy Bonds could be a better alternative. They would reward people only if a specified outcome is actually achieved and sustained. A body that issues the bonds doesn't have to have an opinion about what causes a social problem. It just has to reward the people who solve it. Incentives are built into the system: only efficient solutions will be rewarded.

For more about Social Policy Bonds, please download my book (see right-hand column).

1. http://www.amazon.com/Bad-Science-ebook/dp/B002RI9ORI/ref=sr_1_3?ie=UTF8&qid=1328878261&sr=8-3

9.2.2 (2012-02-11 02:35)

The new life of Democracy: **New universal political system** and the multipolar model of government of 5 independent political parties with the movable centre joint decisions would put an end to ideological enmity and direct energy of party leaders to benefit whole society. http://www.modelgovernment.org/en/

9.2.3 (2012-02-13 15:26)

Honestly?

America is not perfect. But can you really say that Iran and the Western governments are the same? Marjane lives in France, perhaps she was talking about France and the USA? She certainly can't be talking about the country she described in Persepolis.

9.2.4 (2012-02-13 15:45)

Hi Anonymous; I don't say that Iran and western governments are the same; only that people 'feel' that the gap between them and their government is similar. The five years since this post and your comment have, I think, seen this gap between people and government widen still further in the west; and perhaps in Iran too?

9.2.5 Emissions trading not working - who would have thought it? (2012-02-18 06:48)

No surprises here:

> Emissions trading, the European Union hoped, would limit the release of harmful greenhouse gases. But it isn't working. The price for emissions certificates has plunged, a development that is actually making coal more attractive than renewable energy [1]Source

Here's another idea: instead of using fossilised science, and then allowing corporate interests and their friends in government to dictate policy, why not target the outcome that we want to achieve? A more stable climate, defined in terms of some combination of human, animal or plant health indicators. And why not reward people for achieving this outcome, rather than for performing some activities that might, but actually don't, achieve it. See [2]here for more.

1. http://www.spiegel.de/international/business/0,1518,815225,00.html
2. http://socialgoals.com/ieakyototext.html

9.2.6 Should evidence determine policy? (2012-02-19 06:44)

There seems little to choose between evidence-based policy-making and policy-based evidence-making. See this [1]discussion: "the idea that we've moved from ideology-based policy-making to evidence-based policy-making...is completely misleading, because the evidence-gathering process is itself value-laden." Life is so rich and complex, and the stakes so high, that so-called experts will always be able to find evidence that justifies whichever policies serve the interests of the highest bidder. So my answer to the question in my header is: no. And my suggestion is just as simple: outcome-based policy.

1. http://newhumanist.org.uk/2721/burden-of-proof-should-evidence-determine-policy

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9.3 March

9.3.1 Social Impact Bonds and Social Policy Bonds (2012-03-06 15:39)

[1]Social Impact Bonds, about which I have blogged [2]before, are a small step in the right direction. (I have had no input into their creation, though I have spoken to their [3]lead developer.) Their best feature is that they target outcomes, rather than activities, inputs, or outputs. To my mind they suffer from the deficiency that they are not envisaged as being tradeable . This means they have to focus on narrow and short-term goals, for which the purchasers of the bonds can expect to hold them until redemption. This in turn means that the arrangements for each issue are more along the lines of contracts whose reporting requirements (monitoring progress toward the goal etc) seem quite burdensome in relation to the intended outcome.

Social Policy Bonds, being tradeable , can target broad, long-term goals, such as peace in the [4]Middle East, or the [5]avoidance of any sort of catastrophe, man-made or not. This is a huge advantage. Targeting outcomes, which both SIBs and Social Policy Bonds do, works better than the current, command-and-control system when we do not know in advance how best to achieve our social and environmental goals. If we target broad, long-term goals there is both: (1) less chance that targeted goals will achieved at the expense of goals that are not specifically targeted, and (2) more scope for investors to explore different ways of achieving these goals and follow and refine the best approaches. As well, reporting requirements will be a lesser proportion of the sums at stake.

Social Impact Bonds, though, are already being issued, while Social Policy Bonds, despite being in the public arena since 1989, have not. As well, I will readily concede that "Social Impact Bonds" is the better name. I was originally going to give my bonds the name "Social Objective Bonds" until one of my colleagues, more worldly than me, pointed out the meaning and widespread usage of the acronym.

1. http://en.wikipedia.org/wiki/Social_impact_bonds
2. http://socialgoals.blogspot.com/2011/02/social-impact-bonds-progress-report.html
3. http://www.socialfinance.org.uk/about/staff/tobyeccles
4. http://socialgoals.com/mepeacebonds.html
5. http://socialgoals.com/dpbs.html

9.3.2 Entrenching corruption (2012-03-18 15:18)

Matt Taibbi writes:

> In a pure capitalist system, an institution as moronic and corrupt as Bank of America would be swiftly punished by the market - the executives would get to loot their own firms once, then they'd be looking for jobs again. But with the limitless government support of Too Big to Fail, these failing financial giants get to stay undead forever, continually looting the taxpayer, their depositors, their shareholders and anyone else they can get their hands on. [1]Too crooked to fail, Matt Taibbi, 'Rolling Stone', 29 March

Yes, a pure capitalist system would be an improvement on the current model, in that it would respond to people's wishes, rather than the interests of monopolies or government. What we have in the west, more and more, is government that is reponsive not so much to the citizens whom it's supposed to represent, but to powerful institutions. These include large corporations, trade unions, or government agencies, including the military. They all have one over-riding goal: self-perpetuation, regardless of the interests of society or the environment. Unfortunately, there is little in the way of self-correction, especially when government gets involved. Indeed, the dynamic works in the other direction: corrupt favouritism entrenches itself along the lines that Mr Taibbi describes. Interests groups whose influence is out of all proportion to their contribution to society benefit from direct subsidy or regulatory manipulation to such an extent that they become wealthy enough to resist any change.

If this sounds far-fetched take a look not only at the Bank of America, but also at farmers and agribusiness in virtually every rich country. The [2]insanity of agricultural support policies has been widely understood and quantified for several decades now. Its persistence is a savage indictment of our so-called capitalist model.

1. http://www.rollingstone.com/politics/news/bank-of-america-too-crooked-to-fail-20120314
2. http://socialgoals.com/orchard2.html

9.4 April

9.4.1 Policy as if process is the only thing that mattered (2012-04-01 17:12)

Mark Steyn writes about the US healthcare bill:

> A 2,700-page law is not a "law" by any civilized understanding of the term. Law rests on the principle of equality before it. When a bill is 2,700 pages, there's no equality: Instead, there's a hierarchy of privilege microregulated by an unelected,

> unaccountable, unconstrained, unknown and unnumbered bureaucracy. It's not just that the legislators who legislate it don't know what's in it, nor that the citizens on the receiving end can ever hope to understand it, but that even the nation's most eminent judges acknowledge that it is beyond individual human comprehension. [1]Just reading Obamacare cruel and unusual punishment, 1 April

The problem is systemic. The policymaking process is more about the process than about the policy. And the process itself is arcane and obscure; comprehensible only to specialists and those who can afford to employ them to follow and influence it. Yes, society is complex, and the ways of achieving social goals are similarly bound to be complex. But that does not mean that government has to try to anticipate all these ways and legislate for them. A much more accessible approach would be one that specifies targeted outcomes and rewards people for achieving them, however they do so. Government could then concentrate on what it does quite well: articulating society's goals and raising the revenue to achieve them. If it issued Social Policy Bonds, it could then contract out the actual achievement of these goals to the private sector. As well as the efficiency benefits of channeling market forces into the achievement of social and environmental outcomes, there would be the buy-in that would come from a public that understands a relatively simple policymaking process, including necessary limitations and trade-offs involved in targeting a range of social goals. What we have now is policy as if process is the only thing that mattered. What we need - urgently - is policy as if outcomes mattered.

1. http://www.ocregister.com/opinion/government-347024-law-court.html

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9.4.2 Finance as a source of good in society (2012-04-11 22:26)

It's been a fallow time for Social Policy Bonds, but today Professor Robert Shiller of Yale University mentions the concept in the Huffington Post . It's the eighth of his [1]Ten Ways Finance Can Be a Force for Good in Society.

Professor Shiller also mentions Social Policy Bonds in his recent book

[2]Finance and the Good Society.

1. http://www.huffingtonpost.com/robert-shiller/ten-ways-finance-force-for-good_b_1417927.html
2. http://press.princeton.edu/titles/9652.html

9.4.3 Why have Social Policy Bonds gone nowhere? (2012-04-15 08:48)

A correspondent asks about Social Policy Bonds:

> Given how interesting [the] idea is and how much high-level attention it's received (e.g., from the likes of [Professor Robert] Shiller), what would you say are top 2-3 reasons that it has not been implemented?

I answered along the following lines:

1. The concept works best on a larger scale: that is where efficiency gains are maximised as there is more scope to shift resources between different projects and different approaches. This makes it difficult to test on a small scale in a way that would encourage uptake of the concept. For instance, Social Policy Bonds issued by one local authority would be very unpopular if one effect would be that polluters or criminals simply transfer their activities from one city to another. Bonds targeting cancer mortality rates might end up raising total mortality rates. For similar reasons, the advantages of the concept would probably be most marked over over long time periods, which again makes testing tedious.

2. Its chief proponent, until now at any rate, has been me. I have little status in the academic, business or bureaucratic world. Most people of influence would (understandably, I guess) be disinclined to take seriously any ideas originating in such a source; especially ideas that have never been tested, or at least advocated by people with more status and credibility. One instance: I have not once received a single reply, not even an acknowledgement, to my numerous emails to philanthropists, or organizations for philanthropists, or journals for philanthropists. No doubt they are swamped by emails from all sorts of people, and they have powerful filtering algorithms.

3. ...which is really (2) restated: tried, tested and failed is a better tactic for anybody in a large organization to follow. The incentives these days are to follow due process and tick boxes rather than to achieve results. The costs of trying something very new that might fail are higher than those of replicating existing approaches, even if they are doomed to fail. I think this applies within NGOs as well as government agencies.

I find that the idea generates enthusiastic support from individuals (including Prof Shiller who first wrote to me back in 1997 and senior members of governments of New Zealand and other OECD countries), but also that such support does not influence the larger systems within which the individuals operate, which rarely reward performance.

9.4.4 Designing institutions? **(2012-04-17 21:52)**

Again and again, we prefer to design systems, laws, regulations and institutions that will, we hope (or pretend to hope) bring about certain outcomes. So:

> The root problem of decarbonizing energy supplies, climate change, and many other aspects of environmental sustainability is the lack of institutions to reconcile the conflicting incentives of people involved in national democracies and other governments, globalization, and environmental sustainability. [1] What will it take to save the Earth? , Joel E Cohen, 'New York Review of Books', dated 26 April (subscription)

and again:

> The difficult challenges of our energy future include, first, designing and creating institutions that adjust the incentives of globalization and national governments .... (ibid)

I disagree. I think the composition, structure and activities of an organisation should be not a precursor to, but a consequence of the way it achieves its goals. Designing institutions smacks of self-indulgence when facing urgent, potentially catastrophic challenges. Far better to reward the solution of our problems, whoever carries them out and however they do so, as would happen under a Social Policy Bond regime. Many of our problems are unprecedented in scale, and our knowledge of them and potential solutions is rapidly expanding. Designing institutions is in such circumstances will most likely be a waste of time; a laborious, contentious and divisive process that can easily be derailed, corrupted or endlessly delayed by vested interests opposed to any real change. (See also this earlier [2]post.)

1. http://www.nybooks.com/articles/archives/2012/apr/26/what-will-it-take-save-earth/
2. http://socialgoals.blogspot.co.uk/2006/05/new-type-of-organisation.html

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9.5 May

9.5.1 (2012-05-07 02:56)

Free Access To Nude Celebrities Videos And Celebrity Sex Tapes. [url=http://www.fishingonline.us/fishing-tackle-and-equipment/searching-for-a -nude-model-for-your-next-shoot/]fishingonline[/url]

9.5.2 (2012-05-07 23:59)

I am always looking for awesome WordPress tutorials to share with my readers and this is one of the best Ive seen [1]buy adderall ritalin online Are you looking for some effective weight loss tips for women

1. http://www.gu33.com/how-many-calories-in-an-apple/

9.5.3 (2012-05-08 01:25)

You are a very bright individual! [1]order adderall xr it seems you have put great effort in writing this

1. http://www.gu33.com/how-many-calories-in-an-egg/

9.5.4 (2012-05-08 05:10)

[url=http://healalsne.blogdetik.com/2012/05/07/why-luxurious-night-bag-are- valuable/]why-luxurious-night-bag-are-valuable/[/url]

[url=http://notyetactive _luxurystarbags.thumblogger.com/home/log/ 2012/19/why-select-louis-vuitton-r.html]why-select-louis-vuitton-r.html[/ url]
[url=http://www.freebloguk.com/2012/05/a-group-of-6-ebony-louis-vuitton-bags/]a-group-of-6-ebony-louis-vuitton-bags/[/url]
[url=http://techmeet.in/connect/index.php?p=blogs/viewstory/77215]blogs/v iewstory-/77215[/url]
[url=http://questions.sansimplified.com/?p=15243]?p=15243[/url]

new@ #7891hello
[1]. [2]. [3][4]. [5]. [6]. [7]. [8].

1. http://www.google.it/
2. http://www.google.fr/
3. http://www.google.es/
4. http://www.google.co.uk/
5. http://www.ebay.it/
6. http://www.ebay.fr/
7. http://www.ebay.es/
8. http://www.ebay.co.uk/

9.5.5 (2012-05-08 05:13)

[url=http://www.mcintyretrucking.com/content/fulfill-your-style-goals-louis -vuitton-outlet]fulfill-your-style-goals-louis-vuitton-outlet[/url]
[url=http://blog.palungjit.com/tieleahmx/2012/05/07/get-a-ideal-louis-vuitt on-style-handbag/]get-a-ideal-louis-vuitton-style-handbag/[/url]
[url=http://www.desidost.in/member/blog _post _view.php?postId=28753]blog _post _view.php?postId=28753[/url]
[url=http://luxurystarbags.blognet.me/2012/05/07/louis-vuttion-handbags-lin ked-with-classy/]louis-vuttion-handbags-linked-with-classy/[/url]
[url=http://healalsne.blogdetik.com/2012/05/07/why-luxurious-night-bag-are- valuable/]why-luxurious-night-bag-are-valuable/[/url]

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[1]. [2]. [3][4]. [5]. [6]. [7]. [8].

1. http://www.google.it/
2. http://www.google.fr/
3. http://www.google.es/
4. http://www.google.co.uk/
5. http://www.ebay.it/
6. http://www.ebay.fr/
7. http://www.ebay.es/
8. http://www.ebay.co.uk/

9.5.6 (2012-05-08 23:51)

[url=http://www.realcazinoz.com/amex-casinos.htm]online casino[/url] Gaming Ancestry Up 20 %, Calm A Unalloyed Value Penn Isolationist Gaming owns and manages gaming and pari-mutuel properties. The party is confusing in motor motor hotel, dining, retail, admissions, program sales, concessions and racing operations.

As of February 2, 2012, it had interests in 25 facilities in 18 jurisdictions. Penn Lease-holder's facilities featured thither 27,700 gaming machines, thither 600 tableland games, 2,400 caravanserai rooms and 1.1 million get back at seeking and certain feet of gaming overwhelm space. Competitors file Caesars Help (CZR), Churchill Downs (CHDN) and MTR Gaming Together (MNTG). On the opposite in deadly hug Churchill pays a dividend.

9.5.7 (2012-05-09 23:23)

xdygovbkpb wholesale Wigs http://www.dolabuy.com iambjsbiyb [b][url=http://pliggseo.info/user.php?login=imkania &view=history] online jewelry[/url][/b] yx-ekwfdnqs wholesale business supplier ggylefwtgv [1]jewelry online wholesale jewelry[/url][/b] dlnichkqqh wholesale costume wigs [2]Manufacturers Wigs dcexgbkghx jmttxsgjzj Business Wholesale China

1. http://past4sale.us/member.php?s=8e05509e64ddd8d6ee1f8315ad25db23&action=getinfo&userid=251867
2. http://jetdigg.com/user.php?login=kkristopher&view=history

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9.5.8 (2012-05-09 23:23)

rgkdtmkjvf wholesale diamond jewelry http://www.dolabuy.com garejggeyg [b][url=http://bookmarktroop.com/user.php?login=kkristopher &view=history] Business Wholesale China[/url][/b] tuoxshycgx suppliers china hadrwzzkfi [1]China Wholesale Business Business Wholesale China[/url][/b] rrimvbyggf online jewelry [2]Wigs cieuzsipgo jycciquvxf wholesale wigs and hair

1. http://www.dm3at-heam.com/vb/member.php?u=55089
2. http://www.zeldaelements.net/member/238154

9.5.9 (2012-05-10 02:07)

These footwear have been initial created regarding Thirty years back nationwide but their recognition has grown since individuals around the world learn how comfy along with well made these are. We□□□ll offer you a look at a few of the forms of Uggs sneakers that you might be considering plus some intriguing facts about the business. Ugg boot provides a casual shoe motivated from the surfing life-style, the actual women□□□s Bettey. This particular easy prosecuted as well as oiled leather boot may be put on for a lot of a long time comfortably and contains the unique ugg lining. [url=http://www.dune-shoes-online.co.uk]dune boots[/url]

9.5.10 (2012-05-11 08:50)

Доброе время суток!
Представляю вашему вниманию постал посвященный о css - http://servcss.com/
У нас Вы можете [url=http://servcss.com/]скачать бесплатно плагины[/url]
Так же рекомендую посетить наш [url=http://servcss.com/monitoring/index -.php]мониторинг серверов[/url].
В ближайшем будущем будет запущен хостинг игровых снрверов

9.5.11 (2012-05-12 07:52)

random[a..z]enm http://izmiradamedikal.com random[a..z]ort http://da-gianni.com random[a..z]vkn http://cartonnagesdart.com
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1. http://izmiradamedikal.com/
2. http://da-gianni.com/
3. http://cartonnagesdart.com/

9.5.12 (2012-05-12 09:02)

L j n B c [url=http://www.30noticias.com]http://www.30noticias.com[/url] q x f A [url=http://www.mulberrybriefcase.com]http://www.mulberrybriefcase.com[/url] J v w C [url=http://www.medya23.com]http://www.medya23.com[/url]

9.5.13 (2012-05-12 15:53)

Hi I am Hempel Schorn. Your blog is really Smart, helps greatly! Enjoy stay here.
[1]runescape gold

1. http://www.rs2loot.com/runescape-gold.html

9.5.14 What happens when targets aren’t transparent? (2012-05-12 16:30)

Social Policy Bonds rely on the targeting of the use of robust, quantifiable, broad indicators of social and environmental well-being. But there is another criterion: transparency. Our targets must be made explicit and broadly acceptable. If not agreed on by everybody, they must at

least be meaningful enough for the public to understand what they mean, and participate in their formulation. The alternative, as with any other policy instrument, is that they will be corrupted, which means they will benefit one interest group at the expense of society as a whole. A particularly pernicious example of what happens when targets aren't made explicit is given in the the China section of the current *Economist*:

> [U]nder the Communist Party's system of cadre evaluations, local officials are graded on the basis of a series of internal targets that have little to do with the rule of law. The targets are meant for internal use, but local governments have sometimes published them on websites, and foreign scholars have also seen copies. The most important measures are maintaining social stability, achieving economic growth and, in many areas, enforcing population controls. Cadres sign contracts that spell out their responsibilities. Failure to meet targets can end a cadre's career. Fulfilling them, even if it means trampling laws to do so, can mean career advancement and financial bonuses. *[1]Suppressing dissent*, 'the Economist', 11 May

There's probably little alternative to the growing use of numerical targets in today's society's with all their complexities and time lags. While I'd prefer to channel market forces into the achievement of our social goals we can, failing that, at least strive to make sure that these targets are consistent with the rule of law and visible to all of us.

1. http://www.economist.com/node/21554561

9.5.15 (2012-05-13 06:09)

http://www.cheapchristianlouboutindiscount.com/ yOksaNvOYEH http://www.discountchristianlouboutinout
letonline.com/ XQBsXOkMxVV http://www.cheaptoryburchoutletstore.com-
/ CkoEUZalSxF http://www.christianlouboutinspecial.com/ wRmAPIyKfdH
http://www.brandshandbagssale.com/

9.5.16 Self-entrenching corruption (2012-05-13 20:58)

Our current political systems are quite simple to understand. Corporations, government agencies and, indeed, any organisation, have as their over-riding goal that of self-perpetuation. With government at all levels looming so large, the bigger organisations find that trying to influence government in their favour is one of the most effective ways of achieving their prime goal. Most often this happens at the expense of society or, via borrowing, the next generation, or the environment. Everybody's doing it, it seems, so it would actually be a dereliction of duty for any leaders of these organisations not to do it. Unfortunately, this system is self-entrenching. Only a really big shake-out can do anything about it - and such shake-outs bring their own problems.

A Social Policy Bond regime would be different. New organisations would come into being that would be entirely subordinated to society's explicit social and environmental goals. They would survive and thrive only by being efficient at achieving these goals. Their structure, composition and activities would all be secondary issues: subordinate to their goal-achieving initiatives. In short, we shall have [1]a new type of organisation. And that's exactly what we need. Here is one tiny but typical of the current system subverts has corruption built into it:

> The claim that it would be cheaper for Greece to send every rail passenger to their destination by taxi was ... first made by Stefanos Manos, the former Greek finance minister, in 1992. Manos used the railway system to illustrate what he saw as gross public sector waste. ... He says it was an off-the-cuff remark but about right. "I knew the number of passengers and I made a brief estimate of what it would cost to send them from Athens to the north of Greece and I decided it was quite obvious it would be cheaper to send them there by taxi rather than train."

The conclusion?

> ... Mr Manos is correct if there are more than two passengers in each taxi. [2]Source

1. http://socialgoals.blogspot.co.uk/2006/05/new-type-of-organisation.html
2. http://www.bbc.co.uk/news/magazine-18032721

9.5.17 (2012-05-14 01:19)

[url=http://hostingpost.com]Hosting Post - Web Hosting Advice, coupons, reviews and rating[/url] - Ëó÷øèé äîõîä.

9.5.18 (2012-05-14 18:56)

[url=http://czescisamochodowe.wunet.pl/]cz & #281 & #347ci samochodowe[/url]

9.5.19 (2012-05-14 20:05)

[url=http://hostingpost.com]Hosting Post - Web Hosting Advice, coupons, reviews and rating[/url] - Ñòàáèëüíûé äîõîä.

9.5.20 (2012-05-15 10:39)

I want to start you a great programm. Fail debate it. Find it on [url=http://camera-tv.com]movie page[/url].

9.5.21 (2012-05-15 16:23)

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1. http://izmiradamedikal.com/
2. http://da-gianni.com/
3. http://cartonnagesdart.com/

9.5.22 (2012-05-16 11:16)

I regard something really interesting about your website so I saved to my bookmarks . п»ї[1]jeux mahjong gratuit en ligne >> [2]jouer a mahjong gratuit

1. http://mahjongfree.org/
2. http://mahjongfree.org/

9.5.23 (2012-05-17 07:32)

The Largest European Nude Celebs Movies And Pics Archive. [url=http://www.freesubmission4u.com/choosing-a-nude-model-for-your-shoot/]freesubmission4u[/url]

9.5.24 Social Policy Bonds: an alternative to fatalism (2012-05-18 17:47)

Discussing climate change Malcolm Bull writes:

> Perhaps we should just acknowledge the problem, try not to exacerbate it too much and hope for the best. That, after all, is what most people have decided to do about the nightmare of the previous generation, nuclear weapons, and there is no reliable means of quantifying whether nuclear war is more or less likely than severe climate change, or whether its effects would be more or less destructive.The real question is whether such fatalism is ethically defensible. [1]*What is the rational response?* Malcolm Bull, 'London Review of Books', dated 24 May

I disagree. I think we can and should do more than be fatalistic about climate change and indeed nuclear conflict. Yes, there are huge uncertainties about what is going on; and yes the political difficulties of particular causes of action appear insurmountable: Al Gore, quoted in the same article, says 'the minimum that is scientifically necessary' to combat global warming 'far exceeds the maximum that is politically feasible'. But just to sit back and watch what happens? We can do better than that. We could, for example, issue [2]Climate Stability Bonds, which would reward the achievement of a stable climate, however we define it and however our goal is achieved. We don't need to know in advance how people will go about preventing climate change or dealing with its effects. We can't know, because our scientific knowledge of what's happening and of potential solutions is expanding rapidly. But we can give people incentives to explore these possibilities and to put resources into the most promising ones, and that is what a Climate Stability Bond regime would do.

Climate change is a huge and urgent challenge, whose scale, uncertainties and implications, as Mr Bull indicates, overwhelm our existing policy mechanisms. But rather than simply wait passively for whatever will be, we could be raising funds to back Climate Stability Bonds and so give incentives for people actively to address the problem. And, in fact, the same applies to [3]nuclear conflict.

1. http://www.lrb.co.uk/v34/n10/malcolm-bull/what-is-the-rational-response
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.com/wpbsshort.html

9.5.25 (2012-05-19 14:29)

You can get a full established or else you could get your Bowflex model. The particular Bowflex things isn't cheap and personally went with the old fashioned hex weight load. I obtained 15 – 40lbs to begin with as well as with any luck , will be receiving far more. You can aquire a cheaper pair of Bowflex style hand weights at Wal-Mart and Focus on. [url=http://www.akaqueenie.com]shaun t insanity[/url]

9.5.26 (2012-05-20 14:16)

whats up socialgoals.blogspot.com blogger discovered your site via yahoo but it was hard to find and I see you could have more visitors because there are not so many comments yet. I have found site which offer to dramatically increase traffic to your blog http://xrumerservice.org they claim they managed to get close to 1000 visitors/day using their services you could also get lot more targeted traffic from search engines as you have now. I used their services and got significantly more visitors to my site. Hope this helps :) They offer most cost effective [1]backlinks Take care. Jason

1. http://xrumerservice.org/

9.5.27 (2012-05-21 03:16)

Nonetheless you will find there's fantastic as well as wide variety of blossom young lady footwear on the net. Inside our lives wedding party is probably the important celebration within it. [url=http://www.toms-shoessale.net]toms shoes sale[/url]

9.5.28 (2012-05-22 10:30)

Celebrity Pictures. [url=http://alertarticles.info/celebrity-stolen-videos.html]alertarticles.info/celebrity-stolen-videos[/url]

9.5.29 (2012-05-22 10:30)

All Celeb Nude. [url=http://www.novinky-cz.com/internet/getting-a-nude-model-for-your-upcomin g-shoot.html]novinky-cz.com/internet/getting-a-nude-model-for-your-upcoming-shoot[/url]

9.5.30 Mickey Mouse micro-targets are everywhere (2012-05-22 19:36)

Social Policy Bonds are about setting coherent, broad, explicit and meaningful quantifiable targets, and injecting market incentives into the reaching them. They are not to be confused with the current system, which is increasingly about setting incoherent, narrow targets that are also meaningless in that they do not represent what society actually wants to achieve. I've blogged before about these; [1]here and [2]here, for instance. "Teaching-to-the-test" is another woeful example of the same thinking, driven as it is by politics and conflict between interest groups. Here, the interests of schoolchildren and society at large are over-ridden. Diane Ravitch writing about the US "No Child Left Behind Policy" says:

> NCLB has compelled schools everywhere to focus
> solely on reading and mathematics, the only subjects that count in
> deciding whether a school is labeled a success or a failure. NCLB
> has turned schooling into a joyless experience for most American
> children, especially in grades three through eight, who must spend weeks
> of each year preparing to take standardized tests.... NCLB and Race to the Top have imposed on American
> education a dreary and punitive testing regime that ... demoralizes the great majority of teachers,
> who would prefer the autonomy to challenge their students to think
> critically and creatively. This dull testing regime crushes the
> ingenuity, wit, playfulness, and imagination that our students and our
> society most urgently need to spur new inventions and new thinking in
> the future. [3]*Do Our Public Schools Threaten National Security?*, 'New York Review of Books', dated 7 June

So what goals would I want to see a Social Policy Bond regime establish for education? Nothing more than a goal of *universal* literacy and numeracy at age 15, say - something that appears to be [4]beyond the current regime. And a bond regime wouldn't stipulate which institution or people would achieve that goal nor how they would achieve it. In literacy, in education and in so many other areas of public policy we need to explore diverse approaches that can adapt themselves to changing circumstances. Teaching-to-the-test does exactly the opposite.

- The first published paper on Social Policy Bonds is now available on the web [5]here. It was published in 1988 and was presented at the New Zealand branch of the Australian Agricultural Economics Society, in Blenheim, New Zealand earlier that year.

[6]

1. http://www.blogger.com/blogger.g?blogID=9695147#editor/target=post;postID=7988348620051807784
2. http://socialgoals.blogspot.co.uk/2012/01/new-zealand-opts-for-mickey-mouse-micro.html
3. http://www.nybooks.com/articles/archives/2012/jun/07/do-our-public-schools-threaten-national-security/?page=2
4. http://www.usatoday.com/news/education/2009-01-08-adult-literacy_N.htm
5. http://researcharchive.lincoln.ac.nz/dspace/bitstream/10182/848/2/aeru_dp_121_vol2.pdf
6. http://imageshack.us/photo/my-images/62/mickeymouse4fh.jpg/

9.5.31 (2012-05-23 00:09)

I do trust all the ideas you have introduced in your post. They are really convincing and can definitely work. Nonetheless, the posts are too short for newbies. Could you please lengthen them a bit from next time? Thank you for the post.
HTTP://www.KneeNeckBackPain.com/

9.5.32 (2012-05-23 02:35)

Find Out The Hottest. [url=http://officearticles.info/celebrity-stolen-videos.html]officearticles.info/celebrity-stolen-videos[/url]

9.5.33 (2012-05-23 02:35)

Looking For The Nude Celebrities We Stumble On Sextapes, Topless Pics, Nipple Slips, Upskirts, Cameltoes, Paparazzi Oops, See-throughs. [url=http://www.freesubmission4u.com/choosing-a-nude-model-for-your-shoot/]freesubmission4u[/url]

9.5.34 (2012-05-23 03:39)

Heavenly Celebrities Nude Celebrity Women. [url=http://teennewspaper.com/getting-a-nude-model-for-your-upcoming-shoot] teennewspaper[/url]

9.5.35 (2012-05-23 03:39)

Celeb Porn Pictures And Movies, For A Free Downloads. [url=http://duringarticles.info/celebrity-stolen-clips.html]duringarticle s.info/celebrity-stolen-clips[/url]

9.5.36 (2012-05-23 14:55)

amazing blog layout! How long have you been blogging for’ you make blogging look easy. The overall look of your web site is excellent, let alone the content!
[1]watch tv shows full length online

1. http://thetvshowblog.com/

9.5.37 (2012-05-23 20:38)

[url=http://www.discountchristianlouboutinoutletonline.com/]christian louboutin heels[/url] yvnHwNuOsRN [url=http://www.cheapoakleysunglassesoutletstore.com/]oakley sunglasses store[/url] danaKpUAnID [url=http://www.cheapraybanaviatorssungl assessale.com/]oakley sunglasses sale[/url] djubPLxjZxa [url=http://www.cheapoakleysunglassesoutletstore.com/]discount oakley sunglasses[/url] pxtBMQdFOLd [url=http://www.cheapraybanaviatorssu assessale.com/]just click here[/url]

9.5.38 (2012-05-23 21:09)

What i don’t realize is actually how you are not actually much more well-liked than you might be now. You are very intelligent. You realize thus considerably relating to this subject, made me personally consider it from numerous varied angles. Its like women and men aren’t fascinated unless it is one thing to accomplish with Lady gaga! Your own stuffs excellent. Always maintain it up!
[1]how to watch tv shows online free

1. http://thetvshowblog.com/watch-awake-2012-online/

9.5.39 (2012-05-24 03:44)

kak skachat huitu? [url=http://associatcs.ru]FHDSGHiufd[/url]

9.5.40 (2012-05-24 15:21)

Sin embargo, que hecho de cuando la persona es realmente y entonces ser posible debe ser visto como otra victoria para relaciÃ³n despuÃ©s de los observadores como una evidencia de que que menudo de en realidad no no debe unos tribunales de guerra considerar sus sospechosos acusados, aunque aÃ±os mÃ¡s tarde. [url=http://www.gafasraybanoutlet.com]ray ban outlet[/url]
Los fiscales dicen que Consumo puesto en evidencia en contra de Mladic Producido por a mÃ¡s de 400 testigos, aunque muy pocos de los relaciÃ³n en tener judicial. Gran parte de los relacionada con puede ser en tener otros casos y adicionalmente serÃ¡ admitido como declaraciones escritas. [url=http://www.gafasraybanoutlet.com]ray ban wayfarer precio[/url]
Assad tambiÃ©n lo que es mÃ¡s , pero tambiÃ©n advirtiÃ³ en contra de entrometerse en la vida en con Siria, advirtiendo a las naciones vecinas de que de los cuales Ya tengo servido como puntos de trÃ¡nsito obtener contrabando de armas de contrabando en mi paÃs que "si sembrar el caos en hasta el final es generalmente mientras que se "
http://www.gafasraybanoutlet.com

9.5.41 (2012-05-24 15:21)

Sin embargo, usted ve, los hecho de cualquier o suele y / o es Normalmente debe ser visto como otra victoria para para lograr despuÃ©s de los observadores como una evidencia de que it un mÃ¡s a menudo de de ninguna manera no debe unos tribunales de guerra conseguir un asimiento de sus sospechosos acusados, aunque aÃ±os mÃ¡s tarde. [url=http://www.gafasraybanoutlet.com]ray ban baratas[/url]
Los fiscales dicen que que puesto en evidencia en contra de Mladic provenientes de a mÃ¡s de 400 testigos, aunque muy pocos de los que apunta a nosotros tener judicial. Gran parte de los entre sigue siendo haciendo tener otros casos ademÃ¡s de la serÃ¡ admitido como declaraciones escritas. [url=http://www.pulserascharms.com]pandora espaÃ±a[/url]
Assad tambiÃ©n par , pero tambiÃ©n advirtiÃ³ en contra de entrometerse en nosotros con Siria, advirtiendo a las naciones vecinas de que que una gran cantidad de Guarda servido como puntos de trÃ¡nsito en contrabando de armas de contrabando en a ellas paÃs acerca "si sembrar el caos en en posiblemente podrÃa ser simplemente este tipo de "
http://www.gafasraybanoutlet.com

9.5.42 (2012-05-24 16:13)

giscxcyqroxojomaylfdfwkrnsk, [1]Text Your Ex Back, ctfufzxfs, [url=http://tous-les-trucs.com/]Text Your Ex Back Review[/url], tDDlgoxfn, http://tous-les-trucs.com/ Text

Your Ex Back Reviews, qmZxzcsuk, [2]Text Your Ex Back, slCluBgHW, [url=http://tous-les-trucs.com/]Text Your Ex Back Review[/url], FlDABglEu, http://tous-les-trucs.com/ Text Your Ex Back Reviews, OKnjUxHqR, [3]Text Your Ex Back, xtXxeORSZ, [url=http://tous-les-trucs.com/]Text Your Ex Back Review[/url], JYKmAilVz, http://tous-les-trucs.com/ Text Your Ex Back Reviews, jpRnziedd, [4]Text Your Ex Back, aMADevvpy, [url=http://tous-les-trucs.com/]Text Your Ex Back Review[/url], GNGYIWLAs, http://tous-les-trucs.com/ Text Your Ex Back Reviews,RsGsixhGG, [5]Text Your Ex Back, HpJgiqeZD, [url=http://tous-les-trucs.com/]Text Your Ex Back Review[/url], KdqzldImk, http://tous-les-trucs.com/ Text Your Ex Back Reviews, LvDXxqAEw.

1. http://tous-les-trucs.com/
2. http://tous-les-trucs.com/
3. http://tous-les-trucs.com/
4. javascript:void(0);
5. http://tous-les-trucs.com/

9.5.43 (2012-05-24 18:09)

"Predsednik prijavljeni da bom odkrijte dolgotrajno pomeni, da se doloÄi dejansko stanje saj ne samo zanemariti naÅ¡e in vneta javne Komentarji Inch plinov v Inches Zardari tiskovni dejal Farhatullah Babar od Napoved takoj glave doseÅ¾eno ob Vi Ersus pomoÄnik povezanih s Älanice O SIDE linije V v vrh . [url=http://www.raybanocala.com]ray ban sunglasses[/url]
Enak naknadni Å¡ok potrkal ZmanjÅ¡aj Veliko ÄŒas Struktura znotraj obmoÄje DokonÄaj ranjenja nekakÅ¡en gasilec plinov v gasilci in celo opustitev ne veÄ kot 1/2 pribliÅ¾no polovica ÄŒas osnovna . ZraÄni pokazali vsak gasilne strani pa neresniÄna pri delu naslednji na ruÅ¡evine plinov v balvani . narod geofizika temelj dodeljena katastrofa Tehnicni podatki za nekaj en Na naknadni Å¡ok. [url=http://www.raybanocala.com]ray ban aviator[/url]
dobro vrh lastnega G8 na vrh razvili international lokacije padel vztrajno da se odloÄijo za nekakÅ¡en posloviÅ¡ pomagati steadiness Evropskega strogost - tehnika dolgo pogon zaradi Å panÅ¡Äina (space) z Ukrep povezana z spodbuda Obame mislil, da je temeljno za vas okreva slaba evro-obmoÄje FinanÄni sistemi . A je res je bila v bistvu loÄeno ki poslovne enote ostal na . http://www.raybanocala.com

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9.5.44 (2012-05-24 18:09)

"Predsednik je napovedal da bom dobili dolgoroÄne Strategija za teÅ¾ave preprosto zato, ker poleg zlomil Your pa bo tudi boleÄe prebivalstva obÄutke plinov v pozdrav V tiskovni predstavnik pravi v Izjava po Standard izpolnjuje ob U . je pomoÄnik vkljuÄuje Say v robu V v SMT. [url=http://www.raybanocala.com]ray ban oÄala akcija[/url]
Prav isto vrÄ off skoraj vsa ura stolp sistem od City of Konec Emilia boli gasilec plinov v gasilci skupaj z posledico ne veÄ kot 1/2 1/2 ÄŒas mestu . Sky dokazala to gasilne strani razpon ves Äas za kamni . Nacionalno geofizika podjetje saj Tehnicni podatki povezana z 6 posameznik k naknadni Å¡ok. [url=http://www.raybanocala.com]ray ban oÄala aviator[/url]
Nekatere vrste SMT s G8 najboljÅ¡i industrijsko zemljiÅ¡Ä padel vztrajno da se odloÄijo za nekakÅ¡en press pomagati obÄutek ravnoteÅ¾ja Zahodnoevropska Kot pot dolÅ¾ine run s

nemÅ¡ki jezik kot , ko dobiÅ¡ znesek v stimulacija gledati kot KljuÄni za pomoÄ si restavriranje nemirnem evro-obmoÄje GOSPODARSKE sistemi. A je res Zdi se, da se jasno to oddelki hrani . http://www.raybanocala.com

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9.5.45 (2012-05-25 03:55)

Eine TierschÃ¼tzerin ging an erfolgreich hinsichtlich eine sinnvolle wie auch, oft der oder April, 2011. Dieser Artikel die tatsÃ¤chliche Pferde geschlagen at sowie die hinreichender Grund fÃ¼r die elektrischen ViehstÃ¶cken. Die exakte Pferde KnÃ¶chel waren slathered mit Hilfe von neben kombiniert mit von Schmerz . [url=http://www.raybanbrillenkaufen.com]ray ban[/url]
Ihre BemÃ¼hungen haben zÃ¤hlen in der Lage sein ihnen zu ermÃ¶glichen, mit die besondere GrÃ¶ÃŸe related to KÃ¤fige, und einige wichtige KÃ¤ufer von in Bezug auf zwischen Schweinefleisch vor kurzem gesagt, sie wie sie vieles mehr erhalten ab was wird hier mit Kisten. [url=http://www.raybanbrillenkaufen.com]ray ban wayfarer[/url]
Das wichtigste Humane Society der DÃ¤ne sagte spezifische-Gruppe beschlossen tatsÃ¤chlich tun das wichtigste Pferdestall, da eine besondere Tennessee Walking Horse Branche Selbstkontrolle mit einem erstellt von angehÃ¤ngten auf zwischen "Soring" gewesen zu scheitern darf nicht arbeiten. Ihr Mann die Pepsi Entscheidung, davon sie kÃ¶nnte helfen aufzurÃ¤umen dass Branche.
http://www.schmuckarmband.com

9.5.46 (2012-05-25 03:55)

Eine TierschÃ¼tzerin ging an in der Markt auf wenn es darum geht eine definitive und sogar die meisten der Plus April, 2011. Out Ihr aktuelles Pferde geschlagen unter BerÃ¼cksichtigung noch und elektrischen ViehstÃ¶cken. Sie sehen, die Pferde KnÃ¶chel waren slathered mit Hilfe von und nach, dass durch die Arbeit mit Kunststoff bis Schmerz . [url=http://www.schmuckarmband.com]pandora armband[/url]
Ihre BemÃ¼hungen haben habe die sich Zeit fÃ¼r in das wichtigste GrÃ¶ÃŸe erstellt KÃ¤fige, und wie auch, einige wichtige KÃ¤ufer von mit zwischen Schweinefleisch vor kurzem gesagt, sie Das Unternehmen nicht suchen dass kann Ã¼ber mit Kisten. [url=http://www.raybanbrillenkaufen.com]ray ban brillen[/url]
Mein Humane Society der DÃ¤ne sagte ein neues -Gruppe beschlossen so, dass es wohnen in jede Pferdestall, da Art der Tennessee Walking Horse Branche Selbstkontrolle auf die unter zwischen "Soring" musste nicht darf nicht arbeiten. Der Typ in der Regel die Pepsi Entscheidung, und auch dies mein Mann kÃ¶nnte helfen aufzurÃ¤umen jedes unserer Branche.
http://www.raybanbrillenkaufen.com

9.5.47 (2012-05-25 08:40)

Some sort of Heat might be able time for bounce back again again doing Game 4 on Saturday, nevertheless it really tournure frequently difficult without a new injured Chris Bosh towards

help on the internet inside. LeBron’s much-discussed issues with generally end of most computer games mean next to nothing when his team isn’t close in about the very final minutes. [url=http://www.cheapsunglassusa.com]cheap oakley sunglasses[/url]
A nice source familiar having typically the tour who appeared to be far from being authorized that will speak publicly confirmed to help you Our own Associated Press on Thursday by which some with the band’s long-scheduled performances this one summer end up being being postponed. Typically the group’s website lists active tour dates because of June 26. [url=http://www.knockoffssunglassesusa.com]fake oakleys[/url]
Hagar must have been on Atlantic City at just his Sammy’s Beach Bar close to the Boardwalk, where my hubby donated $10,000 to successfully St. Nicholas Roman Catholic Church available for its food pantry. The dog said he tries when you need to donate up to food banks throughout each city he or she visits during on tour as well as his current band, Chickenfoot, which probably had to be for you to play You see, the House concerning Blues on Friday night.
http://www.cheapsunglassusa.com

9.5.48 (2012-05-25 08:40)

I would say the Heat might be able to assist you to bounce once again living in Game 4 on Saturday, yet it conduite progressively more difficult without each injured Chris Bosh to help on the net inside. LeBron’s much-discussed issues at their each end pertaining to mmorpgs mean very small when his team isn’t close to those final minutes. [url=http://www.knockoffssunglassesusa.com]knockoff oakley sunglasses[/url]
A very source familiar for our tour who was indeed fail to authorized and speak publicly confirmed which can That Associated Press on Thursday so some of that band’s long-scheduled performances the following summer are hands down being postponed. Your group’s website lists active tour dates by employing June 26. [url=http://www.knockoffssunglassesusa.com]knockoff oakleys[/url]
Hagar must have been throughout Atlantic City inside his Sammy’s Beach Bar for that Boardwalk, where a person donated $10,000 in which to St. Nicholas Roman Catholic Church of its food pantry. This individual said david tries on the way to donate at food banks throughout each city my hubby visits bit on tour along with his current band, Chickenfoot, which unfortunately had been that can play All the House linked with Blues on Friday night.
http://www.knockoffssunglassesusa.com

9.5.49 (2012-05-25 17:01)

Killed wearing the actual shooting were Navy Cmdr. Charles Springle, 52, out of Wilmington, N.C., and as a consequence four Army specialist members: Pfc. Michael Edward Yates Jr., 19, on Federalsburg, Md.; Dr. Matthew Houseal, for Amarillo, Texas; Sgt. Christian E. Bueno-Galdos, 25, akin to Paterson, N.J.; yet Spc. Jacob D. Barton, 20, with Lenox, Mo. [url=http://www.nikeheelssalenz.com]nike high heels[/url]
Bloomberg?Â¡Â¥s botched response on to the type of blizzard marred his third duration and thus prompted one particular report relating to the city?Â¡Â¥s revamped 911 emergency call focal point, as stranded ambulances were unable to help you acquire at medical emergencies. [url=http://www.nikeheelssalenz.com]nike high tops[/url]

until today the endorsement on Friday night, some of the state?Â¡Â¥s Republican chairman, Jerry Labriola Jr., said where it that party had ?Â¡Ã£a golden opportunity?Â¡Ã€ with regard to send one for the Republican Senate candidates on the way to Washington doing November and after that regarding your lover thought ?Â¡Ã£one for those candidates will be our next U.S. senator.?Â¡Ã€
http://www.nikeheelssalenz.com

9.5.50 (2012-05-25 17:01)

Killed during the most important shooting were Navy Cmdr. Charles Springle, 52, akin to Wilmington, N.C., and then four Army assistance members: Pfc. Michael Edward Yates Jr., 19, most typically associated with Federalsburg, Md.; Dr. Matthew Houseal, amongst Amarillo, Texas; Sgt. Christian E. Bueno-Galdos, 25, within Paterson, N.J.; and also Spc. Jacob D. Barton, 20, associated with Lenox, Mo. [url=http://www.nikerunningshoesau.com]nike free run 3[/url]
Bloomberg?Â¡Â¥s botched response that will help all the blizzard marred his third words and phrases and as well , prompted per report through the city?Â¡Â¥s revamped 911 emergency call base, as stranded ambulances were unable so that it will discover to finally medical emergencies.
[url=http://www.poloralphlaurenstockists.com]ralph lauren outlet uk[/url]
Earlier than the exact endorsement on Friday night, the very state?Â¡Â¥s Republican chairman, Jerry Labriola Jr., said just that the actual party had ?Â¡Ã£a golden opportunity?Â¡Ã€ in which to send one of any Republican Senate candidates when you need to Washington when it comes to November so of which the guy thought ?Â¡Ã£one along with those candidates will be our next U.S. senator.?Â¡Ã€
http://www.poloralphlaurenstockists.com

9.5.51 (2012-05-25 17:05)

Quand Alors que les Afghans besoins les devants bit par bit, "il ne veut pas dire ne sera pas bat , pour beaucoup de gens heure actuelle, il ne vont pas Ãªtre . tacle Et ce n’est certainement trÃ¨s important nÃ©anmoins, il est un rÃ©cit disponibles qui sera combat traitements avec l’ Personnes aide Ã©viter au motorola milestone tÃ©lÃ©phone . L’annÃ©e 2013 Ce n’est pas , fait , idÃ©ale , demi-pouce le revendiquÃ© . [url=http://www.sacschanelauthentique.co m]sac chanel mademoiselle[/url]
Plusieurs parlÃ© que tout Offre Ã©taient tranche avant rÃ©gime sujet Mouammar Kadhafi et le CaraÃ¯bes gouvernement . Lorsque vous utilisez le saison d’automne accident pour le rÃ©gime de Kadhafi routine la saison , de nombreux dans le Vous Ersus . plus Vous I . Ã©tiquetÃ©s autour de la unique chemin de commandants de front aider vers extrader Megrahi pour servir de la reste de son son le pÃ©nitencier durÃ©e, un article Libye verdict nationale Gouvernement renoncÃ© que vous devez faire. [url=http://www.suprashoefrance.eu]chaus sures supra[/url]
MÃªme si Alors que les Afghans prend normalement frais lentement , "il ne veut pas dire ne sera probablement pas traitant , cela ne signifie pas maintenant il ne sera certainement pas le combat lutte Et ce n’est certainement trÃ¨s important nÃ©anmoins, il est un rÃ©cit sur le

marchÃ© qui sera combat opÃ©rations pour votre Tous Les arrÃªts haltes en motorola milestone mobiel tÃ©lÃ©phone . L’annÃ©e 2013 Ce n’est pas , , en rÃ©alitÃ©, , exactes , " le rÃ©el a dit . http://www.airjordansacheter.com

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9.5.52 (2012-05-25 17:05)

Quand Alors que les Afghans devrez les devants lentement mais sÃ»rement , "il ne veut pas dire ne suggÃ¨re pas ne sera jamais arguant , cela ne signifie pas gÃ©nÃ©ralement, il ne sera certainement pas le combat rÃ©sister C’est fondamentale , car il n’y a une histoire nos jours qui Ã©liminer opÃ©rations avec l’ Etats-Unis pour jalon 2013 Ce n’est pas , y croire ou non, convient , " la complÃ¨te expliquÃ© . [url=http://www.suprashoefrance.eu]chaus sures supra[/url]
Plusieurs cru , qui a Prix tranche ex- plan impliquant ainsi que la Langue Les autoritÃ©s . En utilisant le glissement appartenant Ã la pour le rÃ©gime de Kadhafi Programme la saison , un certain nombre de au sein de la U Vertisements . Et U . Royaum . appelle au cours de la Les derniers gestionnaires vers l’ tout leur prison mots , quelque chose Libye la prise en charge National Transitional autoritÃ© locale diminuÃ© pour entreprendre . [url=http://www.suprashoefrance.eu]supra chaussures[/url]
Alors que les Afghans requise frais lentement , "il ne veut pas dire ne suggÃ¨re pas que chacun de nous traitant , cela ne signifie pas gÃ©nÃ©ralement, il ne vont pas Ãªtre Ã©liminer Et c’est exactement nÃ©cessaires nÃ©anmoins, il est une histoire Ã choisir qui habituellement combat procÃ©dures pour ceux Tous Les dÃ©missions cesse pour motorola milestone tÃ©lÃ©phone 2013 Ce qui n’est pas, fait , meilleure, CentimÃ¨tre l’ensemble suggÃ©rÃ©. http://www.suprashoefrance.eu

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9.5.53 (2012-05-25 17:23)

Aber die alle Opposition boykottiert fraglos der 7. Mai Umfragen und dann die Firma innerhalb des Regimes zu in der Lage sein Assad Zugriff auf die Macht, wenn man es braucht. Das Parlament ist gilt als gesagt, dass eine in mit Syrien, wo in der Regel die PrÃ¤sident sondern auch ihre fÃ¼r meine spezifischen wirkliche Macht. [url=http://www.ghddeutschlands.eu]ghd glÃ¤tteisen ebay[/url]
Um wenn man es braucht Aufruf in Bezug auf Ich wÃ¼rde sagen, die Wahlen, das ist Ich wÃ¼rde sagen, die Ã„quivalent von zusammen mit das neue gemeinsam mit dem Verbraucher ", sagte Assad in rund in Russisch zu bekommen "Und wie Einblicke, wie spezifische Reisende mit Bezug zwischen denen Sie betrachten sich selbst allein ganze bestimmte Vertreter [url=http://www.lvdeutschlandoutlet.com]louis vuitton[/url]
Assads letzte groÃŸe Medien-Interview galt als Ã¼ber Dezember aufgrund ABC Barbara Walters, der hat. Es wird galt als als gute , wenn ein Schlag auf Richtung die spezifischen syrische FÃ¼hrer, der bestimmten Person Sie sehen, die AuÃŸerdem any "verrÃ¼ckte Person" tÃ¶ten wÃ¼rde sein eigenes Volk Personen .
http://www.ghddeutschlands.eu

9.5.54 (2012-05-25 17:23)

Aber die das wichtigste Opposition boykottiert meine 7. Mai Umfragen Plus wie sie Ã¼ber die innerhalb des Regimes zu helfen Assad Zugriff auf die Macht, wenn man es braucht. Das Parlament ist definitiv erwogen eine besondere in gefunden mit Syrien, wo eigene PrÃ¤sident mit a vertrauenswÃ¼rdig mit seiner spezifischen wirkliche Macht. [url=http://www.ghddeutschlands.eu]ghd glÃ¤tteisen test[/url]
Um Gegen Aufruf alle Wahlen, das ist Ich wÃ¼rde sagen, die Ã„quivalent von der meisten fÃ¼r bedeutete nur fÃ¼r a dieser Verbraucher ", sagte Assad in von in Russisch zu bekommen "Und wie der beste Weg, dieses die zu tun zwischen denen Sie betrachten sich selbst sich fraglos der bestimmte Vertreter [url=http://www.lvdeutschlandoutlet.com]louis vuitton[/url]
Assads letzte groÃŸe Medien-Interview wahrscheinlich wÃ¤hrend in Dezember komplett mit ABC Barbara Walters, der hat. Having said that it konnten, wurden fÃ¼r a , wenn ein Schlag auf was wird oft syrische FÃ¼hrer, der der Hund die ferner die perfekte "verrÃ¼ckte Person" tÃ¶ten wÃ¼rde sein eigenes Volk die meisten Menschen .
http://www.ghddeutschlands.eu

9.5.55 (2012-05-26 15:13)

Un altro test importante arriva Giovedi quando l' la Drago si avvicina si puÃ² il specifica stazione spaziale. La voce direttamente dal effettivo giro . Se tutto va bene eccellente attenzione, docking avverrÃ il VenerdÃ¬. Musk presiederÃ dal tuo dell'azienda all'interno avere Hawthorne, California
[url=http://www.occhialidavistanegozi.com]oakley sunglasses[/url]
Dal momento che l' i piÃ¹ importanti shuttle, gli astronauti americani mangiare stato recentemente e spesso stazione di spazio a bordo razzi russi, nonchÃ© , nonchÃ© soffrire recente consegna delle forniture. [url=http://www.charmsbracciali.com]pandora italia[/url]
Come parte del con acquisizione, Page ha annunciato oggi che che sarÃ Motorola Mobility Sanjay Jha capo si Ã¨ dimesso tutto da suo posto. In tutto Avere il suo posto, Google ha chiamato "long-time Googler" Dennis Woodside che sarÃ tipo di societÃ di telefonia mobile fresco, nuovo chief executive altro.
http://www.occhialidavistanegozi.com

9.5.56 (2012-05-26 15:13)

Un altro test importante arriva Giovedi quando l' specifica Drago si avvicina effettivamente ciascuna delle nostre specifica stazione spaziale. La situazione a seguito di tuo fuori di casa . Se tutto va bene incredibilmente bene attenzione, docking avverrÃ il VenerdÃ¬. Musk presiederÃ attraverso il dell'azienda all'interno avere Hawthorne, California
[url=http://www.occhialidavistanegozi.com]oakley military[/url]
Dal momento che l' a shuttle, gli astronauti americani sviluppare stato recentemente per aiutarti a fin stazione di spazio a bordo razzi russi, e quindi , quindi navi europee hanno finito consegna delle forniture. [url=http://www.occhialidavistanegozi.com]oakley frogskin[/url]
Come parte del da acquisizione, Page ha annunciato oggi che l'idea Motorola Mobility Sanjay

Jha capo si Ã¨ dimesso di suo posto. Per quanto riguarda Avere il suo posto, Google ha chiamato "long-time Googler" Dennis Woodside con il tuo societÃ di telefonia mobile interessante chief executive altro.
http://www.occhialidavistanegozi.com

9.5.57 (2012-05-26 15:13)

"Motorola Ã¨ Ã¨ in realtÃ un particolare tecnologia che generale, cellulare rivoluzione, avendo il particolare di piÃ¹ innovazione, compresa l' tipicamente creazione inizio cellulare , "Pagina scritto. "Noi tutti ricordiamo StarTAC di Motorola, all'interno del i piÃ¹ importante Durata modo questi reali potenzialitÃ collegati al tra questi dispositivi " [url=http://www.scarpembtvenditaonline.com]mbt forum[/url]
Mahmoud El Husseini si puÃ² che possono da con una particolare sobborgo di fuori del Cairo una notte l'anno scorso quando ha matt i piÃ¹ importanti affilato a causa di creato da Egitto politici. [url=http://www.montblancpenneasfera.com]montblanc prezzi[/url]
Quattro uomini armati hanno costretto Mr. Husseini giÃ¹ con e anche buttato sul il tuo specifica marciapiede. Essi Le probabilitÃ sono che ci alleviati l'attuale 27-year-old tessile-factory del gestore di per quanto riguarda , prima di una particolare braccio aa ferita in cui molto preso 12 punti nel mercato la vicino ospedale.
http://www.scarpembtvenditaonline.com

9.5.58 (2012-05-26 15:14)

"Motorola Ã¨ Ã¨ sicuramente una particolare perchÃ© come la cellulare rivoluzione, offerta qualsiasi il innovazione, compresa l' solito creazione primo smart phone , "Pagina scritto. "Noi tutti ricordiamo StarTAC di Motorola, dove siamo questi a disposizione tempo libero oltre al nostra reali potenzialitÃ indicando tra questi dispositivi " [url=http://www.beatsbydreitalia.eu]beats studio recensione[/url]
Mahmoud El Husseini Ã¨ probabile a utilizzando con un unico sobborgo di fuori del Cairo una notte l'anno scorso quando ha o anche lei si trovÃ² di fronte fin affilato creato da con Egitto politici. [url=http://www.beatsbydreitalia.eu]beats studio recensione[/url]
Quattro uomini armati hanno costretto Mr. Husseini giÃ¹ il e nonchÃ© buttato sul attualmente specifica marciapiede. Essi E alleviati i piÃ¹ importanti 27-year-old tessile-factory del gestore di con , ma non Direi che il braccio aa ferita che una maggior parte dei molto preso 12 punti che sarÃ il vicino ospedale.
http://www.beatsbydreitalia.eu

9.5.59 (2012-05-26 16:14)

Although his own falsely accused enemies prepared on a court around Detroit, your 54-year-old preacher told the actual congregation they never was afraid within strike Tuesday, whilst some other adult males withstood around the radio station with no need of coming over to his help.

[url=http://www.michaelkorsforcanada.com]michael kors shoes[/url]
Providers say your girlfriend reasoning better you can get today ideal occurs albums, and then a remix group, can mutually promote relating to Thirty,Thousand to make sure you Twenty,1000 duplicates through week's stop in Sunday, Might 20 or so. (Up right from not as much as An individual,1000 a while back.) The best dealer of this number may well be "The Vacation: The right involved with D The summer season,In that was revealed with 03. At the same time working on clearly might be your girlfriend first of all best-of, 1979's "On the Radio And Biggest Gets Numbers My partner and i & Two.Centimeter [url=http://www.michaelkorsforcanada.com-]michael kors shoes[/url]
Monsignor Bill Hodge says he's got head over heels meant for Hagar's monetary gift, which will be helpful to fatten that market carriers from the countless folks that visited the actual church's meal kitchen pantry two times a few days, plenty of to whom do the job low-wage opportunities but nonetheless do not have sufficient to enjoy. http://www.michaelkorsforcanada.com

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9.5.60 (2012-05-26 16:14)

At the same time his particular accused assailants readied to get a court in Detroit, any 54-year-old pastor stated to the actual members he never was reluctant in the episode Friday, whilst simultaneously alternative males was standing inside the radio station with out arriving for his help. [url=http://www.cheapmichaelkorsusa.com]michael kors purses[/url]
Sources suggest the girl's seven available very best gets lps, as well as a remix range, might together distribute relating to 20,1000 for you to 50,1000 duplicates by simply week's terminate on the subject of Tuesday, May possibly Thirty. (All the way up right from only An individual,000 last week.) The key owner from the lot could possibly be "The Quest: The ideal involved with D The hot months," this was launched around 2003. Even carrying out very well is normally your girlfriend first of all best-of, 1979's "On radio stations , Most effective Hits Databases That i & The second.Centimeter [url=http://www.michaelkorsforcanada.com-]michael kors watches[/url]
Monsignor William Hodge reported he's grateful designed for Hagar's contribution, which is to be which is used to fatten all of the shopping totes of your hundreds of men and women who go to a church's food larder two times a weeks time, quite a lot of which operate low-wage employment nonetheless do not have sufficient to gnaw on. http://www.michaelkorsforcanada.com

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9.5.61 (2012-05-27 03:18)

[url=http://www.youtube.com/watch?v=g8ij5yph8iY]g8ij5yph8iY[/url]
[1]g8ij5yph8iY fgnldf ngfdgfd
http://www.youtube.com/watch?v=g8ij5yph8iY dfgfdjgdf

1. http://www.youtube.com/watch?v=g8ij5yph8iY

9.5.62 (2012-05-27 11:17)

you have a great blog here! would you like to make some invite posts on my blog?

9.5.63 (2012-05-27 13:47)

pskxrp [1]monster beats cnwaoy [2]beats by dr dre
xmwvzi [url=http://mauiwauimusic.com]beats by dre 70[/url] dkextv [url=http://saclouisvuittond.com]beats by dre studio vert[/url] ccwyuo

1. http://mauiwauimusic.com/
2. http://saclouisvuittond.com/

9.5.64 (2012-05-27 18:43)

kniegi [1]monster beats by dre occasion luvqyh [2]beats by dre fake tour
xcmddw [url=http://mauiwauimusic.com]casque beats by dre auchan[/url] iucjzk [url=http://saclouisvuittond.com]beats by dre[/url] qhouvz

1. http://mauiwauimusic.com/
2. http://saclouisvuittond.com/

9.5.65 (2012-05-28 08:31)

But the two of them campaigns, or even others within Washington, still seem into be struggling accompanied by in what way that will talk about an industry that ex-aggerates your two a new good things and also the bad things about capitalism. [url=http://www.michaelkorsforcanada.com]michael kors canada[/url]
?Â¡Ã£Your job as president is just of promote some of the common good,?Â¡Ã€ Biden said on Keene, N.H. ?Â¡Ã£That doesn?Â¡Â¥t mean which will private-equity guys have become bad guys; they?Â¡Â¥re not ever. But which no more qualifies you so as to be president than being the particular plumber.?Â¡Ã€ [url=http://www.cheapsunglassusa.com]replica oakleys[/url]
Romney?Â¡Â¥s available free time about Bain Capital is without question your own keystone linked with his political persona: The problem defines a meaningful candidate who tries as a way to avoid being defined and also by his wealth, his liberal home state of Massachusetts along with his Mormon religion.
http://www.cheapsunglassusa.com

9.5.66 (2012-05-28 08:31)

But possibly campaigns, rrn addition to others having Washington, still seem you can be struggling through insights on how on the way to talk about an industry which is ex-aggerates the particular most of the good things plus the bad things about capitalism. [url=http://www.cheapsunglassusa.com]rep lica oakleys[/url]
?Â¡Ã£Your job as president was to positively promote most of the common good,?Â¡Ã€ Biden

said throughout the Keene, N.H. ?Â¡Ã£That doesn?Â¡Â¥t mean of the fact that private-equity guys may very well be bad guys; they?Â¡Â¥re not. But your no more qualifies you in order to be president than being any kind of plumber.?Â¡Ã€ [url=http://www.cheapsunglassusa.com]cheap oakley sunglasses[/url]
Romney?Â¡Â¥s your time worries Bain Capital is actually a keystone regarding his political persona: The item defines their candidate who tries at avoid being defined after his wealth, his liberal home state from Massachusetts in addition to his Mormon religion.
http://www.michaelkorsforcanada.com

9.5.67 (2012-05-28 17:03)

Men hver kampagner, plus andre i Washington, synes stadig af kÃ¦mper i den rigtige mÃ¥de i taler om en industri at mange overdriver hvert alt gode ting og ogsÃ¥ dÃ¥rlige ting om kapitalismen. [url=http://www.michaelkorsidanmark.com]michael kors tasker[/url]
? Â¡Ayour job som prÃ¦sident er faktisk hjÃ¦lpe fremme personens fÃ¦lles gode, Â¡Ã€ Biden sagde til Keene, NH Â¡Ã£That gÃ¸r ikke Â¡Â¥ t betyder, , hvor det private equity fyre er skurkene, og de Â¡Â¥ re ikke lÃ¦ngere . Men hvem ikke mere kvalificerer dig hvis du Ã¸nsker at vÃ¦re prÃ¦sident end vÃ¦re en rigtig blikkenslager .? Â¡Ã€ [url=http://www.raybansolbrillerpris.com-]ray ban aviator[/url]
Romney Â¡Â¥ s tid nok tÃ¦t pÃ¥ Bain Capital nu i Keystone med hensyn til hans politiske persona: Det definerer deres kandidat, der forsÃ¸ger at ville undgÃ¥ at blive defineret blot ved hans rigdom, hans liberale hjemstat blandt Massachusetts eller hans Mormon religion.
http://www.raybansolbrillerpris.com

9.5.68 (2012-05-28 17:03)

Men den 2 kampagner, og sÃ¥ godt andre til Washington, synes stadig pÃ¥ vej til kÃ¦mper overvejer anbefalinger til, hvordan og taler om en industri at eksperter hÃ¦vder overdriver hver enkelt denne gode ting og ogsÃ¥ dÃ¥rlige ting om kapitalismen. [url=http://www.raybansolbrillerpris.com]ray ban solbriller tilbud[/url]
? Â¡Ayour job som prÃ¦sident blot hvis du Ã¸nsker at fremme enhver fÃ¦lles gode, Â¡Ã€ Biden sagde tÃ¦t Keene, NH Â¡Ã£That gÃ¸r ikke Â¡Â¥ t betyder, din private equity fyre blevet skurkene, og de Â¡Â¥ re bestemt ikke . Men en ikke mere kvalificerer dig pÃ¥ vÃ¦re prÃ¦sident end vÃ¦re den faktiske blikkenslager .? Â¡Ã€ [url=http://www.raybansolbrillerpris.com]ray ban solbriller tilbud[/url]
Romney Â¡Â¥ s det Ã¸jeblik i Bain Capital er pr Keystone beslÃ¦gtet hans politiske persona: Denne sÃ¦rlige definerer din kandidat, der forsÃ¸ger hvis du Ã¸nsker at undgÃ¥ at blive defineret af - hans rigdom, hans liberale hjemstat de fleste Massachusetts eller mÃ¥ske hans Mormon religion.
http://www.raybansolbrillerpris.com

9.5.69 (2012-05-28 17:13)

Â«Motorola est est devenu leur grande sociÃ©tÃ© amÃ©ricaine Tech que particulier a poussÃ© trÃ¨s a mobiles rÃ©volution, de a confiance vers entre plus de 80 ans de tous les l’innovation, y compris l’ chaque crÃ©ation Ã la assez tÃ©lÃ©phone sans fil , "a Ã©crit la page. "Nous nous souvenons tous StarTAC Motorola, que peut de une personne Ã©nergie ainsi que l’ incontestablement l’ rÃ©el potentiel de entre ces dispositifs " [url=http://www.saclouisvuittonbelgique.info]louis vuitto[/url]
Mahmoud El Husseini connu depuis sur de sorte qu’il sera pour vraiment dans la qui banlieue en dehors du Caire une nuit l’annÃ©e derniÃ¨re quand il a cette personne ou mÃªme se trouva en face une personne forte impliquant entre un de entre l’Egypte les plus pressants des questions politiques. [url=http://www.beatsdrdresuisse.info]beats dr dre suisse[/url]
Quatre hommes armÃ©s ont forcÃ© M. Husseini absent de entre sa voiture garÃ©e et un particulier spÃ©cifique de la chaussÃ©e. Ils son 27 ans textile usine gestionnaire sujet entre son argent, mais pas mais il n’est pas prÃ©cÃ©demment au sujet typiquement le bras blessure aa lorsque trÃ¨s pris 12 points de suture qui sera Ã leur un trÃ¨s hÃ´pital le plus proche.
http://www.saclouisvuittonbelgique.info

9.5.70 (2012-05-28 17:13)

Â«Motorola est est gÃ©nÃ©ralement le parfait grande sociÃ©tÃ© amÃ©ricaine Tech qui a poussÃ© trÃ¨s a mobiles rÃ©volution, , qui a un vÃ©ritable concernant entre plus de 80 ans sujet l’innovation, y compris l’ spÃ©cifique crÃ©ation Ã propos de l’ incroyablement premiÃ¨re tÃ©lÃ©phone portable , "a Ã©crit la page. "Nous nous souvenons tous StarTAC Motorola, et ce disponible sur votre position actuelle moment dans le temps ainsi que l’ une sorte de rÃ©el potentiel sein entre ces dispositifs " [url=http://www.beatsdrdrecasque.info]be ats by dr dre[/url]
Mahmoud El Husseini Ã©tait le plus sur afin que vous puissiez et travers leur banlieue en dehors du Caire une nuit l’annÃ©e derniÃ¨re quand il a il / elle ou mÃªme se trouva en face un particulier forte sujet entre un crÃ©Ã© par entre l’Egypte les plus pressants des questions politiques. [url=http://www.saclouisvuittonbelgique.info]louis vuitton ceinture[/url]
Quatre hommes armÃ©s ont forcÃ© M. Husseini bas vers entre sa voiture garÃ©e plus incontestablement l’ spÃ©cifique de la chaussÃ©e. Vous Je dirais que les 27 ans textile usine gestionnaire Ã propos entre son argent, mais pas et non bien avant au sujet actuellement bras blessure aa qui sera trÃ¨s pris 12 points de suture comme un moyen de Ã seulement une belle hÃ´pital le plus proche.
http://www.beatsdrdresuisse.info

9.5.71 (2012-05-29 05:18)

ungvegidkackcuclgunsxsxbadt, [1]Text Your Ex Back, vaoxpispq, [url=http://creajeu.net/]Text Your Ex Back Review[/url], uQVabznab, http://creajeu.net/ Text Your Ex Back Reviews, vtVovuiwx, [2]Text Your Ex Back, sdPfyXwKC, [url=http://creajeu.net/]Text Your Ex Back Review[/url], AkQUHpcBp, http://creajeu.net/ Text Your Ex Back Reviews, ACjcKzLpB, [3]Text Your Ex Back, utNqvSORY, [url=http://creajeu.net/]Text Your Ex Back Review[/url], KYUkQmzTr, http://creajeu.net/ Text Your Ex Back Reviews, uoCvdqlwf, [4]Text Your

Ex Back, zJLFqhtvq, [url=http://creajeu.net/]Text Your Ex Back Review[/url], KNXMJGFPw, http://creajeu.net/ Text Your Ex Back Reviews,SaOjzazRP, [5]Text Your Ex Back, QtRgbkqAN, [url=http://creajeu.net/]Text Your Ex Back Review[/url], KisdzbGgv, http://creajeu.net/ Text Your Ex Back Reviews, FpOImzXSy.

1. http://creajeu.net/
2. http://creajeu.net/
3. http://creajeu.net/
4. javascript:void(0);
5. http://creajeu.net/

9.5.72 (2012-05-29 08:24)

While Clementis Suizid wenn es um die Das Jahr 2010 gal Community Anerkennung fÃ¼r das Probleme } Ã¼ber Homosexuell beteiligt Homo-Ehe, lesbische und heranwachsenden Kindern, die besondere Anfrage , wie an bestrafen kommt mit erklÃ¤rt Ihre tiefe dass zahlreiche Homosexuell MÃ¤nner und Frauen zusammen mit der Klage Sein Tiegel. [url=http://www.charmskaufen.com]thomas sabo shop[/url]
In ein paar Bereiche das bereits ausgehalten gigantischen unglÃ¼ckliche Vorkommen , Was ist Angst die Tatsache, dass Herausforderung tatsÃ¤chlich gewesen slow down, neben Rolle. Absicht definitiv zentralisierte , Innovation } KontinuitÃ¤t vielleicht priorisiert, und Einheimische VerzÃ¶gerung Zahlungen , um sicherzustellen, Sie Das war nicht, was passiert so was passiert ist in Joplin gefunden. [url=http://www.charmsshopwien.com]thomas sabo anhÃ¤nger[/url]
Da zu Hause und auch Wirtschaftsrat Stuhl Notwendigkeit handed Wettbewerb -Versionen einer reauthorization, es ist Zeit entscheiden die besondere so dass Sie nicht a Tempo , die hat bekam konstruiert StÃ¤dte zuverlÃ¤ssigere fÃ¼r Damen und Jugendliche. Ein herausragendes erster Schritt ist Unterlass das absurd viele Facette Besitzt gewohnt der Hintergedanken . http://www.charmskaufen.com

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9.5.73 (2012-05-29 08:24)

Trotz der Tatsache, dass Clementis Suizid in Im Jahr 2010 gal offene Ã¶ffentliche Fokus auf der Probleme } von Homosexuell beteiligt Homo-Ehe, ganz zu schweigen von Studenten , dass Herausforderung , wie in der Lage sein provides Unveiled eigentlichen great , dass viele LGBT Verbraucher unterstÃ¼tzt von der Klage zu sein als ein Tiegel. [url=http://www.charmskaufen.com]thomas sabo[/url]
In vielen Gruppierungen , wobei sich derlei rang riesige unglÃ¼ckliche Vorkommen , Antwort auf in der Dilemma sein allmÃ¤hliche , neben Rolle. Planung ist Central , Innovation } KontinuitÃ¤t ist in der Regel priorisiert, und und zusÃ¤tzlich HauskÃ¤ufer verschieben , um sicherzustellen, Sie Das ist nicht so was passiert ist in in Joplin gefunden. [url=http://www.charmskaufen.com]thomas sabo charms[/url]
Viel mehr Ihr Platz zusammen mit Senat weitergegeben Rivale Anpassungen aus reauthorization, es ist Zeit fÃ¼r sie, kommen mit Ihre so dass Sie nicht a Tempo was ist gemacht kleineren Gemeinden weniger gefÃ¤hrlich fÃ¼r MÃ¤dchen und Kinder und Jugendliche. Die Besten start ist Ankunft in der Regel die lÃ¤cherlich Gesicht team Eigenschaften hilfreich all der anderen GrÃ¼nde . http://www.charmskaufen.com

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9.5.74 (2012-05-29 08:35)

North Korea’s statement since an unidentified Foreign Ministry spokesman came a single night out after each senior U.S. envoy met having high-ranking South Korean moreover Japanese envoys around Seoul in addition , warned a new North exactly who an atomic test would unify the exact world with regard to seeking swift, tough punishment. [url=http://www.longchampbagshongkong.com]longchamp outlet[/url]
North Korea prepared no direct threat on the nuclear test and in addition said the application was regarded as open that can dialogue if you want to resolve each of our nuclear standoff. An analyst, Koh Yu-hwan available at Seoul’s Dongguk University, said each of our Foreign Ministry statement was regarded as a fabulous message regarding "the U.S. should comes to ones dialogue table (in North Korea) if so it wants with regard to stop its nuclear test." [url=http://www.buylongchampusa.com]longchamp[/url]
Late Tuesday, Glyn Davies, one particular primary U.S. envoy to work with North Korea, told reporters in just Beijing, where that she is without question meeting while using Chinese counterparts when you need to discuss currently the North Korean nuclear situation, who my husband hadn’t had your chance on the way to study each North’s latest statement but that a lot of his initial sense was previously it that had to be consistent by working with what it again has said as part of my past.
http://www.buylongchampusa.com

9.5.75 (2012-05-29 08:35)

North Korea’s statement on an unidentified Foreign Ministry spokesman came the actual moment after a complete senior U.S. envoy met while using high-ranking South Korean yet Japanese envoys in about Seoul in addition to the warned most of the North who an atomic test would unify each world within seeking swift, tough punishment. [url=http://www.longchampbagshongkong.com]longchamp price[/url]
North Korea manufactured no direct threat of just a nuclear test with said this task must have been open on to dialogue you can resolve usually the nuclear standoff. An analyst, Koh Yu-hwan here at Seoul’s Dongguk University, said this Foreign Ministry statement could have been the actual message by which "the U.S. should travel to i would say the dialogue table (with the help of North Korea) if the software wants to finally stop its nuclear test." [url=http://www.longchampbagshongkong.com]longchamp le pliage[/url]
Late Tuesday, Glyn Davies, i would say the primary U.S. envoy of North Korea, told reporters for Beijing, where the dog will be meeting alongside Chinese counterparts as a way to discuss often the North Korean nuclear situation, that most that he hadn’t had a great chance of study the main North’s latest statement but very his initial sense had become that can who’s already been consistent who has what it has said using its past.
http://www.longchampbagshongkong.com

9.5.76 (2012-05-29 08:35)

Unquestionably the Lebanese government had contacted both choices currently the Syrian authorities then governments by way of close ties if you want to Syrian rebels regarding have those men released, Nasrallah said. That already been far from being immediately clear who had seized them, but members that belong to the Free Syrian Army said our own kidnappers were and never their men. [url=http://www.michaelkorsonlineuk.com]michael kors handbags uk[/url]
Activists reached as part of the most important Aleppo area said the very Lebanese were grabbed on suspicion which this company were Hezbollah "shabiha" also known as thugs, working towards all of the Syrian government. Hezbollah has allied itself for government across Damascus, putting the item at odds using most on the Sunni Muslim community. [url=http://www.michaelkorsonlineuk.com]michael kors uk[/url]
An important woman throughout the bus interviewed past telephone on Manar television, currently the Hezbollah station, said they start to were near any Turkish-Syrian border when unquestionably the bus ended up being stopped having gunpoint near this particular town attached to Azaz.
http://www.buymichaelkorsaustralia.com

9.5.77 (2012-05-29 08:35)

Some sort of Lebanese government had contacted the actual the most important Syrian authorities moreover governments for close ties in the market to Syrian rebels to allow them to achieve a new men released, Nasrallah said. Understand it became must not immediately clear who had seized them, but members of a Free Syrian Army said my kidnappers were don’t you their men. [url=http://www.michaelkorsonlineuk.com]michael kors watches[/url]
Activists reached for most of the Aleppo area said you see, the Lebanese were grabbed on suspicion which experts claim as they were Hezbollah "shabiha" or perhaps a thugs, working in support of usually the Syrian government. Hezbollah has allied itself as well as government when it comes to Damascus, putting they from odds consisting of most to your Sunni Muslim community. [url=http://www.buymichaelkorsaustralia.com]michael kors bags[/url]
Their woman on the bus interviewed simply by telephone on Manar television, your Hezbollah station, said these folks were near the main Turkish-Syrian border when that bus was previously stopped at their gunpoint near your current town of most Azaz.
http://www.michaelkorsonlineuk.com

9.5.78 (2012-05-29 12:55)

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9.5.79 (2012-05-29 13:44)

Efter Ã¥rtier forbindelse med forudbestemte resultater, have sÃ¦dvanligvis vigtigst dage , ofte udfald gennem stemme af alt arabiske verdens mest folkerige nation - og afgjort boringer revolutionÃ¦re mod gamle regime medlemmer - er generelt bred Ã¥bne. [url=http://www.toryburchschoenen.eu]nike high heels online[/url]
Den type af nÃ¦ste prÃ¦sident vil arve a bestemt kÃ¦mper Ã¸konomi, forvÃ¦rrede sikkerhed idyl, det udfordring at gÃ¸re med forener et fabelagtigt nation buste fra opstanden i Ud over dens til tider dÃ¸delige eftervirkninger, men hans befÃ¸jelser mÃ¥ske endnu i markedet for at defineres i form af en helt ny bedre forfatning. [url=http://www.toryburchschoenen.eu]christian louboutin Amsterdam[/url]
Jeg vil sige magtfulde Muslimske Broderskab kandidat Mohammed Mursi udsat for konkurrence pÃ¥ grund af Abdel Moneim Abul Fotouh, en trovÃ¦rdig tidligere medlem forbundet med islamistiske bevÃ¦gelse, der portrÃ¦tterer sig selv nÃ¥r a konsensus valg i en dejlig bred vifte af alle stÃ¸tte.
http://www.toryburchschoenen.eu

9.5.80 (2012-05-29 13:44)

Efter Ã¥rtier i forudbestemte resultater, at opnÃ¥ dem, oprindelig erfaring , de udfald af enhver stemme hele det sÃ¦rlige arabiske verdens mest folkerige nation - der kan pÃ¥ toppen af â€‹â€‹denne boringer revolutionÃ¦re mod gamle regime medlemmer - virkelig bred Ã¥bne. [url=http://www.toryburchschoenen.eu]ferragamo nederland[/url]
En persons nÃ¦ste prÃ¦sident vil arve hver kÃ¦mper Ã¸konomi, forvÃ¦rrede sikkerhed og derfor udfordring herunder forener den perfekte nation klassificeret ved hjÃ¦lp af opstanden endnu dens til tider dÃ¸delige eftervirkninger, men hans befÃ¸jelser typisk endnu til sidst defineres i form af en helt ny nyskabende forfatning. [url=http://www.toryburchschoenen.eu]christian louboutin outlet[/url]
Hvordan magtfulde Muslimske Broderskab kandidat Mohammed Mursi udsat for konkurrence til Abdel Moneim Abul Fotouh, en bestemt tidligere medlem til dette islamistiske bevÃ¦gelse, der portrÃ¦tterer sig selv at vÃ¦re en konsensus valg nu med en meningsfuld bred vifte pÃ¥ grund af stÃ¸tte.
http://www.toryburchschoenen.eu

9.5.81 (2012-05-30 08:48)

Un autre test important vient jeudi, lorsque le chacun de nos dragon s’approche qui sera le spÃ©cifique . Them subira manÅ“uvres pratiques de Ã partir de le parfait competeing . Si tout va bien trÃ¨s bien , d’accueil aura lieu le vendredi. Musc prÃ©sidera Ã partir du par le de intÃ©rieur ayant Hawthorne, Californie [url=http://www.raybanacheter.com]ray bans[/url]
Depuis le notre propre navette, les astronautes amÃ©ricains include Ã©tÃ© rÃ©cemment pour leur permettre de l’exacte Ã bord de fusÃ©es russes, et aussi russe, japonais et ou actuellement dÃ©jÃ Ã©tÃ© livrer des fournitures. [url=http://www.lunettesportpascher.com]-oakley frogskins[/url]
Dans le cadre de la Ã propos de l’, que la plupart Mobility de Motorola Sanjay Jha chef a

dÃ©missionnÃ© de telle que son poste. IntÃ©rieur , Google a nommÃ© "de longue date Googler" Dennis Woodside qui sera ceux cabinet mobile nouvellement achetÃ© chef.
http://www.lunettesportpascher.com

9.5.82 (2012-05-30 08:48)

Un autre test important vient jeudi, lorsque le votre dragon s’approche sujet incontestablement l’. Le produit subira manÅ“uvres pratiques de par l’intermÃ©diaire d’ l’actuel gone . Si tout va bien de dire la vÃ©ritÃ© , d’accueil aura lieu le vendredi. Musc prÃ©sidera Ã partir du via le de toute ayant Hawthorne, Californie [url=http://www.lunettesportpascher.com] oakley custom[/url]
Depuis le gÃ©nÃ©ralement navette, les astronautes amÃ©ricains acheter Ã©galement Ã©tÃ© pouvoir souvent Ã bord de fusÃ©es russes, et en outre russe, japonais et encore possÃ¨dent Ã©galement Ã©tÃ© livrer des fournitures. [url=http://www.raybanacheter.com]lunettes ray ban[/url]
Dans le cadre de la Ã votre , que les experts l’Ã©tat Mobility de Motorola Sanjay Jha chef a dÃ©missionnÃ© de son poste. Across , Google a nommÃ© "de longue date Googler" Dennis Woodside jusqu’Ã toute cabinet mobile flambant neuf chef.
http://www.lunettesportpascher.com

9.5.83 (2012-05-30 14:17)

[url=http://www.ralphlaurenoutletsverige.org]polo ralph lauren[/url] is knit in a fine jersey stitch from the softest cashmere yarns which makes the cloth touch very good and feel very soft when put on it. That’s also the main reason why it has become the most popular promotion products in the [url=http://www.ralphlaurenoutletsverige.org]ralph lauren outlet[/url] activity. These discount [url=http://www.ralphlaurenoutletsverige.org]ralph lauren sverige[/url] are available in numerous sizes, colors and designs and they always leave a deep and fresh impression of good taste on the minds to all. [url=http://www.ralphlaurenoutletsverige.org]Ralph lauren online[/url] offers cheap Ralph Lauren polo for you at the lowest industry prices. [url=http://www.ralphlaurenoutletsverige.org]polo ralph lauren sverige[/url] always give people a relaxed feeling.It is impoosible that you can not find a desired sweater in Ralph Lauren. [url=http://www.ralphlaurenoutletsverige.org]ralph lauren polo[/url] is very functional because it can keep warm very well. It also goes well with many jackets so that it is the very cloth you should try.

9.5.84 (2012-05-30 14:50)

[url=http://www.cheapnorthfaceoutletonline.com]Cheap north face[/url] is extremely Great, Cozy and lightweight. The North Face Jackets is in purely natural, stylish style and design. Top the fashion trend, manner type into environmental protection, leisure ideas. Our North Face online store hold the most trendy types of price reduction [url=http://www.cheapnorthfaceoutletonli ne.com]north face sale[/url]. Welcome you to order

within our [url=http://www.cheapnorthfaceoutletonline.com]north face outlet[/url].The king with the mountain, the cream in the crop, the tender shell to finish all smooth shells, The North Face presents the defense, warmth, breathability, effectiveness, and magnificence you've got been searching for all alongside in the comfortable shell, together with the high quality you could depend upon with the [url=http://www.cheapnorthfaceoutletonli ne.com]north face outlet online[/url].Produced in the defensive shield acknowledged as TNF Apex Climate Block, a drinking water resistant, windproof, and breathable materials that also packs the warmth without the weight, the Apex Bionic protects like no other smooth shell in existence. The [url=http://www.cheapnorthfaceoutletonline.com]cheap north face jackets[/url] are your very best bet with the finest price tag!

9.5.85 (2012-05-30 14:52)

Prada Purses is understood for its luxury and elegance. Every single lady wishes a Prada handbag which symbolizes the fashion plus the everyday living model. [url=http://www.pradaonlineoutletstore.com]Prada online store[/url] sells affordable Prada things, such as Prada purses,prada footwear and Prada handbags. Prada outlet may be the proper spot in your case to acquire a top quality bag while in the very best design. Together with the advancement of Prada, increasingly more [url=http://www.pradaonlineoutletstore.com]prada online[/url] are setup on the planet. Buying Prada handbags and Prada wallets in [url=http://www.pradaonlineoutletstore.com]prada outlet[/url] can help you save a lot of cash and time. [url=http://www.pradaonlineoutletstore.com]Prada sale[/url] is yet another excellent spot for you. Prada sale will satisfy all your needs.

9.5.86 (2012-05-30 14:58)

The collections [url=http://www.burberrysitoufficialeoutlet.com]burberry outlet[/url] are often interesting and full of interesting proposals, today I present a bag that I liked right away, [url=http://www.burberrysitoufficialeoutlet.com]sciarpa burberry[/url] product winter season and veryperfect for our lives every day. The [url=http://www.burberrysitoufficialeoutlet.com]burberry borse[/url] is a component of your autumn winter 2012, is usually a good type cute andhumorous, [url=http://www.burberrysitoufficialeoutlet.com]burberry sito ufficiale[/url] which matchesflawlessly with a coat of black or white ballet sneakers.

9.5.87 (2012-05-30 15:04)

[url=http://www.italiapoloonline.org]polo ralph lauren[/url] are sold to the consumer.And [url=http://www.italiapoloonline.org]Polo lacoste[/url] are machine washable which have been preferd by a lot of people espacially by men. Individuals generally worry about the quality of merchandise in promotion.People usually worry about the quality of products in promotion. Nevertheless, there is no doubt of the quality of products in [url=http://www.italiapoloonline.org]tommy hilfiger italia[/url]. Citizens can feel reliable to obtain any lacoste polo shirts via [url=http://www.italiapoloonline.org]burberry

sito ufficiale[/url]. Special workmanship is taken in the producing of those superb top handbags. Elegent designs, excellent quality and practical price together make this [url=http://www.italiapoloonline.org]burberry borse[/url] the favourite handbags within the globe. These types of bags are certain to be really treasured for you and they're rather tough. Every lady prefers a good handbag that symbolizes the style and the way of life.

9.5.88 (2012-05-30 17:23)

Generally, marketing information disseminated cannot be inconsistent from what would be provided having any prospectus, said Adam Pritchard, a securities law professor with all the University pointing to Michigan and consequently another former SEC enforcement attorney. [url=http://www.buymichaelkorsaustralia. com]michael kors australia[/url]
Another set with rules that the majority of could be relevant address that communications manufactured in the underwriters. One rule prohibits an analyst who works at the particular firm underwriting the type of offering everything from issuing a good report on a definite company earlier to the product goes public arrest . [url=http://www.michaelkorsonlineuk.com]michael kors[/url]
Each of our Morgan Stanley analyst, Scott Devitt, gave his revision to assist you to major clients with all the firm doing on least one conference call, though it's unclear if his revised view was formerly potentially spread more widely. Devitt did possibly not return each phone message seeking comment.
http://www.michaelkorsonlineuk.com

9.5.89 (2012-05-30 17:23)

Generally, files disseminated cannot be inconsistent by having what typically is provided around a person's prospectus, said Adam Pritchard, their securities law professor in a person's University coming from all Michigan furthermore a real former SEC enforcement attorney. [url=http://www.buymichaelkorsaustralia.com]michael kors australia[/url]
Another set linked with rules which in turn could be relevant address currently the communications formulated via the underwriters. One rule prohibits an analyst who works through the most important firm underwriting the very offering far from issuing a very report on a meaningful company until doing it goes public. [url=http://www.buymichaelkorsaustralia.com]michael kors australia[/url]
A new Morgan Stanley analyst, Scott Devitt, gave his revision in order to really major clients during the firm located in with least one conference call, though it's unclear if his revised view seemed to be to often spread more widely. Devitt did must not return each phone message seeking comment.
http://www.michaelkorsonlineuk.com

9.5.90 (2012-05-30 17:23)

After decades linked with pre-determined results, suitable for these to begin with available free time, the exact outcome on the vote when it comes to my Arab world's most populous nation

– this also perhaps pits revolutionaries against old regime members – is literally wide open. [url=http://www.longchampfactoryoutletinuk.com]longchamps bag[/url]
The type of next president will inherit any kind of struggling economy, deteriorating security nicely challenge because of uniting one particular nation broken down by the uprising and in addition its sometimes deadly aftermath, but his powers have already been yet at be defined by the virtually any newer constitution. [url=http://www.fakeraybansusa.com]repli ca ray bans[/url]
The type of powerful Muslim Brotherhood's candidate Mohammed Mursi faces competition caused from Abdel Moneim Abul Fotouh, virtually any former member inside the Islamist movement who portrays himself for a consensus choice among a complete wide range of most support.
http://www.fakeraybansusa.com

9.5.91 (2012-05-30 17:23)

After decades out of pre-determined results, intended for our own fundamental experience, this outcome of an vote living in our Arab world's most populous nation – and the what's more pits revolutionaries against old regime members – is probably wide open. [url=http://www.longchampfactoryoutletin uk.com]longchamps london[/url]
The most important next president will inherit a trustworthy struggling economy, deteriorating security as well as the challenge as to uniting the best nation separated among the uprising furthermore its sometimes deadly aftermath, but his powers can be yet when you need to be defined in a fabulous cutting edge constitution. [url=http://www.longchampfactoryoutletinuk.com]longchamp london[/url]
Those powerful Muslim Brotherhood's candidate Mohammed Mursi faces competition off Abdel Moneim Abul Fotouh, that former member of your respective Islamist movement who portrays himself inorder to give you a consensus choice complete with the particular wide range of support.
http://www.longchampfactoryoutletinuk.com

9.5.92 (2012-05-31 05:38)

The collections [url=http://www.burberrysitoufficialeoutlet.com]burberry outlet[/url] are always interesting and full of interesting proposals, at this time I present a bag that I liked right away, [url=http://www.burberrysitoufficialeoutlet.com]sciarpa burberry[/url] product winter season and quiteperfect for our lives every single day. The [url=http://www.burberrysitoufficialeoutlet.com]burberry borse[/url] is an element of the autumn winter 2012, is a good design cute andhumorous, [url=http://www.burberrysitoufficialeoutlet.com]burberry sito ufficiale[/url] which goesproperly with a coat of black or white ballet sneakers.

9.6 June

9.6.1 Why make the bonds tradable? (2012-06-05 21:01)

A critical feature of Social Policy Bonds is that they are tradeable. In this they differ from [1]Social Impact Bonds. There are several advantages in the bonds' being tradeable:

1. Tradeability encourages the targeting of broad social goals that might require a long time to be achieved. How so? People would buy the bonds only if they expect to make a profit on them. If they're not tradeable, that means they'd have to hold them to redemption to make a profit. That in turn means that would-be investors would want any targeted goal to have a realistic chance of being achieved within their time horizon, which might be quite short, and certainly well within a single lifetime. And that means no targeting of things like ending global conflict, or slashing crime rates, or making meaningful inroads into climate change etc. Of course, incremental targets (cutting crime by 2 percent) might be targeted by such bonds, but that's messy and that sort of reduction could be achieved by chance. Most likely, if the bonds weren't tradeable, you'd get very narrow objectives, such as those being targeted by Social Impact Bonds (in the UK), like reducing the recidivism rates of people leaving one of the UK's prisons. That's fine and laudable, but it is limited. And because it's so limited, with limited opportunities for shifting resources to and from different projects, different approaches, and varying them as circumstances change, so too are the advantages of a bond regime, which are most marked when we do not specify *how* certain goals shall be achieved, but leave that up to bondholders to explore and investigate all the options. If we think of it from the bondholder's point of view: we want payback within, say, five years. We're not going to undertake much research or try any different approaches unless they have a very short lead time and are almost guaranteed to work. There is little scope for experimentation and trying totally new approaches, or for long-term research in that sort of policy environment.

2. When we have such small objectives, the costs of monitoring progress toward or away from their achievement is going to be a higher proportion of the total administrative costs than they would under a regime that could target broader goals. It's almost as easy (or not much more difficult) to monitor national crime indicators, say, as to look at the behaviour of group of a few hundred specific ex-prisoners in one part of the country over several years.

3. Another crucial reason why the bonds should be tradeable is because the people best placed to achieve a targeted objective will change over time. Most social and environmental goals will require multiple steps before they are reached. The people who are best at step one will not necessarily be those who are best at step two and all subsequent steps. We cannot even specify in advance what step one, or indeed any step, will entail; still less can we identify those best placed to take these steps. If the bonds are tradeable, that's fine; the market for Social Policy Bonds will ensure that the bonds are always in the hands of the most efficient operators. If the bonds are not tradeable, then we have something not sufficiently dissimilar from the way social policy is currently implemented: government identifies some organisation, often one of its myriad own agencies, and pumps money into it. If this agency is paid for performance (as in Social Impact

Bonds), it has an incentive to perform well - which is an improvement on the way things are usually done. But if, as so often, *one or all* of the steps necessary to resolve the targeted problem optimally lie beyond the imagination or competence of that agency, then we are going to be stuck with current (woeful) levels of under-achievement in social and environmental policy. Social Policy Bonds have the advantage in that they not only do not stipulate *how* society's goals are to be achieved, but they also leave the selection of those *who* shall achieve these goals to the market, rather than high-up people in government or elsewhere. These people might be competent in their field, hard working and well intentioned, but nevertheless incapable of or unwilling to contract the best people for the job. In contrast, the market for Social Policy Bonds would favour the most cost-effective operators *at every stage* on the way to achieving social goals.

4. If the bonds weren't tradeable, no would-be investors would monitor progress toward the achievement of the targeted goal. All the monitoring would have to be done by the backers of the bonds. There would be no market for non-tradeable bonds, so there would be no bond price nor changes in bond price to indicate how close the objective is to being achieved. That backers of the bond would have to be more diligent about monitoring than under a tradeable regime, where the market price of the bonds would do much of the monitoring work on behalf of the backers until the objective were close to being achieved. My [2]book goes into lengthy detail about the information conveyed by market prices for Social Policy Bonds and their fluctuations, all of which would be lost if the bonds weren't tradeable. Such information would be extremely valuable to policy makers, and to society as a whole.

1. http://en.wikipedia.org/wiki/Social_impact_bond#cite_ref-10
2. https://www.createspace.com/3539556

9.6.2 Incentives to offer incentives (2012-06-15 15:20)

Social Policy Bonds inject incentives into every stage of every process needed to achieve a social goal: the bonds are tradeable, which means they are worth most to those who believe they can do the best job of achieving social goals most efficiently. If someone else thinks they can be more cost-effective, they will bid more for the bonds, and buy them from less efficient investors. The incentives under a bond regime cascade down from the bondholders to everybody whom they contract to help achieve the targeted goal. To put it simply: the bondholders have incentives to offer incentives to everybody who works for them.

This is the opposite of the current system where, if we have a large organisation within which some people experiment and find an improved approach, the system itself doesn't supply sufficient incentive to propagate that approach. So, the current *Economist*, discussing a successful innovation shown to work in one of the many hospitals run by UK's National

Health Service:

> [T]he main reason innovations do not spread is that the NHS has no mechanism for ensuring they do, or for rewarding the inventive. The service is centrally funded and emphasises the universality of its care rather than its results. Such a system is likely to prove better at controlling costs than at encouraging good ideas to thrive. *[1]From petrol to prescriptions* (subscription) the 'Economist', dated 16 June

1. http://www.economist.com/node/21556924

9.6.3 What do we want? (2012-06-17 18:00)

The *Economist*, in an article about planetary boundaries, discusses climate change. Do we want to see a reduction in greenhouse gas emissions, or should we focus on "radiative forcing" - the increase in energy delivered to the surface of the Earth over time, largely as a consequence of extra greenhouse gases?

> Greenhouse gases are, however, only a problem because of their effect on radiative forcing. If that could be reined back inside [1 watt per square metre above pre-industrial levels] by other means, then the CO_2 limit [of 350 ppm] would no longer pertain.
> And that might be possible by spraying reflective particles into the upper atmosphere, to bounce sunlight back into space. Such a radical scheme would have all sorts of disturbing side effects, with political ones quite possibly outweighing environmental ones. It is by no means clearly the right thing to do. But it might be. [1]*Boundary conditions* (subscription), 'the Economist', 16 June

What does 'right thing to do' mean in this context? What do want to achieve? The current policymaking environment allows us to avoid or muddle answers to this question. The result is ad hoc policy, decided on the fly, or not decided at all: just the aggregated effect of private- and public-sector interest groups working towards their own ends.

We need to do better than this. A [2]Climate Stability Bond regime, at the outset, would compel us to clarify what we want to achieve. My suggestion is that we target simultaneously an array of physical, social, biological and financial variables. All targeted variables would have to fall into a specified range, for a sustained period, before the bonds would be redeemed. The variables could include the obvious ones, such as temperature, rate of change of temperature, sea level etc, but also such indicators as numbers of people killed or made homeless by adverse climatic events, species migration, species extinction, ocean acidity, insurance costs and insurance payouts. No longer would we focus (or pretend to focus) on one particular variable ; a bond regime would be versatile enough to target any number of quantifiable variables at the same time. Clarity over exactly what we want to achieve is essential if we are serious about actually achieving it. It's a tragedy that in this, and other, policymaking areas, we end up adopting *de facto* targets and subordinate all our policymaking to them. And that applies whether it's greenhouse gas levels - or gross domestic product per capita.

1. http://www.economist.com/node/21556897
2. http://socialgoals.com/ieakyototext.html

9.6.4 Bypassing governments (2012-06-23 13:45)

It's unfortunate that most of us think the default agency for solving society-wide problems is government. In the west, we are lucky to have (for the most part) well-meaning people behaving ethically and in society's best interests. Even then, they often get it wrong, nor do they have powerful incentives to be efficient. But most people live under much worse governments, and bypassing them is not only more efficient: it's the only way things will ever get done.

> Malaria is a global, devastating disease that adversely impacts both the health and economic productivity of numerous countries, especially those in sub-Saharan Africa.....However, [owing] to various interventions, such as insecticide-treated bed nets, residual indoor insecticide spraying, and effective medications, the toll of malaria deaths has somewhat declined in the last decade. This turnaround is in part due [to] initiatives undertaken in the private sector, since governmental programs in that region are fraught with disorganization and a lack of a public health infrastructure. *[1]Private sector helps in fight against malaria*, American Council on Science and Health, 22 June

Just because we look to governments to improve health outcomes doesn't mean they will be good at doing so. In many countries, tragically, they will stand in the way. The backers of Social Policy Bonds that target the health of people in developing countries wouldn't need to form a judgement as to whether governments are likely to be helpful or otherwise: the way the market for the bonds works would ensure that only the most efficient operators, whomever

they may be, will be rewarded for doing so. If bypassing inefficient or corrupt governments is the best way of improving the health, then that is what bondholders will do.

1. http://www.acsh.org/factsfears/newsID.3725/news_detail.asp

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9.7 July

9.7.1 "Seeing Like a State" (2012-07-07 23:06)

I haven't read *[1]Seeing Like a State:* [2]*How Certain Schemes to Improve the Human Condition Have Failed*, by James C Scott, published in 1999. (There is a good review of it [3]here.) The description on the Amazon page sums it up:

> Centrally managed social plans misfire, Scott argues, when they impose schematic visions that do violence to complex interdependencies that are not – and cannot – be fully understood. Further, the success of designs for social organization depends upon the recognition that local, practical knowledge is as important as formal, epistemic knowledge. The author builds a persuasive case against "development theory" and imperialistic state planning that disregards the values, desires, and objections of its subjects. He identifies and discusses four conditions common to all planning disasters: administrative ordering of nature and society by the state; a "high-modernist ideology" that places confidence in the ability of science to improve every aspect of human life; a willingness to use authoritarian state power to effect large-scale interventions; and a prostrate civil society that cannot effectively resist such plans.

I've argued similarly in the past. Our current way of solving social and environmental problems is, in essence, centrally managed. The result is something like a [4]policy monoculture, and the results are predictably lamentable. But the important distinction to make is that between centrally planned outcomes and centrally managed ways of achieving them. We all want

to see reduced poverty, the ending of violent political conflict, and universal literacy, for examples. Government does a good job at articulating our wishes in these and other areas. But centrally planning the ways of achieving these goals just will not work. We need diverse, adaptive solutions; ones that take into account circumstances that vary with time and space. Central planning can't do that and the results of its failure are widespread and tragic.

Which is why I advocate Social Policy Bonds. Under a bond regime we would set goals and contract out their achievement to people motivated to investigate and implement the only the most efficient projects. These projects would adapt to changing circumstances, and be sensitive to local conditions. Under a bond regime, the complex interdependencies that Scott writes, which cannot be understood by government, *need* not be understood by government. Instead, via an automatic system of cascading incentives, Social Policy Bonds would encourage diverse, adaptive initiatives that would contribute to achieving our large-scale - even global - goals.

1. http://www.blogger.com/goog_1037529520
2. http://www.amazon.com/gp/product/0300078153?ie=UTF8&tag=ribbonfarmcom-20&linkCode=as2&camp=1789&creative=390957&creativeASIN=0300078153
3. http://www.ribbonfarm.com/2010/07/26/a-big-little-idea-called-legibility/
4. http://socialgoals.blogspot.co.uk/2008/11/big-government-is-monoculture.html

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9.7.2 The state doing what it does best (2012-07-11 22:41)

Tony Judt:

> We have freed ourselves of the mid-twentieth century assumption—never universal but certainly widespread—that the state is likely to be the best solution to any given problem. We now need to liberate ourselves from the opposite notion: that the state is—by definition and always—the worst possible option. quoted by Zadie Smith in [1]*The North West London Blues*, 'New York Review of Books', June 2012

The state does do some things very well. Democratic states are good at articulating society's social and environmental goals, and at raising the revenue necessary to achieve them. Where it often fails is in achieving these goals efficiently. Partly this is because government employees are rarely paid according to how successful or efficient they are in achieving social outcomes. Social Policy Bonds could transcend this limitation. They would allow government to contract out the achievement of society's goals to the private sector, while still defining these goals, targeting them, and paying for them. The state would be relinquishing some of its power, particularly its often-abused power of patronage, in issuing Social Policy Bonds, but

it would be doing so in the service of better outcomes for all.

A bond regime could also encourage the efficient targeting of global problems; something that is rarely done effectively under the current system. We could look to governments or supra-national bodies to target such universally desired goals as an end to [2]war, the mitigation of natural or man-made [3]disasters, including [4]climate change. It is probably governments - and only governments - that could raise the funds necessary to solve such huge and urgent problems. They are trying, but largely failing, to achieve our goals deploying the tools currently available. But, if they collectively backed Social Policy Bonds targeting our global problems, they might be much more successful.

1. http://www.nybooks.com/blogs/nyrblog/2012/jun/02/north-west-london-blues/
2. http://socialgoals.com/wpbsshort.html
3. http://socialgoals.com/dpbs.html
4. http://socialgoals.com/ieakyototext.html

9.7.3 An alternative to doing nothing (2012-07-20 16:41)

Bill McKibben summarises progress on reducing greenhouse gas emissions:

> Last month the world's nations, meeting in Rio for the 20th-anniversary reprise of a massive 1992 environmental summit, accomplished nothing. *[1]Global warming's terrifying new math,* Bill McKibben, 'Rolling Stone', dated 2 August

And again:

> everyone at the Rio conference renewed their ritual calls for serious international action .... The
> charade will continue in November, when the next Conference of the Parties (COP) of the U.N. Framework Convention on Climate Change convenes in Qatar. This will be COP 18 – COP 1 was held in Berlin in 1995, and since then the process has accomplished essentially nothing.

No surprises here. Mr McKibben writes eloquently of the financial disincentives for governments and energy companies to do anything to cut greenhouse gas emissions. It's one policy area where there's insufficient scientific proof to persuade political parties to take actions that adversely affect the people who make contributions to their election campaigns. More precisely: the relationship between imposing a carbon tax (say) and benefiting human, animal and plant life is too indirect to persuade policymakers that it's in their interests to do anything beyond paying thousands of bureaucrats to fly round the world drafting meaningless documents. Our current policymaking system lets governments off the hook if they can point to uncertainties in the scientific relationship between cause and effect: in this case, between cutting greenhouse gas emissions and an improved environment. Sure, politicians might privately be quite convinced by the evidence but, if it's not obvious to everyone, they are unlikely to take action that brings long-term benefits to society while imposing upfront costs on themselves and their supporters.

Here's another suggestion. If we want to do something about cleaning up the environment, let's pay people to clean up the environment. If we want to tackle climate change, let's (after defining exactly what we want to achieve) tackle climate change. We need to target outcomes, rather than wait decades for government to agree on what's required and then make policy that might, or might not, do something to achieve it. What is important is not *how* our urgent social and environmental problems are solved, but *that* they are solved. Social Policy Bonds are one way of getting government to focus on what we as a society actually want to achieve and out of the business of identifying genuinely (or not) difficult scientific and social relationships. The first is something that democratic governments can actually do quite well. The second is something that they do badly, whether because coming to a consensus about most scientific and social relationships is unachievable, or because of their incompetence or self interest.

Climate change is quite possibly such a huge and urgent challenge that we can't wait for politicians to be persuaded that they have more to gain by dealing with it than by pretending to deal with it. If the world's governments collectively issued [2]Climate Stability Bonds it would be motivated bondholders, not motley interest groups, who would decide what needs doing and how best to go about doing it. Governments - and taxpayers - could relax in the knowledge that if, in fact, the doubters are right, and there's no climate change problem, then the way the market works would ensure that costs to society are minimised. And, if there is a problem, investors in the bonds would have incentives to explore and implement the most cost-effective ways of solving it. They would do all this in ways that take account of our rapidly expanding scientific knowledge - something that no government can do. By targeting outcomes, rather than the supposed ways of achieving it, a bond regime would be more efficient than any other policy mix. Perhaps even more important, a bond regime would compel government to do its duty and address big, urgent problems, rather than, as now, get away with pleading uncertainty and doing nothing.

1. http://www.rollingstone.com/politics/news/global-warmings-terrifying-new-math-20120719?print=true
2. http://socialgoals.com/ieakyototext.html

9.7.4 It’s all about control (2012-07-22 21:53)

Tony Blair admits Labour didn’t fully understand complex financial sector *[1] source*

Quite. Unfortunately his Government behaved as though it *did* understand the financial sector. Even more unfortunately, governments everywhere behave as though they understand everything: climate change, agriculture, education, housing, health, transport, crime, war and all the rest. Government so often doles out subsidies, regulates or deregulates, or otherwise tries to control complex systems that it does not, and cannot, understand. Some relationships between cause and effect are easy to understand and manage: that between paying for primary education and literacy, for example, or between organising rubbish collection and human health. But in so many other areas government is well out of its depth.

Social Policy Bonds would remove the need for government to identify in advance the extremely obscure relationships between cause and effect that are ever more a feature of our complex society. Instead of "picking winners" such as the financial sector and lavishing implicit subsidies on it, government could instead target outcomes that are meaningful to ordinary citizens - basic health, literacy, housing and health outcomes, say - and let others do the endless, and endlessly difficult, task of identifying the important links between activities and outcomes. A Social Policy Bond regime would enable government to do something that it’s actually quite good at: articulating society’s wishes and raising the revenue to achieve them. But the actual achievement is something that, as is becoming clearer, is best left to people who are paid according to their effectiveness and efficiency, rather than how well they can convince the politicians that they are doing something useful.

1. http://www.guardian.co.uk/politics/2012/jul/22/tony-blair-labour-financial-crisis?newsfeed=true

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9.7.5 (2012-07-28 15:05)

The development of civilization makes democracy and the humanization of society inevitable. The best minds tirelessly look for a new and effective form of government that would adequately represent today’s changing society. The solution is near and the necessary resources to establish this form of government are already available in society.

A new multipolar political system with a movable centre of joint decisions.
[1]http://www.modelgovernment.org/

1. http://www.modelgovernment.org/

9.8 August

9.8.1 Who needs political parties? (2012-08-04 18:42)

> Given that keeping your seat means spending a fortune on television advertising and other forms of campaigning, changing your views on a matter of great interest to your sponsors is likely to be political suicide. [1]*Stop this culture of paying politicians to deny climate change*, George Monbiot, 2 August

Mr Monbiot is referring to seats in the US Senate, but the principle applies to all the democratic countries and to issues other than climate change:

> [A] political system which imposes no effective cap on campaign finance leads inexorably to plutocracy: governance on behalf of the richest people and corporations.

Perhaps our system of representative democracy can be fixed, and perhaps reforming the way political parties are financed is one way of doing it. But, just as likely, the problem is intrinsic to politics in which parties dominate. Every institution, whether it is a political party, government agency, religious body, university or whatever, has as its over-arching goal that of self-perpetuation. It can easily be persuaded to evade or subvert its stated objectives for the cash necessary to stay in existence. We could try tinkering with the way political parties are financed, or we could try something different:

Under a Social Policy Bond regime organizational structures, and the people within them, would be entirely subordinated to outcomes. And people would decide directly on the outcomes they wanted to achieve. Consider our current system: people vote for individual politicians who say they will do certain things that may or may not achieve certain outcomes - usually safely in the long term. (But [2]who monitors progress?) These people's careers usually depend, individually or as members of a political party, on some source of external funding. The scope for manipulation of these would-be politicians is obvious. So why not have people vote directly for outcomes, rather than people who, if they are made to justify their actions at all, can get away with vague promises that their decisions will at some indefinite point achieve some unquantified and uncosted goal?

Social Policy Bonds wouldn't distract ordinary people by issues such as personalities or short-term activities: they would focus our attention exclusively on outcomes and their costs. We could target such goals as the avoidance of disasters caused by [3]climate change (or [4]anything else) without having to try to keep up to date with our rapidly expanding scientific knowledge. We should not even have to decide on which institutions would best be able to achieve our goal: the way the bonds work would reward only the most efficient projects, or combination of projects, whatever they are and whoever initiates them. And perhaps just as importantly, wealthy individuals or corporations would find that the way to become even wealthier would be to direct their resources into achieving society's broad, long-term goals, rather than their own narrow, short-term interests.

1. http://www.guardian.co.uk/environment/georgemonbiot/2012/aug/02/climate-change-political-funding-us
2. http://dspace.mit.edu/handle/1721.1/5533
3. http://socialgoals.com/ieakyototext.html
4. http://socialgoals.com/dpbs.html

9.8.2 Campbell's Law (2012-08-11 23:00)

> The more any quantitative social indicator
> is used for social decision-making, the more subject it will be to
> corruption pressures and the more apt it will be to distort and corrupt
> the social processes it is intended to monitor. *[1]Campbell's Law*

I've blogged before about [2]Mickey Mouse micro-targets. Such targets are in common use today, and they obey Campbell's Law because they are so narrow that people can fulfil them in ways that conflict with society's best interests. Broader objectives, a feature of Social Policy Bonds, would help, because then people would have fewer opportunities to withdraw resources from the fulfilment of untargeted social goals to goals that are targeted. Broader goals also reduce the relative costs of monitoring compliance. But even so, it is best to think of metrics that actually are, or are inextricably correlated with, what we actually want to achieve. There are some things you can do to minimise the risk of gaming the system. For example: if our target is universal literacy in a country, we could take reading tests at a random sample of 50 out of a possible 1000 locations in that country. Similarly for pollution or crime, for examples. There might be other ways of targeting metrics without specifying in advance exactly what they are, so that people have to do the job, rather than game the system, in order to profit from holding Social Policy Bonds. But there will probably always be a need to see that people are complying with the spirit, not just the letter, of any target. That said, some targets would be pretty difficult to game: for instance, the goal of having no people killed by a military nuclear explosion over the next thirty years.

1. http://en.wikipedia.org/wiki/Campbell%27s_Law
2. http://socialgoals.blogspot.co.uk/2012/05/mickey-mouse-micro-targets-are.html

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9.8.3 Should teachers be paid? (2012-08-17 20:16)

Charles Ferguson, discussing the activities of people gaming the US financial system, writes:

> we seem to have reached an unhappy position in which a substantial fraction of our most intelligent and articulate citizens either sit at Bloomberg terminals or jet around the world in very expensive tailor-made suits "ding deals" that, judging by the recent record, have no purpose except to put more money in their own pockets, and that on a net basis are economically detrimental to the rest of the population.
>
> Charles H Ferguson, *[1]Predator Nation*, May 2012

Surely we can do better than that? People sometimes argue that Social Policy Bonds are a means by which investors make money out by doing what they should be doing anyway. It is true that some wealthy bondholders could become even more wealthy by first buying Social Policy Bonds, then doing something to achieve the targeted objective, then selling the bonds. If that seems reprehensible, it is far better than the reality that Mr Ferguson describes above.

It might not even be that individuals will amass huge fortunes under a bond regime, even if they do successfully achieve society's goals and profit from their bondholding. The way the market for Social Policy Bonds works would mean that excess profits could be bid away by competitive would-be investors.

The market would convey a huge amount of information, *openly*, that will indicate the constantly varying estimated costs of moving towards a targeted goal.

The sums of money at stake might be huge, particularly for Social Policy Bonds that target apparently remote, national or global goals, but there's no particular reason to assume that, in the long run, it would be shared out any less equitably than, say, teachers' salaries. Those are other examples of people making money by undertaking a socially useful activity. There are perfectly logical arguments against paying for teaching or nursing services but they don't sound very convincing these days.

1. http://www.amazon.com/Predator-Nation-Corporate-Criminals-Corruption/dp/030795255X/ref=sr_1_1?ie=UTF8&qid=1345229786&sr=8-1&keywords=predator+nation+charles

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9.8.4 (2012-08-18 08:08)

Happy to uncover your site and the great pictures you have on a regular basis!

9.8.5 The US election: who cares? (2012-08-25 17:07)

Who cares about the US election circus? More from *Predator Nation*:

> [An] effective response to internal industrial decline [in the US] and foreign challengers required major changes in American government as well as industry. It required major improvements in the educational system, aggressive pressure to force incompetent industries to reform, ... and a variety of regulatory changes. But those measures had no focused, powerful, well-financed interest group to lobby for hem.
>
> Charles H Ferguson, *[1]Predator Nation*, May 2012

What did those powerful interest groups decide to do? Mr Ferguson continues:

> ...to start using money to get what they wanted. But only what they wanted, individually - not what the country as a whole needed. Indeed, what was good for their company's profits was quite often bad for the nation.

Most voters probably know, at some level, that the politicians have not the slightest interest in the long-term well-being of the nation and its citizens or, rather, that they cannot afford to rule as if they have. The problem is self-reinforcing. It cannot reform itself. The people and the politicians live in different worlds and those worlds are moving away from each other.

Despite recent interest ([2]here for instance), I have no illusions about the likelihood of Social Policy Bonds being issued by national governments, but I will continue to put the idea forward as a possible solution. A bond regime would target outcomes that are meaningful to ordinary people: things like better health, lower pollution, or [3]reduced risk of disasters, however caused. By focusing relentlessly on outcomes, rather than the current array of vague or unspecified targets, the bonds could *shame* governments into catering to the needs of all their citizens, rather than the wealthy and powerful. That's because governments would have explicitly and publicly to declare the outcomes that the bonds would target. And, because political debate would centre on these outcomes, rather than activities, outputs, funding arrangements, laws, regulations, personalities and hairstyles, it's far more likely that ordinary people would participate in the policymaking process.

Under a bond regime we, the non-powerful, general public could still, as we are now doing, acquiesce in our tax payments being used to bail out a corrupt financial sector, or subsidies huge industrial and agricultural conglomerates and [4]fossil fuel extraction and consumption. But, in that unlikely event we'd at least be doing so with our eyes open. Even that would be an improvement over the current system built, as it is, on deception.

1. http://www.amazon.com/Predator-Nation-Corporate-Criminals-Corruption/dp/030795255X/ref=sr_1_1?ie=UTF8&qid=1345229786&sr=8-1&keywords=predator+nation+charles
2. http://www.blogger.com/%20http://chronicle.com/article/Robert-Shillers-Mission-to/131456/,%20
3. http://socialgoals.com/dpbs.html
4. http://priceofoil.org/fossil-fuel-subsidies/

9.9 September

9.9.1 (2012-09-01 13:32)

At times, the surety tries to establish that the owner (clearinghouse in case of the financial sector) did not comply with the technical conditions of a bond to avoid paying the compensation. If the surety succeeds in proving this, the owner may have to settle for the least expensive remedy to the problem.

9.9.2 Barnacles (2012-09-04 21:53)

From *the Economist*

> Modern governments play a much larger role in the economy than the ancient Greeks or the founding fathers could have imagined. This makes political leaders a huge source of patronage, in the form of business contracts, social benefits, jobs and tax breaks. ...[T]hese goodies are highly valuable to the recipients but the cost to the average voter of any single perk will be small. So beneficiaries will have every incentive to lobby for the retention of their perks and taxpayers will have little reason to campaign against them. Over time the economy will be weighed down by all these costs, like a barnacle-encrusted ship. The Greek economy could be seen as a textbook example of these problems.
> One answer could be to take fiscal policy out of the hands of elected leaders, just as responsibility for monetary policy has been handed to independent central bankers. *[1]Democracies and debt* (subscription), 'The Economist', 1 September

And not only the Greek economy. It is not so much the existence, but the *persistence* of these

barnacles that is the biggest indictment of the way we currently run things. In important respects they are self-entrenching: the more favoured are certain interest groups, the more resources they have to lobby against withdrawal of their special privileges. It's true that one reason for their persistence is because 'the cost to the average voter of any single perk will be small'. Another reason is that the cost to the voter of understanding what's going on is large. Current policymaking is incomprehensible to outsiders. It's very difficult to trace the vague statements about policy goals to actual policies, and no easier to identify links between policies and outcomes. Only people who are highly motivated will make the effort to do so. Whether such obscurity is deliberateis not that important. (Though I suspect it largely is where enormous subsidies and tax breaks for wealthy landowners and large corporations are concerned.) More important is: what to do about it?

One answer might be to express policy in terms of goals that are meaningful to ordinary people. Instead of talking about, for example, the institutional structures for health care, for instance, or funding arrangements, we should talk about national (or global) health care outcomes and ensure that whatever agencies are set up, and whatever their activities, they are all aimed at achieving these outcomes. Similarly with education, housing, crime or pollution or whatever. What is important is not who achieves our goals, nor how they do so, but that they have sufficient incentives to do the job.

A Social Policy Bond regime would immediately refocus our attention on our social and environmental goals. Under a bond regime we could target long-term, broad, societal goals, and reward those who are most efficient at achieving them. Because of the way the bonds work, it would be the disinterested market, rather than politicians who would make these decisions. Would people still opt to transfer wealth, as we do now, from the working poor to the ultra-rich? Unlikely, but if we did we'd at least be doing so with our informed consent. That in itself would be an improvement over the current policymaking environment.

1. http://www.economist.com/node/21561932

9.9.3 Middle East Peace Bonds (2012-09-16 00:20)

This is a short, updated, and so far unpublished, piece on applying the Social Policy Bond principle to conflict in the Middle East

Peace in the Middle East: giving self-interest a chance

I have no solution to the anxieties and potential catastrophes facing Israel, nor to the wider problems facing the citizens of all the Middle Eastern countries. What I offer instead is a means to encourage people to find solutions. Everybody has their own ideas about what should be done. I offer a way of channelling resources into those ideas - but only if they are effective and efficient.

Incentives

Where we are now: rockets are daily fired into Israel; we might well be on the brink of a nuclear calamity; and the entire region is a seething cauldron of every sort of hatred: ethnic, confessional, sectarian and gender.

Most ordinary people in the region, given time to reflect and the freedom to express their opinions would like nothing more than to see an end to the violence in the region. But there are too many people with a vested interest in keeping conflict going. They include the men of religion, the ideologues, and many of the politicians and bureaucrats. The international agencies and the military, whatever their intentions, aren't exactly helping either. There are also, of course, the more nakedly financial incentives on the 'defence' industries and their beneficiaries in government, to fuel the fear of conflict. Well-meaning idealists on all sides do what they can, but their efforts are relentlessly undermined by the powerful people and institutions that want them to fail.

Peace above all

Perhaps it's now to time to give people incentives to create and sustain peace, rather than conflict.

For my proposal to work we need a verifiable definition of peace, which will probably consist of an array of conditions that have to be satisfied and sustained. These could include:

.

a much-reduced number of people killed in conflict;

.

a much-reduced level of terrorist events, or military incursions;

.

no use of nuclear weapons.

Under my proposal, investors in the bonds would be rewarded once these, and other agreed conditions had been satisfied and sustained for, say, 30 years.

We need to be just as single-minded as the arms merchants and fanatics in wanting peace to the exclusion of *everything*, which might mean putting aside feelings of fairness, justice and history, except insofar as they help our cause. Being single-minded about our goal doesn't mean that we simply pick the one project that we think will work and go for that. The circumstances that fan the flames of conflict vary radically from place to place and over time. No one solution, nor even an array of solutions will work all the time. We need a system that will encourage those projects that are most efficient for their time and place, and that will terminate projects when they become inefficient. In short, we need diverse, adaptive solutions.

And we need a way of promoting peace that can modify or circumvent people's uncooperative or obstructive behaviour. We need to mobilise the interests of the far greater number of people who want peace. We need to find a way that can co-opt or subsidise those people in positions of authority and power who want to help, and at the same time bypass, distract, or otherwise undermine, those opposed to our goal.

Ideally too, we would use market forces. Markets are the most efficient means yet discovered of allocating society's scarce resources, but many believe that market forces inevitably conflict with social goals: accentuating extremes of wealth and poverty, for example, or accelerating the degradation of the environment. So it is important to remind ourselves that market forces can serve public, as well as private, goals.

Middle East Peace Bonds

My suggestion is that philanthropists perhaps with governments and other interested organisations and individuals, collectively raise a large amount of money, put it into an escrow account, and use these funds to redeem a new financial instrument: Middle East Peace Bonds. These would be sold by auction for whatever they would fetch. They would be redeemed for, say, £100 000 each only when all the conditions for peace, as defined by the issuers, had been satisfied and sustained. Importantly, the bonds would make no assumptions as to *how* to bring about greater peace. Nor would they make any assumptions as to who would hold the bonds or carry out peace-creating projects. Those decisions would be made by investors in the bonds. Unlike normal bonds, Middle East Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly.

Trading the bonds

Middle East Peace Bonds, once floated, must be readily tradable at any time until redemption. The operation of such a 'secondary market' would be critical to the working of the bond mechanism. Many bond purchasers would want, or need, to sell their bonds before redemption, which might be a long time in the future. With tradability, these holders would be able to realise any capital appreciation experienced by their holdings of Middle East Peace Bonds whenever they choose to do so. Tradability would make the bonds a more attractive investment in the first place, and allow us to target an outcome as remote as peace in the Middle East, that will probably take longer to achieve than any bondholder's investment horizon.

As the bonds are traded, they will tend to flow towards those who can do most to help reduce the violence. In fact, though, an actual flow of bonds would not be necessary. Large bondholders might simply decide to subcontract out the required work to many different agents, while they themselves held the bonds from issue to redemption. The important point is that the bond mechanism would ensure that the people who allocate the finance had an incentive to do so efficiently and to reward successful outcomes, rather than merely to pay people for undertaking activities. At the limit we can conceive of just one single buyer of all the bonds. If this buyer were determined to hold on to the bonds until redemption, then the bonds would function as a sort of performance-related contract, with the backers paying only when the objective had been achieved. The buyer could contract out most, or all, of the work required to achieve the objective, with the incentives given by the bonds for speedy accomplishment cascading down from the bondholder to those subcontracted to do the work of reducing the violence.

Too large a number of small bondholders could probably do little to help achieve peace by themselves. If there were many small holders, it is likely that the value of their bonds would fall until there were aggregation of holdings by people or institutions large enough to initiate effective peace-building projects. As with shares in newly privatised companies the world over, Middle East Peace Bonds would mainly end up in the hands of large holders, be they individuals or institutions. Between them, these large holders would probably account for the majority of the bonds. Even these bodies might not be big enough, on their own, to achieve much without the co-operation of other bondholders. They might also resist initiating projects until they were assured that other holders would not be free riders. So there would be a powerful incentive for all bondholders to *co-operate with each other* to help bring about peace in the Middle East. They would share the same interest in seeing targeted objectives achieved quickly. So they would share information, trade bonds with each other and collaborate on conflict-quelling projects. They would also set up payment systems to ensure that people, bondholders or not, were mobilised to help build peace. Bondholders would either trade bonds, or make incentive

payments to ensure that any proceeds from higher bond prices, or from redemption, would be channelled in ways most likely to end the violence. Large bondholders, in co-operation with each other, would be able to set up such systems cost-effectively.

Regardless of who actually owned the bonds, aggregation of holdings, and the co-operation of large bondholders, would ensure that those who helped build peace were rewarded in ways that *maximise the reduction in violence per unit outlay*.

So, in contrast to today's anaemic, short-term, tried, tested and failed approaches, a Middle East Peace Bond regime would stimulate research into finding ever more cost-effective ways of achieving peace. Indeed, bondholders would be in a better position than governments to undertake a range of peace-building initiatives. They have the freedom as well as the incentive to try innovative approaches. They might, for example, finance sports matches between opposing sides, promote anti-war programmes on TV, set up exchange schemes for students of the opposing sides. They might even facilitate intermarriage between members of the opposing communities, or try to influence the financial supporters of conflict outside the region to redirect their funding into more positive ways. They could offer the Palestinians and the citizens of neighbouring Arab countries different forms of aid, including education and scientific aid, and measures aimed at providing a secular education for all Arab citizens.

Bondholders could lobby, or work with, the Israeli and Arab governments to, say, give a higher priority to peace studies in schools, but they could also develop peace-teaching projects of their own. While immediate peace might not result, much more could be done to enhance the prospect of peace in the future. Bondholders could, for instance, make strenuous efforts in Israel and the neighbouring countries to have some mixed classes of Jewish and Palestinian children

at kindergarten and school. Both groups could be given the chance of spending time with each other. At the very least, bondholders might think, there should be opportunities for the younger people from both sides of the conflict to meet, discuss, argue and form friendships.

Some powerful people in governments, religious institutions or militant organisations would resent the targeting of such objectives by external agencies in this way. But, while under the current system they can oppose peace in ways that attract support, under a Peace Bond regime, they would have *openly* to declare their opposition to peace itself. It is precisely
this focus on the outcome of peace –

rather
than activities or institutions – that would help strengthen the coalition working to achieve it. We could broaden the definition of peace to include not only numbers killed or injured, but other quantifiable goals, such as the amount spent on defence in the region, the results of surveys of people's fears and anxieties, or net migration rates. For the bonds to be redeemed, all goals shall have to be achieved and sustained.

By appealing to people's self-interest, Middle East Peace Bonds are likely to be more effective than conventional efforts aimed at reducing violence. In channelling market forces into the achievement of this objective the bonds could bypass or even co-opt the corrupt or malicious people in government or elsewhere who stand in the way of peace.

In today's emotional climate decision-making is too often reactive. It is too easily swayed by those with a propensity for violence or those who benefit from it, whether financially or emotionally. Governments can evade or deflect censure on grounds of communal affiliation or patriotism, because the adverse effects of their policies are difficult to relate to their cause. Middle East Peace Bonds would focus on an identifiable outcome and channel market efficiencies into exploring the ways of achieving it. They could be the most effective means of achieving the peace that the people of the Middle East yearn for and deserve.

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9.9.4 Who cares about patients? (2012-09-18 22:27)

Marty Makarty discusses the US health care system:

> A host of new studies examining the current state of health care indicates that approximately one in every five medications, tests, and procedures is likely unnecessary. What other industry misses the mark that often? Others put that number even higher. Harvey Fineberg, M.D., president of the Institute of Medicine and former dean of the Harvard School of Public Health, has said that between 30 percent and 40 percent of our entire health-care expenditure is paying for fraud and unnecessary treatment. Marty Makary, *[1]Are hospitals less safe than we think?,* 'Newsweek', 17 September

We shouldn't really be surprised. The disconnect between the decision-makers and ordinary people is about as wide in medicine as it is in education, justice or politics the world over, which is to say: vast. This gap is filled by middlemen: lobbyists, government agencies with their own agenda, and other vested interests representing big corporations or purporting to represent labour. Outcomes that matter to ordinary people are a long way down the list of priorities for these organisations. Marty Makary's article later points out that there is information readily available that would see appalling doctors and surgeons struck off... but it's not made available to those who would benefit from it. Instead, hospitals, just like every institution, whether it be a government agency, corporation, trade union, or church, have as their over-arching goal that of self-perpetuation. The interests of the people they are supposed to serve are incidental. And the predictable result, in medicine as in other areas of social and environmental policy is tragedy and waste. Our impotence in the face of big government and powerful organisations leads to alienation and cynicism about the whole political process.

Social Policy Bonds could close the gap between policy and outcomes that actually benefit ordinary people. Instead of having to satisfy organisations with deceptive names that promise to get things done, a bond regime would reward only the successful achievement of meaningful outcomes; however they are achieved and whoever achieves them. In the world of medicine, enlightened governments (or philanthropists or non-governmental organisations) would issue and back bonds that are redeemable only when broad health outcomes (perhaps expressed as an index of longevity, infant mortality, Quality Adjusted Life Years, etc) have been achieved and sustained.

1. http://www.thedailybeast.com/newsweek/2012/09/16/are-hospitals-less-safe-than-we-think.html

9.10 October

9.10.1 Opaque by design (2012-10-01 20:57)

Peter Boone and Simon Johnson discuss Japanese, US and European policymaking:

> We all have political systems that have figured out how to promise far more than can be repaid, and how to work with the financial sector to opaquely transfer resources to powerful groups—at a cost, it is often said, to be paid by future generations. Increasingly, however, it appears that future generations will not be the only ones harmed by our decisions; we are already feeling the negative impact. ....The era of large-scale, uncontrolled financial booms and busts—last seen in the 1930s—is back. *[1]The next panic*, 'The Atlantic', October

The key word here is 'opaquely'. I often talk about the efficiency and effectiveness of Social Policy Bonds. But perhaps just as important is the bonds' transparency. Currently policymakers can - indeed must - express their decisions as vague declarations of intent, backed up by funding programmes for favoured bodies, be they government agencies or other interest groups. Often these bodies have edifying names, which makes the disinterested non-specialist think that there is some causal, positive relationship between, say, funds given to a government department for 'Development' or 'Overseas Aid' and the well-being of ordinary people in the poor countries. Or that funds disbursed by ministries of agriculture do something to help struggling farmers. It's nonsense of course, but it continues because it's opaque. If our governments openly stated that, for instance, the big beneficiaries of their agricultural support programmes would be wealthy landowners and massive [2]agri-business corporates, even the least politically engaged citizen would have to take note.

Issuers of Social Policy Bonds couldn't get away with this subterfuge or the sort that Messrs Boone and Johnson describe. Transparency and accountability are built into a bond regime, as surely as they are excluded from the current policymaking apparatus. The financial, economic, social and environmental crises we face today are largely a result of scaled-up gaming of the system by powerful interest groups including, again, government itself. The losers are the vast majority of ordinary citizens and future generations.

We need something like a Social Policy Bond regime, which would target meaningful outcomes: outcomes that ordinary people can understand and in whose development they can

participate. If
outcomes were built into policymaking, as they are with Social Policy
Bonds, the corrupt policies of recent decades would never have been discussed, let alone implemented. Instead of focusing on arcane legislative processes, esoteric structural arrangements and hidden funding arrangements - which appear designed to turn off all who aren't paid to follow them - a bond regime would encourage public participation in the policymaking process. This is an [3]end in itself (pdf), as well as a means of bringing about the [4]buy-in that will become increasingly necessary as our social and environmental challenges become more urgent.

1. http://www.theatlantic.com/magazine/archive/2012/10/the-next-panic/309081/?single_page=true
2. http://farmsubsidy.org/GB/
3. http://www.bsfrey.ch/articles/341_00.pdf
4. http://socialgoals.blogspot.co.uk/2007/02/buy-in.html

9.10.2 Metrics for peace (2012-10-05 21:03)

[1]Middle East Peace Bonds, or [2]Conflict Reduction Bonds, are all very well, but how are we to define what we mean by 'peace'? The conventional definition doesn't necessarily mean human well-being, or the absence of the threat of war. There was no open conflict during the Cold War, for instance, but it wasn't exactly a stable, beneficial state of existence.

Fortunately, Social Policy Bonds are versatile, in that they can target an array of goals, each of which has to be satisfied if the bonds are to be achieved. Furthermore of these goals can take the form of a range of values, within which an outcome must fall for the bonds to be redeemed. Moreover, since our goal is for a sustained period of peace, that condition can also be embedded in the targeted outcome.

Experts and the public could come up with the necessary and sufficient conditions for a benign peace. Here are some suggested starting points:

- Numbers of people killed in armed conflict

- Spending and military strength

Military strength is an estimate of both military personnel and military equipment. The rationale for including this measure is similar to that for including military expenditure: it represents both the opportunity cost of resources lost to the life-enhancing parts of the world economy, and it is an indicator also of the potential for violence, and so an indicator of human insecurity or anxiety. While estimates of materiel could be subject to the same imprecision as spending on armaments, numbers of military personnel might be easier to quantify for targeting purposes in some regions of actual or potential conflict.

- Mass media indicators of impending conflict

Social Policy Bonds aiming at peace could also target events that are likely to lead to war, such as efforts to gain public support. There appears to be strong evidence (see *Getting to war: predicting international conflict with mass media indicators*, W. Ben Hunt, University of Michigan Press, 1997) that the underlying intentions of governments can be accurately gauged by a systematic analysis of opinion-leading articles in the mass media, regardless of the relative openness of the media in question. Such analysis allows the prediction of both the likelihood of conflict and what form of conflict - military, diplomatic or economic - will occur. This sort of indicator could be useful as a target where military conflict has not begun, but appears possible, and where other data are scarce.

There are going to be problems with accurate assessment of all these measures, but they are unlikely to be insurmountable.

1. http://socialgoals.blogspot.co.uk/2012/09/middle-east-peace-bonds.html
2. http://socialgoals.com/wpbsshort.html

9.10.3 Reducing poverty (2012-10-12 20:48)

According to the [US] Congressional Budget Office, in 1979 over half of all federal

social spending went to the poorest fifth of households. Now it is only 36 %. *[1]The rich and the rest*, 'The Economist', 13 October

There's nothing new about capture of taxpayer spending by [2]wealthy individuals, corporations or the middle class, but its scale, persistence and degree of entrenchment make it less of a mildly corrupt, [3]disguised, way of delivering largesse to favoured interest groups, and more of a threat to our entire social system. Perhaps we need to return to first principles. If we want to provide a safety net for the poorest households, then we need to reward people who provide a safety net for the poorest households. If we are in government we don't try to second-guess *why* households are poor, or how best to relieve their poverty. We, as government, are hopeless at such tasks. We don't have the imagination, nor the capacity to adapt to changing circumstances or to the myriad varying conditions within our geographical remit. What we are good at doing and what, indeed, only government can do well is (1) to articulate exactly what we want to achieve when it comes to reducing poverty, and (2) raise the revenue to achieve that goal.

That's where Social Policy Bonds that reward the reduction of poverty come in. Governments (or indeed anybody: see [4]here) can undertake to redeem Social Policy Bonds for a high, specified sum, only when the poverty goal has been reached and sustained. We don't need to concern ourselves with *how* investors in the bonds will achieve our goal. Bondholders will have incentives to explore and implement the most effective, efficient ways of reducing poverty, taking full account of events and local circumstances. As important, and unlike many government interventions, they will have incentives to terminate failed projects. And, if they see their funds being diverted to the already better-off, as happens with so many government programmes all over the rich world, then they will see their bonds being bought by those who are better equipped to do the job that government has set them. Social Policy Bonds would lead to the setting up of [5]organisations whose goals are identical with those of society. We don't know what form, structure or activities these organisations will assume - but we don't need to. We do know that they will prosper only to the degree that they achieve social goals efficiently and effectively. It's a big departure from the current system, which seems to reward those who are best at gaming the system, and it's one that is necessary and well overdue.

1. http://www.economist.com/node/21564418
2. http://policy-practice.oxfam.org.uk/publications/spotlight-on-subsidies-cereal-injustice-under-the-cap-in-britain-114600
3. http://www.blogger.com/blogger.g?blogID=9695147#editor/target=post;postID=1111396508342626491
4. http://socialgoals.blogspot.co.uk/2007/04/literacy-in-pakistan.html
5. http://socialgoals.blogspot.co.uk/2006/05/new-type-of-organisation.html

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9.10.4 (2012-10-13 12:43)

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9.10.5 Playground psychology as a policy driver (2012-10-15 20:31)

The drivers of policy have little to do with outcomes. Perhaps the most important drivers are vested interests - government agencies, large corporations, trade unions, churches etc - whose over-arching goal is always self-perpetuation, which sometimes coincides with the interests of their members. Given the stakes, an even more worrying policy driver is playground psychology. Discussing how the US became embroiled in Vietnam, Frederik Logevall writes:

> As Democrats, JFK and LBJ felt the need to contend with the ghosts of McCarthy and the charge that they were 'soft on Communism'. Frederik Logevall, quoted by Jonathan Mirsky in *[1]A debacle that could have been avoided* (subscription), 'New York Review of Books, 25 October

John Kay writes about decision-making in business and politics:

> I once thought that however thin the public arguments for large corporate transactions, there was probably some serious analysis going on behind the scenes. Just as I once thought that whatever nonsense politicians might talk on public platforms, more substantive discussion took place when they retired to their offices. But closer acquaintance with business and politics dispelled both illusions. What you see and hear is more or less what there is. When I was sometimes employed to explain the economic rationale for a corporate transaction, I discovered that it was rarely useful to ask the principals why they were doing it. Usually you just heard those familiar clichés. Sometimes you got closer to the truth, sniffed the testosterone, glimpsed the inflated egos. [2]Source

Until we subordinate all policymaking to meaningful outcomes, as would happen under a Social Policy Bond regime, this demented way of making policy is set to continue, with all its calamitous consequences. See also my post: [3]How policy is made.

1. http://www.nybooks.com/articles/archives/2012/oct/25/debacle-could-have-been-avoided/
2. http://www.johnkay.com/2012/10/17/the-brashness-and-bravado-in-big-deals
3. http://socialgoals.blogspot.co.uk/2010/07/how-policy-is-made.html

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9.10.6 Don't rely on government (2012-10-28 18:12)

Don't rely on government to sort things out, nor to be the first to target outcomes as a policy priority, as against staying in power and disbursing funding to favourite lobby groups. Who in the private sector might be interested in privately issued Social Policy
Bonds, and why?

- Philanthropists

  and others who are cash-rich but time-poor and have high ideals that can be expressed as quantifiable social and environmental objectives. They could collaborate and issue their own Social Policy Bonds, setting up an escrow account for funds to redeem them. Less wealthy people – ordinary members of the public – could be asked to swell this account by depositing their contributions into it. Philanthropists and their organizations, without exception, resolutely ignore my emails, but one lives in hope.

- Organizations in the private sector already involved in trying to achieve the targeted objective. They could seek funding from holders of the relevant Social Policy Bonds, who, if they believe these organizations' activities are efficient will find it worthwhile to help finance their existing projects.

- People could set up new organizations specifically to buy the bonds, work towards the targeted objective, and sell their bonds once they have risen in value.

9.11 November

9.11.1 The unimportance of being right (2012-11-03 20:56)

From *[1]1493: Uncovering the New World Columbus Created*, by Charles Mann:

> Provincial, county, and village officials [in present day China] are rewarded if they plant the number of trees envisioned in the plan, not whether they have chosen tree species suited to local conditions (or listened to scientists who say that trees are not appropriate for grasslands to begin with). Farmers who reap no direct benefit from their work—they are installing trees that do not produce fruit, cannot be cut for firewood, and supposedly stop erosion miles from their homes—have little incentive to take care of the trees they are forced to plant. The *entirely predictable* result is visible on the back roads of Shaanxi: fields of dead trees, each in its fish-scale pit, lining the roads for miles. "Every year we plant trees," the farmers say, "but no trees survive." (page 230, my emph asis)

It's not only in China. Everybody makes mistakes, but we have political systems that [2]don't look back on obviously failed experiments and learn from them. Very often instead they pump more scarce resources into them, afraid of admitting to themselves and others that there's something wrong with their policymaking process. Perhaps the politicians and bureaucrats believe that the system in which they are so invested must not be seen to be faulty. It might, then, be questioned. Whatever the reason, the consequences are dire.

Social Policy Bonds would change that paradigm. They would reward successful, efficient ways of achieving society's social and environmental goals. They would stimulate diverse, adaptive approaches, in stark contrast to the uniformity that afflicts government programmes in the west as well as in China. Crucially, under a bond regime, failed experiments would be terminated: their proponents would have every incentive to administer the axe themselves, freeing up resources to investigate better approaches, with their sole guiding principle that of being more efficient in achieving society's targeted goal.

1. http://www.amazon.com/1493-Uncovering-World-Columbus-Created/dp/0307278247/ref=sr_1_1?ie=UTF8&qid=1351971030&sr=8-1&keywords=1493
2. http://dspace.mit.edu/handle/1721.1/5533

9.11.2 Ending war (2012-11-06 21:00)

> Contrary to the common perception, political alliances during civil wars are not formed along immutable religious, ethnic or linguistic lines.... *[1]How civil*

> *wars ev [2]olve*, Peter Dizikes, MIT News Office, reviewing 'Alliance Formation in Civil Wars', by Fotini Christia

In other words, there's nothing intractable about these, or any other conflicts. Solutions are possible. The challenge is to put in place incentives to solve conflict, rather than create it. We can't expect the United Nations, NATO or any other government-backed initiative to help us here. We need diverse, adaptive approaches; ones that cannot be corrupted or undermined by interest groups of any kind. We need, in short, to issue [3]Conflict Reduction Bonds.

1. http://www.mit.edu/newsoffice/2012/how-civil-wars-evolve-1102.html
2. http://www.mit.edu/newsoffice/2012/how-civil-wars-evolve-1102.html
3. http://socialgoals.com/wpbsshort.html

9.11.3 Health, impartiality, and Social Policy Bonds (2012-11-12 22:25)

At a global or national level, Social Policy Bonds could target a combination of health indicators, including longevity, infant mortality and Quality Adjusted Life Years. One contribution to their enhanced efficiency in comparison with current health programmes would be their impartiality:

> [A]t least 55 percent of people with lung cancer [in the US] either never smoked or no longer smoke; some quit decades ago. And yet, because lung cancer is generally associated with smoking, and smoking is an addiction and something only "morons" and "idiots" (to use Tea Party terminology) would ever, ever do, lung cancer does not get anything like the research funding from the National Institutes of Health that other cancers get, relative to the number of deaths it causes. There are no telethons or star-studded Hollywood galas, no race for the lung cancer cure, none of those weirdly cheerful "awareness" campaigns. Even the afflicted and their families tend to stay quiet—the stigma is too great. *[1]The You're-on-Your-Own Society*, Katha Pollitt, 'The Nation', dated 26 November

A Social Policy Bond regime would not discriminate between different causes of ill health, unless explicitly mandated to by qualifications to the bonds' redemption terms. Apart from being more recognizable as a fairer system of resource allocation, a bond regime's greater freedom to shift resources between different health programmes, and its incentives to do so, would lead to better outcomes with the same resources. See also this [2]previous post.

1. http://www.thenation.com/article/171129/youre-your-own-society
2. http://socialgoals.blogspot.co.uk/2006/11/unleash-private-sector-little.html

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9.11.4 Peace in the Middle East (2012-11-15 21:03)

Don’t laugh!

Here is a short and, despite my best efforts, as yet unpublished, article on applying the Social Policy Bond principle to conflict in the Middle East.

Peace in the Middle East: giving self-interest a chance

Cards on the table: I have no solution to the anxieties and potential catastrophes facing Israel, nor to the wider problems facing the citizens of all the Middle Eastern countries. What I offer instead is a way of encouraging people to find effective and efficient solutions.

Decades of negotiations and initiatives have failed. Rockets are daily fired into Israel, we might well be on the brink of a nuclear calamity, and the entire region is a seething cauldron of every sort of hatred: ethnic, confessional, sectarian and gender.

Most ordinary people in the region, given time to reflect and the freedom to express their opinions would like nothing more than to see an end to the violence in the region. But there are enough powerful people with a vested interest in keeping conflict going. They include men of religion, ideologues, politicians and bureaucrats. There are also, of course, the weapons merchants and their corrupt beneficiaries in government. Well-meaning idealists on all sides do what they can, but their efforts are overwhelmed and relentlessly undermined by the powerful people and institutions that want them to fail.

Peace above all

We need to give people and organizations of all kinds the incentives to create and sustain peace, rather than conflict.

We also need a verifiable definition of peace, which will consist of a combination of conditions that have to be satisfied and sustained. These could include:

.

a much-reduced number of people killed in conflict;

.

a much-reduced level of terrorist events, or military incursions;

.

no use of nuclear weapons;

- mass media incitements to violence.

We also need to focus exclusively on our goal of peace, which might mean putting aside feelings of fairness and justice, except insofar as they help our cause.

And we need ways of promoting peace that can modify or circumvent people's uncooperative or obstructive behaviour; ways that can co-opt or subsidise those people in positions of authority and power who want to help, and at the same time bypass, distract, or otherwise undermine those opposed to our goal.

Ideally too, we would deploy market forces. Markets are the most efficient means yet discovered of allocating society's scarce resources, but many believe that market forces inevitably conflict with social goals: accentuating extremes of wealth and poverty, for example, or accelerating the degradation of the environment. So it is important to remind ourselves that market forces can serve public, as well as private, goals.

My suggestion is that philanthropists perhaps with governments and other interested organisations and individuals, collectively raise a large amount of money, put it into an escrow account, and use these funds to redeem at some future time a new financial instrument: Middle East Peace Bonds. These would be sold by auction for whatever they would fetch. They would be redeemed for, say, £100 000 each only when *all* the conditions for peace, as defined by the issuers, had been satisfied and sustained.

Importantly, the issuers of the bonds would make no assumptions as to *how* to bring about greater peace. The circumstances that fan the flames of conflict vary radically from place to place and over time. No one solution, nor even an array of solutions will work all the time. The bonds instead will stimulate diverse, adaptive solutions.

Nor do we need to know *who* would hold the bonds or carry out peace-creating projects. Those decisions would be made by would-be investors in the market for the bonds. Unlike normal bonds, Middle East Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly. As the prospects for peace brighten, the value of the bonds will rise.

Trading the bonds

Middle East Peace Bonds, once floated, must be readily tradable at any time until redemption. Many bond purchasers would want or need to sell their bonds before redemption, which might be a long time in the future. With tradability, these holders would be able to realise any capital appreciation experienced by their holdings of Middle East Peace Bonds whenever they choose to do so.

The bonds will be worth more to those who believe they can do most to help reduce the violence, who will then own most of the bonds. Large bondholders might decide to subcontract out peace-building projects to many different agents, while they themselves held the bonds from issue to redemption. The important point is that the bond mechanism will ensure that the people who allocate funds have incentives to do so efficiently and to reward successful outcomes, rather than merely pay people for undertaking activities.

Too large a number of small bondholders could probably do little to help achieve peace by themselves. If there were many small holders, it is likely that the value of their bonds would fall until there were aggregation of holdings by people or institutions large enough to initiate effective peace-building projects. As with shares in newly privatised companies the world over, Middle East Peace Bonds would mainly end up in the hands of large holders, be they individuals or institutions. Between them, these large holders would probably account for the majority of the bonds. Even these bodies might not be big enough, on their own, to achieve much without the co-operation of other bondholders. They might also resist initiating projects until they were assured that other holders would not be free riders. So there would be a powerful incentive for all bondholders to *co-operate with each other* to help bring about peace in the Middle East. They would share information, trade bonds with each other and collaborate on conflict-quelling projects. They would also set up payment systems to ensure

that people, bondholders or not, were mobilised to help build peace. Large bondholders, in co-operation with each other, would be able to set up such systems cost-effectively.

Regardless of who actually owns the bonds, aggregation of holdings, and the co-operation of large bondholders, would ensure that those who invest in the bonds are rewarded in ways that *maximise their effectiveness in bringing about peace.*

So, in contrast to today's short-term, tried, tested and failed approaches, a Middle East Peace Bond regime would stimulate research into finding the

most cost-effective ways of achieving peace. Indeed, bondholders would be in a better position than governments to undertake a range of peace-building initiatives, having more freedom to try innovative approaches. They might, for example, finance sports matches between opposing sides, promote anti-war programmes on TV, set up exchange schemes for students of the opposing sides. They might try to influence the financial supporters of conflict outside the region to redirect their funding into more positive ways. They could offer the Palestinians and the citizens of neighbouring Arab countries different forms of aid, including education and scientific aid, and measures aimed at providing a secular education for all Arab citizens.

By appealing to people's self-interest, Middle East Peace Bonds would be more

effective than conventional efforts aimed at reducing violence. In channelling market forces into the achievement of this objective the bonds could bypass or even co-opt the corrupt or malicious people in government and elsewhere who currently benefit from conflict.

Middle East Peace Bonds would focus on an identifiable peace outcome and channel market efficiencies into diverse, adaptive ways of achieving it. They might sound implausible and radical but - let's be frank - the alternatives are leading us into the abyss.

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9.11.5 Creative self-entrenchment (2012-11-27 21:17)

The much-vaunted creative destruction that is supposed to underpin the wealth-generating bits of our economy fails to operate where government is concerned. Rather than terminate failed policies, government has powerful incentives to buy off the vested interests grown already rich from its largesse. Twelve years ago I [1]wrote about the corrupt, insane agricultural policies of the rich world. At that time, the way these policies transfer wealth from the poor to the rich, their waste, their disastrous effects on the environment and animal welfare; all were well known and quantified, not least by the OECD - and had been for years. Yet, as George Monbiot eloquently points out, these policies persist:

> It is a source of perpetual wonder that the people of Europe tolerate this robbery. Farm subsidies are the 21st century equivalent of feudal aid: the taxes mediaeval vassals were forced to pay their lords for the privilege of being sat upon. *[2]The fat of the land*, 26 November

There is [3]no systematic mechanism (pdf) for getting rid of discredited policies. If they are run by government, or any other monopoly, ludicrous policies are more likely to persist, at great cost to the rest of society, than be discontinued. They enrich powerful people, who use a small proportion of government's own largesse to lobby against their withdrawal. This is self-entrenchment and, as government accounts for every more of society's spending, it has hugely distorting, wasteful effects on our economy.

We need instead a system that will terminate failed policies. One that will supply incentives for people to solve problems, rather than to turn up for work for organisations that claim to solve problems. That is where Social Policy Bonds could come in. They would create a coalition of interests whose sole raison d'etre would be to achieve society's goals as

efficiently as possible. The bonds would stimulate diverse, adaptive solutions to our social and environmental problems, and they would do so regardless of the identity or provenance of the investors. Under a bond regime, in stark contrast to today's politicians and bureaucrats, people would lose their own money if they persisted in failed projects.

1. http://socialgoals.com/orchard2.html
2. http://www.monbiot.com/2012/11/26/the-fat-of-the-land/
3. http://dspace.mit.edu/bitstream/handle/1721.1/5533/why_states_believe_foolish_ideas.pdf

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9.11.6 Screening is not a valid policy goal (2012-11-30 22:37)

In the absence of broad, clear, coherent policy objectives, we unfortunately default to Mickey Mouse micro-objectives that sound convincing, but whose achievement has little or nothing to do with social goals, and can even conflict with them. Narrow objectives are more likely to be gamed in this way, because resources can more readily be shifted from a similar goal that doesn't happen to be targeted. That is one of the reasons why, unlike with the well-publicised Social Impact Bonds, I have always insisted that Social Policy Bonds be tradable. (See [1]here for an explanation of this logic.)

Here's another example of a Mickey Mouse micro-objective which, after enough time has elapsed to prove its worthlessness, is at last being questioned:

> Can we please stop using screening mammography as measure of how well our health care system is performing? That's beginning to look like a cruel joke: cruel because it leads doctors to harass women into compliance; a joke because no one can argue this is either a public health imperative or a valid measure of the quality of care.
>
> [2]*Cancer Survivor or Victim of Overdiagnosis?*,
>
> H
>
> Gilbert Welch, 'International Herald Tribune', 21 November

1. http://www.socialgoals.com/why_the_bonds_must_be_tradeable.html
2. http://www.nytimes.com/2012/11/22/opinion/cancer-survivor-or-victim-of-overdiagnosis.html?_r=0

9.12 December

9.12.1 Health and Social Policy Bonds (2012-12-04 00:01)

An interesting discussion here, on Ben Goldacre's book, *[1]Bad Pharma: a Manifesto to Fix the Pharmaceutical Industry*. My contribution reads:

> Here's another idea: government targets broad, explicit health goals: a combination of longevity, Quality Adjusted Life Years and other impartial data. It issues and backs a large number of tradable non-interest bearing bonds, redeemable for (say) $1m each once the target health goals have all been achieved and sustained. That way government rewards successful initiatives for improving health (including, but by no means limited to, new drugs) regardless of how these initiatives work, or who implements them. Government still articulates society's broad desired health outcomes, and still raises the revenue for their achievement. But it contracts out the achievement to a motivated private sector in a way that rewards success, and only success. This sort of bond, which are an application of Social Policy Bonds, would stimulate diverse, adaptive ways of achieving goals and refocus efforts on the long term.

1. http://www.sciencebasedmedicine.org/index.php/bad-pharma-a-manifesto-to-fix-the-pharmaceutical-industry/

9.12.2 Another climate change shambles (2012-12-04 23:04)

> Practically half of the EU's renewable energy currently comes from wood and wood waste ... but a
> lack of sustainability criteria for measuring its environmental impact
> is stoking fears of a hidden carbon debt mountain. *[1]Source*

This highlights the flaw of using anything other than outcome-based policy for relationships that we just do not yet understand. Under the current system our politicians, preoccupied as they with things like the economy, identify 'renewable' as good, and burning trees as 'carbon neutral'. The result:

> If living wood is simply burned for energy, a temporary carbon debt can be created until CO 2 emissions caused by the release of all the carbon it has absorbed, and the loss to the carbon sink, are compensated for by fully-grown replacement trees. Climate scientists say that this time lag can run over many decades – sometimes centuries – causing environmental tipping points to be reached in the interim that render any expected eventual carbon savings moot.

This is what happens when we rely on our well-meaning, overworked, distracted or scientifically challenged politicians and bureaucrats to craft a policy that is supposed to anticipate our rapidly expanding knowledge. We are relying on them to identify a relationship - that between energy source and climate change - amidst myriad variables, using current science. Then we assume that they have tackled the problem. They haven't.

Here's another idea: target what we actually want to achieve. If it's a reduction in fossil fuel use, target that. If it's climate change, [2]target that. Contract out the identification of the relevant relationships to people who are motivated to get the answer right and to adapt to our rapidly expanding scientific knowledge. We can best do that for long-term, complex goals by issuing Social Policy Bonds.

1. http://www.euractiv.com/specialreport-energising-tomorro/half-europe-renewable-energy-com-news-516365?utm_source=RSS_Feed&utm_medium=RSS&utm_campaign=EurActivRS
2. http://socialgoals.com/ieakyototext.html

9.12.3 Health Bonds (2012-12-09 23:38)

I have posted a short (1500-word) article on applying the Social Policy Bond principle to health [1]here.

1. http://socialgoals.com/Health%20Bonds.htm

9.12.4 Ticking boxes is not the same as achieving goals (2012-12-18 21:09)

Josie Appleton, of the UK's Manifesto Club, reads 'a lot of child protection policy documents':

> They are often
> hundreds of pages long, yet I have never seen a proposal that would prevent a paedophile from getting access to children. Instead, there are all sorts of rules – rules about how you transport children to football matches, rules about how you take photographs, rules about late pick-up policies for when the parents don't turn up on time to take their kids home from some activity or other. So there is this morass of bureaucracy, yet there's not one identifiable useful functional element within it. What you have then really are rules for the sake of rules. *[1]Why everyday life is tied up in red tape,* 'Spiked', 18 December

It's the triumph of process over outcomes. Ticking boxes has become more important than achieving society's goals. Avoidance of litigation becomes the guiding principle. Compliance with procedure is what matters. We see this in so many policy areas: from climate change to health care, where it takes the form of [2]defensive medicine.

Society is increasingly dominated by government and big business. As Ms Appleton suggests, bureaucrats have as their goal the proliferation of rules and ensuring compliance with them. Politicians have the *de facto* goal of maximising Gross Domestic Product. And the private sector goal of maximising profits as measured by accountants, and ignoring any non-market negative impacts of their activities. In a crowded, complex world, with so many time lags and linkages, these goals are increasingly irrelevant to those of ordinary people. Worse, they often conflict with them.

Social Policy Bonds could realign the interests of government and big business with those of society. Instead of processes that are supposedly aimed at achieving outcomes, government would target the outcomes themselves. At the global level, it could target the negative impacts of [3]climate change. At the national level, it could target *meaningful* [4]health outcomes. A bond regime would encourage government to do what it does well: articulate society's goals and raise the revenue to achieve them. Where the current system goes awry is in government's trying to identify the processes that will lead to certain outcomes. In a complex, changing world, it cannot often do this effectively. So it's prone to listen to lobbyists for groups whose interests rarely coincide with those of society. The gap between government and people grows. Social Policy Bonds could close that gap.

1. http://www.spiked-online.com/site/article/13185/
2. https://en.wikipedia.org/wiki/Defensive_medicine
3. http://socialgoals.com/ieakyototext.html
4. http://socialgoals.com/Health%20Bonds.htm

9.12.5 Incentives to sell off fountain pens (2012-12-21 22:18)

> Academic research has suggested that human rights treaties either [1]do not improve human rights at all or do so [2]very little, for a limited group of treaty rights, and among a select group of countries, not the worst offenders. *[3]Why the U.S. Shouldn't Sign On to Empty Human Rights Treaties*, Eric Posner, 'Slate', 21 December

No surprises here. Not that different from the Kyoto process either. Motivation is important: but we need systems that supply motivation to achieve meaningful outcomes, not to sign useless treaties while grandstanding at the United Nations. Against what metrics are the current thug regimes tested for meaningful human rights *outcomes*? None of course. Perhaps we could persuade some genuine philanthropists to issue Human Rights Bonds, on the Social Policy Bond principle.

We'd need to devise reliable targets for human rights, raise some funds, then issue Human Rights Bonds that would be redeemable once our human rights targets had been achieved. Not very glamorous perhaps, and no possibility of [4]selling off the pens used to sign meaningless treaties. But a Human Rights Bond regime could hardly be less effective than the current corrupt system.

1. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=311359
2. http://www.amazon.com/Mobilizing-Human-Rights-International-Domestic/dp/0521712327
3. http://www.slate.com/articles/news_and_politics/view_from_chicago/2012/12/u_n_convention_on_the_rights_of_persons_with_disabilities_the_u_s_shouldn.html
4. http://www.time.com/time/politics/article/0,8599,1974490,00.html

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9.12.6 Review (2012-12-31 20:20)

A relatively good year for Social Policy Bonds. There has been some interest in the novel concept of paying-for-results in social policy through the concept of [1]Social Impact Bonds (a watered-down version of Social Policy Bonds). In April Professor Robert Shiller of Yale University suggest Social Policy Bonds as one of his [2]*Ten Ways Finance Can Be a Force for Good in Society*. This was taken up [3]here, for instance, and, in oral form, [4]here, and has generated more views of this blog and my home [5]site and some email correspondence.

One reason why no Social Policy Bonds have yet been issued is that their advantages over conventional policy are most marked on a large scale and for long-term or ambitious objectives. For such goals, diverse, adaptive approaches need to be researched, tried on a small scale, refined and implemented. The bonds, being tradeable, allow for and encourage such experimentation. There are few other ways of supplying explicit, transparent and stable incentives to bring about [6]world peace, for instance, or to mitigate natural or man-made

[7]disasters. National goals, too, are amenable to a Social Policy Bond approach. Reducing [8]crime, for instance, or improving [9]health are goals that require multiple, adaptive solutions, rather than the one-size-fits-all, top down, reactive or fossilized approach characteristic of our current efforts.

For all such goals, people need to be motivated to shift resources, keep their eyes on the long term (though with incentives to achieve success in the short term) and, crucially, terminate failed approaches. For smaller goals, where relationships between cause and effect are readily identified and acted upon, conventional policy, if the incentives are right, can work. Social Policy Bonds issued on a trial basis to achieve such goals might just see problems exported to areas outside the bondholders' remit. But for national or global goals, which mean dealing with vastly complex linkages and time lags, Social Policy Bonds, I am convinced, are the way forward.

1. http://socialgoals.blogspot.co.uk/2012/03/social-impact-bonds-and-social-policy.html
2. http://www.huffingtonpost.com/robert-shiller/ten-ways-finance-force-for-good_b_1417927.html
3. http://chronicle.com/article/Robert-Shillers-Mission-to/131456/
4. http://www2.lse.ac.uk/newsAndMedia/videoAndAudio/channels/publicLecturesAndEvents/player.aspx?id=1458
5. http://socialgoals.com/
6. http://socialgoals.com/wpbsshort.html
7. http://socialgoals.com/dpbs.html
8. http://socialgoals.com/standrew.html
9. http://socialgoals.com/Health%20Bonds.htm

2013

10.1 January

10.1.1 Fund goals, not research bodies (2013-01-10 20:04)

One of the problems with the current ways we go about solving social problems is the uniform way in which we approach them. This is largely because we have handed over to government the responsibility for dealing with an ever larger number of them. As scientific research funding becomes increasingly dominated by government there is a growing danger that it too will suffer from the same approach, wherein there's little room for dissidence, for questioning the consensus.

But science - real science - isn't a consensual process. Government is inherently uniform, top-down and one-size-fits-all in its approach. It stifles diversity. In the private sector, diversity and creative destruction are essential for generating wealth. Similarly in science: failed hypotheses must be seen to fail and allowed to die, not kept on life support with funding supplied by politicians who depend on vested interests, the status quo, for their tax revenue or campaign funding.

Perhaps research funding needs to be determined by, and integrated into, our broad, long-term, social goals. So instead of funding research into, say, cutting back carbon dioxide emissions with the aim of preventing climate change, we should fund the prevention of climate change. If we issued [1]Climate Stability Bonds, then people would have incentives to find the most cost-effective ways of stabilizing the climate. That could mean funding scientific research into cutting back carbon emissions, but that decision would be made by people motivated to find the most efficient ways of achieving the overall goal. Not, as at present, by bureaucracies, academic, national and international, whose interests appear to range from, at best, securing more funding for themselves to, at worst and in the time-honoured way of most global aid, transferring funds from the poor in the rich countries to the rich in the poor countries.

Under a Social Policy Bond regime, where activities are entirely subordinate to society's

desired outcomes, people would have incentives to investigate hypotheses that at first sight seem far-fetched (see [2]here for one example), even if they would prove unpopular if proven. And once they *are* proven they would have incentives to act on that knowledge ... rather than [3]conceal it.

1. http://socialgoals.com/ieakyototext.html
2. http://www.guardian.co.uk/commentisfree/2013/jan/07/violent-crime-lead-poisoning-british-export
3. http://www.guardian.co.uk/commentisfree/2010/aug/14/drug-companies-bury-negative-research

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10.1.2 'It's me or the puppy': the importance of buy-in (2013-01-15 20:57)

> *Dear Virginia*, My six-year-old son nagged me so much for the past year I gave him a puppy for Christmas. He loves it and so do I but my partner (not his dad) hates it. ... Yours sincerely, Esther

> *Virginia says*, Obviously, if you just inflicted this puppy on the household at Christmas without giving your partner a say in the matter, I can understand why he might be pissed off. If nothing else, it would make him feel small and out of control, in the same way as if you'd moved your mother, say, into the spare room to live there for 10 years, without prior discussion. To bring in an animal – which is like a member of the family, or should be – without consulting all family members first is an incredibly thoughtless thing to do. ... *[1]Virginia Ironside's dilemmas: it's me or the puppy,* 'The Independent' [London], 15 January

Buy-in is important, whether it's the politics of the household or the country. Democracies, when the function well, secure buy-in by allowing people to vote for different parties. The supporters of the losers know they have been consulted and, ideally, accept with good grace that they were given the chance to influence the outcome but were outvoted. Unfortunately, nowadays there isn't much linkage between what a ruling party says and what it does, and there are extremely obscure relationships between what it does and what actually happens. The result? We don't have buy-in; the gap between politicians and people widens, giving rise to cynicism and despair.

Social Policy Bonds could close that gap. Instead of politics and electioneering being about personalities, sound-bites, stated intentions, or vague notions of a messianic future, they would focus exclusively on outcomes. Outcomes, that is, that are meaningful to ordinary people, the voters. 'Growing the economy' is not an end in itself, nor is per capita Gross Domestic Product a reliable indicator of well-being. Another example: spending more on prisons or police is not the same as rewarding people for cutting the crime rate. Signing up to

the Kyoto process is not the same as helping people cope with adverse climatic conditions.

In these cases, and many others, we see the interests of the political class - politicians and bureaucrats alike - diverging from those of ordinary citizens, or even conflicting with them. Under a Social Policy Bond regime, however, people would vote for comprehensible, meaningful outcomes, rather than who will control insufferably arcane processes of interest only to powerful vested interests and their lobbyists. As such, we'd be more inclined to participate in the policy-making process. We'd have a role, if we wanted it, in setting costs and priorities. In short, even if policies hardly changed at all and were opposed by the same numbers of people, we'd have more buy-in than at present. When we face such urgent and complex challenges the additional buy-in that we can get by consulting people about meaningful social and environmental targets, might prove crucial. It makes for happier people in both households and nations. Puppies would be better off too.

1. http://www.independent.co.uk/voices/comment/virginia-ironsides-dilemmas-its-me-or-the-puppy-8451275.html?origin=internalSearch

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10.1.3 Kyoto is doomed (2013-01-22 21:52)

From the *Economist*:

> On January 15th ... the most comprehensive study of black carbon yet conducted was published in the *Journal of Geophysical Research: Atmospheres*. It concluded that the stuff was the second-most-damaging greenhouse agent after CO_2 and about **twice as bad for the climate as had been thought until now**. The implications are profound. *[1]Global warming: the new black*, the 'Economist', 19 January, [my emphasis]

Indeed. If we are serious about tackling climate change, we should reward people for tackling climate change, not for taking steps that, based on science stuck in the 1990s, *might* do something about climate change.

The climate, like many social concerns, is too hard for anyone fully to understand. Making policy on the basis of limited knowledge is what we do all the time. It's unavoidable. But, when we trying to solve huge, urgent problems and when our knowledge of the important scientific relationships is almost negligible, it is idiotic to waste resources on initiatives - like cutting greenhouse gas emissions (or, rather, pretending to) - that are just as likely to be irrelevant as helpful.

Which is why I advocate targeting outcomes, rather than the supposed means of achieving them. If climate change is seen as an urgent problem, and if we genuinely want to do something about it, we should acknowledge that our scientific knowledge is seriously deficient and instead of rewarding people for undertaking government-improved activities we should reward them for, yes, actually reducing climate change. Under a [2]Climate Stability Bond regime, we could define our climate goals as an array of physical, social, and financial conditions, all of which have to be satisfied for a sustained period before the bonds are redeemed. We'd be rewarding people for achieving society's targeted outcome, however they did so. Crucially, these people would have incentives to investigate, start, adapt or terminate their initiatives, or those they finance, in line with our rapidly expanding knowledge of the myriad variables that influence the climate. The entire Kyoto process, as the quote above shows, is spectacularly inadequate in this. It is doomed to fail.

1. http://www.economist.com/news/science-and-technology/21569686-soot-even-worse-climate-was-previously-thought-new-black
2. http://socialgoals.com/ieakyototext.html

10.1.4 (2013-01-23 08:48)

nice blog...
this blog is very important for me ... thank you ...

10.2 February

10.2.1 Betting against extinction? (2013-02-02 21:22)

George Monbiot writes:

> The gambling company Ladbrokes has been offering odds on the conservation status of various fish species. Until last night it was taking bets on mackerel; recently it has encouraged people to punt on the survival prospects of stocks of yellow fin tuna, swordfish and haddock. You can, if you wish, gamble on extinction. *[1]Betting on extinction*, 1 February

The article is upsetting to read, though hardly surprising, but I will point out one unlikely potential plus. Suppose a group of wealthy non-governmental organizations, philanthropists and concerned members of the public got together and gambled *against* extinction? If the

odds were decent and they raised a large enough bet then...

Then ...we would have, in effect, a Social Policy Bond which would pay up the specified fish species did not become extinct. The bettors would have an incentive not just to wait passively and watch what happens to the fish, but actively to finance projects that would keep the species going. Such projects could tackle the problem of over-fishing with far more vigour and success than the current shambolic system. The bettors could lobby governments for more effective controls; they could bribe fishers to take early retirement, or train them to do something else. They could produce educational videos aimed at convincing consumers and children about the benefits of alternative sources of protein. Unlike the current system, the bettors would be strongly motivated not just to make reassuring but vapid gestures in the right direction, but actually to do something to combat species extinction.

1. http://www.monbiot.com/2013/02/01/betting-on-extinction/

10.2.2 Gun deaths: closing the gap (2013-02-05 16:56)

"Twenty tiny coffins have again put the NRA [National Rifle Association] on the defensive", Tim Dickinson writes:

> In the wake of the Sandy Hook massacre ... public support of new gun-control laws is overwhelming. Today,
> 92 percent of the country support background checks for gun buyers, and
> 63 percent support limiting the capacity of gun magazines. *[1]The NRA vs America*, 'Rolling Stone' dated 14 February

How does it happen in a democracy that policy is so different from the interests of ordinary people? Mr Dickinson supplies the answer:

> Like every other element of today's modern conservative machinery, the NRA works in the background to expand corporate power – while pretending in public to advance the interests of the little guy. The NRA continues to put forward its members as the face of the organization. But dues from members bring in less than half of the association's yearly expenses....

I'd quibble only with the word 'conservative': it seems to me that policymakers of all kinds are essentially beholden to broadly defined corporate interests, which are often wildly different

from those of the people they claim to represent. Our policymaking process is so opaque, so arcane and long-winded, that only those with plenty of cash can afford to pay someone to follow and influence it. The rest of us - normal people, that is, the 92 percent to whom Mr Dickinson refers - have to be satisfied with vague noble-sounding declarations of intent. It's an almost inevitably corrupt process, and it's not working.

One way of closing the gap between policymakers and ordinary people would be to focus exclusively on outcomes, rather than the supposed means of achieving them. That would happen under a Social Policy Bond regime. Instead of drawing esoteric and futile legislative distinctions between types of gun or gun magazines, we would issue Gun Death Control Bonds that would reward what we actually want to achieve: a massive reduction in the number of gun deaths. Investors in the bonds would find their own ways of reducing gun deaths. They would have incentives to explore, investigate and implement a diverse array of approaches, which could include lobbying for regulatory change, but could also include such ideas as subsidising biometric controls on guns or gun cabinets; showing of broadcasts showing the benefits of gun-free societies; setting up youth clubs in the poorest parts of inner cities; or any of a vast array of other approaches that could and should be tried rather than resign ourselves to an annual death toll in the US of [2]32000 (pdf) or more.

The current policymaking process, in gun control as in everything else, works in favour of large organisations, be they corporations, trade unions, religious bodies or government agencies. These organisations have interests that at best differ from, and at worst conflict with, those of ordinary people. Expressing policy goals in terms of meaningful outcomes, as with Social Policy Bonds, is one powerful way of getting people to take an interest in the policies that are being made in our name.

1. http://www.rollingstone.com/politics/news/the-nra-vs-america-20130131?print=true
2. http://www.uphs.upenn.edu/ficap/resourcebook/Final%20Resource%20Book%20Updated%202009%20Section%201.pdf

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10.2.3 Overcentralisation and the commons (2013-02-15 23:16)

The Archdruid has it right:

> The more distance between the managers and the commons they manage, the more likely

> failure becomes, because two factors essential to successful management simply aren't there. The first of them is immediate access to information about how management policies are working, or not working, so that those policies can be adjusted immediately if they go wrong; the second is a personal stake in the outcome, so that the managers have the motivation to recognize when a mistake has been made, rather than allowing the psychology of previous investment to seduce them into pursuing a failed policy right into the ground. Those two factors don't function in an overcentralized
> system.
>
> [1]*The center cannot hold*, 'The Archdruid Report', 6 February

Overcentralisation is a difficult problem to solve under the current ...overcentralised regime. It's not at all obvious when and how to intervene to stop it happening, nor who should do so (as some of the commenters on the Archdruid's post say). Perhaps Social Policy Bonds can solve the problem: instead of trying to work out the optimal level of centralisation for any social or environmental intervention, it would seem simpler to target a specific outcome, reward the most efficient ways of achieving it, and let the market for the bonds determine who makes decisions and at what level of aggregation. A bond regime would encourage diverse, adaptive solutions of that an overcentralised bureaucracy cannot - and would be likely to see as a threat. In short, Social Policy Bonds would deal with the problem of overcentralisation quite neatly.

1. http://thearchdruidreport.blogspot.co.uk/2013/02/the-center-cannot-hold.html

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10.2.4 Galactic rhetoric (2013-02-16 23:19)

Mark Steyn, quoting President Obama, writes:

> "Let's cut in half the
> energy wasted by our homes and businesses over the next 20 years." What does that even mean? How would you even know when you've accomplished that "goal"? What percentage of energy used by my home and business is "wasted"? In what sense? Who says? Who determines that? Is it 37 percent? 23 percent? So we're going to cut it down to 18.5 percent or 11.5 percent by 2033, is that the "goal"? [1]*Magical Fairyland budgeting*, 16 February

Our political discourse is infested with these grandiose-sounding, but meaningless 'goals'. Their purpose is simple: to deceive. As Mr Steyn points out they are meaningless to ordinary people and unverifiable by design. Politicians can get away with such pronouncements only because we, the voters, are not encouraged to think in terms of outcomes. Policymaking has become a public relations exercise coupled to arcane legalistic debates about funding arrangements and institutional structures. Only vested interests and their paid lobbyists can stomach engagement with the real purpose of policymaking. The rest of us have to be content with the high-flown vapid rhetoric of the front men.

There is another way. Social Policy Bonds would recast policymaking in terms of outcomes that are meaningful to ordinary people. Instead of Mickey Mouse micro-targets that lose all meaning when we focus on them, a bond regime would agree on broad social and environmental outcomes, and reward people who achieve them. Because these outcomes would be meaningful and quantifiable, a wider public could engage with the policymaking process - an end in itself as well as a means toward securing more buy-in. Take the energy 'goal' that President Obama is talking about in the quote above: under a bond regime we'd ask ourselves, and have to ask ourselves: what do we really want? Is it a reduction in wasted energy? A reduction in wasted fossil fuel energy? A reduction in fossil energy use per unit GDP? Perhaps it would be better to target for reduction the negative impacts of energy use? These are questions which should be the subject of legitimate debate by all of us and under a bond regime they would be. Under the current system they aren't. Instead we are served up with a baleful combination of galactic-sounding rhetoric dreamed up by Public Relations experts, and real-world policies designed by and for entrenched interest groups. Any correlation with policies that benefit ordinary people is entirely coincidental.

1. http://www.ocregister.com/opinion/president-496076-obama-goal.html

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10.2.5 Corridors are not wards (2013-02-26 23:40)

Theodore Dalrymple writes:

> I remember a manager in the hospital in which I worked before my retirement, with no medical or even nursing qualifications, prowling the wards to look for patients who could be hurried home so that beds would become available for patients who would otherwise break the government's four-hour rule, that is to say the rule that no patient should wait more than four hours after the decision to admit him had been taken. The concern that patients should not have to wait for more than four hours was not for their sake, of course, but merely so that the central government could claim that it was improving services, and so that the hospital could claim to have met its target. In the event the target was met by the simple expedient of redesignating hospital corridors as wards, satisfactory all round - except for the patients, of course. *[1]A healthcare system suffocated by bureaucrats*, Theodore Dalrymple, 'Standpoint' (online only), Jan/Feb

The well-being of a large, complex society, is inevitably going to mean giving priority to numerical indicators. In the absence of meaningful, broad indicators of well-being, we instead default to the targeting of deeply flawed accountancy measures (like Gross Domestic Product) and a plethora of meaningless micro-targets, like those about which Mr Dalrymple writes. It's

not working.

A Social Policy Bond regime would bring some much-needed clarity to the hugely important task of defining, and prioritising, the essential elements of societal well-being. We could all participate in such an exercise. We all understand outcomes, and we can all have an opinion about which broad social and environmental outcomes are the most important to ourselves and society. That's a stark contrast with the current policymaking system, which in most countries is now largely under the control of the few interest groups who can afford to pay specialists to understand, manipulate and subvert the democratic process in their favour.

1. http://standpointmag.co.uk/node/4843/full

10.3 March

10.3.1 Almost there (2013-03-11 21:08)

More on [1]Social Impact Bonds in the *Economist* of 23 February. I've posted about SIBs and compared them to Social Policy Bonds in previous posts ([2]here, for example). I'm glad to see the concept of payment for performance enter social policy. The flaw, though, remains that SIBs don't appear to be tradable and so, under a SIB regime, as the *Economist* says:

> Projects which take many years to have an effect (the impact of pre-school education on university admissions, say) will not interest investors.

I have outlined my reasons for advocating tradability of the bonds [3]here. It does appear, I'm pleased to say, that there are bodies interested in making a secondary market for SIBs.

When I first came up with the idea of Social Policy Bonds one of my colleagues told me that I was 20 years ahead of my time. He was almost right: it's been 25 years. This [4]long pdf contains my first published paper on the subject and is dated 1988.

1. http://www.economist.com/news/finance-and-economics/21572231-new-way-financing-public-services-gains-momentum-commerce-and-conscience
2. http://socialgoals.blogspot.co.uk/2012/03/social-impact-bonds-and-social-policy.html
3. http://www.blogger.com/Projects%20which%20take%20many%20years%20to%20have%20an%20effect%20(the%20impact%20of%20pre-school%20education%20on%20university%20admiss
4. http://researcharchive.lincoln.ac.nz/dspace/bitstream/10182/848/2/aeru_dp_121_vol2.pdf

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10.3.2 Impartiality and health care (2013-03-30 21:04)

Chrystia Freeland writes:

> [T]he muscle of the philanthro-capitalists is such that they can sometimes unintentionally distort the social safety nets of entire nations. That has been a complaint in some African countries, where the richly funded, relentlessly focused Gates programs on AIDS medicine and tuberculosis and malaria vaccines have lured local doctors and nurses away from providing desperately needed, but less glamorous, everyday care.
> Chrystia Freeland, *[1]Plutocrats: the rise of the new global super-rich and the fall of everyone else* (page 91), October 2012

Which is why it's best to target social and environmental outcomes that are as broad as possible. Unfortunately, even under the, presumably, less idiosyncratic government-run systems of health care, expenditure is heavily influenced by
groups of medical specialists with little incentive or capacity to see
improvements in the *general*
health of the nation as an objective. As a result, funding of these
specialities depends to a great and varying extent, on the strength of their
lobby groups or on their public profile, rather than on what would best meet
the needs of society. At one time the British national health
care system's terminal-care budget: 95 percent of this is allocated to the 25
percent of the UK's population who die from cancer, and just 5 percent to the
75 percent who die from all other causes. (

Source: *Alternative endings*,
'Radio Times' (UK), 13 July 2002. This was the subject of a British Channel 4
television documentary *Death: you're better off with cancer,* broadcast
on 16 July 2002.)

A Social Policy Bond regime would target broad indicators of healthcare; probably including measures of longevity and [2]Quality Adjusted Life Years.

Apart from overcoming the biases of wealthy individuals or interested agencies, including government bodies, a bond regime would also see that the rational allocation of resources would not be undermined by high-profile events. Another UK example: in the aftermath of a tragic rail disaster in London that resulted in the deaths of 40 people the UK Government came under considerable pressure to order the installation of an automatic braking system for trains that go through red signals. Cold calculations showed that this would cost around $21 million for each life that the system could be expected to save. This is around five times the figure that the UK Treasury used as its benchmark valuation of a human life, which means that if the government had succumbed to pressure to install the automatic braking system it would have diverted funds from more cost-effective life-saving projects, and so caused the loss of more lives than it would have saved. A Social Policy Bond regime that had as its objective the maximising of the number of lives saved per government dollar would not waver in the face of spectacular one-off events.

1. http://www.amazon.com/Plutocrats-Rise-Global-Super-Rich-Everyone/dp/1594204098/ref=sr_1_1?ie=UTF8&qid=1364672302&sr=8-1&keywords=freeland+plutocrats
2. https://en.wikipedia.org/wiki/Quality-adjusted_life_year

10.4 April

10.4.1 'Renewable' is not an end in itself (2013-04-05 21:27)

The Economist writes about the problems of burning biomass (mainly wood and crop residues) as a source of renewable energy in Europe:

> [T]he ideal of a biomass plantation that is harvested only at the rate at which it grows back is not always met. Even when it is, such plantations displace other ecosystems that would themselves have sucked down carbon. Processing and transporting the wood to the place where it is burned requires energy that may well come from non-renewable sources. [S]ome biomass programmes could end up emitting more carbon than the fossil fuels they are being subsidised to replace.The underlying problem is the reverence accorded to renewable energy itself. Greens like it for various reasons: independence from fluctuating fuel prices, rural employment, sustainability, as well as low carbon emissions. But as the sorry state of biomass shows, not all renewable-energy technologies are good at achieving all those aims. Nor are all those aims worth spending scarce public money on. *[1]Bonfire of the subsidies*, the 'Economist', dated 6 April

This is what happens when instead of targeting climate change itself we focus instead on trying to limit greenhouse gas emissions; or rather, those gases thought in the 1990s to be the causes of climate change. If we want to achieve environmental outcomes, I think we'd do better to target these outcomes directly, rather than have government - heavily influenced as it is by interest groups - identify the ways of achieving them. A congenial climate, along with many other environmental and social goals, is too complex to be reduced to a set of simple invariant relationships of the sort that government can identify and encourage or discourage.

Social Policy Bonds would instead identify desirable outcomes and reward people for achieving them, however they do so. A bond regime would see investors automatically adapt

to changing circumstances and our ever-expanding knowledge about the relevant scientific relationships. If burning biomass were to create more environmental problems than it solves, investors in [2]Climate Stability Bonds would soon focus on better ways of achieving society's climate target. It would see 'renewable' and other high-sounding adjectives as *possible* means towards society's ends, rather than as ends in themselves.

1. http://www.economist.com/news/leaders/21575759-europes-wood-subsidies-show-folly-focusing-green-policy-renewables-bonfire
2. http://socialgoals.com/ieakyototext.html

10.4.2 It's all too complicated (2013-04-14 20:42)

Our financial system has become as complicated as our social and physical environments. All are too complicated and too rapidly changing for ordinary people ever to understand fully so, by default, hugely important policy decisions are made by people who are at best, under-informed or, at worst heavily influenced by the campaign funding contributions of vested interest groups. We aren't going to see a reduction in complexity; not in our social and physical environments. There are just too many variables and time-lags, combined with rapidly changing circumstances and growing knowledge of scientific relationships. Politicians can readily escape or deflect censure even for their worst policies, because the relationships between cause and effect are too delayed or obscure to identify unambiguously. The incentive to get long-term policy right is correspondingly diluted.

Social Policy Bonds don't require a prior knowledge of cause and effect. Instead, they start from broad, desirable social and environmental outcomes. Say we want to increase society's physical well being, defined as some agreed, weighted combination of objective indicators, such as longevity, Quality Adjusted Life Years, etc. It would not then be up to policymakers to establish, rule on (or obscure), say, the relationship between burning coal and lung disease, or between a new drug and its net benefit; instead our politicians would, in effect, contract out the achievement of society's health goal to a motivated coalition of investors, with powerful incentives to reward the most efficient ways of improving society's health and, crucially, to terminate the least efficient.

Health, like a robust financial system and a benign physical and social environment, *is* too complicated for anybody to understand. But, rather than resign ourselves to cynicism and despair, we could adopt some or all of the most salient features of a Social Policy Bond regime: a focus on desirable outcomes in the form of broad, quantifiable, goals; and the channelling of market incentives into their achievement.

10.4.3 Obesity is like poverty or climate change: there's no obvious cause (2013-04-25 00:00)

> Everyone thinks he or she understands obesity. Believe it or not, this is one of the harder medical conditions to comprehend. Why? Obesity is a combination of several factors: physics, biochemistry, endocrinology, neuroscience, psychology, sociology, and environmental health, all rolled up into one problem. Robert H Lustig, *[1]Fat chance*, December 2012

Obesity is much like any social or environmental problem. There's very little point in government picking a particular theory or approach and backing it with taxpayers' funds. There's no obvious causal relationship. The best government, or any interest group can do, is to stimulate diverse approaches that adapt over time to changing circumstances and our expanding scientific knowledge.

It wasn't always like that. In health care it's now widely accepted and has been clearly shown that, for example, decent sanitation is essential for good physical health. Society and the environment were, generally, less complex in those days. But there is a lot more complexity now. Government would do better, when dealing with very complex concerns, to target outcomes, rather than the supposed means of achieving them.

Social Policy Bonds allow government to do this in ways that channel market forces into socially useful directions. When it comes to obesity, government should think clearly about what it wants to achieve, then reward those approaches that most efficiently achieve it. It might be that obesity itself is not a problem, but rather a marker of other health problems, as Dr Lustig says in his book. In that case, government should directly target those health problems for solution.

A Social Policy Bond regime would not prejudge the ways of tackling complex health problems. It would focus entirely on society's health goals and put in place a system of cascading incentives rewarding those who achieve them in the most cost-effective ways. For more information, check out my book or other papers, which can be freely downloaded from my [2]Social Policy Bonds website.

1. http://www.amazon.com/Fat-Chance-Beating-Against-Processed/dp/159463100X/ref=sr_1_1?ie=UTF8&qid=1366843517&sr=8-1&keywords=lustig+fat+chance
2. http://socialgoals.com/

10.4.4 Policymaking and journalism: it doesn't matter if you're wrong. (2013-04-26 21:33)

John R MacArthur writes:

> What's the use of being right, in journalism or politics? I gave a lot of thought to this question during the tenth anniversary of the American–British invasion of Iraq, and I've come to the conclusion that being right is not much use at all, at least as far as career advancement goes. *[1]No reward for being right on Iraq* , John R MacArthur, 'Harper's Magazine, 18 April

Incentives are important, and they needn't be monetary. Unfortunately, our current political system, beset as it is by its own complexities as well as those of society, does not reward success or punish failure consistently enough to filter out stupid policies. Mr MacArthur quotes Scott Ritter: "Everybody who lied about the [Iraq] war got rewarded because they played the game." Exactly so. When it comes to looking back at evaluating policies - something that's [2]rarely done - few people are rewarded in their lifetime for being right. Amongst politicians loyalty counts for far more.

Social Policy Bonds would change that. They reward people not for who they are, what they say or for whom they support, but for achieving society's explicit goals. Society's limited resources would be channelled into the achievement of these goals, transparently and impartially. Politicians couldn't get away with insane, disastrous policies; instead they would, under a bond regime, be limited to what they do best: articulating society's goals and raising the revenue for their achievement. Efficient approaches would be rewarded by the way the market for the bonds works. Inefficient approaches would receive little funding and be terminated - something that rarely happens under current policymaking systems. Under a bond regime, successful achievement of society's goals is the top priority. Under the current system it hardly features at all, as Mr MacArthur's poignant article makes very clear.

1. http://harpers.org/blog/2013/04/no-reward-for-being-right-on-iraq/
2. http://dspace.mit.edu/handle/1721.1/5533

10.5 May

10.5.1 Cyprus (2013-05-08 22:23)

James Meek report in g ,

from Cyprus, quo tes

Panikos Demetriou,

holder of an account at a Cypri ot Bank:

> ’We have 56 MPs,’ he said. ‘Forty of them are solicitors. Everything that goes on in Cyprus is with their consent. If they didn’t want the tax dodgers and the laundered money, they would have done something about it years ago. I’ve been here seven years and I’ve yet to see a tax dodger or anyone from the stock exchange come up before a judge so we can say: “This is the man, he’s behind bars.” Not one person. Nobody gets punished in Cyprus. Nobody gets punished and the same thing is going to happen this time round. At the end of the day they punish the ordinary person.’
>
> James Meek, [1]*the Depositor Haircut*, ’London Review of Books’, 9 May

It’s for the best that lawyers engaged in legal proceedings should be pre-occupied with process, rather than outcomes. But making policy is - or should be - different from conducting legal cases or making laws. Perhaps because outcomes play only a rhetorical role in our policymaking, lawyers typically make up a large proportion of policymakers, and debate about policy revolves around things that matter to lawyers: process, structures, funding arrangements.

...Or precedent; a process that was satirised by Francis Cornford in Cambridge a century ago in *Microcosmographia Academica:*

> The *Principle of the Dangerous Precedent*
> is that you should not now do an admittedly right action for fear you, or your equally timid successors, should not have the courage to do right in some future case, which, *ex hypothesi*, is essentially different, but superficially resembles the present one. Every public action which is not customary, either is wrong, or, if it is right, is a dangerous precedent. It follows that nothing should ever be done for the first time. (Q uoted *[2]here*, in relation to Oxford University, by John Kay.)

Tried, tested and failed will win every time under these circumstances. Ticking boxes becomes a substitute for innovation, adaptation and diverse approaches.

Social Policy Bonds could re-orientate policymaking so that outcomes would play the central role: outcomes that are meaningful to ordinary people, so that we could, if we wished, participate in the policymaking process. Or, at least, we could understand it, so that it could not be hijacked, Cyprus-style, to serve the interests of a corruptible elite.

1. http://www.lrb.co.uk/v35/n09/james-meek/the-depositor-haircut
2. http://www.johnkay.com/2000/12/20/a-lost-cause

10.5.2 The dog's breakfast that is Kyoto (2013-05-13 21:45)

George Monbiot laments our failure to cut back greenhouse gas emissions:

> The European Emissions Trading Scheme, which was supposed to have capped our consumption, is now, for practical purposes, dead.
> International climate talks have stalled; governments such as ours now seem quietly to be unpicking their domestic commitments. Practical measures to prevent the growth of global emissions are, by comparison to the scale of the challenge, almost non-existent. [1]*Via dolorosa*, George Monbiot, 10 May

Attempts to cut back greenhouse gas emissions were always doomed to fail. And, in the form that they have taken, they deserve to. Why? Several reasons:

The causal relationship between emissions and climate is too obscure, scientifically and (largely) hence politically. Nobody's going to take serious action when the relationship between cause and effect is so difficult to pin down. All the costs of emission cutbacks are upfront.

All the supposed benefits are uncertain and, if they ever do arise, it won't be until decades into future. At a time when our scientific knowledge of the existence, causes and effects of climate change is expanding rapidly, Kyoto and the attendant nonsensical emission trading schemes rely on science that was fossilized in the 1990s. Perhaps it was all an elaborate conspiracy designed specifically to do distract us while allowing the continued exploration for and exploitation of fossil fuels. A few windmills and higher electricity bills notwithstanding, that's basically the sum achievement of Kyoto and the millions bureaucrat-days that have been spent on the climate change issue.

A [2]Climate Stability Bond regime would have been different. For a start, it would not assume that climate change is happening; it would not assume that if it is happening it's caused my man; and it would not have as its goal the cutting back greenhouse gas emissions. Instead it would start by specifying what exactly are our climate-related goals, all of which would have to be achieved before taxpayers lose a penny. Our climate goals would include physical, biological and financial measures of the world's climate and its impacts, all of which would have to fit into specified ranges in, say, the years 2030, 2040 and 2075, before the bonds would be redeemed. The bonds would stimulate diverse, adaptive approaches, that would stimulate and continuously respond to our rapidly growing knowledge of the climate. Despite the very long term goals of a bond regime, people would still be rewarded along the way, by doing what they can to achieve our climate goals and so benefiting from the consequent increase in the market value of their bonds.

Incentives matter. The incentives under the current system are, as Mr Monbiot has discovered, to misdirect the public and scour the planet for fossil fuels. Climate Stability Bonds would instead reward people for doing whatever we can to prevent climate change and its depredations. Because the targeted outcomes of a bond regime would be meaningful to ordinary people, they would generate participation in, and buy-in to, the approaches adopted by investors in the bonds.

The contrast with the current dog's breakfast of failed regimes is total.

1. http://www.monbiot.com/2013/05/10/via-dolorosa/
2. http://socialgoals.com/ieakyototext.html

10.5.3 Economic growth is not a valid goal (2013-05-15 17:11)

In April the British Government's new Chief Scientific Adviser, Sir Mark Walport,
set out his priorities his first major public speech since taking office. His 'five key themes' for scientific advice in government are:

1. Ensuring that scientific knowledge translates to economic growth;

2. Strengthening infrastructure resilience for the engineered world of transport, energy, the built environment and telecommunications and also the natural world;

3. Underpinning policy with evidence;

4. Harnessing science for emergencies; and

5. Providing advocacy and leadership for science. *[1]*

Source

It's the first that causes me most concern (as it does [2]George Monbiot). It reflects and amplifies the widespread view that economic growth is an end in itself. But economic growth, especially as measured by Gross Domestic Product (or GDP per capita), is not an end in itself. It is an indicator of economic activity. As a measure of well-being it is deeply flawed. It does not distinguish between helpful and harmful economic activity.
It puts no value on any activity that bypasses the monetary economy. So it ignores leisure time, the environment, crime, health, and other things that are meaningful to natural persons. Crucially too, it ignores how the economic output it purports to measure is distributed within society.

> The more than minimal fraud is in measuring social progress all but exclusively by the volume of producer-influenced production, the increase in GDP. J K Galbraith, 'The Economics of Innocent Fraud', Penguin Books, 2004.

This identification of societal well-being has permeated the thinking of our politicians, officials and now, it seems, our top scientists. We are just not in the habit of formulating policy goals in terms of outcomes that are meaningful to ordinary people. So, by default (or by conscious fraud), GDP per capita has become the de facto indicator of social well-being. We need to think urgently about changing this.

1. http://www.csap.cam.ac.uk/news/article-sir-mark-walport-set-out-his-priorities/
2. http://www.guardian.co.uk/commentisfree/2013/may/14/oxford-university-takes-shell-funding

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10.5.4 Think: meaningful outcomes (2013-05-18 00:06)

In our large and complex societies policymakers are, inevitably, using numerical indicators in an effort to target well-being. But these indicators are often deeply flawed. My previous post

pointed out some of the flaws in the use of GDP per capita as a measure of social well-being. But there is also a proliferation of useless micro-targets, as this excerpt from the UK's *Daily Mail* makes clear:

> How offences can vanish
>
> High-profile and politically sensitive crimes, such as robbery and burglary, are reclassified. For example, a robbery may be transformed into 'other theft' or a burglary called criminal damage. Shockingly [*sic*], some offences are recorded as 'no crime' because there is no direct evidence. A mobile phone owner may not be able to prove it was stolen so it is written down as 'lost'. Frontline police representatives suspect many victims do not bother to report crimes because their local police station is closed. Others no longer insure household goods and therefore do not report losses. *[1]Daily Mail,* 16 May

A Social Policy Bond regime would require us to be clear about what we actually want to achieve. We would formulate policy in terms of meaningful, verifiable outcomes, rather than vague, vapid sentiment, or, as in this example, targets that can easily be gamed or manipulated. This would be inherent in the way the bond regime operates. The benefits of expressing policy goals in such terms would be equally clear: more transparency, stability, efficiency, public participation and, therefore, public buy-in.

1. http://www.dailymail.co.uk/news/article-2324388/Rank-file-officers-failing-record-crimes-fears-whistleblowers-Leveson-inquiry-Police-Federation-chairman-says.ht

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10.5.5 Yes, outcomes are relevant, aren't they? (2013-05-24 23:06)

The current *Economist* [1]writes:

> More than perhaps any government in the world, America's pays doctors to do stuff, rather than keep people well. That has to change.

Yes, quite. Outcomes matter. It's a shame it's taken so long for people to realize that. For a short piece on how the Social Policy Bond principle can be applied to health, see [2]here.

1. http://www.economist.com/news/leaders/21578389-despite-rancour-over-scandals-big-reforms-are-still-possible-how-save-obamas-second-term
2. http://socialgoals.com/Health%20Bonds.htm

10.6 June

10.6.1 Ingenuity is not in short supply (2013-06-04 20:36)

What stimulates human ingenuity of this sort?

> Like casino designers' spatial strategies, their ambient strategies treat affect not as something passive or static, but as an active and dynamic capacity that can be harnessed and guided in lucrative directions. A study titled *Effects of ambient odors on slot-machine usage in a Las Vegas casino* found that slot revenue rose by a full 45 percent in a gambling area where machines had been subtly treated with a certain pleasing odor while remaining static in another area that had been treated with a different but equally pleasing odor. The author speculated that certain aromas produce an 'affective congruence with the situational context," encouraging longer play...
>
> Source: *[1]Addiction by Design: Machine Gambling in Las Vegas,* Natasha Dow Schull, August 2012

Or this:

> In thousands of labs across the planet, medical researchers are trying to find the cause of, and cure for, obesity. They examine genes, chemical exposures and metabolic pathways. They experiment with amphetamines, anticonvulsants, probiotics. Some of this research is funded by the companies that make and sell the food that makes us fat. In thousands of other labs across the planet, food scientists and marketers are working on ways to make you eat more. They employ highly sophisticated psychological and physiological research to this end; they examine the effects of colour, unit size, price, texture, packaging and advertising on human desire. Look around you: who is winning? *[2]Fat City*, Karen Hitchcock, 'The Monthly', March

Human ingenuity can be channelled in all sorts of ways; the two examples above show how significant quantities of high-quality mental resources are channelled into producing goods and services that generate short-term, financial, benefits for corporations, while imposing heavy costs not only on wider society but also on the targeted individual consumers.

The people who do this targeting aren't evil. They raise families, take out mortgages, pay taxes and no doubt volunteer at school sports days. They are simply part of a system that rewards, more than anything else, activities that benefit a corporation in ways that can be calculated by the accountancy profession.

It's a crazy system. Of course, we don't want a society that tells corporations what to do, and there will always be a role for regulating their activities. But couldn't we give incentives for people and corporations to generate long-term benefits for wider society? Why must society be largely driven by those transactions that are captured by corporations' trading accounts or balance sheets?

A Social Policy Bond regime would instead target society's long-term goals. It would lead to the setting up of corporations whose goals would be entirely congruent with those of society. Instead of paying people to spend their working lives implanting odours into slot machines, we could redirect their ingenuity into solving some of our social and environmental problems. We don't suffer from a shortage of ingenuity; we suffer, and some of us suffer grievously, from a system of perverse incentives, which directs our ingenuity into activities that have little social merit. Social Policy Bonds could re-orientate those incentives: the implications of building a motivated coalition of people who, necessarily, will want to achieve society's wider goals and whose rewards will depend on how well they do so, are immense.

1. http://www.amazon.com/Addiction-by-Design-ebook/dp/B0098UQVJC/ref=sr_1_1?ie=UTF8&qid=1370371197&sr=8-1&keywords=addiction+by+design+schull
2. http://www.themonthly.com.au/issue/2013/march/1361848247/karen-hitchcock/fat-city

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10.6.2 Self-interest and social goals: inevitably in conflict? (2013-06-12 17:17)

Some people don't like the idea of using market incentives to solve social problems. The motivation for such opposition might be patch protection, or a more general suspicion of any radical new approach. But some of it centres on the apparent conflict between the values of the market and a vision of social justice.

These arguments need to be addressed. The fact is that markets *have* been abused, and that the 'markets' and their efficiencies have been used to justify ludicrous accumulations of wealth for activities of little or negative social merit, at the expense of ordinary people.

It’s true that corporations are self-interested; further,
their interests are very narrowly defined, largely by the accountancy profession. Corporations are less interested in free markets, and more interested in doing whatever is necessary to ensure their survival. If that is at the expense of free markets, or most of a corporation’s employees, or the environment, or society in general, then that is not the corporation’s concern. Cleaning up after a corporation’s rampage is something that is done by governments, if at all. Corporations, as they grow bigger, will do what they can to corrupt and undermine markets and manipulate the regulatory environment in their favour - all to the cost of wider society. The reckless activities of the financial institutions who siphoned off the
financial benefits of their activities and socialized the enormous costs are only the most spectacular example of this anti-social behaviour. So people are right to be cynical about the benefits of so-called markets.

But self-interest can do good things, and if we re-jig the incentives we can

channel it into
the public good. In economic theory, and on all the
evidence, markets are the best way of allocating society’s scarce resources. It
is unfortunate that, largely for historical reasons, we leave the achievement of social goals to the
sort of command-and-control mechanism that is often inefficient (and can also be abused).

A Social Policy Bond regime would probably see some enrichment of
corporations, new or existing, but only as a side-effect of their achieving society’s agreed social and environmental goals. It could lead to the creation of entirely new organizations, dedicated to finding and implementing the most efficient solutions to our social problems. The bonds are all about building a coalition of motivated investors whose self-interest would be exactly

congruent with those of society. If these investors fail to achieve society's goals, their bonds will lose value and they will receive nothing. If they achieve society's goals efficiently they will benefit. Much of this benefit will take the form of salaries for employees of these corporations. It is very like paying people to be teachers: in some societies this would be seen as sacrilegious, but we recognise today that, however idealistic they or their employers might be, teachers need to earn a salary.

A Social Policy Bond regime represents a new departure: rewarding people for achieving society's long-term goals, and doing so in a way that encourages efficiency and effectiveness and punishes incompetence. Sadly, this has never been tried before. In the long run, the existence of this unambiguously socially beneficial way of accumulating wealth could make it easier to raise the tax rates on other profitable, but less edifying activities.

Aligning self-interest with social justice could generate huge benefits, and it would be a shame if these were to be denied to the people who need them most for reasons of ideology or because market forces in general, rather than their abuse and manipulation, have been discredited in the eyes of well-intentioned policy makers.

10.6.3 Evidence-based policymaking (2013-06-23 16:49)

John Bridgeland and Peter Orszag write about evidence-based spending decisions. It's a form of data mining, and has been applied to baseball "...replacing scouts' traditional beliefs and biases about players with
data-intensive studies of what skills actually contribute most to
winning" but "is just as applicable to the battle against out-of-control
health-care costs."

> Based on our rough calculations, less
> than $1 out of every $100 of government spending is backed by even the most basic evidence that the money is being spent wisely. As former officials in the administrations of Barack Obama (Peter Orszag) and George W. Bush (John Bridgeland), we were flabbergasted by how blindly the federal government spends. In other types of American enterprise, spending decisions are usually quite sophisticated, and are rapidly becoming more so: baseball's transformation into "moneyball" is one example. But the federal government—where spending decisions are largely based on good intentions, inertia, hunches, partisan politics, and personal relationships—has missed this wave. *[1]Can Government Play Moneyball*, 'the Atlantic', July/August

It's encouraging that, after wasting billions of dollars in programs that do little other than subsidise the lifestyles of opponents of their removal, the US Government is looking at a more rational basis for allocating funding. The authors concede that change in this direction will be difficult:

> Still, linking evaluation to program funding will be tough, as both of us have seen in practice, again and again. One thing that is essential to a more results-driven government is
> holding politicians accountable for their support of failing programs. Interest groups regularly rate politicians on their adherence to a particular perspective. What if we had [an index] easily
> accessible to voters and the media, that rated each member of Congress on their votes to fund programs that have been shown not to work?

OK; certainly an improvement on the dogs' breakfast that is the current policymaking environment. But we could, perhaps, envisage a system that doesn't require politicians to react to information in ways that conflict with their own interests? A Social Policy Bond regime would do this, because it would contract out the development and implementations of programmes to investors in bonds targeting a social goal. It would take resource-allocation decisions out of the hands of government, and put them into the hands of entrepreneurs, with no inherited resistance to change.

A Social Policy Bond regime would have other advantages over the system advocated by Messrs Bridgeland and Orszag. The evidence-gathering wouldn't be prone to corruption and gaming, as there would be no vested interests to keep happy. And it would be done on a dynamic basis, not as a one-off exercise designed to set policy for an indefinite number of years into the future.

Still, it's encouraging to read about evidence-based policymaking. The authors refer to a non-profit organization called Results for America, which is advocates for it. See [2]here for more.

1. http://www.theatlantic.com/magazine/archive/2013/07/can-government-play-moneyball/309389/
2. http://www.americaachieves.org/tools-policy

10.6.4 Institutionalised hypocrisy (2013-06-30 22:13)

> "The role of citizens, of Christians, of humanity is to take care of each other, but not for Washington to steal from those in the country and give to others in the country."

> These are the words of [US] tea party Congressman Stephen Fincher of Frog Jump, Tennessee [who] argued passionately in favor of ...gut[ting] the federal food stamp program by over $20 billion and push[ing] an estimated two million people—mostly retirees and poor families with kids—further into poverty and hunger.

> The reason? Rep. Fincher is a Crusader for small government...but he's also one of the biggest welfare queens in his home state of Tennessee. According to federal subsidy data compiled by the Environmental Working Group, [1]Stephen Fincher has personally [2]cashed in on $3.5 million in federal farm welfare payments (aka agricultural subsidies) since 1999. Fincher's average welfare payout comes out to $300,000 annually—200 times bigger than the $1,586.40 an average family in Tennessee receives in food stamp benefits a year. *[3]Small Government, Huge Hypocrite*, Yasha Levine, nsfwcorp, 28 June

And so it goes on. It's 35 years since the corrupt insanity of farm subsidies was obvious to informed undergraduates; 30 years since the huge cost of these subsidies began to be accurately quantified and promulgated...and yet they persist. Our policymaking system just does not have the mechanisms to terminate failed policies if they are backed by large corporations and, especially, if they take money from the poor to give to the rich. The rich, that is, who can afford to pay people to follow our arcane policymaking process and manipulate policy for the benefit of their paymasters.

We'd stand a better chance of achieving social goals if we clarified policymaking by targeting outcomes: meaningful outcomes that ordinary people can understand, engage with, and influence. One of the advantages of a Social Policy Bond regime is that it would do exactly that: target explicit, transparent, meaningful outcomes and reward people who achieve them. The complexity and obscurity of today's policymaking procedures work in favour only of the corrupt and the hypocritical.

1. http://www.ewg.org/agmag/2013/05/tea-me-not-you
2. http://farm.ewg.org/persondetail.php?custnumber=A10829265
3. https://www.nsfwcorp.com/dispatch/stephen-fincher/a0d9106728b9a0956c462f9c14704851fabf355e/

10.7 July

10.7.1 A better way of becoming rich (2013-07-06 22:59)

A Social Policy Bond regime could have many advantages over the ways in which we currently try to achieve social goals. These include, most obviously, efficiency, stability (of policy objectives), transparency leading to greater public engagement and buy-in.

A less obvious benefit of a Social Policy Bond regime is that they would be a means whereby private gain would be strongly, visibly and inextricably correlated with public benefit. Some bondholders, whether institutions or individuals, would start out rich and, if their bonds rose in value, would become richer. But working successfully to achieve desired social goals would most probably be seen as a laudable way of acquiring wealth. There are intangible benefits from having people or institutions grow rich in this way. There are many disaffected people who, in some cases no doubt justifiably, view with suspicion or alarm the very high incomes or profits of corporations engaged in activities of little obvious net social or environmental benefit. They are also unconvinced that 'trickle-down' occurs to any meaningful degree. Wealth, in these people's eyes, must inevitably result from exploitation, either of other people or the commons

. Social Policy Bonds would shift this worldview and, by helping people take a more positive view of the act of earning an income and accumulating wealth, could make for a more cohesive society.

A socially acceptable way of becoming wealthy would also make it more politically feasible to tax less socially desirable ways more heavily – not an end in itself, but a means of raising more tax revenue for redistribution or increasing the number and quality of public goods

and services. Corporations, to ensure their own survival, would move out of activities that are financially profitable, but socially and environmentally destructive.

I have posted before about how
Social Policy Bonds could bring about [1]a new type of organization: one whose structure, composition and activities would be entirely subordinated to the goals that society wants to achieve. In doing this, a bond regime could bring about the gradual, but perhaps necessary, demise of corporations whose long-term negative impacts, simply because they do not register in today's markets, substantially outweigh their positive contribution to society.

1. http://socialgoals.blogspot.co.uk/2006/05/new-type-of-organisation.html

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10.7.2 Issuers and purchasers? (2013-07-18 19:01)

A correspondent asks: *Who do you see as the most likely issuers and purchasers of bonds* ?

My reply goes like this:

Governments are unlikely to be the first to issue Social Policy Bonds. "Tried, tested and failed" will always be preferable to
governments than something radical that might not work. Nor are NGOs or other foundations, as
they are currently configured, likely to get involved with
buying Social Policy Bonds themselves. I envisage brokers filling the gap between the backers of the bonds and the people carrying out goal-achieving activities. If the bond issue is big enough, these brokers would act as investment companies: allocating funds to those bodies that, in their view, are carrying out the most efficient goal-achieving activities. They could do this with their own funds or, possibly, borrow on the strength of any anticipated appreciation of the bonds they hold. Social entrepreneurs and NGO's could make presentations to these brokers in an effort to convince them that their activities are leading to, or will lead, to the fastest appreciation of the bond price. They might have to do this on a

continuing basis (every five years, say) for long-term goals.

There are broad social and environmental goals for which there is potentially a huge coalition that, under a bond regime, could actually put up funds to get things done. People might be more happy to contribute towards a specific, beneficial social outcome, rather than to a charity or to a government that has its own ideas about how to spend taxpayers' money. As well, most existing bodies have relatively specific objectives, compared to those that would be best served by the Social Policy Bond approach.

Take something like universal literacy in the Middle East and Asia. Most people would like to see this. We might not feel strongly enough to join a specific organisation or to give funds to one of the numerous organisations that are trying to bring about this outcome (or claim to be doing so). But some people do already give to such charities, and they and new contributors could well give more if they know that their funds will be used to reward successful achievement of universal literacy, rather than activities or institutions that may not be very efficient. The great merit of focusing on outcomes with Social Policy Bonds is that it will enlarge the range of beneficial goals that can be targeted and, with ingenuity, achieved. Unlike under the current system, people will not be put off targeting and financing the solution of problems just because nobody currently knows how best to do so.

Or take a goal for a developed country: improving the health of the nation's population. Currently in the UK, for instance, this is mostly financed by taxes. In my [1]book I discuss how we could follow a transition pathway away from funding institutions that are supposed to improve health, and towards funding the health outcome itself. With this objective the bonds would (gradually) replace the current ways of allocating funding (government fiat, basically) with more rational ways. Whoever buys the bonds would have powerful incentives to allocate funds to the most efficient health-improving bodies. We cannot know in advance who these bondholders would be, especially as they themselves would be subject to the same pressure to be continuously efficient as the bodies to whom they allocate funds. At some point, it will be profitable to set up these companies whose sole job is to do this resource allocation efficiently. We cannot even know the structure and composition of these bondholder [2]investment companies: these will be subordinate to the goal itself.

As I say, government itself is not going to take the lead with issuing

Social Policy Bonds targeting national health. But there are goals, like the literacy one, or world peace, or reduced crime rates etc, about which there is a very wide consensus and towards which people will contribute, even from their after-tax income, if they can be sure, as in a bond regime, that only successful efforts will be rewarded. There is a much wider consensus over such outcomes than there is about the bodies that, today, are allegedly achieving them. Many who would not dream of donating to the United Nations, or to pay more tax so that health services can be improved, would happily give to fund the outcomes that these bodies are supposed to be achieving. ’

The issuers of these bonds would not resemble current foundations. What I envisage is that people concerned about, say, literacy in the Middle East, would raise awareness of the problem or rather tap into people’s existing concerns about the problem, and raise donations to be used to back literacy bonds. (They could undertake to return funds if their specified goal is not achieved.)

In short: the goals
best targeted by a Social Policy Bond regime are broad and long term, and likely to attract support from a very wide range of people such as philanthropists and the public who might be more prepared to fund outcome-achieving goals, especially because only efficient actors will be rewarded and also perhaps because if the actors fail, then their donations could be returned. Existing bodies might or might not get involved in some stage of this process, whether as consciousness-raisers or as recipients of funding from the new bodies that I envisage would be created to allocate funds. Would these new bodies just spontaneously come into being? Not initially, perhaps, but with sufficient funds from whatever source backing the bonds, and if the bonds fall in price as a result of the absence of such bodies, then there will be motivation to create these bodies, whose sole job will be to allocate funds to efficient goal-achieving activities and bodies.

The important thing is to have sound objectives that will generate lots of support and are broad and otherwise a good fit with the Social Policy Bond concept. Then it will be in some entrepreneurs’ interest to create resource allocation bodies. We can no more identify the nature and identity of these organisations than we can the activities they will promote, but there is no real need to do that.

So, to sum up: the issuers of the bonds (until governments get involved) are likely to be concerned individuals, philanthropists and existing charitable bodies, who would use their own funds and solicit public donations to back the bonds. I envisage bondholders (after some initial trading) mostly to be new organisations along the lines of investment companies, who will back whatever they think are the most efficient activities at any time. Of course, and interestingly, for large enough issues, a government itself may buy Social Policy Bonds backed and issued by concerned groups outside its country, and then do something to bring about (say) improved literacy in their country.

1. http://www.lulu.com/shop/ronnie-horesh/market-solutions-for-social-and-environmental-problems-social-policy-bonds/ebook/product-17447071.html
2. http://socialgoals.blogspot.com/2006/05/new-type-of-organisation.html

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10.7.3 Procedures or outcomes? (2013-07-26 20:47)

Freddie de Boer, in a review of Jaron Lanier's [1]*Who owns the future?* writes about the United States (and other countries), which he calls 'proceduralist':

> A proceduralist views society not in terms of a necessary goal (say, happiness and opportunity for all its members) but instead as a set of rules that it must follow—because they are natural, because they stem from the Western tradition, because they comport with human behavior, because they follow God's law, depending on whoever is justifying the current procedure. If these rules are followed, no injustice needs to be redressed. Rules can be discarded or changed if their intent is found to be problematic, but outcomes can be good or bad without issue. Problems arise only if the rules are broken. ...

> But what happens when established procedures lead to unsustainable or immoral consequences, such as widespread and persistent unemployment? The [US] employment crisis reveals a conflict between the procedures of democratic capitalism, which ensure certain rights but promise nothing else, and the logic of the American social contract, which justifies the social order by assuring citizens that they can trade work for material security.

> Talk of social contracts is passé in an America obsessed with technocapitalist visions of a prosperous future. ... This has led to an embrace of proceduralism by those true believers who want an app economy to be the engine of capitalism. And such people rule the world.

> The problem for proceduralists is that social contracts exist for a reason. It turns out that there are, actually, certain outcomes that society must ensure if it is to go on functioning.

Exactly so; and for many of us, society is becoming less efficient at ensuring these outcomes. The negative impacts of corporate activities have become larger or less equitably distributed; a larger proportion of the benefits is accruing to a tiny, powerful and self-entrenching elite. Real median salaries [2]aren't increasing by much, relative to the costs of a middle class life. One way of dealing with this might be a negative income tax: a payment to every citizen regardless of their employment status ([3]here is a UK proposal). That might help mitigate the worst impacts of unemployment but the sums don't look encouraging.

A second way, of course, would be a Social Policy Bond regime. This would give priority to outcomes, rather than procedures, and it is those outcomes that would underlie a new social contract. They would be agreed, explicit outcomes that are meaningful to ordinary people: ends in themselves rather than the means to ends on which policymakers currently focus. In comparison to a bond regime, proceduralism is too random and its failures too big and fast-moving for government bureaucracies to do much about. Social Policy Bonds would subordinate all social spending, and much corporate activity, to welfare-enhancing goals. Policy, indeed, as if outcomes for real human beings, mattered.

1. http://www.amazon.com/Who-Owns-The-Future-ebook/dp/B00ADNP2ZM/ref=sr_1_1?ie=UTF8&qid=1374867750&sr=8-1&keywords=lanier+future
2. http://www.guardian.co.uk/money/2013/feb/13/real-wages-fall-back-2003-levels-uk-ons
3. http://www.citizensincome.org/FAQsbody.htm

10.8 August

10.8.1 Goals for education (2013-08-02 20:49)

A correspondent has kindly drawn my attention to President Obama's [1]accreditation reforms for higher education, as outlined in his State of the Union address. There is much that seems of merit to me in these reforms, but these reforms have encouraged me to think more broadly

about education.

My premise is that policymakers should target, above all, social and environmental outcomes. As with other variables, like income say or, more to the point, literacy, at the basic level there is a strong correlation between something measurable and human wellbeing. So, for instance, we can measure functional literacy quite well, and the outcome of 100 percent literacy is a worthwhile one to target. In this vein, I was pleased to see that President Obama proposed programs to provide early education for four-year olds from lower-income households. There are also measures to encourage higher graduation rates from high school. At these levels there is a strong correlation between attendance at an educational facility and real, meaningful outcomes.

But things are much more complicated at higher levels of education. We really need to think about what sort of outcomes we want. Some social outcomes result only indirectly from education and, under a Social Policy Bond regime, we'd do better to target those outcomes themselves. For example, it would be more efficient to target unemployment directly rather than indirectly through the educational system.

Under a Social Policy Bond regime we could do that explicitly, and investors in Unemployment Reduction Bonds (or Employment Maximisation Bonds) might well decide that the school system needs some sort of overhaul to meet the targeted goal.

This indicates how I think about targeting the supposed means toward achieving an employment target via such things as "graduation rates, costs, average amount borrowed etc" that are the focus of President Obama's reforms. These are less ends in themselves than supposed means to an end (or various ends).
All [2]our experience tells us that such narrow, short-term, top-down, goals can - and will - easily be gamed or manipulated or will just not end up doing what they are supposed to. Obama's reforms concentrate heavily on strengthening the regulation of institutions. This might be praiseworthy, but I'd much prefer to see fewer administrative fixes and more targeting of specific broad outcomes, which, under a bond regime, would motivate investors in to make their own decisions about how best to achieve them. We need diverse, adaptive solutions of the sort that government just cannot manage. Government, under a bond regime scheme, would still ultimately subsidise or pay for the achievement of these goals, and raise the revenue for their achievement, but it would contract out the actual achievement to investors.

As happens so often with government everywhere, President Obama's proposals take the existing institutions as a given. They take the existing institutional framework as a given too. (I suspect Obama's healthcare proposals suffer from the same problem.) In the long run I think we'd do better to think carefully about our real goals and target those specifically. I think these would include high employment, universal literacy, lower crime rates, better physical and mental health and a few others. Education is, in my view, a means to those ends - and others, less easily specified which perhaps should not be a government remit at all.

So...Obama's proposals for higher education reform are undoubtedly well meaning, and arguably positive, given the existing framework. But the existing framework should be challenged. Giving existing institutions more targets might well do some good, but I see them as entrenching the existing, and increasingly questionable, institutional structure at a time of rapid social and technological change. Instead of micro-managing the current system we need to clarify exactly what outcomes we, as a society, want to see, and which ones we think government can legitimately and usefully target, and which it can't.

1. http://www.accreditedonlinecolleges.com/blog/2013/obamas-accreditation-reforms-on-higher-education/
2. http://socialgoals.blogspot.co.uk/2013/02/corridors-are-not-wards.html

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10.8.2 Social Impact Bonds: not very exciting (2013-08-12 00:20)

Toby Eccles earlier this year [1]asked why uptake of [2]Social Impact Bonds hasn't been spectacular. SIBs, you may recall, are similar to Social Policy Bonds, but they aren't tradeable.

And because SIBs are not tradeable, objectives have to be [3]narrow, and so will fail to capture the public imagination. Also Mr Eccles says, '[g]overnment likes to know who it's dealing with' and this, to me, is another problem with SIBs: they take current institutions, with their agendas, hidden or otherwise, as a given.

Tradeability makes Social Policy Bonds wholly different. With tradeability people can make a profit without holding the bonds until the targeted goal has been reached. So with Social Policy Bonds we can target broad, long-term goals that:

- appeal more to the public. With Social Policy Bonds goals such as universal [4]literacy or [5]world peace can be targeted. But with SIBs they are as unimaginably unrealistic policy goals as they are they are under the current system; and
- therefore are far more likely to be be issued and backed by bodies *other than government*, including the public.

1. http://tobyecc.wordpress.com/2013/03/20/social-impact-bonds-why-so-slow/
2. http://en.wikipedia.org/wiki/Social_impact_bond
3. http://www.socialgoals.com/why_the_bonds_must_be_tradeable.html
4. http://socialgoals.com/womensliteracybonds.html
5. http://socialgoals.com/wpbsshort.html

10.8.3 Violence: incentives work (2013-08-21 18:54)

'People say that problems cannot be solved by the use of force, that violence, as the saying goes, is not the answer.' So writes Benjamin Ginsburg:

> That adage appeals to our moral sensibilities. But whether or not violence is the answer depends on the question being asked. For better or worse, violence usually provides the most definitive answers to three major questions of political life: statehood, territoriality, and power. Violent struggle—war, revolution, terrorism—more than any other immediate factor, determines what nations will exist and their relative power, what territories they occupy, and which groups will exercise power within them. *[1]Why violence works*, Benjamin Ginsburg, 'Chronicle of Higher Education', 12 August

As a result:

> [M]ost regimes are the survivors or descendants of a thousand-year-long culling process in which those states capable of creating and sustaining powerful militaries prevailed, while those that could not or would not

> fight were conquered or absorbed by others. Similarly, when it comes to control of territory, virtually every square inch of inhabited space on the planet is occupied by groups that forcibly dispossessed—sometimes exterminated—the land's previous claimants.

So violence isn't something that just happens: we are violent because it gains us territory and other resources. As such, it's amenable to change. That's where Social Policy Bonds can play a part. Like many other social and environmental problems violent political conflict has many causes and, quite possibly, looking for those causes and trying to deal with them is not going to be the most efficient or quickest way of shrinking the role of war or civil war in world affairs. The best, most cost-effective ways might well mean innovations of a sort that hasn't been attempted yet, or that offend our sense of justice but are much less bloody than current methods: bribing tyrants to fly away to their own private luxury island, with full security for them and their families, for instance.

Nobody knows what will be most efficient, though we can be pretty sure that the current system, which pays people for undertaking edifying-sounding but ineffectual activities, is doomed to fail. (Think: climate change.) Perhaps it's now time for world governments or, more likely, opposition parties, NGOs and other interested groups to form a coalition and issue [2]Conflict Reduction Bonds, which will reward what we actually want to achieve: world peace. A coalition of interested parties, perhaps with the help of philanthropists, could invest a large sum, and call for contributions from the public. It could then issue bonds redeemable for something like $1million each once current levels of violent political conflict have fallen by, say 50 percent. Yes, we'd need to discuss how exactly to define exactly what we mean, and how to monitor progress toward our goal. But once that's done, we'd have, in effect, contracted out the achievement of peace to a motivated group of investors, whose structure, composition and initiatives are entirely subordinated to that goal. They might buy the bonds for a very low price, reflecting the market's view that reduction in political violence are hard to achieve and necessarily will take a long time to appear.

As with our biggest environmental problems, so our biggest social problem, political violence, is going to need an array of diverse, adaptive approaches if we are going to solve it. The current system is too cumbersome, monolithic and slow moving to work at anything like the speed, scale and efficiency that we need. The incentives to create mayhem are plentiful. Unless a Conflict Reduction Bond regime (or something like it) comes into being, world peace will remain as utopian and distant a goal as it is today.

1. http://chronicle.com/article/Why-Violence-Works/140951/
2. http://socialgoals.com/wpbsshort.html

10.8.4 Ordinary people? Who cares? (2013-08-25 00:32)

What happens when entrenched interests dictate government policy:

> For most of modern history, your health care was a matter between you and your doctor. Since World War II, in much of the developed world, it's been between you, your doctor, and your government. In America, it's now between you, your doctor, your government, your insurer, your employer, your insurer's outsourced health-care-administration-services company . . . Anybody else? Oh, let's not forget [the Inland Revenue Service], which, in the biggest expansion of the agency in the post-war era, has hired 16,500 new agents to determine whether your hernia merits an audit. *[1]Obamacare's Hierarchy of Privilege*, Mark Steyn, writing about the US Affordable Care Act, 'National Review Online', 23 August

This is truly policy as if outcomes are irrelevant, unless the outcomes targeted are those that improve things only for policymakers and bureaucrats, at the expense of the rest of the population. It's policy dictated by the needs and bargaining power of existing institutions. It has nothing to do with the well-being of the rest of the population.

If politicians were genuinely concerned about healthcare they'd measure success in terms of health outcomes. Who knows? They might even reward people on the basis of how well they achieve these outcomes. And if they wanted to channel market interests into the improvement of their citizens' health they might, eventually, issue [2]Health Bonds. I'm not holding my breath: I think it's more likely that such bonds would first be issued by non-governmental actors; people not beholden to existing public- or private-sector interests.

1. http://www.nationalreview.com/article/356634/obamacares-hierarchy-privilege-mark-steyn
2. http://socialgoals.com/Health%20Bonds.htm

10.8.5 Nothing new (2013-08-26 22:05)

Despite its radical-sounding novelty, there's nothing really new here:

> The UN Security Council should assign itself the power to put a $50 million bounty on the head of a tyrant, defined as someone who is subject to an International Criminal Court (ICC) indictment for war-crimes/crimes against humanity and is a serving head of state. *[1]Holding tyrants personally accountable*, Philosopher's Beard, 23 August

The Philosopher is writing about conflict in Syria and thinks he knows how best to end it. Of

course, it's possible Bashar al-Assad of Syria *were* to die soon, then one particular conflict in Syria would diminish or even end. But it's not at all certain, and the Philosopher has about as much chance of being right about his particular brand of intervention as are policymakers generally.

Here's an idea: if we want to end any particular conflict, then let's pay people to end that conflict, rather than to do what we think, in our ignorance, at this moment, *might* end that conflict. Actually, I'd rather pay people to end *all* the conficts in Syria - and elsewhere - for all time, and to do so legally. [2]Here's how that might happen.

1. http://www.philosophersbeard.org/2013/08/holding-tyrants-personally-accountable.html?showComment=1377387756898#c1504472471023334044
2. http://socialgoals.com/wpbsshort.html

10.9 September

10.9.1 Surveillance (2013-09-08 20:02)

It's a familiar, but disastrous, train of thought: government perceives a problem, government thinks it knows the cause of the problem, government pumps resources into the agencies that allegedly deal with the alleged cause of the problem. So we have, for instance, not-very-effective overseas aid agencies, bloated militaries, corrupt farm support policies and, now, Stalinist surveillance bodies on which the US spends [1] $80 billion a year. These agencies are self-entrenching. They have in common the power to resist reform that lavish government funding gives them. But the security industry has another weapon it can deploy to keep enriching itself: fear.

> Only forty years removed from the blackmail-tinged reign of J. Edgar Hoover, the NSA [US National Security Agency] has developed an image which implies the agency is vacuuming up more than enough incriminating phone records, emails and text/sext messages to politically torpedo any rank-and-file congressman, should that congressman step out of line. And here's the thing: for all the agita intelligence officials express about new disclosures, those disclosures illustrate the sheer size and scope of governement surveillance. That doesn't weaken the NSA - on the contrary, it serves to politically strengthen the agency by constantly reminding lawmakers that the NSA 1) probably has absolutely everything on them and 2) could use that stuff against them. *[2]Saying Boo To A Ghost: It's No Secret Why Congress Fears Crossing The NSA,* David Sirota, NSFWCORP, 22 August (link expires in 48 hours)

Here's another idea: why not decide what we really want to achieve - not as a government,

but as a society - and target that? If we want to reduce the number of people killed by random acts of violence, why not issue Social Policy Bonds that target such a metric and reward people for working within the law to reduce terrorist acts. Perhaps we might think more broadly, and decide that we want to reduce all premature deaths, however caused. In which case, we could issue [3]Health Bonds. Either way, we'd have a debate about exactly what we want to achieve, without having every aspect of our behaviour surveilled and recorded by government and its private sector contractors. Something which is quite possibly illegal, and which [4]no ordinary people actually want.

1. http://www.nytimes.com/2013/06/18/opinion/put-the-spies-back-under-one-roof.html?_r=0
2. https://www.nsfwcorp.com/dispatch/saying-boo-to-a-ghost-it-s-no-secret-why-congress/f108da5ea8d620e77a53280f2984632a403831fb/
3. http://socialgoals.com/Health%20Bonds.htm
4. http://www.washingtonpost.com/blogs/the-fix/wp/2013/08/16/concern-over-nsa-privacy-violations-unites-democrats-and-republicans-poll-finds/

10.9.2 Policy as if party politics is the only thing that matters (2013-09-11 19:58)

Elizabeth Drew writes about US politics:

> In 2009, for the first time, defeat of the incoming president in the next election became the opposition party's explicit governing principle. If that meant blocking measures to improve the economy, or preventing the filling of important federal offices to keep the government running, so be it. Wrecking became the order of the day. Confrontation became the goal in itself. Now the rightward trend in Republican politics is feeding on itself, becoming even more extreme until the preposterous becomes conceivable. *[1]The stranglehold on our politics*, Elizabeth Drew, 'New York Review of Books' dated 26 September

It's the logical outcome of a political system subordinated entirely to existing institutions. Every organization - political, religious, educational or whatever - has as its over-riding aim that of self-perpetuation. In their resistance to reform the biggest and most powerful of these organizations do great damage. Sadly, the record of the sort of revolution needed to release the stranglehold of organizations as dominant as the two US political parties is not encouraging.

Here's another approach: instead of organizing our policymaking around the whims and caprices of political parties and their principal funders, why not focus on society's needs? And reward people who help achieve them? That is the underlying principle of Social Policy Bonds. Under a bond regime, [2]organizations would no doubt come into being, but their

structure, composition and all their activities would be entirely subordinated to the social and environmental outcomes that people want to see. The current system is broken. Party politics has taken over, at the expense of society. I have no doubt that change will occur; let's hope it's along the lines of a Social Policy Bond regime, which would channel market incentives into the achievement of society's goals, rather than those of the political party dinosaurs.

1. http://www.nybooks.com/articles/archives/2013/sep/26/stranglehold-our-politics/?pagination=false
2. http://www.socialgoals.com/a_new_type_of_organization_.html

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10.9.3 The curse of party politics (2013-09-21 20:50)

It lasts for generations. Helen Epstein writes about Dr Sara Josephine Baker of the New York City Health Department:

> In her first year at the Bureau of Child Hygiene, Baker sent nurses to the most deadly ward on the Lower East Side. They were to visit every new mother within a day of delivery, encouraging exclusive breast-feeding, fresh air, and regular bathing, and discouraging hazardous practices such as feeding the baby beer or allowing him to play in the gutter. This advice was entirely conventional, but the results were extraordinary: that summer, 1,200 fewer children died in that district compared to the previous year; elsewhere in the city the death rate remained high. The home-visiting program was soon implemented citywide, and in 1910, a network of "milk stations" staffed by nurses and doctors began offering regular baby examinations and safe formula for older children and the infants of women who couldn't breast-feed. In just three years, the infant death rate in New York City fell by 40 percent, and in December 1911, *The New York Times* hailed the city as the healthiest in the world. Articles about Baker's lifesaving campaigns appeared in newspapers from Oklahoma to Michigan to California. In the late 1910s, she and other reformers drafted a bill to create a nationwide network of home-visiting programs and maternal and child health clinics modeled on the programs in New York. But the American Medical Association (AMA)—backed by powerful Republicans averse to spending money on social welfare—claimed the program was tantamount to Bolshevism.
>
> *[1]The Doctor Who Made a Revolution*, Helen Epstein, 'New York Review of Books', 26 September

And three generations later?

> Today, nearly every other industrialized nation on earth provides some form of guaranteed support to families with young children. That America still does not is considered by many to be a national disgrace.

Once ideologues grab the reins of government, any notions of doing the best for society or even of rationality, are liable to be lost for ever. There's no inevitable reason why the aggregated interests of ideologues, corporations or powerful organizations of any kind are going to add up to a society that cares about the well-being of the majority of the population. Perhaps the next stop for the US is [2]a banana republic?

Here's another idea. Instead of making policy on the basis of ideology, or the short-term interests of powerful organizations, why not target outcomes? Outcomes that are meaningful to ordinary people - as people, rather than members of one interest group or another. Explicit, transparent outcomes that we can all understand and all participate in formulating and so buying into. That could be done with Social Policy Bonds, which could target broad, long-term social goals about which we could all be consulted and with much most of us would agree. *How* these goals were to be achieved would be a matter for motivated investors in the bonds, rather than politicians and their corporate or ideological paymasters. People would be rewarded for achieving social goals, rather than siphoning off government funds for their own narrow, short-term interests at the expense of everyone else.

It's a long way from where we are now, summed up by George Monbiot:

> Our elected representatives look increasingly marginalised. Unable or unwilling to assert themselves against corporate power, media magnates and spies, they have been reduced to a class of managers, doing as they are told by their sponsors and lobbyists, seeking to persuade their constituents that what is good for big business and unelected agencies is good for everyone. *[3]Law of the landed*, 19 September

1. http://www.nybooks.com/articles/archives/2013/sep/26/doctor-who-made-revolution/?pagination=false
2. http://www.ocregister.com/articles/banana-527271-republic-government.html
3. http://www.monbiot.com/2013/09/19/law-of-the-landed/

10.9.4 Kludgeocracy (2013-09-25 21:39)

Steven M Teles writes eloquently of the complexity and incoherence of US policy:

> A "kludge" is defined by the Oxford English Dictionary as "an ill-assorted collection of parts assembled to fulfill a particular purpose...a clumsy but temporarily effective solution to a particular fault or problem." The term comes out of the world of computer programming, where a kludge is an inelegant patch put in place to solve an unexpected problem and designed to be backward-compatible with the rest of an existing system. When you add up enough kludges, you get a very complicated program that has no clear organizing principle, is exceedingly difficult to understand, and is subject to crashes. Any user of Microsoft Windows will immediately grasp the concept. "Clumsy but temporarily effective" also describes much of American public policy today. *[1]Kludgeocracy in America,* 'National Affairs', Fall 2013

And, indeed, much of the public policy of most countries, and of supernational agencies too. I won't summarise Professor Teles' excellent article, which is required reading, except to mention some of his suggested cures for kludgeocracy. These include procedural changes aimed at increasing the power of the congressional majority leadership at the expense of committees, shifting the 'micro-design' of policies away from Congress and towards the government agencies actually implementing the policies; and handing entire policy areas, such as health or eductaion to the states or to the federal government - but not to both. As Professor Teles writes:

> Few of the reforms sketched out above have much of a chance of being enacted at the moment, since the institutions and practices they propose to alter are too deeply entrenched to remove quickly.

...and I share his pessimism about that. Of course, a Social Policy Bond regime would be even more radical and, if we are to depend on government to initiate it, even less probable. But we don't need to wait for government. Social Policy Bonds can be issued by anyone with enough funds to finance their redemption, or with sufficient ability to raise these funds from bodies such as non-governmental organizations, philanthropists or ordinary citizens.

If that were to happen, and the Social Policy Bond approach were to prove successful in achieving social goals, it's not that difficult to imagine government itself changing, along the lines that Professor Teles and most of the rest of us would like to follow: towards open, explicit, costed, efficient and effective solution of our social problems.

1. http://www.nationalaffairs.com/publications/detail/kludgeocracy-in-america

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10.9.5 (2013-09-27 00:07)

Fastidious respond in return of this matter with solid arguments
and telling the whole thing regarding that.

Take a look at my web blog :: gong handgun targets, [1],

1. http://support.hygienesuppliesdirect.com/entries/26300073-Metal-Gong-Targets-An-Overview

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10.9.6 Target crime, not recidivism (2013-09-29 00:47)

I've done a short piece on my main website about why I think Social Policy Bonds [1]must be tradeable. In this they differ crucially from [2]Social Impact Bonds. Because they can't be traded, SIBs must target fairly narrow objectives, and ones with relatively short lead times. This makes them easier to try out and, unlike Social Policy Bonds, SIBs have actually been issued. In the US and the [3]UK SIBs have been issued that target recidivism. There are numerous problems with this, most of which are discussed by Theodore Dalrymple, who also succinctly points out their most important flaw:

> The public wants to be protected against crime, not against recidivism... *[4]What Does It Mean To 'Punish' Syria?*, Theodore Dalrymple, 'Library of Law and Liberty', 8 September

Tradeability sounds esoteric, but it's not. It's a fundamental distinction, and one with large consequences: under a Social Policy Bond regime we can target exactly what we want to achieve; under a SIB regime we can aim at solving only narrow problems that are short term in nature. This means that they [5]fail to capture the public imagination and perhaps even more importantly, lend themselves far more readily to being gamed or manipulated. My hope is that they don't discredit the whole notion of channelling self-interest into the achievement of broad social and environmental goals.

1. http://www.socialgoals.com/why_the_bonds_must_be_tradeable.html
2. http://en.wikipedia.org/wiki/Social_impact_bond
3. http://www.socialfinance.org.uk/work/sibs
4. http://www.libertylawsite.org/2013/09/08/what-does-it-mean-to-punish-syria/
5. http://socialgoals.blogspot.co.uk/2013/08/social-impact-bonds-not-very-exciting.html

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10.10 October

10.10.1 Nobody asked us (2013-10-05 20:14)

John Lanchester, having seen the UK's [1]GCHQ files, writes about the UK:

> ...we're moving towards a new kind of society. Britain is already the most spied on, monitored and surveilled democratic society there has ever been. This doesn't seem to have been discussed or debated, and I don't remember ever being asked to vote for it. *[2]The Snowden files: why the British public should be worried about GCHQ*, John Lanchester, 'The Guardian', 3 October

This is just one critical decision about how we live that is made without reference to voters. Politicians can get away with almost anything they want under the guise of 'national security', just as they can by citing 'economic growth'. Nobody questions these claims, because the relationships between them, the policies they generate, and the outcomes of these policies are too complex, and too bedevilled by time lags, to identify clearly. Once started, the policies create institutions that have sufficient lobbying power to resist reform and grow endlessly.

How would a Social Policy Bond regime deal with 'terrorism'? Most probably, we'd get some perspective on the matter. As Mr Lanchester points out:

> Since 9/11, 53 people have been killed by terrorists in the UK. Every one of those deaths is tragic. So is every one of the 26,805 deaths to have occurred on Britain's roads between 2002 and 2012 inclusive, an average of 6.67 deaths a day. ... This
> means that 12 years of terrorism has killed as many people in the UK as eight days on our roads.

It’s not for me to try to divine society’s preferences about *how* we die. But suppose that, away from the aftermath of a terrorist incident, when cool heads prevail, we value a life lost in a road accident - or any other cause - as highly as a life lost to a terrorist incident. We might then decide that instead of creating a vast, expensive, intrusive bureaucracy to reduce premature deaths by a trivial amount, we’d want to channel society’s limited resources more efficiently. In that case, we’d issue Social Policy Bonds that target something like ’the avoidance of premature deaths’, or an aggregated measure of longevity, perhaps expressed in terms of [3]Quality Adjust Life Years.

Regardless of how much we weight a death due to road accidents against a death due to terrorism, a Social Policy Bond regime would ensure that our preferences are made explicit and transparent, and that our resources would be allocated according to our preferences. Something that obviously, and ominously, is not happening today.

1. http://www.theguardian.com/uk/gchq
2. http://www.theguardian.com/world/2013/oct/03/edward-snowden-files-john-lanchester
3. https://en.wikipedia.org/wiki/Quality-adjusted_life_year

10.10.2 Mental health (2013-10-08 20:36)

Spiked’s Tim Black [1]asks lecturer and psychiatrist Joanna Moncrieff "’Why are there so many more people being given a diagnosis that demands the prescription of powerful antipsychotics?’

Moncrieff is quick to answer: ‘That’s an easy one - it’s the pharmaceutical industry.’"

That’s probably part of the answer. But as the discussion continues it’s clear that societal changes are another, possibly more significant, reason.

> The withering of old forms of informal social life, the corrosion of the traditional mechanisms of support and struggle, be they based in politics or faith, [have] left the individual in a potentially more helpless position.

Dr Moncrieff sums it up: ’We’ve become a much more atomised society ... one in which suffering and difficulties are located increasingly not in the social world but in the individual. So previously, if someone was depressed, not happy, not coping with life, that was a social or a

family problem. But now it’s the individual that needs to be rectified rather than the system around them.’

I know a lot less than Dr Moncrieff or Mr Black about psychiatry and mental health. But my concern is, I think, relevant. It is that we do not have the institutional structures in place that will identify major causes of suffering as they change over time and *then do something to alleviate it*. Instead we have institutions whose sole concerns are, essentially, self-perpetuation and self-enrichment; any overlap between achievement of their goals and solution of society’s problems is coincidental.

Yes, we have drug companies, whose motives and methods are increasingly [2]at odds with society, but who are powerful lobbyists and capable of influencing the regulatory environment in their favour.

But social atomisation involves more than drug companies: it probably has much to do with town planning, transport policy, immigration policy, government welfare schemes and much else besides. The point is that *we do not have incentives in place that will encourage people to investigate these - and other possible - causes and do something about them*. The reverse, in fact: our *de facto* and default targeting of GDP as the greatest social goal, and the short-term interests of corporations and politicians, mean that social atomisation is hardly seen as a problem. Big pharma benefits from depression, after all, and it’s certainly not in the interests of powerful corporations to question things like the apotheosis of the car or *coercive* [3]multiculturalism.

In today’s policymaking environment it’s more profitable to treat depression, however ineffectually, with pills than to look for long-term, possibly more edifying solutions, that could threaten the narrow interests of corporations and their clients in government. It’s highly likely that those corporate interests are doing much to create depression in the first place, and it’s even more likely that it’s in nobody’s interest to find out for sure.

A Social Policy Bond regime would work differently. It would certainly not take today’s intitutional structure as a given. It would take a serious look at mental health, depression and social atomisation and construct reliable metrics that could be targeted for reduction. Investors in Mental Health Bonds would themselves benefit by looking at *all* potential causes of and solutions to problems like depression and doing whatever is required to alleviate them. In doing so, their interests and those of wider society would merge - in stark contrast to today’s policymaking world.

1. http://www.spiked-online.com/newsite/article/14113
2. http://www.amazon.co.uk/Bad-Pharma-companies-mislead-patients/dp/0007350740/ref=sr_1_2?ie=UTF8&qid=1381185812&sr=8-2&keywords=big+pharma+goldacre
3. http://www.prospectmagazine.co.uk/magazine/diversityandtrust/

10.10.3 Congratulations (2013-10-15 19:30)

Congratulations to Robert Shiller of Yale University, one of the three [1]winners of the 2013 Nobel Prize in Economics. Professor Shiller has over many years encouraged my work on Social Policy Bonds. Back in 1997 I received this [2]letter from him, and more recently he mentioned the bond concept in his 2011 book *Finance and the Good Society,* and in a brief [3]article about the book.

1. http://www.bbc.co.uk/news/business-24527516
2. http://socialgoals.com/shiller.jpg
3. http://www.huffingtonpost.com/robert-shiller/ten-ways-finance-force-for-good_b_1417927.html

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10.10.4 Metrics must be broad (2013-10-28 01:41)

Social Policy Bonds rely heavily on targeting measures of social and environmental well-being. That's a potential problem. Sue Halpern is writing about algorithms and metrics in a different context, but what she says applies to policymaking on behalf of any but the smallest population:

> But the real bias inherent in algorithms is that they are, by nature, reductive. They are intended to sift through complicated, seemingly discrete information and make some sort of sense of it, which is the definition of reductive. But it goes further: the infiltration of algorithms into everyday life has brought us to a place where metrics tend to rule. This is true for education, medicine, finance, retailing, employment, and the creative arts. *[1]Are we puppets in a wired world*, Sue Halpern, 'New York Review of Books', dated 7 November

The potential problem is that the metrics we use in policymaking might not correlate with societal well-being. Unfortunately, the alternative to a coherent, explicit, considered use of metrics in national policymaking is our current system, which features the unsystematic and *de facto* use of incoherent metrics that are too narrow and short term in their scope to bring about a rational allocation of resources. Applying broad, meaningful metrics to the health sector, say, is going to be far more efficient and welfare-enhancing than targeting a particular disease, just because the scope for efficiency gains is far bigger when resources can shift between different activities according to where they will be most cost effective.

The other problem with narrow metrics, however well meaning, is that they can easily be gamed. Thus:

> Yet indicators of maternal health [in Laos] are worse than in Cambodia ... and levels of malnutrition are
> atrociously high. To make things look not quite as bad, NGO types say,
> the government deliberately went around feeding children in villages
> monitored by the UN for the Millennium Development Goals—until it was
> found out. *[2]The future of Laos: a bleak landscape*, 'The Economist', 26 October

1. http://www.nybooks.com/articles/archives/2013/nov/07/are-we-puppets-wired-world/
2. http://www.economist.com/news/asia/21588421-secretive-ruling-clique-and-murky-land-grabs-spell-trouble-poor-country-bleak-landscape

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10.10.5 SPBs, SIBs and SOBs (2013-10-31 04:39)

It's probably too early to say whether the doubts being [1]expressed about Social Investment Bonds (SIBs) are fatal or not, but one thing is clear: at best the bonds will function like performance related contracts. An improvement on most current government approaches, perhaps, but in terms of ambition and potential for real change SIBs fall far short of Social Policy Bonds. They aren't tradeable, which sounds like a mere technical detail but in fact severely limits how useful they can be. I've outlined why [2]here, so in this post I'll just concede that Social Impact Bonds is a better name than Social Policy Bonds.

I'm reminded about why I chose the name Social Policy Bonds by the website linked to in the first link, above. It's a [3]long pdf, which documented the meeting at which I first pubicly presented the bond concept, in 1988. I'd originally used the name Social Objective Bonds, until a colleague read my draft paper and told me exactly what
the acronym meant and how widespread it was.

1. http://www.iede.co.uk/news/2013_3338/critics-question-impact-%E2%80%98pay-success%E2%80%99-bonds
2. http://www.socialgoals.com/why_the_bonds_must_be_tradeable.html
3. http://researcharchive.lincoln.ac.nz/bitstream/10182/848/2/aeru_dp_121_vol2.pdf

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10.11 November

10.11.1 No surprises here (2013-11-07 13:41)

> The United Nations says it is “less and less likely” that global
> greenhouse gas emissions will be low enough by 2020 to stop the
> atmosphere warming beyond the internationally-agreed safety threshold –
> 2°C above its pre-industrial level. A report by the UN Environment Programme says
> current undertakings by
> world governments to cut emissions fall short of that goal, and
> emissions “continue to rise rather than decline”. *[1]Source*

No surprise. If world governments were serious about doing something to moderate climate change, they’d reward people who help moderate climate change. Instead they have agreed on an elaborate, expensive, divisive and ineffectual policy of hand waving. The relationships are too obscure, or can be made to appear so: cutting greenhouse gas emissions *might* reduce climate change. But it might not. Even if it does, any benefits are likely to be minuscule. The costs are immediate, the benefits obscure and remote. It’s not happening and it’s not going to happen.

There’d be more popular support for targeting climate change directly. Under a [2]Climate Stability Bond regime we could define our goal in ways that encompass an array of indicators: physical, biological, financial, so that all targeted conditions would have to be satisified and sustained before taxpayers become liable. We could choose to target goals including the reduction of casualties from adverse climatic events - something that ordinary people can understand and with which we can identify.

Apart from being comprehensible, the other big advantage of a bond regime is that it would channel resources into where they will be most effective at achieving our climate targets. It would encourage diverse, adaptive approaches, of the sort that Kyoto, with its fossilized science, cannot. And we are going to need diverse, adaptive approaches: the scientific relationships are too uncertain, and our knowledge expanding so rapidly, that any approach that focuses exclusively on just one variable (like the concentration of the few compounds identified as greenhouse gases twenty years ago) is going to fail. And it would fail even if it enjoyed support that took the form of actually doing something about it.

1. http://www.truthdig.com/report/item/the_climate_gape_is_getting_wider_20131107
2. http://socialgoals.com/ieakyototext.html

10.11.2 A world safe for high-frequency trading (2013-11-12 07:22)

Our boundless ingenuity, our immense technological knowledge: where are they being directed? Towards solving the problems that plague humanity? I refer to things like the piling up of nuclear weapons, catastrophic environmental disasters, murderous religious fanatiscism.... Well, no. Some, perhaps, most, of our best brains are going into answering this sort of question:

> How will regulations
> impact the way traders are capturing alpha? Would there be restrictions
> that can possibly harm algorithmic trading? ... What is
> the outlook for the markets when all participants engage in the arms
> race of super smart algorithms? Where will institutional and retail
> investors find opportunities? Conversely, could we imagine a world without high-frequency trading?

Yes, we are all relieved to know that the [1]High Frequency Trading Leaders Forum 2013 - you know, the one that 'Every Trader and Quant in London is Talking About' - is to be held in London on 5 December. These traders and quants are some of the most brainy people there are. [2]Hitched up to supercomputers these geniuses make a lot of money for themselves and their employers.

I can't condemn these people, whatever the net results of their collective actions. These people are reacting rationally to the incentives on offer. It's the incentives that are perverse. If people can make enough cash to bring up a family by shaving off one millisecond per financial transaction more than the next guy, then that is what they will strive to do. It just strikes one as sad that we don't have systems in place that would channel these bread-winners' undoubted immense ingenuity into more socially useful activities.

That's where Social Policy Bonds come in. Their [3]tradability means that a bond regime can target broad, long-term goals that require diverse, adaptive approaches the nature of which we cannot currently conceive. The existing policymaking system deals with these goals, which include things like [4]avoiding catastrophic disasters, [5]stabilising the climate or even improving world or national [6]health, haphazardly, if at all.

Of course, quants and other high-earners possibly do contribute more to tax revenues than ordinary people - especially if they are badly advised. But, as we can see, governments generally don't do a great job at deploying this revenue to deal with long-term, large-scale problems, like [7]avoidance of conflict or climate change. Again, their incentives to do so are minimal and mostly focus on [8]power; retaining it, or acquiring more of it.

A Social Policy Bond regime would allow us to target broad global and national goals explicitly, while channeling the market's efficiencies into the best use of our limited resources. Given that the survival of the planet itself is [9]under threat, I think the case for such targeting is a strong one, even if we have to give up high-frequency trading to get there.

1. http://www.prlog.org/12238169-the-high-frequency-trading-conference-every-trader-and-quant-in-london-is-talking-about-december-5.html
2. http://www.telegraph.co.uk/finance/10188335/Quants-the-maths-geniuses-running-Wall-Street.html
3. http://www.socialgoals.com/why_the_bonds_must_be_tradeable.html
4. http://socialgoals.com/dpbs.html
5. http://socialgoals.com/ieakyototext.html
6. http://socialgoals.com/Health%20Bonds.htm
7. http://socialgoals.com/wpbsshort.html
8. http://en.wikipedia.org/wiki/Public_choice_theory
9. http://www.amazon.com/Our-Final-Century-Survive-Twenty-first/dp/0434008095

10.11.3 The great divergence (2013-11-15 13:11)

> Only 40 % of citizens in the mostly-rich countries of the Organisation for Economic Co-operation and Development expressed confidence in their national governments in 2012, down five percentage points from 2007. *[1]Eroding trust in government*, 'The Economist', 15 November

> Brazilian Roberto Unger is a leading political philosopher and an advocate of progressive politics.He has taught at Harvard Law School for about 40 years and US President Barack Obama was one of his students in the 1980s. "There is no project in the United States responsive to the needs and aspirations of the broad working class majority of the country," said Mr Unger. *[2]Obama's law professor on his failures as president*, Quote from BBC 'Hardtalk' programme, 15 November

It's not really surprising. Our governments have every incentive to respond more to corporate

donors than to ordinary people. Big business and government have interests that grow [3]ever further apart from those of the public and small businesses. They can get away with this because policymaking focuses on funding, institutional structures, legalistic debate and arguments about inputs, outputs or activities. Everything except meaningful outcomes in fact.

There is another way. A Social Policy Bond regime would subordinate all debate and decison-making to outcomes: what social and environmental goals should we be aiming for, and how much are they worth? These answers to these fundamental questions, ignored by the current system, would inform every project, every initiative and activity, launched under a bond regime. Apart from the incentives and efficiencies that the market for Social Policy Bonds would stimulate, the aims of the bonds would be explicit and clear to everybody. People might disagree about their relative priority, but they would know exactly what their government was trying to accomplish. Ordinary people could participate in policymaking and would engage with the inevitable trade-offs that have to be made when it comes to allocating society's scarce resources.

As a result, and crucially, we'd buy in to policy goals; perhaps not wholeheartedly but certainly more than we do today. Without such buy in, it's difficult to see how our governments, with their priorities so different from ours, are ever going to engage with the crucial social and environmental problems of our time, let alone solve them.

1. http://www.economist.com/news/international/21589902-confidence-crumbles
2. http://www.bbc.co.uk/news/world-us-canada-24931239
3. https://www.schneier.com/blog/archives/2013/08/the_publicpriva_1.html

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10.11.4 The great divergence, continued (2013-11-19 13:54)

It's not just that our western democratic governments stand apart from ordinary citizens, but that the gap grows every larger. Jim Newell writes about a US Senator, Jim DeMint, who is retiring to head up a think tank:

> The whole curious DeMint affair bespeaks the ongoing shift of power in

> Washington away from the people's business—and toward the ideological donor class.... At places like CAP, AEI, Heritage, and many of the other approximately 1,812 American think tanks, policy studies are still part of the operation, but their most vital public role is to act as partisan hacks for whichever side of the major-party duopoly they're associated with. And the conservative think tanks are now reliable dispensers of ideological discipline on the right: they do exactly what is best in the short term for the Republican Party at all times and punish anyone who dissents. *[1]Good Enough for Government:* [2]*[3]WorkConservatism in the tank*, Jim Newell, 'The Baffler', No. 23

Perhaps this sort of patronage-based corruption is built into any sort of policymaking system with which ordinary people cannot identify, whether that happens because government is too big, too remote, or its machinations too obscure. A government acting on a large scale need not necessarily be remote from or unconcerned with the well-being of its citizens. There are essential projects that require such a government: sanitation for example, or other major infrastructural works. But it does seem to be inevitable that interest groups, including big business and government agencies, interpose themselves between people and their government taking advantage of public funds in ways that are damaging to the public interest, self-enriching and therefore - because money buys votes - self-entrenching. Once that happens, elections become ever less meaningful; ordinary people become alienated from the political process and cynical. Or worse.

One way of reconnecting people with the policymaking process might be direct democracy; frequent referenda along Swiss lines. Another might be to become familiar with expressing all policy goals in terms of outcomes that are meaningful to ordinary people, and to reward achievement of these outcomes, *whoever achieves them and only once they have been achieved and sustained*. By doing this, we could avoid today's corrupt favouritism of corporations or government bodies and de-emphasise the roles of political parties and their supporting donors and ideologues. Worthy though these aims might be in themselves, an outcome-based regime would, more positively, stimulate diverse, adaptive solutions to our urgent and large-scale social and environmental problems.

That's where [4]Social Policy Bonds could enter the picture. They offer a way of achieving outcomes that rewards efficiency in achieving social goals above all other considerations. They inject market incentives into the solution of our social problems, impartially, with cost-effectiveness being the sole criterion for one approach being rewarded rather than another. A bond regime, because it would be efficient at achieveing social goals, and because its aims and means would be comprehensible to people other than politicians, bureaucrats, corporate lobbyists and think tank ideologues, could close the ever-widening gap between citizens and their government.

1. http://thebaffler.com/past/good_enough_for_government_work

2. http://thebaffler.com/past/good_enough_for_government_work
3. http://www.blogger.com/null
4. http://socialgoals.com/

10.11.5 Damn foolish things (2013-11-28 08:21)

Thomas Laqueur reviews *The Sleepwalkers: How Europe Went to War in 1914*, by Christopher Clark:

> Many actors (the crowned heads of Europe, military men, diplomats, politicians and others), each with their own objectives, acting as rationally and irrationally as humans are wont to act, made decisions that foreclosed on others and collectively led the world into an unimaginable and un-imaged war. [1]*Some damn foolish thing*, Thomas Laqueur, 'London Review of Books', dated 5 December

Millions of ordinary people had a vital interest in World War One not happening. Even when multiplied by what might have been thought a very low probability of its actually occurring, this should have represented a strong coalition in favour of peace. But there was no way this overwhelming wish for peace could have expressed itself. In those days the disconnect between policymakers and ordinary people was even wider than it is now. Calamitously, war broke out as the accumulated result of the perceived short-term interests of a tiny group of monarchs, aristocrats and generals.

The situation hasn't changed that much. Short-term goals predominate still amongst politicians and the military. Corporations have more power than monarchs and aristocrats these days, but are at least as adept at ignoring or manipulating public opinion. To paraphrase Otto von Bismarck: it's no stretch to imagine a catastrophic war breaking out nowadays over some damn fool thing in the East China Sea, or the Korean peninsular or the India/Pakistan border or ....

One way of making effective our wish to avoid another calamity would be to issue [2]Conflict Reduction Bonds. Governments, philanthropists, NGOs or ordinary members of the public could all contribute to the funding of such bonds, which would be redeemable only after a sustained period of no major political conflict. In so doing, we would monetise our wish for peace, and act as a counterweight to the forces that, deliberately or not, propel countries into catastrophic wars or civil wars. There's nothing inevitable about war: it happens because people react, if not rationally, at least humanly, to the incentives on offer. Conflict Reduction Bonds, by rewarding people for achieving peace, could tip the scales in the other direction, and lead to what must surely be one of mankind's most noble goals: the ending, for all time, of war.

1. http://www.lrb.co.uk/v35/n23/thomas-laqueur/some-damn-foolish-thing
2. http://socialgoals.com/wpbsshort.html

10.12 December

10.12.1 You can't prove it (2013-12-08 15:04)

> Climate sceptics are finding it ever harder to persuade the public that the climate isn't changing. So now some are turning to a more last-ditch line of attack: even if climate change is happening, it's not worth worrying about. *[1]Causes for climate concern*, 'New Scientist', dated 7-13 December

If you're a politician, there's a genuine problem with climate change, as with many other environmental and social concerns: you can't do anything until cause and effect have been proven; and sometimes not even then. And that's supposing that you want to do something. When you don't really want to do anything, then obviously nothing will be done, except maybe you will perform some elaborate, expensive gestures, like participating in conferences, subsidising so-called green technologies (for a few years), and transferring token amounts of cash from taxpayers in the rich countries to rich people in the poor countries. Meantime, the challenge goes unmet.

[2]Climate Stability Bonds could be the answer. Governments - or whoever actually wants to deal with climate change - could issue them without having to prove that climate change is actually happening, without knowing what's causing it, and without knowing what the best solution to it is going to be. The bond issuers would, in effect, be contracting out the discovery of what's happening, and how best to deal with it, to the market. And the market would have every incentive to be impartial and efficient about every aspect of the climate change challenge. That's a total contrast to the current policymaking environment, in which powerful interests can influence the interpretation and presentation of the science and policymaking. It's just not a rational way of dealing with the problem and it just might be leading us all into catastrophe.

1. http://www.newscientist.com/article/mg22029461.600-is-it-time-to-stop-worrying-about-global-warming.html
2. http://socialgoals.com/climate-change.html

10.12.2 Targeting well-being (2013-12-11 14:52)

> Unfortunately the industry that has mushroomed around type 2 diabetes measures

> success in approvals for new drugs, revenue earned, and money raised, not in suffering avoided or lives saved. *[1]Sugar Nation*, Jeff O'Connell, 2011

It's the same at the level of national and international government. In the absence of coherent, explicit, policy goals that have been debated openly and bought into, we have accepted that corporate goals and a motley array of vague indicators, such as GDP per capita, or economic 'growth' as our default objectives. There might have been a strong correlation between the aggregation of such goals and societal well-being in the past, the society was less interlinked, the negative impacts of economic activity were less significant, less well known, or easier to escape. But for today? It's not good enough.

We need not only to target explicitly, broad indicators that are inextricably linked to social and environmental well-being; we need also to discuss them, and to engage the public with them so that, while we might not all agree on society's priorities, we can buy into them, and attempt to change them within a coherent and inclusive policymaking environment.

In short, we need to target outcomes; outcomes that are meaningful to ordinary people. That's where Social Policy Bonds can enter the picture. Yes, they channel market forces into the achievement of social outcomes - which makes them efficient. But as important is that they focus our boundless human ingenuity on things that matter: all the broad components that make up social and environmental well-being. We can do better nowadays than to hope that 'success' will appear as a by-product of the targets pursued by a motley array of corporations, politicians and other interest groups.

I've been updating the SocialGoals.com website. Comments or suggestions, on this or any other aspect of Social Policy Bonds, are welcomed.

1. http://www.amazon.co.uk/Sugar-Nation-Hidden-Americas-Deadliest/dp/1401323448/ref=sr_1_1?ie=UTF8&qid=1386767708&sr=8-1&keywords=Sugar+Nation%2C+Jeff+O%27Connell

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10.12.3 Transcending institutional decay (2013-12-18 10:50)

I won't discuss Professor Francis Fukuyama's long piece on *The decay of American political institutions* in detail. I think that the problem he discusses - the divergence of politicians from the electorate - applies to most of the western democracies, though the specific causes differ.

The essay does confirm to me that any policymaking that does not reward explicit, verifiable outcomes, is doomed to fail. Even if the proponents of a policy are well-meaning, programmes that focus on institutions, structures, activities, inputs or outputs will inevitably be gamed or manipulated, especially at the national (or supra-national) level.

So, when it comes to bribery and corruption:

> The law bans only the market transaction, not the exchange of favors. The latter is what the American lobbying industry is built around. ...
>
> *[1] The Decay of American Political Institutions* ,
>
> Francis Fukuyama, 'The American Interest', 8 December

Exchange of favours is only one of the myriad ways in which political institutions decay, but it is representative.

> Pluralist theory holds that the aggregation of all these groups contending with one another constitutes a democratic public interest. But due [*sic*] to the intrinsic over-representation of narrow interests, they are instead more likely to undermine the possibility that representative democracy will express a true public interest.

'[T]hey' here refers to the US public sector trade unions, but it could stand for any interest group.

> There is a further problem with interest
> groups and the pluralist view that sees public interest as nothing more than the aggregation of individual private interests: It undermines the possibility of deliberation and ignores the ways in which individual preferences are shaped by dialogue and communication.

Quite so. It also crowds out the likelihood that people will think beyond their identity as members of their group

. Perhaps more seriously, it also takes existing ways of doing things as a given, which is almost a definition of decay.

The answer? I think we need to re-orientate policy debate around outcomes; broad, meaningful outcomes that will engage ordinary people in the shaping of individual preferences 'by dialogue and communication'. Arcane legalistic discussion about structures and funding excludes people who aren't lawyers, politicians, lobbyists or academics, but that is the system we have today. If we could instead talk about outcomes - such as universal literacy, or reduced crime rates, or better health - then we could do so in debates that people can understand and in which we can participate.

Social Policy Bonds would allow the targeting of broad outcomes, whose achievement would transcend, in both time and purview, the compass of existing institutions and interest groups. Current ways of addressing war, or 'defence', say, focus almost exclusively on military spending or on treaties and coalition-building that do little to discourage war itself. *Our current system doesn't supply meaningful incentives to create a world in which violent political conflict comes to an end.*

That is where a Social Policy Bond regime could enter the picture. For more, see this [2]short article, or this [3]longer one, both on the [4]SocialGoals.com website.

1. http://www.the-american-interest.com/articles/2013/12/08/the-decay-of-american-political-institutions/
2. http://www.socialgoals.com/conflict-reduction-.html
3. http://www.socialgoals.com/middle-east-peace.html
4. http://socialgoals.com/

10.12.4 The case for non-ideological policymaking (2013-12-27 16:47)

At the end of a long review of the recent book US Federal Reserve Board ex-chairman Alan Greenspan, Robert Solow writes:

> The Alan Greenspan I admired was a pragmatic central banker who was able to believe both the data and his eyes and to ignore the people who already knew the answer without looking. The author of this book makes a show of both, but not really. His eyes are too often closed and he seems to be listening to another voice, with quite conventional opinions, coming from somewhere stage right. *[1]Alan Greenspan Is Still Trying to Justify His Bad Decisions: What the maestro doesn't understand*, Robert M Solow, 'New Republic', 16 December

If you are making policy, subscribing to an ideology is something of a cop-out, but very tempting all the same. Enormous quantities of data available to policymakers match the increasing complexity of our society and environment. As individuals, we cannot deal with these phenomena. In the face of so much complexity, it is so much simpler just go with our prejudices. That's one reason we ought to subordinate policy not to ideology, but to outcomes. And that applies to any social or environmental problem with multiple causes and where a multiplicity of solutions need to be tried, refined and either terminated or promoted. In the developed world, most policy issues are that complex - the goals of monetary policy included.

Social Policy Bonds target explicit,
transparent and meaningful goals, and they make rewards contingent on achieving those goals. By contracting out the achievement of social goals to the market,
they maximise the efficient use of our scarce resources. A government that targets social goals, clearly and publicly, would have little use for the sort of ideologically driven policies propagated by Mr Greenspan. Monetary policy, under a Social Policy Bond regime, would instead be one means of achieving agreed social goals, rather than a way of confirming existing (and quite peculiar) prejudices in the mind of a single individual, however smart.

1. http://www.newrepublic.com/article/115956/alan-greenspans-map-and-territory-reviewed-robert-solow?a&utm_campaign=tnr-daily-newsletter&utm_source=hs_email&utm_me

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2014

11.1 January

11.1.1 We need to talk about outcomes. Oh, and the future of this blog. (2014-01-04 13:55)

Discussing the 'intellectual viability' of TED talks, Benjamin Bratton concludes:

> At a societal level, the bottom line is if we invest in things that make us feel good but which don't work, and don't invest in things that don't make us feel good but which may solve problems, then our fate is that it will just get harder to feel good about not solving problems. *[1]We need to talk about TED*, Benjamin Bratton, 'The Guardian', 30 December

Exactly. To put it another way: we need to talk about outcomes.... Rather than how advocates for particular policies perform, or institutional structures, or glamorous projects, or the short-term financial interests of private- and public-sector agencies. Unfortunately our entire political system, and the complexity of society, have allowed policymakers to get away with looking after the interests of corporations and other favoured bodies, rather than the ordinary people they are supposed to represent.

Social Policy Bonds would see policymaking start from first principles: what do we actually want to achieve?, and then reward people for actually achieving our goals, rather than merely for turning up to work for organizations whose names *suggest* they want to achieve these goals but are far more concerned with their own self-perpetuation.

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Is there anyone actually out there? This blog has been going for nine years now, and recent months have seen zero comments posted. Viewer numbers according to Google rarely go into three figures and Social Policy Bonds, though they have had some media attention in

recent years, aren't really advancing in ways that encourage me to continue with this blog. That said, perhaps there are readers via RSS or on mobile platforms whose views don't register with Google. If you have an opinion on the future of this blog one way or the other, I'd be grateful if you get in touch. You can email me directly and pseudonymously if you prefer, via the links on this page: http://socialgoals.com/blog-contact-me.html. Thanks.

1. http://www.theguardian.com/commentisfree/2013/dec/30/we-need-to-talk-about-ted

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11.1.2 (2014-01-13 22:25)

Hello Ronnie,

I am here and I very much appreciate this blog (just found it today). I also greatly appreciate your work and perspective. I am currently working on a set of posts for AllAnalytics which I would like to do in a factual, compelling and thoughtful manner. I think that the engagement of data analysts and professionals in this discussion will be very meaningful. Many times the quiet, diligent unsung heroes–data analysts can seize the political and policy-making day if objectivity and non-partisan attitudes prevail. I look forward to further discussion–Wendy Willbanks Wiesner

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11.1.3 (2014-01-14 07:51)

Many thanks Wendy, I'd be very keen to discuss the potential role of data analysts with you. Why not get in touch via direct email? I won't give my email address here because of spam, but there are links on this page of my website: http://www.socialgoals.com/blog-contact-me.html. I look forward to hearing from you. Regards, RH

11.1.4 GDP and war (2014-01-18 14:51)

Theordore Dalrymple puts it succinctly:

> An increased GDP, however distributed, is perfectly compatible with a deteriorated, even much deteriorated, way of life: and, presumably, a lowering of GDP is compatible with an improved, even a much improved, way of life. [1]*Of GDP and happiness*, 'Library of Law and Liberty', 2 January

Unfortunately, in the absence of any coherent other targets, increasing Gross Domestic Product (or GDP per capita) become the de facto objective of most democratic governments. But, as an end in itself, GDP has numerous flaws. Its targeting institutionalises our confusion

between ends and means. Economic growth should not be end in itself. At best, it is a means towards certain ends. Growth in GDP implies only a growth in economic activity. It does not distinguish between helpful and harmful economic activity. It puts no value on any activity that bypasses the monetary economy. So it ignores leisure time, the environment, crime, health, and other contributors to well-being that are meaningful, or even essential, to natural persons.

We urgently need goals that are far less randomly tied to human and environmental well-being. I make some tentative suggestions in [2]my book and on SocialGoals.com. Hand-in-hand with meaningful targets goes a sensible way of achieving them. Our current systems are failing in both respects, and the failures are becoming too spectacular to ignore for much longer. In these increasingly dire circumstances, Social Policy Bonds could be an answer. Under a bond regime, policymaking would be something with which ordinary people could engage. The bonds would target meaningful goals, with which we could all identify. These goals would be ends - targets inextricably linked to well-being - rather than real or supposed means towards achieving them. The bonds would inject the market's incentives and efficiencies into the achievement of our goals. And because they reward the achievement of our goals, rather than activities, they do not rely on our knowing how our ends are to be achieved or who will achieve them. This means that we can target problems, like war, that we have no idea (yet) how to solve.

One thing seems certain: however remote a [3]World Peace Bond regime seems now, a world without war within our current, corrupt, haphazard system, is even less likely.

1. http://www.libertylawsite.org/2014/01/02/of-gdp-and-happiness/
2. http://www.socialgoals.com/the-book.html
3. http://www.socialgoals.com/world-peace.html

11.1.5 (2014-01-20 21:55)

I read every post, mostly in a feed reader. I hope you keep blogging – or publishing in some public venue, if this blog isn't the right place.

11.1.6 (2014-01-21 04:38)

Thanks Mike, much appreciated.

11.1.7 Arguments on both sides (2014-01-23 14:28)

There are two things you can always say if having dosed off in a meeting at work and you're nudged awake to find people staring at you, waiting for your contribution. One is "it's not

black or white, it’s a continuum". The other is "there are arguments on both sides".

Reading about subjects like low-carb diets, or medications intended to treat psychiatric conditions of, of course, climate change, I’m struck not so much by the controversies and seemingly valid arguments on both sides of fundamental questions, but *by the absence of systems that would impartially encourage accurate, definitive resolution of the fundamental problems*. So much about the way we deal with major challenges is now about defending positions, rather than looking for truth. One would hope that the arc of history combined with Darwinian processes would tend toward the settling of arguments as to whether, say, low-carb diets are helpful or harmful. We often assume that something like the scientific paradigm will inevitably resolve these issues. Perhaps it will, but there are problems with this. First, that the defending of entrenched, but harmful, wrong positions adds to the sum of human misery, perhaps on a large scale over a long time. Second, that we may reach tipping points, beyond which even if the right side eventually wins the argument against entrenched opposition, it’s too late or costly to change the rate at which the damage is being done.

If there is significant wealth or status - individual or collective - or control at stake, we can be sure that there will be people virulently defending at least two sides of a policy discussion. Sometimes these sides and their biases are easy to identify: big pharma, big oil. Sometimes not: government agencies, non-governmental organizations of every sort. In many instances these bodies will genuinely believe in their case, in others, they won’t.

But it doesn’t really matter. The point is that, for many policy decisions, the stakes for society are too high for the debate to be determined by interest groups or ideologues, and their paid mouthpieces.We need some way of making policy that is independent of vested interests.

That’s where focusing on outcomes - rather than supposed means of achieving them - becomes important. Under a Social Policy Bond regime, policymakers wouldn’t start out weighing the arguments for, or against, say, doing something about climate change or whether people should eat more fat and less sugar. They would instead determine which broad outcomes we want to see. And these outcomes would be goals that are meaningful to ordinary citizens, who could therefore participate in the policymaking process. It would be up to bondholders to work out whether the supposed means of achieving society’s goals entail favouring one interest group or another, or neither. Their motivation would be to achieve society’s targeted goal at minimum cost and as quickly as possible. The most efficient bondholders will be rewarded the most, and it is they, acting in their own self-interest to establish as best they can, *impartially,* the actual scientific relationships that will advance them most cost-effectively on the road to maximising not only their own profits, but also society’s well-being. Impartiality and truth-seeking, motivation and efficiency: these are all

built into the very structure of a Social Policy Bond regime.

Unfortunately, the lack of uptake of the Social Policy Bond principle, after it has been in the public arena for 25 years, could be interpreted as a symptom of the same problem: the power of vested interests to resist anything that could threaten their position.

11.2 February

11.2.1 Another useless indicator creeps in (2014-02-01 09:51)

Social Policy Bonds embody two main principles: targeting outcomes; and the use of markets to achieve these outcomes most efficiently. Even if discussion of Social Policy Bonds just leads to a rational discussion of which outcomes we want to achieve, then my work on the bonds would not be in vain.

I've discussed the futility of over-narrow objectives before, when discussing [1]Social Impact Bonds. (See also why I think the bonds [2]must be tradeable.) But broad indicators too can, by default, become *de facto* targets, and they can be similiarly flawed; by which I mean that they are not inextricably linked to society's well-being. We have a tendency not to think through the implications of certain indicators: the biggest one is [3]GDP. But another that is creeping into policymaking dicussion is five-year survival rates for cancer. The *Economist* casually slips it into an article about managing heatlh care:

> Deciding where to seek treatment might seem simple for a German diagnosed with prostate cancer. The five-year survival rate hardly varies from one clinic to the next.... *[4]Need to know*, 'the Economist', 2 February

But the five-year survival rate is meaningless:

> [I]n
> the U.S. prostate cancer is being diagnosed earlier, a lead-time bias,
> and the cancer is being over diagnosed, that is, a pseudodisease is

detected" in the form of screening-detected abnormalities that "meet the pathologic definition of cancer but will never progress to cause symptoms in the patient's lifetime." *[5]Source (* Scroll down to *Incorrect metrics.)*

The article in the *Economist* ends:

> [D]octors ... have long focused on clinical outcomes such as infection and re-admission rates. But by thinking about what matters to patients, providers can improve care and lower costs at the same time.

Exactly so. We need to be focusing on broad, meaningful indictors of well-being, such as Quality Adjust Life Years, and target those, rather than casually accept the use of flawed measures such as five-year survival rates.

1. http://socialgoals.blogspot.com/2013/08/social-impact-bonds-not-very-exciting.html
2. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
3. http://socialgoals.blogspot.com/2013/05/economic-growth-is-not-valid-goal.html
4. http://www.economist.com/news/international/21595474-improve-health-care-governments-need-use-right-data-need-know
5. http://test.causeweb.org/wiki/chance/index.php/Chance_News_62

11.2.2 The system's broken (2014-02-09 07:50)

The *Economist* discusses the US Farm Bill, passed on 4 February:

> [M]ore than 10,000 policyholders received over $100,000 from crop-insurance subsidies in 2011. The new bill tries to cap the amount that any one farmer can receive; but if the weather is bad, it could lead to higher payouts than planned. Taken together, these subsidies distort behaviour and trade in unhelpful ways. They have created products that make no economic sense in the rest of the world, such as making sugar from corn. As a penalty for keeping cotton subsidies in place, the World Trade Organisation's rules require the American government to pay $147m a year to compensate farmers in Brazil. *[1]A trillion in the trough*, 'The Economist', 8 February

It's the persistence *for decades* of these economically and environmentally disastrous policies that indict our entire policymaking system. Yes, policymakers will make mistakes; all the more reason why we should have systems in place to ensure that failed policies are terminated. But instead, we have the systems that ensure that appalling policies become more and more entrenched because of political inertia, because they subsidise resistance to their termination, or because they become capitalised into high asset values that would create genuine but temporary hardship if they were withdrawn. Governments have a long history of meddling in agriculture; they persist even though it's been known for decades that they are, to put it kindly, [2]irrational.

And corrupt. The *Economist* continues:

> How could Congress write such a law? One answer can be found in the register of political donations. The ten members of the House, nine Republicans and one Democrat, who accepted most money from agriculture lobbyists took in an average of $225,000 in political contributions during 2013, according to Open Secrets, which tracks donations—almost as much as some farmers received in return.

Not much is black or white in politics and policymaking, but as P J O'Rourke put it *twenty-three years* ago (in [3]Parliament of Whores):

> I
> spent two and a half years examining the American political process. All that time I was looking for a straight forward issue. But everything I investigated – election campaigns, the budget, lawmaking, the court system, bureaucracy, social policy – turned out to be more complicated than I had thought. There were always angles I hadn't considered, aspects I hadn't weighed, complexities I'd never dreamed of. Until I got to agriculture. Here at last is a simple problem with a simple solution. Drag the omnibus farm bill behind the barn, and kill it with an ax.

1. http://www.economist.com/news/united-states/21595953-congress-passes-bill-gives-bipartisanship-bad-name-trillion-trough
2. http://socialgoals.com/orchard2.html
3. http://www.amazon.com/parliament-whores-p-j-orourke/dp/B000GHTEZO/ref=sr_11_1/002-3499246-2230450?ie=UTF8

11.2.3 (2014-02-14 20:16)

I'm an irregular reader, but I often check back, and I continue to pitch the idea to people in Silicon Valley.

11.2.4 (2014-02-15 17:13)

Thank you crasch.

11.2.5 Greenhouse gases, recidivist rates, cholesterol, and the one percent (2014-02-17 09:56)

What do greenhouse gas emissions, recidivist rates and cholesterol readings have in common? They are all surrogate indicators; that is, they are things that governments target, thinking (or pretending to think) that by doing so they are benefiting society.

They aren't. Whether the associated loose thinking - or just plain dishonesty - originates in government or in the people who pay governments to shape the regulatory environment in their favour, surrogate indicators have little to do with human well-being.

Perhaps we need to ask in whose interest it is that we target things like greenhouse gas emissions, or recividist rates or cholesterol readings? Surely, if we want to reduce the adverse impacts of climate change on humans and the environment, we'd be better off, with all the scientific uncertainties, to target [1]reductions in those negative impacts? Similarly, if we actually want to reduce crime rates, why don't we target crime rates rather than recidivist rates, which have very little, [2]if anything, to do with crime? And if we want to target physical health, why don't we reward improvements in physical health, rather than encourage the mass ingestion of statins, whose long-term effects are [3]nebulous at [4]best and [5]dangerous at worst?

One reason that I am a less-than-enthusiastic supporter of [6]Social Impact Bonds is that they are targeting recidivism rates. Their targeting of an indicator that has nothing to do with things that matter to ordinary people risks discrediting the whole idea of channeling the market's incentives and efficiencies into the public good. We have had plenty of recent and disastrous
experience of financial instruments being gamed to death, with
calamitous effects on ordinary hard-working citizens. So we need to be very careful about introducing new financial instruments. There is, unfortunately, every reason to be cynical. Bankers,
consultants, the financial services sector, big corporations, government agencies and even non-governmental organizations all have made lots of money doing things that are purportedly

in the public interest, but in fact have done nothing for ordinary people.

That is why I suggest that Social Policy Bonds target only metrics that *are,* or *are inextricably linked to,* indicators of societal well being. The bond mechanism allows for that sort of targeting, because it does not specify *how* our goals shall be achieved, nor *who* shall achieve them. Unfortunately, without that sort of guarantee, there is every reason to expect that the well-meaning targeting of rhetorically persuasive but flawed indicators will continue to enrich only the one percent.

1. http://www.socialgoals.com/climate-change.html
2. http://www.libertylawsite.org/2013/03/04/the-french-define-recidivism-down/
3. http://www.bbc.co.uk/news/health-24625808
4. http://www.bmj.com/press-releases/2013/10/22/observations-saturated-fat-not-major-issue
5. http://articles.mercola.com/sites/articles/archive/2013/04/17/statin-side-effects.aspx
6. http://en.wikipedia.org/wiki/Social_impact_bonds

11.2.6 (2014-02-20 19:08)

i like ur site...good job

11.2.7 Nobody's perfect (2014-02-22 17:00)

Freeman Dyson reviews *Brilliant Blunders*, by Mario Livio, "a lively account of five wrong theories proposed by five great scientists during the last two centuries." The examples Livio writes about:

> give for nonexpert readers a good picture
> of the way science works. .... Wrong theories are not an impediment to the
> progress of science. They are a central part of the struggle. .... The five chief characters in Livio's drama are Charles Darwin, William
> Thomson (Lord Kelvin), Linus Pauling, Fred Hoyle, and Albert Einstein.
> Each of them made major contributions to the understanding of nature,
> and each believed firmly in a theory that turned out to be wrong..... [W]rong ideas can be helpful or unhelpful to the search for truth. No
> matter whether wrong ideas are helpful or unhelpful, they are in any
> case unavoidable. *[1]The case for blunders*, Freeman Dyson, 'New York Review of Books' dated 6 March

Even more so in social policy, where underlying relationships change over time and are rarely independent of the psychic makeup of the principal actors and stakeholders. We need to

encourage diverse approaches to our social problems, and ones that can adapt when they are seen to be inefficient or counter-productive. As with science, though, social policy practitioners, be they politicians, bureaucrats, academics or members of think-tanks, frequebtly commit their egoes - and public funds - to deficient theories or ideologies.

> The chief difference between science and other human enterprises such as warfare and politics is that brilliant blunders in science are less costly.

Quite: when great scientists commit themselves to wrong ideas the costs can be high, but when politicians do so they can be calamitous.

Social Policy Bonds would penalise failed or inefficient pseudo-solutions to our social problems, and reward only the most cost-effective ways of achieving our social goals. Bondholders would be motivated to terminate failing projects and divert funds into only the ones that are cost effective. If they don't do this quickly enough, others would bid more for the bonds than they are worth to the current holders. The bonds, being tradeable, would always be in the hands of people who are motivated to be efficient. Commitment to wrong theories would be penalised in immediate, pecuniary ways - a stark contrast with the current policymaking system, within which failed policies, instead of being terminated, often receive more and more funding in an effort to shore up vested interests.

1. http://www.nybooks.com/articles/archives/2014/mar/06/darwin-einstein-case-for-blunders/?pagination=false

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11.3 March

11.3.1 Place your bets (2014-03-03 13:39)

What is government for? Obviously, it's for distributing taxpayer funds to those who are most in need:

> The much-anticipated first film of "The Hobbit" trilogy [could] gross about $3 billion. So how much taxpayer money, would you guess, did Warner Bros. Entertainment

> Inc. need to produce the films based on the J.R.R. Tolkien book? The answer is zero. The studios are investment companies, and the films are almost certain to be immensely profitable. But now you aren't thinking like a studio. The real question is: How much taxpayer money can Warner Bros. demand from the government of New Zealand to keep production there (rather than, say, in Australia or the Czech Republic)? That answer turns out to be about $120 million, plus the revision of New Zealand's labor laws to forbid collective bargaining among film-production contractors, plus the passage of three-strikes Internet-disconnection laws for online copyright infringement, plus enthusiastic and, it turns out, illegal cooperation in the shutdown of the pirate-friendly digital storage site Megaupload and the arrest of its owner, Kim Dotcom. *[1]Kill the Hobbit Subsidies to Save Regular Earth*, Joe Karaganis, 'Bloomberg View', 4 December 2012

> The Government is talking up lavishing taxpayers' dollars on Avatar sequels - but the Treasury has already panned the spending as a turkey. As part of the deal announced yesterday by Prime Minister John Key, two fellow ministers and Avatar director James Cameron, the movies' producers will get at least $125 million in taxpayers' money in return for spending at least $500m making the films in New Zealand. *[2]Critical Eye on Avatar Deal*, Ben Heather, 17 December 2013

This is government as an investment company: thinking it knows how best to gamble with other people's money. Or it's a desperate attempt by politicians to associate themselves with something glamorous, at the expense of the millions of people who aren't as photogenic, so must pay for government and its whimsical bets. Either way, doling out millions to rich corporations is irresponsible at best, corrupt at worst. Governments can get away with this because they don't formulate policy in terms of outcomes. In our currently policymaking environment it's quite acceptable for politicians to act on the basis that, for instance, cutting back greenhouse gases will solve the climate change problem, or that building more roads will boost economic growth or, indeed, that boosting economic growth will enhance people's well-being.

The days when easily identifiable cause-effect relationships were significant enough to drive policy effectively and efficiently are gone. Society is too complex, the time lags too great, the linkages too murky, for that to work any longer. A better alternative would be to target outcomes, and let motivated people work out how best to achieve them, through adaptive, diverse approaches. A Social Policy Bond would do this and, as well, inject the market's incentives and efficiencies into every stage of every such approach.

For more details, see the SocialGoals.com website which, if you haven't been there recently, has been polished a bit, and now includes, on [3]this page, links to pdf files of all the chapters in my book.

I suppose things could be worse. Well, they are worse: as well as distributing scarce funds from the poor to the rich, government takes from taxpayers to subsidise the destruction of our environment. It makes our involuntary donations to Warner Brothers look like enlightened policy:

> The UN Development Programme says rich countries should switch some of the staggering $35 billion a year they spend subsidising fishing on the high seas (through things like cheap fuel and vessel-buy-back programmes) to creating marine reserves—protected areas like national parks. *[4]In deep water*, 'The Economist', 22 February (subscription)

1. http://www.bloombergview.com/articles/2012-12-04/kill-the-hobbit-subsidies-to-save-regular-earth
2. http://www.stuff.co.nz/dominion-post/news/9524220/Critical-eye-on-Avatar-deal
3. http://www.socialgoals.com/links-to-chapters.html
4. http://www.economist.com/news/international/21596990-humans-are-damaging-high-seas-now-oceans-are-doing-harm-back-deep-water

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11.3.2 No excuses (2014-03-11 15:18)

"National Security", "family farms", "international aid" and now "climate change": a small sample of concepts that become corrupted by government and used to justify transfers of resources from the poor to the rich.

Under the current policymaking regime, politicians can get away with using phrases like these to justify setting up departments and initiating activities that sound as though they will help deal with a problem, but end up shoring up vested interests. They can do this because they absolutely refuse to reward the achievement of explicit, agreed, meaningful outcomes. Instead they channel funds into organizations whose names suggest to the naive that they are striving to achieve an outcome or deal with a problem. These can be government agencies, supra-national government organizations, or large and favoured corporations.

This came about largely because setting up bureaucracies for many social and environmental problems was originally the most efficient way of solving them. Society was less complex, the linkages less intricate, the time lags shorter. The nature of, responsibility for, and solutions to, our most glaring problems were often easier to identify than nowadays.

But times have changed. Nobody today can identify how to achieve world peace, though the need to do so is probably greater than at any time in history. Nobody really knows how to tackle climate change: the much-vaunted greenhouse gas explanation may or may not be totally wrong, and anyway cutting emissions might not be the best solution or, more likely, might just be one of many necessary approaches.

Yet we persist in attempting to solve problems only after a single cause has been identified. Once that happens, the response of government is to channel resources into bodies and activities that ostensibly deal with the cause of the problem, but whose own exists depends on failing to be efficient at doing so. Somewhere along the way, accountability is lost. So to help 'family farms' taxpayers and consumers spends billion on higher food prices to [1]support wealthy landowners. 'National security' has become an excuse for mass surveillance, the setting up of an embryonic police state, and ruinously expensive accumulation of weapons systems. 'International aid' is a [2]byword for corruption and waste.

Climate change looks like going the same way: becoming an excuse to set up massive bureaucracies that will allegedly cut greenhouse gas emissions - or what were thought to be greenhouse gas emissions back in the 1990s.

With Social Policy Bonds, there's no excuse for this sort of deception. Instead of vaguely targeting 'terrorism', or 'climate change', or 'rural poverty', we can specify exactly what it is we want to achieve. So if there is a societal consensus that poor people should pay more for their food so that enormously wealthy landowners can afford a second helicopter, we could choose to do exactly that. But if we actually want to[3] help poor people, or to alleviate the problems caused by adverse [4]climatic events, or to achieve [5]world peace, then we can issue Social Policy Bonds that reward people only when they have achieved these goals. We do not have to wait until cause and effect have been identified; nor till the optimal solutions have been found. Under a Social Policy Bond regime it would be bondholders who would do all that; and the more efficient they are at doing so, they more they will be rewarded. Diverse, adaptive approaches are going to be necessary to solve our most urgent social and environmental problems. The current policymaking environment stifles such approaches. A Social Policy Bond regime, in contrast, would encourage them.

1. http://policy-practice.oxfam.org.uk/publications/spotlight-on-subsidies-cereal-injustice-under-the-cap-in-britain-114600
2. http://books.google.co.th/books/about/Lords_of_Poverty.html?id=5bHvTtNmsikC&redir_esc=y
3. http://www.socialgoals.com/human-development.html
4. http://www.socialgoals.com/climate-change.html
5. http://www.socialgoals.com/world-peace.html

11.3.3 Insanity (2014-03-15 19:16)

From *Bloomberg Businessweek:*

> Global fuel subsidies cost as much as $1.9 trillion a year.... In 2011, US subsidies for petroleum products were more than 2 percent of GDP. ...
>
> Egypt spends 9 percent of [its] GDP to keep gasoline prices low. ... The IMF says 61 percent of gasoline subsidies goes to the richest 20 percent of citizens, who own cars.... *[1]Why fuel subsidies in developing nations are an economic addiction*, and *The cheap fuel trap,* Brendan Greeley, 'Bloomberg Businessweek', dated 17 March

What is it about our policymaking system that perpetuates this insanity? It's clear that the fossil fuel industries are powerful and so can lobby effectively for the subsidised extraction and consumption of their products. And we might not have known, at first, what we know now: that these subsidies transfer funds from the poor to the rich, accelerate the destruction of our environment, and are extremely wasteful. But now that we do know...what then? It's the persistence of these insane subsidies, in the face of decades of evidence of the social and environmental damage they do that is the biggest indictment of our current policymaking system.

Policies as crazy as these get implemented because they sound quite plausible. Reducing the cost of fuel, say, 'stimulates the economy, which creates jobs and benefits everybody'. Nobody bothers to ask why, if we are intent on giving out scarce resources to favoured groups, we don't give them directly to the people we say are going to benefit: poorer people, let's suppose, who can then make their own decisions about the sort of society they want to live in. Our current system takes some plausible-sounding relationship and makes it the basis of policy. That can work well when social and environmental relationships are easy to identify and don't change much over time. It works less well when we are talking about much more complex, intricate relationships, with thousands of variables and time lags. To reduce the negative impacts of climate change, for instance, or to bring about world peace: these are beyond the scope of any organization that first identifies (or claims to) a relationship between cause and effect and then formulates policy accordingly.

The better alternative is to target outcomes directly, and let motivated people work out the best ways of achieving them. These ways will vary dramatically over time and space, the more so for bigger goals. A Social Policy Bond regime would not only target these outcomes and reward people for achieving them; it would also inject the market's incentives and efficiencies, ensuring that they would be achieved in the most cost-effective ways possible.

The old way of making policy has been corrupted, such that we cannot even discontinue our most obvious, spectacularly stupid and destructive subsidy schemes. It's time to target outcomes directly, and contract out the achievement of our social and environmental goals to people who will be rewarded, not because they are powerful or smart or well connected, but because they achieve society's goals most efficiently.

1. http://www.businessweek.com/articles/2014-03-13/why-fuel-subsidies-in-developing-nations-are-an-economic-addiction

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11.3.4 Bad Policymaking (2014-03-27 09:27)

Ben Goldacre writes in *[1]Bad Pharma* (2013)*:*

> [I]t's possible for good people, in perversely designed systems, to casually perpetrate acts of great harm on strangers, sometimes without ever realising it. The current regulations – for companies, doctors and researchers – create perverse incentives; and we'll have better luck fixing those broken systems than we will ever have trying to rid the world of avarice.

Dr Goldacre is discussing the medical profession, but his point applies to any regulatory system. In medicine, as in so many other policy areas, the complexity and obscurity of relationships between cause and effect make it easy to generate outcomes that are suboptimal at best and murderous at worst. Where large sums of money are at stake, the manipulation of a regulatory environment creates the means by which the minor tendency towards avarice (or, more politely, self-interest) of the few can be leveraged against the well-being of the many. Systems are put in place to deal with the problem when it becomes to obvious too ignore. But they themselves are subject to hijacking and gaming by the beneficiaries of the current regulatory environment. In short, we have *no mechanisms to terminate failed policies,* especially those that create or enrich powerful interest groups, including those who genuinely believe they are acting for the good of wider society.

We need to subordinate policymaking to society's needs, not those of interest groups whose over-arching goal, despite all their good intentions, vision statements and lofty idealism, is self-perpetuation. If one doubts this, one need only continue reading *Bad Pharma*, to see that universities and ethics committees deny doctors the opportunity to see crucial data from the many medical trials that result in unfavourable outcomes for the pharmaceutical industry. Even worse:

> So universities and ethics committees may have failed us, but there is one group of people we might expect to step up, to try to show some leadership on missing trial data. These are the medical and academic professional bodies, the Royal Colleges of General Practice, Surgery and Physicians, the General Medical Council, the British Medical Association, the pharmacists' organisations, the bodies representing each sub-specialty of academia, the respiratory physiologists, the pharmacologists, the Academy of Medical Sciences, and so on. These organisations have the opportunity to set the tone of academic and clinical medicine, in their codes of conduct, their aspirations, and in some cases their rules, since some have the ability to impose sanctions, and all have the ability to exclude those who fail to meet basic ethical standards. We have established, I hope, beyond any doubt, that non-publication of trials in humans is research misconduct, that it misleads doctors and harms patients around the world. Have these organisations used their powers, stood up and announced, prominently and fiercely, that this must stop, and that they will take action? One has: the Faculty of Pharmaceutical Medicine, a small organisation with 1,400 members. And none of the others have bothered. Not one.

Dr Goldacre speaks about the British environment, but there's nothing unique to the UK about his analysis.

So what can Social Policy Bonds do about this systemic failure to put the interests of ordinary people against those of powerful corporations and regulatory bodies?

Continuing with the example of medicine, Social Policy Bonds would target *directly and explicitly* that which the pharmaceutical industry, the professional bodies and the policymakers who create the regulatory environment all say they are trying to improve: the health of society. Government would continue to raise funds for the improvement of society's health, but instead of dispensing these funds in ways that benefit organizations that are supposed to put society's interests first would only those who achieve society's health goals. It would issue [2]Health Bonds, redeemable only when these goals have been achieved and sustained. The goals would be broad and transparent, comprehensible to ordinary people and so not subject to the smoke-and-mirrors manipulation that features so prominently within our current framework. The bond mechanism would ensure that only activities that actually help achieve our health goals would be rewarded.

A Health Bond regime would be a drastic change from any existing health care system. In [3]my book, which is freely downloadable from my website, I describe how we could move gradually from current systems to such a regime. Health Bonds would lead to a [4]new type of organization: ones whose interests are entirely congruent with those of society. The current system, as Dr Goldacre makes inescapably clear, is broken to the extent that it kills many of the people it's supposed to beneft. I propose instead that we revolutionise health policy by putting the interests of ordinary citizens above those of vested interests.

1. http://www.amazon.co.uk/Bad-Pharma-How-Medicine-Broken/dp/000749808X/ref=sr_1_1?ie=UTF8&qid=1395880909&sr=8-1&keywords=Bad+Pharma
2. http://socialgoals.com/health.html
3. http://socialgoals.com/links-to-chapters.html
4. http://socialgoals.com/new-type-of-organization.html

11.4 April

11.4.1 Metrics for peace (2014-04-12 21:03)

Social Policy Bonds have their most marked advantage over conventional policy when trying to solve complex solutions for which there is no single, knowable, solution. Climate change (or some of its impacts), crime, or infant mortality in the poorest countries are examples of such problems, as too is violent political conflict: war or civil war.

For issuers of [1]World Peace Bonds, or [2]Middle East Peace Bonds the challenge is not how to achieve peace - that will be left to bondholders - but how to define it in such a way that its achievement will robustly and verifiably have brought about societies in which most of us would be happy to live.

A start would be to issue bonds that would become redeemable when there has been no nuclear explosion that kills more than, say 100 people before 1 January 2050. We could of course issue bonds targeting nuclear peace for decades beyond that date. Similarly, we could target sustained periods of peace relative to today's world: bonds that would become redeemable if the annual numbers of people killed in conflict fall below 50 percent of the average levels from 2007-2012, say, for a period of 10 years.

But a ruthless and powerful dictator could impose those sorts of peace by simple black-mail. We could perhaps therefore combine our main peace goal with other conditions that will have to be satisfied for the bonds to be redeemed. These could include broad quality of

life indicators, including the well-being of all communities in a population. It might also be worthwhile to classify as outcomes such essentials for war as weapons, or the sums spent on them, or the number of men and women under arms, and target these for reduction too. We might also want to target attitudes of people towards people of different countries, ethnicities or religions, in ways that will discourage politicians and others from provoking conflict.

Feeding into such attitudes, or possibly as another target to be considered by bond issuers might be to encourage intermarriage between communities that are currently antogonistic. For most governments, advocating or even discussing such an idea would be political suicide. But for holders of Middle East Peace Bonds, for example, it would merely be another tool that can choose to use or not, depending on their view of how effective it will be. Under a bond regime targeting the end of violence between communities in conflict, no official programme of sponsored intermarriage need be contemplated. Bondholders, though, could do, or cause to be done, things that governments cannot do. There would be no sinister motives underlying their actions; their motive, clear and comprehensible to all, would be explicitly mercenary with no sinister overtones: to raise the value of their bond holdings. As human beings, most of us agree that anything that resolves conflict peacefully and at a bearable cost should be encouraged. Apart from fanatics, even the devout on both sides of most conflicts, away from public fora and in their cooler moments, would put human survival above ethnic purity or identity politics. Even a little intermarriage between two warring factions could go a long way.

Most likely, under an enlightened Peace Bond regime, intermarriage, rather than being directly encouraged, would be the happy outcome of a range of projects aimed at increasing informal contacts between two sides of a conflict, including such trustbuilding measures as lower barriers to trade, school exchange visits, or mixed sports teams. One of the benefits of the Social Policy Bond concept is that it can stimulate actions like these including, if necessary, the direct sponsoring of intermarriage, or the birth of mixed-ethnicity children which, if governments were to undertake them directly, would be met by near universal disdain and opposition.

1. http://www.socialgoals.com/world-peace.html
2. http://www.socialgoals.com/middle-east-peace.html

11.4.2 Non-random incentives for world peace (2014-04-17 19:47)

> The average person is now roughly 20 times less likely to die violently than the average person was in the Stone Age. *[1]The Slaughter Bench of History*
> Ian Morris, 'The Atlantic', 11 April

How did this come about? According to Professor Morris:

> For most of our time on earth, we have been aggressive, violent animals, because aggression and violence have paid off. But in the 10,000 years since we invented productive war, we have evolved culturally to become less violent—because that pays off even better.

I can't argue with Professor Morris. Human beings are rational, and respond rationally to the incentives on offer. It's tragic, though, that the incentives not to prosecute war seem to have come about quite randomly; through experimentation over millennia with every sort of conflict, fought with ever-improving technology, at calamitous human cost.

I think we can do better - and we should. Instead of relying on the slow, random and painful process of learning through direct experience, we could actively create or magnify the incentives for peace. We could, simply, make a conscious, deliberate decision to increase the incentives for people to avoid war.

How? We could apply the Social Policy Bond principle to violent political conflict. We could issue [2]World Peace Bonds or, say, [3]Middle East Peace Bonds. We don't have to know *how* people who invest in these bonds will use their expected returns from bondholding to reduce the chances of conflict breaking out. Nor do we need to know *who*, exactly, will buy the bonds and undertake peace-building activities. What we *would* do, by issuing Peace Bonds, is motivate people who are currently pre-occupied with other, probably less socially beneficial, concerns, to get involved in peace-building and explore, refine and implement the most efficient ways of ending war.

War has been a curse for generations and remains an existential threat: the full title of Professor Morris's piece excerpted above is: *How war created civilization over the past 10,000 years—and threatens to destroy it in the next 40*. Peace Bonds could generate bigger incentives to end war far less randomly and at lesser human cost, than through the the current

process of random blundering accompanied by painfully slow, fitful, learning; a process that may yet culminate in unrestrained nuclear conflict with the deaths of millions.

1. http://www.theatlantic.com/international/archive/2014/04/the-slaughter-bench-of-history/360534/
2. http://www.socialgoals.com/world-peace.html
3. http://www.socialgoals.com/middle-east-peace.html

11.4.3 Mickey Mouse targets: gargantuan impact (2014-04-24 17:14)

From *The Economist*:

> Like almost every other local government in China, Xianghe's has an urbanisation target: 60 % by 2017, up from around 50 % today and ahead of the national target of 60 % by 2020. Since the global financial crisis in 2008, governments have been hardening such objectives as a way of stimulating growth, and have been borrowing heavily to meet them. *[1]Emerging from the shadows*, 'The Economist', 19 April

Targets such as these, including especially the universal (apart from perhaps in [2]Bhutan) and much-revered *de facto* target of governments everywhere, Gross Domestic Product, are Mickey Mouse in conception and in their relationship to ordinary people's well-being, but not, unfortunately, in the impact they have on us all. They are top-down targets, favoured by the political caste and their functionaries. They become the sole focus of bureaucrats' attention to the exclusion of anything else. When it comes to urbanisation in China, the impacts are socially and environmentally disastrous: local governments scramble to meet the targets by throwing peasants off the land they and their families have been farming for generations. One result, *The Economist* continues, is...

> ...the rampant urban sprawl
> encouraged by local governments' ability to seize rural land at will.
> Such unrestrained expansion may work in parts of America where there is plenty of empty land (albeit at a cost to the environment and often to the quality of life). In China, where urbanisation has forced around 40m farmers off their land over the past three decades, usually with little or no compensation, it will not.

There's a stark contrast between the *ad hoc*, spurious, almost random nature of targets like urbanisation rates, and the serious negative impacts they have on everyone other than the people who dream them up.

People who make policy for large societies need to rely on some sorts of numerical indicators of society's goals and how quickly we are reaching them. But indicators and targets should be well thought out and as consensual as possible. They should be in themselves, or be inextricably linked to, things that we actually want to achieve. In other words, they should not merely have (perhaps) been associated with social well-being in the past. They should be outcomes that are meaningful to ordinary people, because that's what matters most and that is what will encourage people's engagement with policymaking and hence buy-in to policies that affect us. Mickey Mouse indicators like urbanisation, or GDP are just not good enough. They speak of a growing and dangerous alienation of rulers from ruled.

1. http://www.economist.com/news/special-report/21600803-seizing-land-and-running-up-debts-no-way-finance-local-government-emerging
2. http://en.wikipedia.org/wiki/Gross_domestic_happiness

11.4.4 Democracy in danger (2014-04-26 22:54)

> Multivariate analysis indicates that economic elites and organized groups representing business interests have substantial independent impacts on U.S. government policy, while average citizens and mass-based interest groups have little or no independent influence. *[1]Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens* (pdf), Martin Gilens and Benjamin I Page, 9 April

The authors came to this conclusion after reviewing answers to 1779 survey questions asked between 1981 and 2002 on public policy issues. They broke the responses down by income level, and then determined how often certain income levels and organised interest groups saw their policy preferences enacted.

There's little prospect of this changing so long as policymaking is conducted in terms of things that alienate ordinary people. Sometimes our politicians speak eloquently of lofty, high-minded goals whose time lines stretch so far into the future that they can be sure they will not be held accountable for their failure to realize them or that are otherwise unverifiable because they are just too vague. More often, though the stated goals of policy have to do with dollars spent, institutional structures and composition, legalisms, regulations or outputs - all of which are too arcane, complex and obscure for anyone other than lawyers, lobbyists and ideologues to follow closely. The only people who understand policymaking today are those who are paid to do so, and the only people who influence it are those who have the millions of dollars necessary to pay them. These are Gilens' and Page's 'economic elites and ... business interests'. They continue:

> When a majority of citizens disagrees with economic elites and/or with organised interests, they generally lose. Moreover, because of the strong status quo bias built into the US political system, even when fairly large majorities of Americans favour policy change, they generally do not get it.

Yes, our societies are complex and highly aggregated. But people's goals are far more easily articulated than the alleged means of reaching them. One solution to the problem described by Gilens and Page, and felt by almost everyone, could be to express policy goals in terms of outcomes that are meaningful to ordinary people. Things like pollution levels, crime rates, poverty rates, literacy standards. There wouldn't be universal agreement about target levels and priorities, but there would be engagement by the public in the policymaking process. With such engagement, there would be influence and buy-in.

A Social Policy Bond regime would start by expressing our social and environmental goals in terms that people can understand and influence. Government, instead of trying to guess how best to achieve our goals (which it is not good at doing) would instead concentrate on articulating society's goals and raising the revenue for their achievement (both of which democratic governments can actually do quite well). The other essential element of a Social Policy Bond regime is to inject the market's incentives and efficiencies into the achievement of our social goals - something that rarely happens nowadays. (For more, see my SocialGoals.com website.)

The alternative? Gilens and Page conclude:

> Americans do enjoy many features central to democratic governance, such as regular elections, freedom of speech and association and a widespread (if still contested) franchise. But we believe that if policymaking is dominated by powerful business organisations and a small number of affluent Americans, then America's claims to being a democratic society are seriously threatened.

1. http://www.princeton.edu/~mgilens/Gilens%20homepage%20materials/Gilens%20and%20Page/Gilens%20and%20Page%202014-Testing%20Theories%203-7-14.pdf

11.5 May

11.5.1 Social goals: neither barmy nor simplistic (2014-05-07 17:49)

Yves Smith does us all a service in exhuming and [1]refuting Milton Friedman's claim that "corporations exist to maximise shareholder value". Friedman wrote, in 1970:

> That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.... *[2]The Social Responsibility of Business is to Increase its Profits* , 'The New York Times Magazine', 13 September 1970

Perhaps that was believable back in 1970. Since then, it's become clear that the basic rules of society are there to be manipulated or ignored in pursuit of corporate earnings. As Mr Smith reminds us, corporations pursue corporate goals, rather than those of shareholders. Nevertheless, Mr Smith concludes:

> Friedman's simplistic, barmy idea found fertile ground. And it became self-reinforcing as executives learned to use it to line their wallets. The long-lived, difficult to displace but not lavishly paid corporate chieftain was over time supplanted by wildly overpaid straight-from-central-casting CEOs. Why worry overmuch about longevity if you can rake it in a 3 to 5 year tenure? .... So again, repeat after me: "maximizing shareholder value" is an idea made up and promoted by economists, starting with Milton Friedman and his Chicago School cronies. And like many ideas that came out of the Chicago School, the public as large has suffered from treating a soundbite like a serious policy proposal.

All true and important. But perhaps the deeper and broader problem is the mismatch between metrics that become targets, and the well-being of society.

My hypothesis is this: In an older, less complicated, world the correlation between an accountant's view of a corporation and that corporation's success would be strong. So too would be the correlation between the success of a corporation and its contribution to social well-being. Since those days, as population has grown, as society has become more complex, and as our more basic needs have been more satisfied (largely thanks to the activities of

these corporations), the correlations have become weaker. A corporation's success can have negative, non-market, impacts on the environment about which we feel more strongly. Its activities and products or services can contribute very little to social well-being, or even detract from it.

All this is not to deny that there are a lot of *positive* externalities arising from corporate activity. My point is that we have no systemic means of encouraging corporations to, in Friedman's words, conform to the basic rules of society. If a corporation creates havoc in the social or physical environment, then we rely on government to put a stop to it: but often this is too little, too late, partly because of inevitable time lags, partly because government relies on corporate taxes, and partly because big business and government are just too close and corporations find it easy to subvert or ignore those basic rules.

Accountants' measures of success are less and less reliable indicators of social well-being. And the single over-arching accountancy-derived metric is that of Gross Domestic Product (or GDP per capita) which is explicitly or implicitly targeted by almost all governments (except, probably, that of [3]Bhutan).

We need new targets; targets that correlate strongly with society's real aspirations. Targets that reinforce conformity with existing and enhanced basic rules; that countervail current incentives to subvert or ignore them.

That's where Social Policy Bonds could enter the arena. The bonds would act as a meta-system, into which corporate activity would fall. They would target broad social and environmental goals and reward people for achieving them. They would reduce the incentives for corporations, and their friends in government, to aim for goals that satisfy accountants as distinct from, or against, society and the environment. It's time we moved on from identifying the narrow, short-term goals of big business with those of ordinary members of society. They aren't identical; they can conflict, and they might even be diverging.

1. http://www.nakedcapitalism.com/2014/05/guess-who-is-responsible-for-the-corporations-exist-to-maximize-shareholder-value-myth.html
2. http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.html
3. http://en.wikipedia.org/wiki/Gross_domestic_happiness

11.5.2 Subsidising planetary destruction: et tu, Australia? (2014-05-14 22:48)

Divabat on metafilter summarises Australia's 2014-15 budget:

> [1]Amongst the casualties: [2]television, [3]young people (and [4]the organisations that help them) and [5]old people, [6]tech startups, [7]postgraduate students, [8]people with disabilities and anyone [9]seeking medical care, [10]foreign aid, [11]Indigenous people, [12]the arts, [13]renewable energy, and [14]the environment. However, if you are in [15]defence, [16]mining, or [17]Indonesian immigration, you should be fine.

Yes, the [18]fuel tax credit scheme for heavy diesel vehicles will continue. This is [19]worth about US $2bn in taxpayer subsidy to big mining corporations.

1. http://www.abc.net.au/news/2014-05-13/budget-winners-and-losers/5433178
2. http://about.abc.net.au/press-releases/abc-budget-response/
3. http://www.theguardian.com/world/2014/may/13/young-australians-to-face-six-month-wait-for-unemployment-benefits
4. http://www.ayac.org.au/news/269/67/AYAC-Funding-Not-Extended-Help-us-sustain-our-future.html
5. http://www.abc.net.au/news/2014-05-13/budget-2014-hockeys-budget-for-decades-to-come/5450846
6. http://www.zdnet.com/budget-2014-australian-tech-startups-hit-by-budget-cuts-7000029422/
7. http://www.capa.edu.au/media-releases/masters-phd-students-pay-help-postgrads-blind-sided-australias-research-future-gutted/
8. http://www.theguardian.com/world/2014/may/13/some-disabled-australians-will-have-to-join-work-programs-or-have-benefits-cut
9. http://www.australiandoctor.com.au/news/latest-news/budget-2014-the-wrap-for-gps
10. http://www.abc.net.au/news/2014-05-14/budget-2014-aid-groups-vent-anger-over-cuts-to-foreign-aid/5451264
11. http://www.abc.net.au/news/2014-05-13/budget-2014-534-cut-to-indigenous-programs-and-health/5451144
12. http://theconversation.com/federal-budget-2014-arts-and-culture-experts-react-26638
13. http://www.theherald.com.au/story/2279135/budget-2014-reaction-experts-to-go-with-environment-agency-cuts/?cs=12
14. http://www.abc.net.au/environment/articles/2014/05/14/4004085.htm
15. http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201314/DefenceBudget
16. http://www.miningaustralia.com.au/features/the-2014-federal-budget-what-it-means-for-mining
17. http://www.themalaymailonline.com/world/article/australia-spends-us81m-to-help-indonesia-on-asylum-seekers
18. http://www.infrastructure.gov.au/roads/environment/fuel_tax_credit/
19. http://www.taxpayer.com.au/News/28198/Federal_Budget_2014-15

11.5.3 Eradicating war without blueprints (2014-05-19 22:10)

Richard English writes:

> [T]o pursue the eradication of war would be as naïve as to pursue human or moral perfection; the effective curtailment of particular wars, or specific war-time brutality, almost certainly depends instead on recognizing our appalling capacity for (and even our historical tendency towards) justifying and practising violent atrocity. ...
>
> For the prospect of establishing human behaviour along lines guided too closely by idealized blueprints probably exaggerates human capacity for improvement. *[1]Modern War*, Richard English, 2013

I don't agree with the first clause; 'naive' implies that eradicating war will be impossible to achieve. I do agree that being 'guided too closely by idealized blueprints' will, in itself, not be sufficient to eradicate war, though it might be one necessary approach. This is where the Social Policy Bond principle enters the picture: we aim to eradicate war; we raise funding to achieve that goal, but we do not ourselves draw up blueprints as to how to achieve our goal, nor do we try identify who might best achieve it. Instead we issue [2]Conflict Reduction Bonds (or [3]Middle East Peace Bonds, or [4]World Peace Bonds). These are no idealized blueprints: they are means by which motivate people to solve mankind's most grievous social problem.

Much that is good in this world has come about almost randomly, often as a by-product of some persons' pursuit of short-term financial gain. Or only after calamitous experience and exhaustion. I think we can do better: we can supply incentives for people to achieve social goals and let the market - the best way of allocating resources ever discovered - decide which approaches are best and which should be terminated. Idealized blueprints won't always work and, as Mr English also says, "most of our attempts to set out prophylactic measures and structures against modern war have seemed (and continue to appear) frequently doomed to blood-spattered failure." But sometimes, some of these approaches and institutions do actually work. A bond regime would encourage people to persist in those circumstances, and to explore, and refine other approaches too. I don't think that's naive.

1. http://www.amazon.co.uk/Modern-War-Short-Introduction-Introductions-ebook/dp/B00DI8RM5M/ref=dp_kinw_strp_1
2. http://www.socialgoals.com/conflict-reduction-.html
3. http://www.socialgoals.com/middle-east-peace.html
4. http://www.socialgoals.com/world-peace.html

11.5.4 The moral case for tax avoidance (2014-05-22 22:32)

George Monbiot writes about Scotland's deer-stalking estates and grouse moors:

> Though the estates pay next to nothing to the exchequer, and though they practise little that resembles farming, they receive millions in farm subsidies. The new [1]basic payments system the Scottish government is introducing
> could worsen this injustice. [Andy] Wightman calculates that the ruler of Dubai could receive £439,000 for the estate in Wester Ross he owns; the Duke of Westminster could find himself enriched by £764,000 a year; and the Duke of Roxburgh by £950,000. *[2]I'd vote yes to rid Scotland of its feudal landowners*, George Monbiot, 'the Guardian', 19 May

It's not so much the wastefulness of such subsidies, nor the environmental devastation they wreak, nor even the lunacy of taking money from ordinary people to subsidise wealthy aristocrats and monarchs. Rather, the issue is the *persistence* of such stupid, corrupt policies, which have hardly changed in the several decades since they were first exposed and their impacts quantified. We have no systems in place to act on the voluminous evidence of their disastrous (for more than 99 percent of the population) effects. This is one big disadvantage of making policy as if outcomes are irrelevant: nobody has incentives to terminate failed policies. Instead, the beneficiaries of lucrative-but-stupid policies, have every incentive to oppose their withdrawal, and the means by which to do so.

Mr Monbiot goes on to describe the visual impacts:

> The hills in many parts look as if they have been camouflaged against military attack, as they have been burned in patches for grouse shooting. It is astonishing, in the 21st century, that people are still allowed to burn mountainsides – destroying their vegetation, roasting their wildlife, vaporising their carbon, creating a telluric
> eczema of sepia and grey blotches – for any purpose, let alone blasting highland chickens out of the air. Where the hills aren't burnt for grouse they are grazed to the roots by overstocked deer, maintained at vast densities to give the bankers waddling over the moors in tweed pantaloons a chance of shooting one.

1. http://www.scotland.gov.uk/Publications/2013/12/5922/291508
2. http://www.theguardian.com/commentisfree/2014/may/19/vote-yes-rid-scotland-of-feudal-landowners-highlands

11.6 June

11.6.1 Targeting human devastation (2014-06-04 22:02)

I've [1]posted [2]before [3]about the flawed nature of what has become, by default, society's *de facto* indicators of success: Gross Domestic Product (or GDP per capita) and its rate of growth. In the absence of any targets that are actually correlated with societal well-being, GDP has been enshrined as *the* target, par excellence, by which our governments measure their progress. It's highly misleading at best, for reasons I've outlined previously, so it comes as no great surprise that on 22 May:

> Istat, Italy's statistical body ... will from October ..include drug trafficking, prostitution, and
> alcohol-and-tobacco smuggling in its economic-output numbers.... In fact, then as now, Italy was merely one of the first countries to announce its compliance with international accounting standards. Reporting illegal economically productive activity in which all parties take part voluntarily is required under EU rules known as the European System of Accounts.... *[4]Sex, drugs and GDP ,* 'the Economist', 31 May

Well why not? It's no more illogical than doing what we have been doing for decades: assuming that economic activity generates societal well-being - an assumption that is increasingly at odds with reality.

We urgently need to target *explicitly* things that we actually want to achieve: universal literacy, for instance, world peace, or even the survival of the human race. In the absence of such targets, the vaccuum is filled by that grotesque proxy for success: Gross Domestic Product. It's a shambles.

1. http://socialgoals.blogspot.co.uk/2014/04/mickey-mouse-targets-gargantuan-impact.html
2. http://socialgoals.blogspot.co.uk/2014/01/gdp-and-war.html
3. http://socialgoals.blogspot.co.uk/2007/07/role-of-gdp.html
4. http://www.economist.com/news/finance-and-economics/21603073-italys-inclusion-illicit-activities-its-figures-excites-much-interest-sex

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11.6.2 Foundations of bone and sand (2014-06-09 21:58)

> Twenty-five years after the world first moved to protect the ozone layer,
> British scientists have found three new potentially damaging gases in
> the atmosphere. While they do not expect the gases to do much damage to
> the ozone layer, think they may add to global warming. *[1]Threat from new gases found in air* , Alex Kirby, 4 June

For years now I've been railing against building policy on fossilised foundations. To put it briefly, government does not know how best to achieve society's goals. When it looks at climate change it relies on science done in the 1990s; its policy is to cut back on greenhouse gas emissions - or rather, those gases identified as greenhouse gases more than 15 years ago. But what if, as I've been [2]asking for not quite15 years, the science is wrong? Or outdated? The policymakers, true to form, have no answer except to continue building on crumbling foundations.

When society is changing so rapidly, when our scientific knowledge is expanding at an ever-increasing rate, then policy should target outcomes, rather than the supposed means of reaching them. A Social Policy Bond regime would do this. It would encourage diverse, adaptive approaches to whatever it identifies as the problems arising from, in this example, climate change. Our current policymaking system cannot adapt. It puts the interests of current organizations, be they public or private sector, first, and if it does build new organizations, it does so on ossified foundations.

1. http://www.climatenewsnetwork.net/2014/06/threat-from-new-gases-found-in-air/
2. http://socialgoals.com/climate-change.html

11.6.3 Biodiversity (2014-06-23 22:35)

How much biodiversity do we want? It's unfortunate that we even have to ask this question, but until we answer it we're likely to see more and more extinctions, along the lines described by [1]Elizabeth Kolbert. Biodiversity is difficult to measure but, again unfortunately, unless we do, and somehow set quantifiable targets, we shall lose it at a high rate as habitat loss and other mankind-induced environmental changes continue apace. Biodiversity, along with other unquantified but crucial contributions to quality of life is something else that is being be sacrificed by default in pursuit of an ever-higher Gross World Product; our *de facto* over-arching target.

How would a Social Policy Bond regime address biodiversity? We could target it quite directly, using a combination of proxies such [2]indicator species, and areas (and contiguity) of land and sea set aside for conservation.We could also target for reduction the negative impacts of *loss* of biodiversity.

Myself, I'm no expert in these matters. But there are experts who, if we were motivated, could be brought into a discussion, culminating in biodiversity goals and priorities in ways that maximize society's well-being per dollar spent.

It’s not being done, partly because our policymaking is stuck with a system that doesn’t allow governments to set goals unless they also achieve them - something that, when it comes to complex, long-term, goals, requiring adaptive, diverse approaches, they cannot do well.

The Social Policy Bond principle is different. Under a bond regime governments - or any wealthy group of people, corporations, or non-governmental organizations - could set goals as lofty and long-term as a world of maximum biodiversity (however it’s defined), and reward the people who achieve these goals. We need now, more than ever, diverse, adapative approaches to challenges such as biodiversity loss or, for that matter, violent political conflict; huge threats, but ones that are largely ignored in pursuit of goals whose *only* virtue is that they can be measured by accountants.

1. http://www.amazon.co.uk/gp/product/0805092994?*Version*=1&*entries*=0
2. http://en.wikipedia.org/wiki/Indicator_species

11.6.4 Er ... we meant wind-powered cars (2014-06-26 19:25)

The Economist urges cuts in greenhouse gas emissions with this compelling argument:

> Moreover, high temperatures do not affect only outdoor workers. [A] study found that a week’s worth of outside temperatures over 32°C cuts production in car plants by 8 %. [1]*The costs of doing nothing*, Economist, dated 28 June

Wow, this climate change business is serious: we must cut back on greenhouse gas emissions - and quickly - or we could see big falls in the numbers of cars being produced!

1. http://www.economist.com/news/united-states/21605936-scorched-farms-flooded-homes-and-lower-productivity-cost-doing-nothing

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11.7 July

11.7.1 War and peace, and GDP (2014-07-12 00:46)

Readers interested in a meta-solution to the conflicts in the Middle East could do worse than read my short piece on [1]Peace Bonds. Defining peace in terms robust enough for our

purposes might not be easy, but the necessary thinking will help clarify exactly what we want to achieve. As in many other policy areas, there are plenty of statistics already being gathered and with some verification and supplementation a combination of them could be targeted by a Peace Bond regime. See, for instance, [2]this site, for some indicators that we could target.

On another note, David Pilling asks: [3]has GDP outgrown its use? As I have repeatedly posted ([4]here, for instance), the answer is an unqualified yes.

1. http://www.socialgoals.com/middle-east-peace.html
2. http://www.visionofhumanity.org/#/page/indexes/global-peace-index
3. http://www.ft.com/cms/s/2/dd2ec158-023d-11e4-ab5b-00144feab7de.html#axzz36PVt3fPS
4. http://socialgoals.blogspot.co.uk/2006/12/gdp-default-target-for-government.html

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11.7.2 (2014-07-22 22:03)

I always spent my half an hor to read this weblog's articles everyday along with a mug of coffee.

Also visit my bblog - [1]venapro hemorrhoids treatment reviews

1. http://homeopathichemorrhoid.blogspot.com/

11.7.3 New procurement in Barcelona and Philadelphia (2014-07-26 23:02)

Christopher Swope writes about changes in procurement in the cities of Barcelona and Philadelphia:

> Typically when cities buy goods or services, they spell out in strict detail exactly what it is they want to buy. But that level of specificity stifles innovation, because it restrains the inventiveness of companies who might bid on the work. It also limits the pool of bidders to established companies familiar with the sort of solution the tender asks for. Barcelona's less proscriptive approach turns the old system on its head. Rather than laying out exactly what it wants to buy (say, bike lockers), Barcelona is laying out six problems it wants to fix (such as reducing bike theft). *[1]How Barcelona and Philadelphia Are Turning Procurement Upside Down*, citylab, 18 July

Anyone familiar with Social Policy Bonds will see the similarity: specify outcomes, rather than the supposed means of achieving them:

> Responses could involve buying things, but they might also suggest new services, regulatory changes or any other means of accomplishing the goal.

Excellent - as far as it goes. This procurement system will stimulate diverse, innovative solutions. The difference, and it's a big one, between this mechanism and Social Policy Bonds, lies in how these various possible solutions are decided upon and rewarded.

It appears that after gathering together various diverse possible approaches, a selection is made, presumably of those approaches deemed (I'm not clear by whom) to be the most promising. And the reward?

> Anyone around the world with a creative idea, including startup companies or even individuals, has a shot at a contract and all the market legitimacy that comes with that.

It's an improvement over the current system, but in comparison with Social Policy Bonds, I think it has weaknesses:

- The selection of the most promising approaches might be open to favouritism, image, or corruption - in short, qualities that have little to do with efficiency. More seriously, it's a one-off selection, made under circumstances that will be very likely to change so as to make the selection sub-optimal.

- Once the selected approaches are made and implemented, there seems to be no further discipline: the team working on the selected approaches has little incentive to be or remain efficient. They've won the contract; there's every incentive to sit back and relax.

Things would be different under a Social Policy Bond regime, whereby bondholders, that is those who are charged with implementing solutions, can continue to reap the rewards of doing so only if, in the eyes of motivated competitors, they are the most cost-effective provider of solutions. There is a continuous incentive on bondholders to be efficient. If they

are seen to be inefficient, their bonds will be worth more to operators who think they can be more efficient, who will then buy them.

Also, under a bond regime, taxpayers (or whoever else backs the bonds) lose nothing if the specified goal isn't achieved. And if the goal *is* achieved, rewards will tend to be distributed to bondholders according to the contribution they make to achieving it, and their efficiency in doing so. All this makes a Social Policy Bond regime more versatile than this new procurement initiative, and one more capable of achieving larger, more remote goals, for which a single, unvarying, combination of operators is unlikely to remain at all times the team best placed to achieve society's goals efficiently.

1. http://HowBarcelonaandPhiladelphiaAreTurningProcurementUpsideDown/

11.8 August

11.8.1 Public service reform (2014-08-07 23:40)

The *Economist* talks about public service reform:

> But voters, and thus politicians, are especially intolerant of civil-service inefficiency nowadays. One prompt is austerity. Another is technology, which is changing not only how public services are delivered—think of "massively open online courses" in education—but also the way they can be measured. Social networks enable users to grumble about hospital waiting-times and mathematics results. Perhaps the biggest pressure is the passing of time: private-sector workers are incredulous as to why civil servants should escape the creative destruction that has changed other offices around the world. *[1]Mandarin Lessons*, 'the Economist', 9 August 2014

Quite. Why is it that the achievement of social goals remains (largely) a government monopoly? No good reason, other than vested interests and highly successful patch protection.

The *Economist* goes on to talk about pay and the need for long-term, strategic thinking. Politicians love to restructure and re-prioritize, to tinker with funding, and to appoint placemen in powerful positions. The remedies the journal suggests include better pay, reduced security

for top public service positions and, perhaps, appointing some overlord who takes an exceptionally long-term view.

I have another suggestion: target broad, meaningful outcomes, and let a motivated market decide on organizational structures, composition and the projects they undertake. Under a Social Policy Bond regime there might or might not be 'destruction' of such organizations, as envisaged by the *Economist* and as occurs in a well-functioning private sector, but such destruction is a means not an end. Social Policy Bonds would ensure that any such destruction would occur only if it were truly 'creative' in the sense of better achieving society's goals, as defined in the redemption terms of the Bonds.

It's likely that a [2]new type of organization would result: one subordinated to the efficient achievement of meaningful social and environmental outcomes rather than, as now, the caprice of powerful interests, be they government or private sector.

1. http://www.economist.com/news/leaders/21611068-governments-need-rethink-how-they-reward-and-motivate-civil-servants-mandarin-lessons
2. http://www.socialgoals.com/new-type-of-organization.html

11.8.2 Wisdom (2014-08-24 23:05)

I've long [1]argued that social policy needs institutions that must be subordinated entirely to broad, meaningful outcomes. Instead, we have institutions whose over-arching purpose is self-perpetuation. Francis Fukuyama writes, wisely in my view:

> The very stability of institutions, however, is also the source of political decay. Institutions are created to meet the demands of specific circumstances, but then circumstances change and institutions fail to adapt. One reason is cognitive: people develop mental models of how the world works and tend to stick to them, even in the face of contradictory evidence. Another reason is group interest: institutions create favored classes of insiders who develop a stake in the status quo and resist pressures to reform.
>
> [2]*America in DecayThe Sources of Political Dysfunction*, Francis Fukuyama, 'Foreign Affairs', September/October

The current regime takes existing organizations as a given. Debate centres around their funding, composition, remit and structure. A Social Policy Bond regime would instead fund outcomes, and let bondholders decide on the optimal organizational form; one that, especially for remote social goals, would - or just as importantly - could change shape, size, and the

projects it supports, constantly, in response to changing circumstances and our expanding knowledge.

> [M]any [of the US's] political institutions have become increasingly dysfunctional. A combination of intellectual rigidity and the power of entrenched political actors is preventing those institutions from being reformed. And there is no guarantee that the situation will change much without a major shock to the political order.

Exactly. Social Policy Bonds would target outcomes directly, and let motivated bondholders and would-be bondholders compete *continuously* to decide how best to achieve them. Intellectual rigidity under a bond regime would be penalised. Efficiency would be rewarded. All in stark contrast to the system not only in the US, but in much of the rest of the world.

1. http://www.socialgoals.com/new-type-of-organization.html
2. http://www.foreignaffairs.com/articles/141729/francis-fukuyama/america-in-decay

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11.8.3 Who cares about outcomes? (2014-08-27 21:18)

Politicians are skilled at doing the exact opposite of what they make us think they're doing. The policymaking process in the public mind is a tedious discussion of organizational structures, organizational funding, and regulation. The tedium is so ingrained that few of us take a deep interest unless we're being paid to. It's probably deliberate, at some level. So when politicians

[1]say

they want to cut back on subsidies paid for fossil fuel consumption, it shouldn't really shock us that not only are such subsidies still being paid, they're actually increasing. The International Energy Agency tells us that:

> The IEA's latest estimates indicate that fossil-fuel consumption subsidies worldwide amounted to $544 billion in 2012, up from $523 billion in 2011, with subsidies to oil products representing over half of the total*. [2]World Energy Investment Outlook 2014,* IEA, June 2014

As pointed out [3]here, this is four times the level of aid given by the OECD's Development Assistance Committee ($134 billion in 2013).

1. https://www.blogger.com/
2. http://www.worldenergyoutlook.org/resources/energysubsidies/
3. http://www.iisd.org/gsi/news/commentary-sdgs

11.9 September

11.9.1 When government should step back: higher education (2014-09-06 22:47)

Marina Warner writes:

> [T]here is a central contradiction in the [UK] government's business model for higher education: you can't inspire the citizenry, open their eyes and ears, achieve international standing, fill the intellectual granary of the country and replenish it, attract students from this country and beyond, keep up the reputation of the universities, expect your educators and scholars to be public citizens and serve on all kinds of bodies, if you pin them down to one-size-fits-all contracts, inflexible timetables, overflowing workloads, overcrowded classes. *[1]Diary*, Marina Warner, 'London Review of Books' dated 11 September

Quite. There are some easily quantifiable benefits of education, such as universal literacy and numeracy, but not many. Government can and should target such goals and it could also usefully target attendance at approved educational establishments for children up to the age of 16 or 18. But when it comes to higher education, government should perhaps step back; it could still fund institutions if there's a public will for it, but there is a strong case for making its funding conditional only on certain minimum standards, rather try to apply the narrow, accountancy-based, short-term goals that are a feature of the business world. The demand for tertiary education is relatively informed; students relatively mobile. Government in this, and other policy areas, needs to exercise some humility. Diversity of funding sources, as between government and other sources, and within government, would also be helpful. I've done a short piece [2]here on how an outcome-focused Social Policy Bond regime could approach education.

An update: released today (8 September) is a [3]report done by the charity Save the Children, which says, referring to the UK: "The most comprehensive study of pre-school and primary school-aged children in a generation found disadvantaged children are the worst affected, with four in ten not reading well by the age of 11."

1. http://www.lrb.co.uk/v36/n17/marina-warner/diary
2. http://www.socialgoals.com/education.html
3. http://www.savethechildren.org.uk/2014-09/reading-crisis-among-britains-under-11s

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11.9.2 (2014-09-11 02:16)

Are you in need for financial guidance of bonds, credit cards, currencies, debt, economy, etf, student loans, mortgages, mutual funds, stocks .
http://financethinkers.com/

11.9.3 (2014-09-11 02:17)

Are you in need for financial guidance of bonds, credit cards, currencies, debt, economy, etf, student loans, mortgages, mutual funds, stocks .
http://financethinkers.com/

11.9.4 (2014-09-11 02:18)

Are you in need for financial guidance of bonds, credit cards, currencies, debt, economy, etf, student loans, mortgages, mutual funds, stocks .
http://financethinkers.com/

11.9.5 Is global health overmedicalised? (2014-09-26 23:13)

Are we overmedicalising global health? is the title of a recent [1]podcast by Dr Jocalyn Clark, who has also written an [2]article (which I haven't read) on the subject. It's a great question, and one that needs answering. My suspicion is that, as in other policy areas, approaches are too much determined by existing institutions and their outlook and goals. These goals don't always coincide with those of society; sometimes they could even be in conflict with them. In global health, Dr Clark says, there is:

> ...a medicalisation of these global health problems which occurs when global health issues, which are so strongly linked to poverty and inequity, instead get defined and framed in medical terms and then the solutions developed for them are similarly medicalised.

As society becomes more complex, relationships between cause and effect in physical and mental health, and also in crime, environmental well-being, illiteracy and many other areas, become less easy to identify. But current approaches rely largely on government institutions to make a stab at identifying these relationships and then try to do something to influence them and so improve outcomes. For simple relationships, this can work well and, indeed, government might be the only organization that can deal with certain social and environmental problems. But for complex relationships, especially those that vary markedly over space and time, approaches that rely on government are going to be inefficient at best and in conflict with wider goals at worst. We need, instead, to subordinate institutional structures, outlook and goals to outcomes. And these outcomes must be broad, societal outcomes, rather than those articulated by existing institutions.

'Health care is but one determinant of health', says Dr Clark, rightly. Targeting broad health outcomes would be a more reliable way of achieving health goals than, as is done now, framing health goals in terms of existing institutions and existing approaches. One solution might be to adopt the Social Policy Bond principle and issue [3]Health Bonds, which would inject market incentives into the achievement of our health goals and reward whoever achieves these goals, whoever they might be, and however they might do so.

1. http://journals.bmj.com/site/podcasts/
2. http://www.bmj.com/content/349/bmj.g5457
3. http://www.socialgoals.com/health.html

11.9.6 Bertrand Russell anticipates Social Policy Bonds (2014-09-27 22:40)

[1]Bertrand Russell (1872-1970) wrote:

> There is one peculiarly pernicious application of the doctrine that human nature cannot be changed. This is the dogmatic assertion that there will always be wars, because we are so constituted that we feel a need of them. .... If political organization were such as to make war obviously unprofitable, there is nothing in human nature that would compel its occurrence, or make average people unhappy because of its not occurring. Exactly the same arguments that are now used about the impossibility of preventing war were formerly used in defence of duelling, yet few of us feel thwarted because we are not allowed to fight duels. *An outline of intellectual rubbish*, first published 1943,from 'The Basic Writings of Bertrand Russell', Routledge Classics 2009

Incentives are important and so too is belief that we can end war. Of course, nobody knows how to end even a single conflict, but much human progress has happened serendipitously, with no overall plan. I think we can do better than that, and issue [2]Conflict Reduction Bonds,

for instance, which supply incentives for people to find ways of ending conflict that we cannot know in advance. The causes of war are many, complex and volatile. No organization as currently structured can possibly anticipate and address them. We need [3]new types of organization that have incentives to research, adapt, and address all likely causes of war. War and any form of violent political conflict are too important to be left to government or the generals.

1. http://en.wikipedia.org/wiki/Bertrand_Russell
2. http://socialgoals.com/conflict-reduction-.html
3. http://www.socialgoals.com/new-type-of-organization.htmlhttp://www.socialgoals.com/new-type-of-organization.html

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11.10 October

11.10.1 GDP versus mental well-being (2014-10-16 22:29)

I posted [1]recently about how a the framing of healthcare issues as medical problems can lead to sub-optimal outcomes, drawing on the work of Dr Jocalyn Clark. I suspect it's symptomatic of a broader problem.

Western societies are built around the assumption that a healthy economy will either solve all our problems, or allow us to do so. In this sense, we are framing all our problems as economic. Now a successful economy does actually solve many of our problems, but there are parts of our economy that if successful, actually are in conflict with our goals as human beings.

Part of the problem is the definition of success that we use. Almost always we mean the accountants' definition of success: economic activity: Gross Domestic Product, which is equivalent to the volume of money times the velocity of circulation. GDP, or GDP, *per capita* has become the *de facto* goal of society. A higher GDP means a higher potential to achieve all our goals, we reason. Even if much of its gains are concentrated in relatively few pairs of hands, and even if certain generators of GDP create negative impacts, a higher GDP means we can compensate the losers - even if we don't actually do that.

There's a big flaw in this, similar to that which Dr Clark identified: we are framing all our social problems as economic ones. Very often this framing is not explicit: it's part of who

we are and the society we live in.

In my work on Social Policy Bonds, I've attempted to make clear that economic growth is not actually an end in itself, but a means to various ends that it would be more efficient to target directly. If, for instance, we want to reduce crime, then we'd do better to reward people for reducing crime rather than simply increasing the funding of bodies that are supposed to be fighting crime. The Social Policy Bond framing allows for all sorts of experimentation with non-conventional ways of reducing crime. Under our current system there are few funds systematically given to help people run youth centres in areas of high youth unemployment. Under a bond regime, people would have incentives to fund such centres in places doing so would maximise the reduction in crime per dollar outlay.

So far, so (relatively) conventional. But suppose our problems have little to do with resources, or even with the allocation of scarce resources, *but with economic activity itself*? Take the recently highlighted (in the UK) studies showing that loneliness is a big and growing problem for both [2]young and [3]old. Loneliness and alienation are to some degree a product of our economic system, which is entirely dependent on specialization of labour. As well, consumption of goods and services is, along with government spending and investment, one of the drivers of GDP. We have a society with an over-arching, and not always explicit, imperative to buy things. We maximize GDP by buying things for ourselves, rather than sharing. Government can also contribute to social alienation by, for examples, [4]subsidising [5]environmental destruction, or encouraging *without consulting the public* mass unselective immigration with a view to keeping wages low and property values high (or to help it retain power or simply out of [6]spite). Government looks at its own accounting flows, and knows well that increasing economic activity raises its tax revenues.

Our current system, then, is inherently geared to the monetisation of just about everything. A Social Policy Bond regime could actually subvert such a system. It could undermine the transactional way of conducting our affairs, and encourage other, less mercenary activities, *where those would be the most efficient and effective ways of reaching our actual, explicit, goals*. Doing so would not be its goal, but it could arise out of the goals we specify which would, one hopes, be more congruent with society's real goals than our current implicit goal of ever-increasing economic growth. There's an obvious paradox: a bond regime would pay people to achieve our goals, but if achieving our goals requires the cessation of payments and the ending of a transaction-based activity, *then under a bond regime that is exactly what will occur.* Bondholders have incentives to look for the most efficient ways of achieving our goals, regardless of whether they involve money flows or not. Under the current policymaking system, with its perverse incentives and its over-arching goal of maximising the number of transactions (so raising GDP), it is extremely unlikely to occur. The bias under the current system is always towards more transactions, more money flows and so more alienation and loneliness. And what is our society's default response to loneliness and depression? To increase economic activity still further: by manufacturing and marketing powerful [7]drugs.

A well-specified Social Policy Bond regime would target for improvement reliable indicators of mental well-being. The effects of doing so, we cannot anticipate. But the possibilities are as immense as they are apparently paradoxical: the bonds, utterly dependent on financial flows as they are, could reverse the extreme specialisation of our society, the extreme individualistic nature of our consumption patterns, and the entirely transactional way in which we more and more see the world.

1. http://socialgoals.blogspot.co.uk/2014/09/is-global-health-overmedicalised.html
2. http://www.theguardian.com/lifeandstyle/2014/jul/20/loneliness-britains-silent-plague-hurts-young-people-most
3. http://www.independentage.org/isolation-a-growing-issue-among-older-men/
4. http://www.motherearthnews.com/renewable-energy/fossil-fuel-subsidies-zmgz13djzsto.aspx
5. http://www.earth-policy.org/books/eco/eech11_ss4
6. http://www.telegraph.co.uk/news/uknews/law-and-order/6418456/Labour-wanted-mass-immigration-to-make-UK-more-multicultural-says-former-adviser.html
7. http://www.huffingtonpost.com/dr-peter-breggin/psychiatric-drugs_b_1693649.html

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11.11 November

11.11.1 Measureable versus immeasurable goals (2014-11-08 11:50)

Theodore Dalrymple writes:

> [W]e suffer nowadays from an unease in talking about what cannot be easily measured, such as life expectancy. If I say something that would once have seemed perfectly obvious, such as that loneliness is undesirable, someone will demand the evidence. Life expectancy can be measured; and we are inclined to believe that what can easily be measured must be more important than what cannot. The result is a lot of pseudo-thought. [1]*'Hell is other people?'*, Theodore Dalrymple, 'Salisbury Review', 20 October

In our large, complex societies, government bodies have enlarged their role and largely supplanted families, extended families, and communities in supplying a range of welfare services to a large proportion of their populations. Increasingly, and of necessity, government relies numerical indicators to manage its resource allocation.

But this use of indicators is relatively recent, unsystematic and unsophisticated. Few indicators are targeted explicitly for a sustained period: the targeted range of inflation is a rare exception, as is the coherent range of indicators presented in the UK Government's attempt to tackle poverty. Other indicators, such as the length of [2]hospital waiting lists, don't measure what matters to people or are prone to manipulation. Even when numerical goals are clear and meaningful they are rarely costed, they are almost always too narrow, and they are largely chosen to mesh in with the goals and capabilities of existing institutional structures. Those broad targets that are targeted with some degree of consistency tend to be economic aggregates, such as the inflation rate, or the rate of growth of Gross Domestic Product — which appears to be *de facto* indicator par excellence of rich and poor countries alike. But GDP's shortcomings as a single indicator of the health of an economy are [3]well known.

What would a Social Policy Bond regime, though, say about those things that cannot readily be measured, like loneliness? In the absence of objective, [4]reliable indicators of mental well-being perhaps the best approach would be for government to step back and target only those quantifiable indicators or goals that are inextricably linked to those sorts of well-being that we can measure. But that would not be enough: some government activities aimed at, to take our current discussion, lengthening life expectancy could well increase loneliness. Think, for instance, of government support for roads, which [5]may well have the effect of both lengthening life expectancy and increasing loneliness.

Facing this dilemma, I have a response, rather than an answer. A Social Policy Bond would set policy targets by consensus. People understand outcomes more than the means of achieving them, and so could and would participate in the policymaking process, including the setting and relative priority of social goals. There would be more buy-in to policy, which [6]itself might go some way toward relieving the negative impacts of certain decisions. There's no perfect solution, but a bond regime, because of this additional opportunity for public participation that it offers, and because it forces clarity over exactly what we want to achieve as a society, could help to resolve conflicts between measurable and immeasurable goals.

1. http://www.salisburyreview.com/Theodore_Dalrymple/lonliness.html
2. http://socialgoals.blogspot.com/2011/01/accountants-shape-society.html
3. http://socialgoals.blogspot.com/2006/12/gdp-default-target-for-government.html
4. http://socialgoals.blogspot.com/2014/10/gdp-versus-mental-well-being.html
5. http://www.citylab.com/commute/2012/04/traffic-making-us-lonely/1858/
6. http://socialgoals.blogspot.com/2007/03/swiss-model.html

11.11.2 Solution aversion (2014-11-24 08:13)

From 'Duke Today':

> A new study from Duke University finds that people will evaluate scientific evidence based on whether they view its policy implications as politically desirable. *[1]Denying Problems When We Don't Like the Solutions* , 'Duke Today', 6 November

I think this echoes a more general finding that we use reasoned arguments to justify prior beliefs, rather than base our beliefs on reason. What does this mean for policymaking? That we'd do best if (1) we are *explicit and transparent* about the outcomes we, as a society, want to see, and then (2) subordinate all activities, government or private sector, to those outcomes. Any other way of doing things, as in the current system, will bring about ... well, what we see now: the corruption of the policymaking process in the service of the not-always-well-hidden agendas of the rich and powerful. So 'helping small farmers' becomes corrupted into [2]massive taxpayer-funded welfare for the [3]very rich and agribusiness. 'Affordable transport' becomes[4] massive subsidies to the fossil fuel industries. Misbehaving five-year olds are re-interpreted as a [5]new market for the pharmaceutical industry. Even more wasteful, stupid and dangerous: 'being strong' becomes massive expenditure on so-called 'defence' and the acquisition of nuclear weapons.

If we want to support the very wealthiest and most powerful individuals and corporations, why don't we explicitly set out to do so? Why don't political parties promise that when they get into power they will divert resources from the relatively poor to the enormously wealthy? Could it be that such resource transfers would be unpopular?

The answer of course is 'yes', so views about issues such as climate change, or nutrition, or whether depression (for instance) is a chemical imbalance, or whether more armaments improve social well-being are the subjects not of reasoned debate based on the best available information, but means to ends that are usually sectional and mercenary. Interest groups act on what they believe are their narrow interests; their minds are made up, and they take whichever side of a genuine debate best serves their agenda.

It's a haphazard and destructive way of making policy. Social Policy Bonds offer a better approach: let society determine which broad social and environmental goals it wants to see achieved and their relative priority. Government and private-sector bodies would then be rewarded for doing what they can to achieve these goals: and they would have incentives to see and *evaluate the scientific evidence in terms of how best they can serve society's interests,* not their own. It might not sound revolutionary, and indeed it shouldn't be. But it is.

1. http://today.duke.edu/2014/11/solutionaversion
2. http://stats.oecd.org/Index.aspx?QueryId=59244&lang=en
3. http://www.econlib.org/library/Enc1/AgriculturalPriceSupports.html
4. http://oilprice.com/Energy/Energy-General/The-Appalling-Truth-About-Energy-Subsidies.html
5. http://dxsummit.org/archives/2242

11.11.3 (2014-11-25 12:47)

Is the Duke study not also an affirmation of cognitive dissonance theory? We believe what we *did before* not just prior beliefs.

At the same time, this is the power of Social Policy Bonds - they bypass a need for an ethical decision prior to action. Instead, you take an action, seemingly for your own gain, and when asked later for your reasons, you have a great ethical story to fall back on.

11.11.4 The book: Kindle version (2014-11-26 12:18)

The definitive book on Social Policy Bonds, about 60 000 words in length, is now [1]available on Kindle for approximately US $4.00.

1. http://www.amazon.com/dp/B00Q4YRNN8

11.11.5 (2014-11-28 09:04)

Thanks Dennis. I agree with both your points. Your second is a reversal of what usually happens, but I can see that some would take that route, and why. RH

11.12 December

11.12.1 (2014-12-02 11:01)

very helpful info and good tips like your article [1]Silver Service taxi in Melbourne best silver taxi service.

1. http://executive-cars.com.au/services/

11.12.2 Thinking strategically and taking responsibility (2014-12-09 17:25)

Garret Hardin, in his essay 'The Tragedy of the Commons', wrote:

> [N]atural selection favors the forces of psychological denial. The individual benefits as an individual from his ability to deny the truth even though society as a whole, of which he is a part, suffers. *[1]The Tragedy of the Commons*, 'Science', **13**, December 1968

Governments supposedly serve society's interests by regulating and taxing individual and corporate activities that are essentially self-serving. It's a process that evolved over time and, while flawed, has proven evolutionary advantages over central planning. And, perhaps because central planning as practised by the Soviet Union and others has been totally discredited, our governments seem to have relinquished their role of thinking strategically on behalf of their citizens. They are subject to the same biases and incentives to deny the truth as individuals. Whether it's environmental disaster, or nuclear catastrophe, or less spectacular but just as grievous impacts of man's inhumanity to man, or financial crises or whatever, our governments take the easy route of waiting for things to happen and then reacting.

It's inefficient at best, and could be calamitous at worst. Society is so interlinked and complex that major disasters of some sort are inevitable - and extremely difficult to foresee. But government should not then deny the real possibility that these events will occur: it could, and should, think strategically and on behalf of society. By issuing Social Policy Bonds it could reduce the likelihood of disasters, say, without trying to involve itself in how and when they are likely to occur.

For example: I'm reading Eric Schlosser's *[2]Command and Control,* which tells alarming tales of accidents and blunders that came close to bringing about catastrophe. It's quite disturbing how little incentive the people in control, *at all levels,* had to think about the potential impacts on society rather than on themselves or the organization of which they were part. Social Policy Bonds that would be redeemed only after, say, 30 years of a complete absence of nuclear explosions, accidental or not, would be one way of giving people incentives to avoid such a disaster. A bond regime targeting such unforeseeable but plausible scenarios would make them less likely to occur and would do so as efficiently as possible. And by issuing [3]Disaster Prevention Bonds government would be doing what it's supposed to do: looking out for all its citizens' interests by directing people's ingenuity into socially useful ends.

1. http://dieoff.org/page95.htm#b8
2. http://www.amazon.co.uk/gp/product/1846141486?*Version*=1&*entries*=0
3. http://socialgoals.com/dpbs.html

11.12.3 Et tu, academia? (2014-12-21 09:35)

There are sound reasons for being disdainful of quantitative targets in policymaking - something that forms the very basis of Social Policy Bonds. But, perhaps unfortunately, in our highly aggregated, complex, societies, the alternative to targeting broad, explicit and, most important, *meaningful* goals is to target narrow, opaque goals that are devoid of meaning in that they do nothing to improve social well-being.

I've blogged before about the proliferation and futility of such Mickey Mouse micro- ([1]here and [2]here for instance) and macro-targets ([3]here and [4]here). So it's disappointing, though not surprising, that the academic world is following the trend. See [5]here, for instance, to read about cash for citations. Or [6]here, for how to find "outfits that offer to arrange, for a fee, authorship of papers to be
published in peer-reviewed outlets. They seem to cater to researchers
looking for a quick and dirty way of getting a publication in a
prestigious international scientific journal."

If we are going to combine financial incentives with numerical targets then we need to make absolutely certain that those targets are, or are inextricably linked to, robust indicators of social well-being. The alternative? Well, it is what we have now: indicators defined not by society, but by vested interests within organizations who suspect that broad, meaningful indicators would threaten their way of doing things, their status, or indeed their existence.

1. http://socialgoals.blogspot.com/2012/01/mickey-mouse-micro-targets.html
2. http://socialgoals.blogspot.com/2009/03/targets.html
3. http://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
4. http://socialgoals.blogspot.com/2014/10/gdp-versus-mental-well-being.html
5. http://liorpachter.wordpress.com/2014/10/31/to-some-a-citation-is-worth-3-per-year/
6. http://www.scientificamerican.com/article/for-sale-your-name-here-in-a-prestigious-science-journal/

2015

12.1 January

12.1.1 Anti road rage (2015-01-09 13:18)

George Monbiot [1]writes about city planning in England, and the lack of playing space for children: "In the places built 10 or 20 years ago, there's plenty of shared space, but almost all of it is allocated to cars." It's sad how little input ordinary people have into the layout of our towns and cities, and it's tragic that subordinating our entire way of living to motoring (as distinct from motorists) has had such negative consequences for our physical and mental health. People from the new world travel for thousands of miles to experience, for a week or two, vibrant, safe cities that invariably were developed before motoring became important. There's no reason people shouldn't live in the sort of suburbs or satellite towns against which Mr Monbiot inveighs if that is what they want to do, but there are good reasons why such lifestyles shouldn't be heavily subsidised; indeed, so heavily subsidised that any alternative has become forbiddingly expensive or dangerous for the middle classes. What are these subsidies? As well as subsidised to oil extraction and consumption, there is, essentially, [2]free parking. And the costs of accidents, injuries and the damage done to mental health by roading are, of course, borne by the entire population.

Once a particular lifestyle has received subsidies for many years it's very difficult (though [3]not impossible) to withdraw them. As well, cause and effect are difficult to identify and far more difficult to translate into meaningful political action. That is where Social Policy Bonds might offer a way forward. Under a bond regime we could target things that are not amenable to direct government action: things like the [4]loneliness of the elderly, or the broader physical and mental health of an entire population. We cannot know in advance what are the best ways of achieving such targets. But a motivated coalition of investors holding bonds targeting these goals is far more likely to achieve them than a ruling political party beholden to its friends in big business and government. If holders of bonds targeting such goals decided that the best way of enabling people to live fulfilling, healthy lives is to make everyone dependent on cars, then that is what they will do. But they would only do so if that is what the evidence told them. For myself, I suspect that there is no such evidence, and it's a catastrophe that governments the world over are acting as though there were.

1. http://www.monbiot.com/2015/01/06/the-child-inside/
2. http://www.economist.com/news/united-states/21638132-free-parking-not-all-its-cracked-up-be-race-space

3. http://www.economist.com/news/asia/21638179-jokowi-abandons-wasteful-fuel-subsidies-fiscal-prospects-brighten-good-scrap
4. http://www.telegraph.co.uk/health/wellbeing/10909524/Britain-the-loneliness-capital-of-Europe.html

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12.2 February

12.2.1 Dog food or doomsday (2015-02-12 07:10)

A longer version of a previous posting:

It's a puzzle to me how we have created regimes that allow financial incentives to operate creatively in interesting but ultimately not very important aspects of our lives - advertising dog food, for example - while ways of dealing with the most serious determinants of mankind's well-being rarely reward efficiency. So employees of companies selling dog food have sales and revenue targets to meet, stringent deadlines, and they are offered meaningful incentives backed up by robust reporting and analysis systems to monitor progress and so achieve maximal dog food market penetration. In contrast, responsibility for what you might think should be major priorities for homo sapiens is given over to the dead hand of government or brave, well-meaning, hard working but under-resourced non-governmental organizations.

What are these priorities are? Most of us would probably give a high rating to things like avoiding the deaths of many millions of people in a nuclear exchange. Or the ending of any violent political conflict of the sort that, amazingly, in the 21st century, still kills, maims or makes homeless countless thousands of us around the globe. Or minimising the deaths caused by natural disasters, or pandemics.

Climate change too: it's no different from other potential catastrophes in that we don't know when or how it will strike. The most fortunate amongst us can insure against some of the financial costs of some adverse climatic events. But even there, markets cannot fully redress the balance. The uninsured, whether uninsurable or not, cannot be compensated at all. Markets are even less capable of addressing the more global calamities of nuclear war, or large-scale violence.

Some years ago I came up with the Social Policy Bond idea, which aims to channel market incentives into the achievement of social goals. Much of this idea has been taken up by governments worldwide, in the form of Social Impact Bonds. But SIBs leave out one crucial aspect of the Social Policy Bond principle: tradeability. When the bonds are tradeable on a secondary market, we can greatly enlarge their scope, because we do not have to specify which organizations shall achieve our goals, and because we can target goals that might be too remote to interest existing organizations.

Take something that has recently made the news: nuclear catastrophe. As the members of the Bulletin of Atomic Scientists shift the hands of their doomsday clock to three minutes to midnight, where are the incentives that will mobilise large numbers of us actually to do something to avoid the doom represented by midnight? There aren't any - we're all doing better by devoting our ingenuity to selling dog food.

The answer could be Social Policy Bonds. Targeting nuclear catastrophe they would be backed by governments, NGOs, philanthropists and anybody with a strong interest in human well-being. Floated on the open market they would become redeemable for, say, $1m each only after a thirty-year period during which no nuclear explosion takes place. Floated on the open market, they might fetch just $10000 each, if the market thinks the probability of thirty years' nuclear peace is low. But these bonds would be tradeable: their value would rise and fall according to how likely people think the peace target will be reached.

Initial investors would buy the bonds and do whatever they can to increase that probability. Even helping existing ways of monitoring nuclear material might see the value of their bonds double. Others, with expertise in different areas, would buy their bonds and do what they can to raise the value of the bonds still further. At every stage, the bonds would be in the hands of those most able to bring about nuclear peace. The bondholders' goal is exactly congruent with society's: *they make money only by achieving society's goal*. At every stage of every process required to achieve that goal, incentives will motivate people to be as efficient as possible.

Rather than encourage endless speculation about what projects will make the world more peaceful the bonds would, in effect, contract out the achievement of world peace to the market. They would encourage a wide range of *adaptive* projects, whose sole criterion for funding would be that they would raise the probability of world peace being achieved. In this way, the governments and others who back the bonds would do what they are best at: articulating society's goals and raising the revenue for their achievement. At the same time, the market would be doing what it is best at: allocating resources as efficiently as possible.

If nuclear peace sounds too lofty a goal, then we could start by aiming for something like peace in the Middle East. The same principle would work for natural disasters or climate change. In every case, we'd be rewarding the successful achievement of a sustained, desirable outcome, without - as now - distracting ourselves by self-indulgent irrelevancies such as who shall achieve it and how they shall do so. It is a shame to me that few people seem to think along these lines.

12.2.2 Rewarding the rich and the dead **(2015-02-15 04:40)**

From *the Economist:*

> According to the [United States] Government Accountability Office, between 2007 and 2011 Uncle Sam paid some $3m in subsidies to 2,300 farms where no crop of any sort was grown. Between 2008 and 2012, $10.6m was paid to farmers who had been dead for over a year. ... [W]ith crop prices now falling, taxpayers are braced to be fleeced again. *[1]Milking taxpayers*, 'the Economist', 14 February

When government makes so many policy interventions, some of them are going to be bad. A working, viable, democratic, accountable and transparent policymaking system would, we'd hope and expect, weed out bad policies or, with judicious regulation and further intervention, convert them into better policies. But our current policymaking system is incapable of doing that. Instead, bad policies become worse policies, because rather than have mechanisms for getting rid of them they create interest groups who resist change and, as recipients of taxpayer funds, can afford expensive lobbyists to make these policies permanent features of the political landscape.

So it is with agricultural policy, not only in the US, but in almost all of the developed countries. Forty years ago, or instance, the stupidity of the European Community's Common Agricultural Policy was well established and widely discussed. But very little has changed. These policies hurt consumers in the developed countries by raising food prices. They reward intensive farming with devastating effects on the environment and animal welfare. They penalise third-world countries by putting up barriers to their agricultural exports. They cost billions of dollars and their only beneficiaries, apart from the bureaucrats who administer them, are agribusiness corporates and wealthy landowners. From the same article:

> American farm subsidies are egregiously expensive,
> harvesting $20 billion a year from taxpayers' pockets. Most of the money goes to big, rich farmers producing staple commodities such as corn and soyabeans in states such as Iowa.

I [2]wrote about all this 15 years ago. Worth repeating and emphasising is that our policymaking system does not correct its errors. Instead, appallingly wasteful policies persist because they enrich people who lobby against their removal. We have a system that cannot correct errors but rather entrenches them. The current system, in brief, is dysfunctional.

A better alternative would be to focus on outcomes, and reward people for achieving them. People understand outcomes, and policies under an outcome-oriented system would not be subject to the smoke-and-mirrors manipulation that saw measures taken to 'protect the family farm' be transmuted into subsidies for agribusiness and billionaire landowners - alive and dead. Agriculture, of course, is not the only sector that government policy has corrupted in ways that hurt ordinary people, though it is one of those with the longest history of government intervention. Our failure to correct our policy mistakes in agriculture speaks volumes about how unfit is our current policymaking system.

1. http://www.economist.com/news/united-states/21643191-crop-prices-fall-farmers-grow-subsidies-instead-milking-taxpayers
2. http://socialgoals.com/orchard2.html

12.2.3 Two sorts of self-interest (2015-02-23 07:21)

> If men were actuated by self-interest, which they are not — except in the case of a few saints — the whole human race would cooperate. There would be no more wars, no more armies, no more navies, no more atom bomb. Bertrand Russell, *[1]What Desires Are Politically Important?,* 1950

Our current policymaking system gives undue priority to emotion, whim, and concerns that make for effective television footage. So our politicians give arguably too little attention to huge, important challenges that move too slowly for television, such as the piling up of armaments, climate change, the [2]diversion of resources from the poor to the rich, and threats to the family and social cohesion. Our short-term, reactive self-interest is largely ideological, concerned more with shoring up our world view and creating bonding opportunities with people who think the same way than with solving the world's social and environmental problems. It's determined largely by a dangerous combination of emotion coupled with abstract intellectual thought. It concerns itself with the immediate, which means a focus on what can be done now rather than outcomes. And what can be done now to solve most social problems is inevitably the source of endless heated and destructive debate because our problems are so complex.

We should build into our policymaking system the fact that there is far more consensus over the sort of outcomes that we as a society want to see than there is over the supposed means of achieving them. The societal self-interest that Russell implicitly identifies - the sort that is beneficial to all of humanity - could then take over from the narrow, fear-based

self-interest that animates so many of the world's political (and military) decisions.

Social Policy Bonds would encourage us to make the distinction. A bond regime would make decisions about society's long-term goals on the basis not of what government can do now or where it should allocate its funds, but on what needs to be done. This would take the ideology and emotion of how things shall be done and who shall achieve them. Social Policy Bonds could then target effectively those universal social goals that are currently either not being targeted, or not being achieved, or from which we actually moving away. A world of peace, for instance, or a world that seeks to prevent or mitigate catastrophes of any sort. *For more on the Social Policy Bond principle and its applications see* [3]SocialGoals.com

1. http://www.nobelprize.org/nobel_prizes/literature/laureates/1950/russell-lecture.html
2. http://socialgoals.blogspot.com/2015/02/rewarding-rich-and-dead.html
3. http://socialgoals.com/

12.2.4 Demented (2015-02-26 16:12)

> The [UK] government's health policy reached new levels of absurdity last October, when it was announced that GPs would be paid £55 for every diagnosis of dementia they could enter in a patient's notes. *[1]Cash for Diagnoses,* Gavin Francis, 'London Review of Books' dated 5 March

I'm convinced policymakers have no idea how to specify societal goals. They don't seem to realize that goals that are narrow and short term can, and most likely will, conflict with those that are broad and long term. So it is with the nonsense described by Mr Francis. From where might the initiative for such incentive payments arise? Mr Francis points the finger:

> This debacle is just the latest example of a medical culture, promoted by successive governments over the last twenty years, that rewards over-diagnosis and the prescription of drugs over personalised, professional care.

Our governments seem incapable of looking after society's interests. They seem to think that doing what they can to meet the demands of the most powerful lobby groups, including government agencies, is equivalent to looking after the interests of all their citizens. It isn't.

A Social Policy Bond regime would be quite different. It would target and reward meaningful improvements in the health of the entire population. It would take a long-term view, and could do so because it would focus exclusively on its target outcomes. It would reward the people who achieve our health goals *whoever they are and however they do so.* For more on how the Social Policy Bond principle could be applied to health click [2]here.

1. http://www.lrb.co.uk/v37/n05/gavin-francis/cash-for-diagnoses
2. http://socialgoals.com/health.html

12.3 March

12.3.1 Tried, tested and failed (2015-03-06 06:06)

Concluding a piece about the growing dangers arising from nuclear proliferation *the Economist* says:

> But for now the best that can be achieved is to search for ways to restore effective deterrence, bear down on proliferation and get back to the dogged grind of arms-control negotiations between the main nuclear powers. *[1]The unkicked addiction,* 'the Economist', dated 7 March

My question is twofold: who will do the searching and what incentives will they have to get it right? On present trends we can be pretty sure that responsibility for a nuclear exchange-free world will fall to nationalist politicians, corrupt bureaucrats (national or United Nations), well-meaning bureaucrats (same) or well-meaning, dedicated but underfunded people working for non-governmental organizations. The same people, in short, who have collectively brought us, let's be factual, to the brink of nuclear catastrophe.

It's not just the identity of these people that's the problem; it's also that they have little financial incentive to maintain nuclear peace. They are not paid according to performance. So they have little incentive to explore innovative ways of forestalling proliferation or use of nuclear weapons that might do a better job than the existing, tried tested and failed methods.

I can't suggest 'ways to restore effective deterrence' but I can suggest a way that would encourage others to find such ways, and reward those that are successful. We could issue bonds that become redeemable only after a sustained period - thirty years, say - of nuclear peace. It would be up to the resulting coalition of motivated bondholders to explore the

best ways of taking all the steps necessary to bring about that goal. These would probably include measures that existing bodies, because of their status or their short time horizons, do undertake nowadays, including, for example, building trust between schoolchildren of all nationalities and religions. Approaches encouraged by such [2]Conflict Reduction Bonds would be diverse, because one single approach will not work, and adaptive, because the most effective measures are likely to change with time. *For a longer essay click [3]here, and for the application of the Social Policy Bond principle to the Middle East click [4]here.*

1. http://www.economist.com/news/briefing/21645840-despite-optimistic-attempts-rid-world-nuclear-weapons-threat-they-pose-peace
2. http://www.socialgoals.com/conflict-reduction-.html
3. http://www.socialgoals.com/world-peace.html
4. http://www.socialgoals.com/middle-east-peace.html

12.3.2 The role of government? To extract revenue (2015-03-22 21:23)

David Graeber began this piece by writing about Ferguson in the US, and the criminalisation, in the US, of violations of administrative codes:

> Almost every institution in America—from our corporations to our schools, hospitals, and civic authorities—now seems to operate largely as an engine for extracting revenue, by imposing ever more complex sets of rules that are designed to be broken. And these rules are almost invariably enforced on a sliding scale: ever-so-gently on the rich and powerful (think of what happens to those banks when they themselves break the law), but with absolute Draconian harshness on the poorest and most vulnerable. *[1]Ferguson and the Criminalization of American Life,* David Graeber, 19 March

I don't think this should greatly surprise us. Government, like any other big organization, has as its one over-arching goal that of self-perpetuation. Like churches, trade unions, universities or any other institution, governments usually start out meaning well, and are staffed by hard-working and, often, individually ethical employees. But at some point the organization's stated objectives are forgotten and we end up with scenarios similar to that which Mr Graeber describes. Government bodies don't face the discipline of markets or competition and if they limit their corrupt behaviour to the less powerful, they can get away with it indefinitely.

Social Policy Bonds are a means by which any organization trying to achieve social goals will always be focused entirely on those goals. The very structure and composition of the organizations would be determined, dynamically, by their need to achieve society's goals as efficiently as possible. And it is *society's* goals that they would be achieving: their own goals, including that of self-perpetuation, would be subordinated to those goals set by society and targeted by Social Policy Bonds. It's a stark contrast between a bond regime that articulated society's wishes and rewards those who achieve them, and today's world, in which even those bodies charged explicitly with looking after the public interest end up in conflict with it. Or, as Mr Graeber concludes:

> Most
> Americans no longer feel that the institutions of government are, or even could be, on their side. Because increasingly, in a very basic sense, they're not.

1. http://gawker.com/ferguson-and-the-criminalization-of-american-life-1692392051

12.3.3 Diversity and biodiversity (2015-03-31 20:34)

Jonathan Franzen writes about biodiversity and whether the emphasis on climate change is diverting worthwhile effort and resources away from conservation. He visits Costa Rica and looks at conservation efforts in the northern dry-forest region of Guanacaste:

> The question that most foreign visitors to Guanacaste ask is how its model can be applied to other centers of biodiversity in the tropics. The answer is that it can't be. Our economic system encourages monocultural thinking: there exists an optimal solution, a best conservation product, and once we identify it we can scale it up and sell it universally. As the contrast between Amazon Conservation and the A.C.G. [Área Conservación de Guanacaste] suggests, preserving biological diversity requires a corresponding diversity of approach.
>
> [1]*Carbon Capture:Has climate change made it harder for people to care about conservation?*,
> Jonathan Franzen, 'New Yorker', dated 6 April

This is something I've been advocating for years: to solve our biggest, most complex social and environmental problems we urgently need diverse, adaptive approaches. Social Policy Bonds would encourage such approaches in ways that current policy cannot. Yes, we need some high-level direction as to which objectives we should pursue, and yes, we need some broad system of revenue raising to finance the achievement of some of these goals. But we do not need top-down, one-size-fits-all, programmes based on fossilised science that have been tried, tested and (for the most part) failed. The world is too complex for that.

A Social Policy Bond regime would reward those who achieve such long-term goals as maintaining or increasing biodiversity, without stipulating how these goals shall be achieved. Government, or a group of governments or non-governmental bodies or philanthropists could work together to articulate society's goals and raise revenue for their achievement. But the actual achieving would be done by bondholders (or people paid by bondholders) who would be motivated to form a coalition of interests entirely devoted to achieving society's goals with maximum efficiency. This coalition would probably vary in composition and structure over time, as would the projects it initiates. But at any one time, the market for the bonds would ensure that only the most efficient programmes will be implemented.

1. http://www.newyorker.com/magazine/2015/04/06/carbon-capture

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12.4 April

12.4.1 Anything but outcomes (2015-04-14 17:56)

Social and environmental problems are complex. Faced with these problems we delegate much of the responsibility for solving them to government. And how do those lucky enough to be given the chance of choosing who shall govern us go about it? One thing we don't do is look dispassionately at each political party's past record and choose on that basis. Even the experts [1]don't do that. So how do we make our selection at the ballot box? We listen to promises by politicians about their *stated* spending priorities - inputs, in other words. Or we focus on the appearance of each candidate, or how well they come across on television. Now there's identity politics, as Brandan O'Neill writes:

> If you want to see how small politics has become in the 21st century, just look at Hillary Clinton's [2]chucking of her hat into the 2016 US presidential race. Or better still, look at the response to her unveiling of her presidential ambitions, the chorus of cheers and whoops that greeted her decision to make hers a gender-focused, grandmotherly, womanish campaign, in which, as one excited observer puts it, sex - as in biology, not raunch - will form a 'core plank' of Hillary's stab for the White House. What this speaks to is the suffocating extent to which the politics of identity, the accident of who we are, the lottery of our natural characteristics, is now paramount in the political sphere, having violently elbowed aside the old politics of ideas, and substance, and conviction.
>
> Hillary's presidential launch confirms that, in the space of just seven years, identity has become pretty much the only game in the town of politics. *[3]The rise of Hillary and the death of politics,* Brendan O'Neill, 'Spiked', 13 April

I'm not as cynical as Mr O'Neill. I'm not a great supporter of ideas or conviction in politics - not if they donit relate to 'substance' or, as I'd put it, meaningful outcomes. The fact is that not only do we not look at a politician's or a party's past record; often we cannot. There are too many variables, too many linkages and too many time lags for us to be able fully to evaluate past performance. Identity politics is a symptom of that problem, rather than a cause.

My solution? Social Policy Bonds. Agree on a set of broad outcomes, such as universal [4]literacy, improved general [5]health, reduced [6]crime rates or, on a global scale, the elimination of [7]violent political conflict (war and civil war), or[8] catastrophe, whether natural or man-made. Then issue bonds that will reward people for solving these problems, however they do so. In short, target outcomes and don't focus too much on the identity or media performance of people who promise to spend taxpayer revenue on our behalf. Rely, instead, on a motivated coaltion of bondholders, who will have every incentive to subordinate all their activities to the achievement of society's targeted goals.

1. https://prezi.com/oqglvhbpw2uz/why-states-believe-foolish-ideas-non-self-evaluation-by-states-and-societies/
2. https://www.youtube.com/watch?v=0uY7gLZDmn4
3. http://www.spiked-online.com/newsite/article/the-rise-of-hillary-and-the-death-of-politics/16868
4. http://socialgoals.com/women-s-literacy.html
5. http://socialgoals.com/health.html
6. http://socialgoals.com/crime-.html
7. http://socialgoals.com/world-peace.html
8. http://socialgoals.com/disaster-prevention.html

12.4.2 What really matters? (2015-04-22 18:55)

What really matters to voters? You might think, as I, naively, used to, that it's outcomes. But our politics and our policymaking process are almost entirely concerned with spending, institutional structures, legalisms, outputs or activities, all of which have very little bearing on outcomes that are meaningful to ordinary citizens. Come election time candidates and their handlers routinely emphasise almost everything except outcomes when canvassing for votes: the personality, gender, ethnic origin or social class of the would-be politician, or how they perform on television. I have proposed Social Policy Bonds as a way of subordinating all our politics and all our politicking to broad, meaningful outcomes, which would be more amenable to public participation and therefore help bridge the widening gap between politicians and the people they are supposed to represent. A mistake?

Recent US research shows that:

> [M]any average voters with strong party commitments – both Democrats and Republicans – care more about their parties simply winning the election than they do either ideology or issues. Unlike previous research, the study found that loyalty to the party itself was the source of partisan rivalry and incivility, instead of a fundamental disagreement over issues. *[1]Study: Most partisans treat politics like sports rivalries, instead of focusing on issues,* University of Kansas, 15 April

Maybe then the Social Policy Bond concept, which focuses primarily on outcomes, is too idealistic? I think not. I believe that we, the voters, think of politics as a game only because our governing elites have made the policymaking process so arcane, long-winded and boring that only large institutions — public- and private-sector — can afford to pay people to understand and manipulate it. Naturally then, for our entertainment, we focus on whether our team, Democrat or Republican, Labour or Conservative, left or right will win their game, but the real game is government and big business versus the electorate. That match is too one-sided to generate much excitement.

1. http://www.eurekalert.org/pub_releases/2015-04/uok-smp041415.php

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12.4.3 (2015-04-22 23:21)

Reminds me of / further evidence for Robin Hanson's dictum "politics isn't about policy" (rather about signalling affiliation and status, if I recall correctly).

One partial solution is to get people to affiliate with/commit part of their identity to the ability to self-doubt and go with the data and give status to people who seem to do so. Of course this mostly means people with such commitments will just rationalize whatever affiliation/status seeking they would do anyway as following the data, but maybe sometimes it will be a nudge in the right direction, like science.

12.4.4 Immigration to Europe (2015-04-29 10:03)

The large numbers of people trying to migrate on flimsy boats from Africa to Europe are not all poor and desperate. The cost of arranging these trips is beyond the means of most. Many of the people on these boats would be entrepreneurs in their own countries if there were even a slight prospect of a better life there. So why isn't there? Why do they leave their culture, their families, their support network and pay large sums to criminals to arrange a very chancy, unpleasant trip to countries that certainly don't want them (to put it mildly).

Not the whole explanation, but a large part of it, are the corrupt, insane European Union trade policies including especially the Common Agricultural Policy which, by subsidising farm production in Europe and imposing formidable barriers to imports has made it very difficult for the food-rich African countries to step onto the first rung of the economic development ladder. Europe adopted the same policies with respect to tropical products and textiles, all at the behest of their own powerful farm lobbies and corporations.

So what did they expect? By creating 'fortress Europe' the Eurocrats exported poverty and instability to poor countries. At the same time they give a few million dollars of funds collected from taxpayers in 'aid' and [1]expect these countries to be grateful. And they act concerned when, after decades of kicking these countries off the development ladder, they are besieged by Africans looking for a better life. It would be unhelpful, childish and arrogant to say 'I told you so', so I won't say it even if it's true – [2]which [3]it [4]is.

1. http://socialgoals.com/nation98.html
2. http://socialgoals.blogspot.co.uk/2015/02/rewarding-rich-and-dead.html
3. http://socialgoals.com/orchard2.html
4. http://socialgoals.blogspot.co.uk/2006/07/france-world-champion-of-hypocrisy.html

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12.5 May

12.5.1 Stupid incentives reward stupid behaviour (2015-05-01 21:23)

David Simon goes a long way toward explaining why policing in Baltimore has gone awry:

> How do you reward cops? Two ways: promotion and cash. That's what rewards a cop. If you want to pay overtime pay for having police fill the jails with loitering arrests or simple drug possession or failure to yield, if you want to spend your municipal treasure rewarding that, well the cop who's going to court 7 or 8 days a month — and court is always overtime pay — you're going to damn near double your salary every month. On the other hand, the guy who actually goes to his post and investigates who's burglarizing the homes, at the end of the month maybe he's made one arrest. It may be the right arrest and one that makes his post safer, but he's going to court one day and he's out in two hours. So you fail to reward the cop who actually does police work. But worse, it's time to make new sergeants or lieutenants, and so you look at the computer and say: Who's doing the most work? And they say, man, this guy had 80 arrests last month, and this other guy's only got one. Who do you think gets made sergeant? And then who trains the next generation of cops in how not to do police work? I've just described for you the culture of the Baltimore police department amid the deluge of the drug war, where actual investigation goes unrewarded and where rounding up bodies for street dealing, drug possession, loitering such – the easiest and most self-evident arrests a cop can make – is nonetheless the path to enlightenment and promotion and some additional pay. *[1]Baltimore's Anguish: Freddie Gray, the drug war, and the decline of "real policing."*, David Simon, 29 April

Two points I would make.

One: in our complex society we are going to have to target quantitative indicators. To do so effectively these indicators need to be meaningful to ordinary people must be, or must be *inextricably linked to,* improvements in well-being. The alternative to such indicators are the sort of Mickey Mouse, micro-targets that motivate the Baltimore police to maximise the number of arrests they make or, for instance, keep patients in UK ambulances hovering outside hospitals so that they can meet a 'seen within 4 hours of entry into hospital' micro-target.

Two: incentives are important. People — even well-intentioned and hard-working people — will react to incentives; and if these incentives are to carry out stupid activities that conflict with society's well-being, then they will carry out those activities and we shall see a decrease in society's well-being. It's not that complicated.

1. https://www.themarshallproject.org/2015/04/29/david-simon-on-baltimore-s-anguish

12.5.2 Distracting the masses (2015-05-09 19:00)

How government spends your tax dollars:

> The EU has contributed €16m to Paramount's new park in Spain. Russia's government is helping to finance a nationalist-themed park near Moscow. But official handouts are no guarantee of success: 70 % of the 2,500 theme parks built in China, many with generous state help, have closed down or are losing money. [1]*Theme parks in Europe: bumpy rides ahead*, 'The Economist', 9 May

If governments everywhere didn't waste your money on propping up inefficient industries everywere or bailing out failed banks you might almost think their goal in subsidising theme parks is the single one of keeping us distracted. As it is, it's uncertain whether that is their main goal, or whether they just enjoy speculating on photogenic projects with your money. Why immensely wealthy multinational corporations are thought to be more deserving of help than the poor, or disabled, or the homeless is not obvious.

1. http://www.economist.com/news/business/21650553-surprising-investment-boom-industry-still-not-over-last-slump-bumpy-rides-ahead

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12.5.3 Progress in development (2015-05-23 19:30)

Social Policy Bond principles are slowly gaining acceptance. Here is *the Economist* writing about trends in development aid:

> Now donors are trying a new approach: handing over aid only if outcomes improve. "Cash on delivery" sees donors and recipients set targets, for example to cut child mortality rates or increase the number of girls who finish school, and agree on how much will be paid if they are met. ... In cash-on-delivery schemes, recipients choose their own paths towards their targets, subject only to basic rules, such as respecting human rights. ... By setting and measuring targets, cash-on-delivery donors hope to spur healthy competition. *[1]It's not what you spend* , 'the Economist', 23 May

For my thoughts on applying the Social Policy Bond idea to development click [2]here.

1. http://www.economist.com/news/international/21651814-how-make-aid-poor-countries-work-better-its-not-what-you-spend
2. http://www.socialgoals.com/human-development.html

12.6 June

12.6.1 Chopping down trees to fight climate change (2015-06-02 20:57)

It's inefficient, at best, for central government to try to prescribe how to achieve most social or environmental goals. Society's just too complex for any large, fixed organization fully to understand. But politicians aren't known for their humility. This is what happens when government thinks it knows how best to achieve its environmental goal of reducing greenhouse gases (not to be confused with trying to prevent climate change, but that's [1]another story):

[2]

> For the sake of a greener Europe, thousands of American trees are falling each month in the forests outside this cotton-country town [Oak City, North Carolina, US]. .... Each day, dozens of trucks haul freshly cut oaks and poplars to a nearby factory where the wood is converted into small pellets, to be used as fuel in European power plants. Soaring demand for this woody fuel has led to the construction of more than two dozen pellet factories in the Southeast [of the US] in the past decade, along with special port facilities in Virginia and Georgia where mountains of pellets are loaded onto Europe-bound freighters. European officials promote the trade as part of the fight against climate change. Burning "biomass" from trees instead of coal, they say, means fewer greenhouse gases in the atmosphere. .... But ...scientists say, Europe's appetite for wood pellets could lead to more carbon pollution for decades to come, while also putting some of the East Coast's most productive wildlife habitats at risk. *[3]How Europe's climate policies led to more U.S. trees being cut down*, Joby Warrick, 2 June

It's a typical government intervention; confusing the causes of a problem (climate change) with the supposed causes of a problem (coal burning) and imposing a restricted (geographically limited to the EU) pseudo-solution to a problem that goes beyond politicians' sphere of influence. The result: government intervention makes things worse even on its own terms.

The same confusion arises in other areas, especially those where experts think they have all the answers. So we see the targeting of a surrogate indicator like blood cholesterol in

medicine, through the mass prescription of statins, which might, but [4]probably [5]won't, do anything to reduce the overall health of a population - with large upfront and certain costs in terms of finance and side effects. Of one thing we *can* be certain: government [6]will not (pdf) look back at its policies and learn from its mistakes.

The solution, I think, is for governments to stick to what they are good at: articulating society's goals and raising the funds to achieve them. But, for complex social and environmental goals, government should contract out the actual achievement to a motivated [7]coalition of interests, which will have incentives to explore diverse, adaptive ways of achieving our goals. A Social Policy Bond regime would effect such a contracting out. The bonds, being [8]tradeable, would imply that this coalition could change, always to be composed of those who will be most efficient at achieving our goals. This, in turn, would mean that we could target long-term goals, including those, like climate change, that transcend national boundaries.

1. http://www.socialgoals.com/climate-change.html
2. https://www.blogger.com/
3. http://www.washingtonpost.com/national/health-science/how-europes-climate-policies-have-led-to-more-trees-cut-down-in-the-us/2015/06/01/ab1a2d9e-060e-11e5-bc72-
4. http://drmalcolmkendrick.org/2015/05/29/hoorah/
5. http://drmalcolmkendrick.org/the-great-cholesterol-con/
6. http://dspace.mit.edu/bitstream/handle/1721.1/5533/why_states_believe_foolish_ideas.pdf
7. http://www.socialgoals.com/new-type-of-organization.html
8. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html

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12.6.2 Why I don't like Social Impact Bonds (2015-06-05 18:57)

When I [1]first came up with the idea of Social Policy Bonds, their tradeability was an intrinsic part of their identity. Without tradeability, the bonds would be little more than prizes awarded to existing service providers for doing their jobs a bit more efficiently than previously. There's obvious scope for gaming here: perform badly, wait till the government issues SIBs, perform better, then cash in. But perhaps more important is the necessity for allowing new service providers - or, as I term them, outcome achievers - to buy the bonds at any stage and receive extra rewards, in the form of a rise in the market value of their bonds, for performing well. Without tradeability, that won't happen.

The way of the world is that big business and government go hand-in-hand. The way of Social Impact Bonds is is equally familiar and equally dubious: government thinks it knows best who will deliver certain services and rewards them if they improve their performance. These will be existing service providers or, just possibly, new bodies upon which the government is equally keen to bestow favour for some reason or other. The whole point of my Social Policy Bond idea is to bring about creative destruction into the achievement of social and environmental outcomes. Under a Social Policy Bond regime new approaches *and new organizations will* be rewarded if, and only if, they are more efficient than anyone else. Social Impact Bonds won't do that: existing organizations will be favoured; they will have some

incentive to perform their existing functions more efficiently, but little incentive to look at new approaches. For one thing, innovation risks rocking the boat. For another, SIBs, because they are not tradeable, are going to be restricted in their time horizon to that of existing organizations: they will take a short-term view, relative to the complexity of our social and environmental problems. This is a major deficiency: it restricts the scope of the bonds to narrow, short-term goals. As well, the costs of monitoring progress toward such goals is going to be large relative to sums at stake.

Contrast this with Social Policy Bonds, which are not limited by the prejudices of government (or anyone else) as to *how* our goals shall be achieved nor *who* shall achieve them. So we can target long-term social goals that will inevitably require diverse, adaptive approaches: reduced [2]crime rates, for example, or improved [3]health. We can even target global goals, like [4]human development or the sustained avoidance of violent political [5]conflict. Governments that issue Social Policy Bonds don't have to take a view as to which organizations are best placed to achieve such goals, nor as to how they shall go about achieving them. That work is done by bidders for the bonds who will be motivated by the rewards they get for helping achieve the targeted outcome. Note the word 'helping': a single organization need not achieve the entire goal to be rewarded under a Social Policy Bond regime: helping raise the likelihood of early achievement of the goal will generate reward in the form of the increased value of the bonds they (or a contracting agent) owns. Social Policy Bonds encourage a coalition of interests, whose composition and structure will change in response to changing circumstances, to co-operate in exploring and implementing a diverse, adaptive array of initiatives with the aim of achieving our broad social goals, even ones as seemingly remote and unattainable as [6]universal female literacy or [7]world peace.

For more on this see my short article: [8]why the bonds must be tradeable. *Also* [9]previous [10]blog [11]posts*. For another critical view of SIBs (in New Zealand) see* [12]here. *Contact me if you would like to know more.*

1. http://researcharchive.lincoln.ac.nz/handle/10182/848
2. http://socialgoals.com/crime-.html
3. http://socialgoals.com/health.html
4. http://socialgoals.com/human-development.html
5. http://socialgoals.com/conflict-reduction-.html
6. http://socialgoals.com/women-s-literacy.html
7. http://socialgoals.com/world-peace.html
8. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
9. http://socialgoals.blogspot.co.uk/2012/03/social-impact-bonds-and-social-policy.html
10. https://www.blogger.com/blogger.g?blogID=9695147#editor/target=post;postID=694117331511099055;onPublishedMenu=allposts;onClosedMenu=allposts;postNum=3;src=link
11. http://socialgoals.blogspot.com/2013/10/spbs-sibs-and-sobs.html
12. http://www.stuff.co.nz/dominion-post/comment/69117452/editorial-too-many-worries-with-social-bonds

12.6.3 Bonds in New Zealand (2015-06-07 18:24)

This post is a follow-up to my previous post, where I discuss why I don't like Social Impact Bonds. Today, Sunday, there was a short tv [1]debate shown in New Zealand about using Social Impact Bonds to address mental health problems. My name is invoked at the five-minute mark. I would say that both protagonists are not quite correct. I'm against these SIBs only because they are not
tradeable, because then there won't be much of the (necessary) innovation that
the pro-SIB man, Stephen Franks, was talking about.

1. http://tvnz.co.nz/q-and-a-news/social-bonds-panel-video-6333096

12.6.4 SIBs can be better than existing policy (2015-06-22 23:00)

Though still [1]skeptical about [2]Social Impact Bonds - the non-tradeable version of [3]Social Policy Bonds - I do now think that under some circumstances they will be an improvement over existing policy. My main concern with SIBs is the danger that, being necessarily more narrow and short term than Social Policy Bonds, they will stimulate achievement of their targeted goals at the expense of people whose well-being isn't targeted for improvement. This possibility is lessened when the beneficiaries of a SIB regime are markedly disadvantaged. I am thinking now of the use of SIBs to target goals such as improving the well-being of the mentally unwell. (Here are arguments [4]for and [5]against the issuing of SIBs to brighten the employment prospects of mentally unwell people in New Zealand.) There will need to be provisos and careful monitoring, of course, as not all attempts to game a SIB regime can be foreseen and written into the redemption conditions of the bonds. But at this point SIBs are controversial, which is a positive in that it means that bondholders will want to ensure compliance with the bond issuers' intent and not only the bonds' legal stipulations.

The advantages of a SIB regime over existing policy arise from their rewarding of outcomes rather than activities. Not as effectively as a pure Social Policy Bond regime, to be sure, but they should nevertheless stimulate greater efficiency in current activities and some innovation of new activities - a big plus where existing policy is thought to be failing.

You'll notice that I still have my reservations about Social Impact Bonds. Being better than existing policy is not always a great recommendation, though it could mean a lot to those individuals who (as in the New Zealand example) are in urgent need of new approaches. A pure Social Policy Bond regime would represent a drastic change from current policy with, I believe, commensurate benefits for all. SIBs can be a useful intermediate step towards such a regime.

1. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
2. http://en.wikipedia.org/wiki/Social_impact_bond
3. http://socialgoals.com/
4. http://nzinitiative.org.nz/Media/Opinion_and_commentary/Opinion_and_commentary.html?uid=955
5. http://www.stuff.co.nz/dominion-post/comment/69117452/editorial-too-many-worries-with-social-bonds

12.6.5 Scary (2015-06-30 20:18)

Max Fisher concludes his long piece, *How World War III Became Possible*:

> We may have escaped the Cold War, but we have not escaped the nuclear threat, which not only remains but is growing. The sense that this danger is resigned to history books, common in Washington and other Western capitals, is precisely part of its danger. It is another echo of the months and years before World War I, when the world drifted unknowingly toward disaster.
>
> In April of last year, just after Russia had annexed Crimea, the London-based think tank Chatham House [1]published a report on the dangers of unintended nuclear conflict. It was not pegged to the events in Ukraine, and at that point few people, including the report's authors, saw Crimea as the potential beginning of a larger conflict. Even still, it was dire in its warnings. "The probability of inadvertent nuclear use is not zero and is higher than had been widely considered," it stated. "The risk associated with nuclear weapons is high" and "under-appreciated." Their warnings were widely ignored. As the report itself noted, the world has concluded, wrongly, that nuclear weapons no longer pose an imminent threat. Attention has moved on. But the seeds of a possible war are being sown in Europe. [2]*How World War III Became Possible*, Max Fisher, 29 June

You don't have to agree with all Mr Fisher's contentions to be scared by his discussion about how Russia and NATO might be sleepwalking toward devastating conflict. Still less should we be concerned to allocate blame. Probably there are faults on both sides, but trying to weigh them so as to have an opinion about which side is worse than the other is something a self-indulgence; understandable perhaps, given how powerless we ordinary people feel.

But I'd say we can do better than watch and debate on the sidelines. I cannot suggest a way out of any impending nuclear conflict, but what I do suggest is that we offer incentives for people to find ways of avoiding such a conflagration. Rather than leave everything to the politicians, ideologues, military men and the war-gamers, we could encourage people to back [3]Conflict Reduction Bonds that will be redeemed only when there has been a sustained period of nuclear peace. Backers could include any combination of governments, international

organizations, non-governmental organizations and philanthropists, and their funds could be swelled by contributions from the rest of us.

The maintenance of nuclear peace is a goal that is ideal for solution via Social Policy Bonds:

- it has an unambiguous, verifiable metric
- existing policy doesn't seem to be working
- nobody now knows the best ways of achieving the goal
- the goal is long term
- the goal is likely to require a multiplicity of diverse, adaptive approaches.

Of course, the bond approach can run in parallel with existing policy, such as it is. It's likely to strengthen the hand of those whose activities seem to be working, as well as encourage new approaches, including those beyond current conception.

1. http://www.chathamhouse.org/publications/papers/view/199200
2. https://www.vox.com/2015/6/29/8845913/russia-war#putinbelieve
3. http://www.socialgoals.com/conflict-reduction-.html

12.7 July

12.7.1 Health: it's complicated (2015-07-11 18:44)

At lower levels of general health we have a good idea about what's needed: basic sanitation, inoculations, and education about hygiene, for starters. A benign government with funds can get things done. It gets a lot more complicated at the health levels prevailing in western countries. Here cause and effect are far more difficult to identify; there are huge numbers of, and possible interactions between, lifestyles and interventions that affect health. And these are changing constantly as our scientific knowledge grows. As well, lobbies are adept at influencing policy in their favour, often at the expense of the general health of the population. This is where an outcome-based approach can succeed where existing policy seems to have lost its way and is likely to be generating diminishing - even negative - returns.

Jerome Burn, [1]here, points out some of the flaws of evidence based medicine as practised in the rich countries. He quotes Dr David Unwin, a general practitioner in Liverpool, UK:

> We had to balance evidence based medicine – you come with a problem; I give you a solution – with evidence based practise. That means drawing on my years of clinical experience, rather than just relying on guidelines, and applying it to patient's own experience. They are the expert on their lives, what they need and what works for them. Without taking that into account you are not going to change anything.

Mr Burn continues:

> Even if charities or the government dug deep into their pockets and began to run many more RCT's [Randomised Control Trials] on lifestyle changes, they are the wrong
> tool to use. The lifestyle approach we need to integrate much more effectively into medicine doesn't involve just changing one thing – drug or no drug – it involves doing lots of things at once – for example: different diets and more exercise combined with psychological techniques such as stress reduction. RCTs have difficulties with such multiple interventions. Yet when they are tested they often turn out more effective than drugs.

The existing rich countries' healthcare systems don't encourage the approach that Dr Unwin and Mr Burn are advocating. What's more, they cannot do so. Drug companies' priority is to deliver returns to shareholders. One way of doing this is to influence government, which could not anyway gather, collate and exploit the data necessary to optimise the general health of the population.

Outcome-based policy, and Social Policy Bonds in particular, could be the answer. Improving rich countries' health is complicated and long term in nature. Existing policy isn't working very well. Broad metrics for physical health are fairly well established and robust. A gradual transition in the rich countries to a Social Policy Bond regime would reward efficient existing approaches and channel our limited funding into the most promising new ones. For more, see my essay on [2]Health Bonds.

1. http://healthinsightuk.org/2015/07/10/how-evidence-based-medicine-is-failing-patients-what-needs-to-be-done-to-fix-it/

2. http://www.socialgoals.com/health.html

12.7.2 Greenhouse gas emissions accelerating (2015-07-19 19:25)

Michael Le Page, writes in *[1]New Scientist* (18 July) about the 'coal renaissance' and in particular about the heavy investments in coal power of poor, fast-growing countries in Asia and Africa. The result is that 'global CO 2 emissions are rising faster than ever. And they are likely to continue to grow.' Indeed 'not only are carbon emissions rising, the pace has accelerated since 2000'. A graph (in the print issue) illustrates this: emissions rose at an average rate of 1.3 percent a year from 1970 to 2000, and have been rising at 2.2 percent since then.

I have for years been pointing out the futility of the Kyoto agreement and other apparent attempts to cut greenhouse gas emissions. I favour a clearer identification of what we actually want to achieve. Is it reduced greenhouse gas emissions? Even with that exceptionally narrow and arguable goal (can we really identify all the greenhouse gases and weight their contribution to climate change accurately?), Kyoto, as Mr Le Page tells us, is a failure. Will reducing greenhouse gas emissions, even were we to be successful in doing that, actually affect the climate? To what end? Nobody knows. But perhaps Kyoto and its interminable followups is intended to be a respectable-sounding forum within which bureaucrats from all countries can talk to each other and syphon off enough taxpayers' money to bring up their families. Ok, yes, it's had more success there. But that's probably not an achievement that taxpayers support with enthusiasm.

We do need to focus on what we want to achieve. Climate Stability Bonds, which I advocate, don't need to be exclusively, or even partly, about aiming to reduce the variability of the earth's climate. We could target some physical and biological indicators of climate change, but we could instead, or as well, target social and financial measures, such as the numbers of people killed or made homeless by adverse climatic events and the cost of compensating them, or the costs of preventing the negative impacts from arising at all.

A bond regime would be sufficiently versatile to include all these indicators, and more. It wouldn't even require people to agree on the - [2]still [3]questioned - thesis that the climate is actually changing or that, if it is changing, it's something for which we are responsible. It would, though, require clarity and honesty about what we want to achieve. Hmm, perhaps that's why it's gone nowhere in the 25 years or so it's been in the public arena. But all is not lost, yet. For more, see [4]this page, and the links therefrom.

1. https://www.newscientist.com/article/mg22730304-400-coal-renaissance-means-switching-to-plan-b-on-climate-change/
2. http://wattsupwiththat.com/
3. http://www.amazon.com/Climate-Change-Dr-John-Abbot-ebook/dp/B00S5L5Y0W
4. http://www.socialgoals.com/climate-change.html

12.7.3 Targeting surrogate indicators (2015-07-26 20:06)

In the absence of broad, agreed, explicit goals, governments fine it convenient to target surrogate outcomes. Climate change is one example: instead of targeting the adverse effects of climate change, governments target greenhouse gas emissions, which may or may not have something to do with climate change, and they target them in ways that even in their own terms achieve [1]nothing. More generally, instead of targeting anything as meaningful as human well-being, the de facto target of most governments is gross domestic product (or GDP per capita).

It's not just governments. It's big companies too. Instead of targeting anything that's inextricably linked to physical health ([2]Quality Adjust Life Years, for instance), they try to get us to focus on surrogate outcomes. Cholesterol levels are one such surrogate outcome. Statins have been the preferred - by the pharmaceutical companies - vehicle for reducing cholesterol levels but, now that their patents are running out, a new class of drug, PCSK9 inhibitors, [3]is on its way.

Reducing cholesterol levels might bring about a reduction in heart attacks, but it appears to do nothing for overall mortality. Indeed, overall mortality is not really a concern of many medical specialists, nor of big pharma. It's government that should be articulating our broad health goals. But in this, as in climate change and other policy areas, it's instead taking instruction from the wealthy and powerful, at the expense of the people it's supposed to represent.

1. http://socialgoals.blogspot.co.uk/2015/07/greenhouse-gas-emissions-accelerating.html
2. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
3. http://drmalcolmkendrick.org/2015/07/26/here-they-come-take-cover/

12.8 August

12.8.1 Irrational health funding (2015-08-02 20:06)

This is irrational, but not surprising:

> The [US] National Institutes of Health last month published a [1]startling analysis of how it allocates its funding: in 2010, HIV research received nearly $3.1 billion in funding, while a deadly lung disease that has more than six times the health toll in the United States got only $118 million. Two diseases with a similar health burden, breast cancer and chronic liver

> disease, received wildly different levels of support: $763 million for the cancer best known for iconic pink ribbon awareness efforts, versus $284 million for a disease commonly caused by alcohol abuse. Autism receives more than five times the funding of eating disorders, but their impacts on health, measured in years of disability and premature death, are quite close. *[2]Why the diseases that cause the most harm don't always get the most research money,* Carolyn Johnson, washingpost.com, 17 July

I've inveighed against this sort of bias in government policy for years. In health, as in other policy areas, I am sure that government is well meaning and hard working. But it suffers from its inherently uniform, top-down approach. Government can also be short term in its thinking, reactive rather than proactive, and disdainful of innovation while favouring tried, tested but failed approaches. It has to make its resource allocation decisions on the basis of data that are necessarily incomplete. How can it know in detail the effect that spending on, say, cancer diagnostic machinery will have on the overall health of the nation, as compared with subsidising the cost of nicotine chewing gum?

So, by default, health expenditure is influenced by groups of medical specialists with little incentive or capacity to see improvements in the overall health of a large population as an objective. Funding decisions are also heavily influenced by the public profile of a disease or its victims, rather than on what would best meet the needs of society. It's also a question of diet, exercise, transport, and culture. Recent research shows, for instance, the beneficial effects on health of green spaces in our cities (see [3]here (pdf) for instance). The way government is structured, with its discrete funding bodies, makes it unlikely that such benefits will influence funding decisions.

We cannot expect a government nor any single organization to identify the huge numbers of variables, with all their time lags and interactions, that influence the nation's health. We can, though, devise a system that rewards people who explore and implement the most cost-effective health solutions, even when circumstances and knowledge are changing continuously. I have tried to do this with my [4]essay on Health Bonds, which would aim to distribute scarce government funds to where they would do most good, as measured by such indicators as [5]Disability Adjusted Life Years. One small caveat though: I'm assuming that most of us - at least in our most rational moments - favour such a distribution of health resources. But there is a possibility that the current (mis)allocation of resources originates in unvoiced but widely held preferences. Ms Johnson quotes one expert: "...we tend to underfund things where we blame the victim". It's unlikely that the large disparities in health funding outlined above do reflect such deliberate choices. But even if they do, it would be better to be explicit about it.

1. https://nexus.od.nih.gov/all/2015/06/19/burden-of-disease-and-nih-funding-priorities/
2. http://www.washingtonpost.com/news/wonkblog/wp/2015/07/17/why-the-diseases-that-cause-the-most-harm-dont-always-get-the-most-research-money/
3. http://www.ehrf.info/wp-content/uploads/2011/09/BenefitsofGreenSpace.pdf
4. http://www.socialgoals.com/health.html
5. https://en.wikipedia.org/wiki/Disability-adjusted_life_year

12.8.2 Hidden metrics (2015-08-06 22:00)

Hidden metrics, not to be confused with the [1]hidden variables of quantum mechanics, are one possible way of preventing the gaming that could otherwise result from targeting specific quantitative outcomes.

Let me explain. Say we are targeting [2]female literacy in Pakistan. We issue bonds that will be redeemed when the literacy level of 15-year old girls in Pakistan exceeds 95 percent each year over a ten-year period. Campbell's Law tells us, rightly I think, that:

> The more any quantitative [3]social indicator (or even some qualitative indicator) is used for social
> decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor. *[4]Source*

What metrics could we deploy that measure, accurately and inevitably, that which we want to achieve: namely, near-universal literacy for 15-year old Pakistani girls? We could subject every girl of that age to a standard reading test, but we know that academic tests and their results, even in developed countries, [5]are manipulated. Girls could be taught to the test (by, for instance, being given the test in advance and taught to memorise it by rote). Or anyone up the ladder from the administrators of the test to the collators of the results could be bribed to alter the data at any stage.

So instead we could take a random sample of, say, 100 schoolgirls from 100 districts around Pakistan at ten yearly intervals, and test them in non-standard ways for their literacy. We don't reveal which districts, let alone which girls, will be chosen; nor do we release exact details of the test. That makes it much harder to game the outcome.

More complex is the goal of [6]peace. Now, nuclear peace is relatively easy to target: we can issue bonds that will not be redeemed, say, until a thirty-year period has elapsed during which there has been no detonation (accidental or not) of a nuclear weapon that kills more than 100 people. But what about peace more generally? Hot wars are fairly easy to recognise and define and so would be correspondingly easy to deter using a bond regime. But there are more nebulous ways of fomenting conflict between states (Ukraine), or of ratcheting up tension to levels that severly curtail quality of life. In these instances we could use an array of metrics such as: trans-border movement of weapons, numbers of people killed or fleeing

their homes. Even the lack of information could also be an indicator of conflict that could find its way into our calculations. We could also use survey data, such as attitudes about potential enemies, or expressions of fear. Other potential indicators are disruptions to food, water or electricity supplies and other results of damage to infrastructure.

The important point is that in this as in other goals, we need not and indeed should *not specify in advance exactly which combination of metrics and indicators* will be used to determine whether or not the bonds' redemption terms shall be deemed satisfied. In general, we try, as far as possible, to target metrics that are, or that are inextricably linked to, exactly what we want to achieve. Where that is difficult, we try to prevent gaming by not specifying too far in advance the exact redemption terms of the bonds. The aim, at all times, is for bondholders to comply with the spirit as well as the letter of the goals set by the backers of the bonds.

1. https://en.wikipedia.org/wiki/Hidden_variable_theory
2. http://www.socialgoals.com/women-s-literacy.html
3. https://en.wikipedia.org/wiki/Social_indicator
4. https://en.wikipedia.org/wiki/Campbell%27s_law
5. http://hepg.org/hel-home/issues/23_2/helarticle/high-stakes-testing-and-the-corruption-of-america
6. http://www.socialgoals.com/world-peace.html

12.8.3 Where we're at (2015-08-16 19:34)

How are Social Policy Bonds doing?

It's about 27 years since they first entered the public arena (see [1]here). In that time the Social Policy Bond idea has won praise from distinguished economists (point 8 [2]here), but no Social Policy Bonds have actually been issued.

It's not all doom and gloom though. There is widespread, though belated, recognition now that rewarding better performance in the public sector is a good thing, and non-tradeable variants of Social Policy Bonds are being issued on a trial basis in the UK, US, Australia and Israel. They are also being considered in New Zealand (see [3]here for a short video discussion).These bonds have various names including Social Impact Bonds, Social Benefit Bonds and Pay for Success Bonds.

I have my reservations about them, which I've expressed [4]here and [5]here. Essentially, their being non-tradeable drastically reduces the scope - in breadth and time horizon - of the goals that can be considered. They favour existing service providers, and their administrative costs are likely to be relatively higher than Social Policy Bonds. As well, because

they aren't openly traded, they generate no price information that could be extremely useful to policymakers. Nevertheless, these bonds do reward greater efficiency in achieving their limited objectives, and they might well improve on current policy where that is particularly inefficient. They could therefore be a handy (and though I am hesitant to say so, necessary) first step toward a fully-functioning Social Policy Bond.

That said, I'd disappointed that, as far as I am aware, the backers of all the Social Impact Bonds being issued have been, or will be, governments. I'd have much preferred the private sector, in the form of non-governmental organizations or philanthropists, take the lead. The bonds being issued are intended to help vulnerable or disadvantaged people and it seems regrettable in today's climate that the other beneficiaries of taxpayer funds will be financial intermediaries who will take their cut of the transaction costs. Indeed, it seems these bond issuers will benefit whether or not the bonds work as intended. If the bonds *do* work as intended, that's fine, but we should remember that they are an experiment and, it would be a shame if they come to be seen as a means by which the financial services sector syphons off yet more cash from taxpayers while contributing nothing (at best) to wider society. The other danger is that if Social Impact Bonds fail - and especially if they do so while the brokers benefit - they could discredit the Social Policy Bond concept. For many reasons, therefore, I hope they succeed....

1. http://researcharchive.lincoln.ac.nz/handle/10182/848
2. http://www.huffingtonpost.com/robert-shiller/ten-ways-finance-force-for-good_b_1417927.html
3. http://tvnz.co.nz/q-and-a-news/social-bonds-panel-video-6333096.
4. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
5. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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12.8.4 Smoking and obesity; anxiety and sirens (2015-08-18 15:28)

The UK has seen an onslaught against tobacco smoking. At the same time cases of diabetes are [1]soaring, such that 'diabetes medication now accounts for 10 % of the NHS [National Health Service] drugs bill'. Research appears to [2]show that people who give up smoking put on weight.

By doing everything possible to suppress smoking has the UK Government unwittingly encouraged obesity and diabetes? Do the social costs of more obesity and diabetes outweigh the benefits of less smoking? I have no idea, but the important point is *how little it is in anybody's interests to answer these questions* and use their answers to influence government policy. With smoking the government has had an easy ride: 'everybody knows' that smoking is bad for you, just like 'everybody knows' that taking illegal drugs is bad for you, as is drinking alcohol. You see where I am going here: road traffic [3]kills 1.24 million people annually worldwide, but there are benefits to it as well as costs, as there are for drinking, taking illegal drugs and, yes, smoking, especially, but not only, insofar as people who are denied the opportunity of smoking then may be more likely to be become obese and diabetic. These costs aren't easy to calculate of course, but government has created an environment in which

nobody has an interest in doing those calculations. Instead, seeing that smoking directly and obviously causes some diseases, it reacts in the Pavlovian, short-term, one-size-fits-all manner that it, in common with [4]other governments, adopts when they encounter the symptom of a problem. [5]So now, in England: 'work smoking rooms and areas are no longer permitted. All smokers must take their smoke breaks outside.' I've no doubt that rates of lung cancer and other diseases directly related to smoking have fallen as a result. But, as well as the costs to freedoms of the campaign against smoking, there are also the indirect costs to physical health, possibly taking the shape of increased rates of obesity and diabetes. The cancer specialists, and the well-meaning (though perhaps hysterical and self-righteous) anti-smoking lobby have no incentive or capacity to see whether smoking bans help or damage the *overall* health of people. Nor, under the current policymaking regime, are there any incentives for others to do so. And smokers are an easy target. Car drivers not so much.

We see the same in the area of mental health. The small city in which I currently live is blighted, maybe 20 or 30 times in every 24-hour period, by emergency vehicle sirens. Designed to create alarm and panic, that is what they do, to thousands of people, day and night. I have no doubt that these sirens shave a few seconds off the average journey time of the police, fire and ambulance vehicles. And those few seconds, might, on occasion, make the difference between life and death. But has anybody looked at the costs in terms of mental health of these sirens? It's no surprise that [6]urban living is 'found to raise the risk of anxiety disorders and mood disorders by 21 % and 39 % respectively'. Physical health too: we may well be at the point where, as well as their reducing the quality of life of thousands of citizens every day, these sirens create more accidents than they help ameliorate by disturbing sleep patterns and inducing panicky responses in other road users and members of the public. Again, under the current policymaking regime, *it's in nobody's interests to find out.*

If government is to intervene in matters of health, it must look at the *overall* physical and mental health of its citizens. There have been, and no doubt still are, areas in which relationships between cause and effect are easy to identify. Provision of sanitation for instance, is clearly beneficial. I'd also support bans on smoking in all areas where there will be children and adults who don't choose to be exposed to the fumes. (That would be on aesthetic as well as health grounds.) But society is complex, as are the human body and mind. Most scientific relationships aren't easy to identify; and they vary over space and they change with time. We need policies that allow for diverse, adaptive approaches and that target broad mental and physical health, rather than particular maladies.

I offer my suggestion in [7]this essay, which applies the Social Policy Bond principle to health care. Briefly: governments would target for improvement the health of the population, as measured in Quality (or Disability) Adjusted Life Years. Bonds would be redeemed only after sustained periods of improved health. A bond regime would reward the most efficient ways of improving health by channelling society's scarce resources into the areas where they could do the most good. Unlike today's healthcare systems, it wouldn't assume that a one-size-fits-all approach, based on fossilised science, is good enough for everybody, for all time.

1. http://www.bbc.com/news/health-33932930
2. http://www.bmj.com/content/345/bmj.e4439
3. http://www.who.int/gho/road_safety/mortality/traffic_deaths_number/en/
4. https://en.wikipedia.org/wiki/List_of_smoking_bans
5. http://www.smokefreeengland.co.uk/what-do-i-do/quick-guide/
6. http://www.theguardian.com/cities/2014/feb/25/city-stress-mental-health-rural-kind
7. http://www.socialgoals.com/health.html

12.8.5 BMI: the GDP of health (2015-08-30 18:50)

I've railed [1]many [2]times about the inadequacies, and worse, of using Gross Domestic Product as the *de facto* indicator of social well-being. Which it has become, in the absence of any serious thinking about the social goals we want to achieve and the priorities we give them.

A similar phenomenon seems to have occurred in the world of health, where the body-mass index ([3]BMI) is a long-used measure of obesity. BMI is body mass in kilograms divided by the square of the body height in metres. Apparently, as measured by BMI, obesity in the US plateaued around the year 2004 at 35 percent of the population. But, just as GDP ignores such things as leisure time, state of the environment, income distribution; and counts useless or anti-social economic activities as positives, so too does BMI have its flaws:

> It does not consider distribution of fat, type of fat, muscle tone, age, sex, or even big bones. In spite of these flaws, healthcare professionals continue to use BMI as a guideline. A BMI of 20-25 is considered 'normal', and anyone larger or smaller is automatically counselled to achieve a healthier weight. .... Obesity is generally understood as a risk factor for heart disease, stroke, cancer, and diabetes, as well as an increase in overall mortality. Excess body weight also increases stress on joints and internal organs. Given these concerns, it's easy to understand why so many people have celebrated the plateau in BMI. Unfortunately...BMI may not be the best measure of obesity. Your percentage of body fat and waist or abdominal circumference are far more reliable personal indicators of health outcomes than BMI. For example, central obesity, measured by waist circumference, is a more accurate determinant of personal risk and shows an even stronger correlation with poor health outcomes.
>
> Caroline Weinberg,
>
> *[4]Fat but fit?*, 'Aeon', 27 August

There is no clarity about goals. If our intention is to improve the health of people, why not [5]target indicators of people's health, instead of easy-to-calculate but flawed measures such as BMI? If our intention is to prevent disasters arising from adverse climatic events, why not [6]target for reduction the negative impacts of such climatic events, instead of atmospheric

carbon dioxide levels or temperatures recorded in weather stations? If our intention is to improve social well-being, why not [7]target indicators of social well-being instead of those economic activities captured by GDP?

BMI, greenhouse gas emissions, GDP per capita: they might answer certain specific questions, but their use as policy instruments is inadequate at best, dangerous at worst. Policymakers need some humility here: neither they nor their advisors know the best ways of improving health, preventing climatic disasters or improving social well-being. Even if they did, at one particular point in space and time, circumstances vary with region and our knowledge grows with time. No government, no single organization can hope to use fossilised knowledge on a one-size-fits-all basis and achieve meaningful results. Instead, policymakers should set broad goals, and let a motivated coalition of interests explore diverse, adaptive approaches aimed at achieving society's broad social and environmental goals. Government can set these goals and, indeed, it is probably the organization best suited to doing so. And, if it concentrated on that, it would come up with a better array of target outcomes than the flawed indicators it now uses, whether explicitly or not.

Government can also raise the revenue to reward the people who achieve these outcomes. But it has no business dictating how they shall be achieved, nor who shall achieve them. We need diverse, adaptive approaches, and those are exactly the sort of approaches that government discourages.

1. http://socialgoals.blogspot.com/2013/05/economic-growth-is-not-valid-goal.html
2. http://socialgoals.blogspot.com/2014/01/gdp-and-war.html
3. https://en.wikipedia.org/wiki/Body_mass_index
4. http://aeon.co/magazine/health/can-the-two-sides-of-the-obesity-debate-ever-see-eye-to-eye/
5. http://socialgoals.com/health.html
6. http://socialgoals.com/climate-change.html
7. http://socialgoals.com/human-development.html

12.9 September

12.9.1 Climate change: current policy is doomed to fail (2015-09-10 18:23)

> [T] he representation of clouds in climate models (and of the water vapour which is intimately involved with cloud formation) is such as to amplify the forecast warming from increasing atmospheric

CO_2

—on average over most of the models—by a factor of about three. In other words, two-thirds of the forecast rise in temperature derives from this particular model characteristic. Despite what the models are telling us—and perhaps

because

it is models that are telling us—no scientist close to the problem and in his right mind, when asked the specific question, would say that he is 95 per cent sure that the effect of clouds is to amplify rather than to reduce the warming effect of increasing

CO_2

. If he is not sure that clouds amplify global warming, he cannot be sure that most of the global warming is a result of increasing

CO_2

. *Uncertainty, scepticism and the climate issue*, Garth W Paltridge, in '[1]Climate Change: the Facts,' edited by Alan Moran, 2015

The 'forecast rise in temperature' referred to by Professor Paltridge is that made by the

Intergovernmental Panel on Climate Change (IPCC). The book in which Prof Paltridge's essay appears is a collection of skeptical essays, and one which, like the website [2]Watts up with that? is at first persuasive to non-scientists like myself. But then so too are most of the arguments on the other side of the debate; the ones agreeing with what has become the mainstream view, that anthropogenic climate change is happening. (There's also an equally convincing website: [3]RealClimate.org.)

We know that science is not a consensual process. So what are policy people to make of these irreconcilable differences? We can all agree that there are uncertainties, not only about the fact of climate change but also about the details: the magnitudes, the causes, the impacts. We can also agree that these uncertainties are not going to disappear any time soon. Conventional policy has a hard time trying to deal with such uncertainty. It seeks to identify, with a high degree of certainty, those causes, magnitudes and impacts of climate change, then come up with something to tackle the root causes. Conventional policy has identified greenhouse gases as those causes and keeps coming up with measures aimed at cutting emissions of those gases into the atmosphere. Or, more cynically, aimed at pretending that such cuts in emissions will happen: these measures are unpopular, divisive and expensive. As well, the costs are all upfront and the *climate* benefits - there's almost universal agreement about this too - will be slow in coming and probably not very significant. (It's likely any cuts will have beneficial effects on things other than climate, but they are not driving policy.)

Conventional policy, then, is failing. I think there's a broad consensus about that too. Some think it's too little; others think it's too drastic. But either way, it's not good enough. E

ven in their own terms, Kyoto and subsquent agreements are [4]failing.

So here's my suggestion. Instead of targeting what might or might not be the cause of what might or might not be anthropogenic climate change, why not target exactly what we want to achieve? It could be an array of ranges within which physical, biological, social and financial indicators must fall, for a sustained period. We could aim for relative and sustained stability in those indicators that are important to plant, animal and human life. A [5]Climate Stability Bond regime would do this, *regardless of what we currently think is driving the climate*. It is not only clouds (see excerpt above) whose contribution is uncertain: it's the relative contribution of the various greenhouse gases or any of a large number of other variables, anthropogenic or not. The conventional approach, which looks for root causes before doing anything significant, isn't working, *and cannot work* when our knowledge of such causes is expanding rapidly. Climate Stability Bonds, as well as being versatile in the range of variables that they target, would reward people who achieve our goals, whoever they are and however they do so. Bondholders would do the work of identifying the causes and effects of climate change on a continuous basis. They would research, explore and implement those measures that will achieve the best return on our scarce resources. They will, very probably, implement a very broad range of measures on a diverse, adaptive basis: something that no government or supra-national body can do.

There are things that governments can do well. Indeed, there are things that only governments can do at all. These usually are areas in which causal relationships are clear and stable, and the benefits of an established approach are large and unchallenged. None of these conditions apply to climate change. It's time for a different approach.

1. http://www.amazon.co.uk/Climate-Change-Dr-John-Abbot-ebook/dp/B00S5L5Y0W/ref=sr_1_1?ie=UTF8&qid=1441895913&sr=8-1&keywords=Climate+Change%3A+the+Facts%2C
2. http://wattsupwiththat.com/
3. http://realclimate.org/
4. http://socialgoals.blogspot.co.uk/2015/07/greenhouse-gas-emissions-accelerating.html
5. http://www.socialgoals.com/climate-change.html

12.9.2 The root causes of war: don't bother (2015-09-21 20:55)

A Social Policy Bond regime makes inescapable the need to think about what we want to achieve. This should be an essential discipline, but in some instances it's never followed. There's much obfuscation - deliberate or not - and far too much attention given to identifying supposed 'root causes' at the expense of effective policy.

Take violent political conflict. It's still going on, killing, maiming and making homeless millions of people every year. The numbers so affected [1]might be falling, but that says [2]nothing (short pdf) about possible major violent future events. We could spend years analysing past outbreaks of war, but still never get close to identifying root causes in ways that forestall future outbreaks. Society is just too complex, diverse and fast-changing. Policymakers should begin by specifying society's desired outcomes, rather than distracting or indulging ourselves by trying to identify root causes - except perhaps for simple, relatively static, policy environments.

A bond regime wouldn't try to identify the root causes of war, which are a [3]moving target
anyway. Instead it would start by specifying exactly the outcomes we
want to achieve, and then injecting market incentives into achieving
those outcomes. [4]Conflict Reduction Bonds are the means by which I propose we begin to end all war for all time. It's not idealism. It's giving incentives to motivated people to find solutions, rather than simply to turn up to work for a bureaucracy, corrupt or not.

1. http://www.huffingtonpost.com/2011/10/22/world-less-violent-stats_n_1026723.html
2. https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&ved=0CC0QFjACahUKEwi837PC7IjIAhUC1RoKHQF9C8g&url=http%3A%2F%2Fstevenpinker.com%2Ffiles%2Fcomme
3. http://socialgoals.blogspot.co.uk/2007/06/things-that-do-move.html
4. http://www.socialgoals.com/conflict-reduction-.html

12.9.3 Volkswagen: no surprise (2015-09-22 20:28)

> [D]rivers of almost half a million cars in the US have now suddenly found that they are driving round vehicles which are a lot worse for the environment than they thought. The rigged tests masked the fact that these cars emit up to 40 times the legal limit of pollutants. And now VW has said that as many as 11 million cars worldwide could be affected. *[1]VW scandal threatens 'Made in Germany' brand,* BBC, 22 September

Social Policy Bonds have big advantages over conventional policy when addressing a problem like air pollution caused by millions of point sources. Conventional policy cannot effectively measure the pollutants emitted by any more than a few major sources, and then reward or punish the emitters accordingly. What might work for power stations or cement factories won't work for cars or households. Corporations (like Volkswagen) have every incentive to cheat the system, and individuals have every incentive to go along such cheating. The bureaucratic burden of measuring the pollution generated by millions of machines or people is not just a misallocation of resources: it's likely to be intrusive and divisive. Plus, it's not a very exciting job.

Social Policy Bonds can help. They're at once both more direct and more versatile. So instead of targeting the air pollution generated by millions of point sources, they can target an array of pollutants, weighted according to lethality, and let the market for the bonds work out, dynamically, the best ways of achieving our pollution reduction goal. I first [2]wrote about this approach back in 1991. My views haven't changed since then, so I won't repeat them here.

1. http://www.bbc.co.uk/news/world-europe-34328689
2. http://www.socialgoals.com/environment.html

12.9.4 Five-year survival rates: another Mickey Mouse indicator (2015-09-26 21:31)

Health statistics are tricky and, when they're used to make a case for increasing or diverting funding, we need to be especially vigilant:

> Research published in the European Journal of Cancer shows the UK has the worst survival rates for cancer in western Europe, with rates one third lower than those of Sweden. *[1]UK cancer survival worst in western Europe,* 'Daily Telegraph', 26 September

The article gives examples:

> Five-year breast cancer survival was 79.1 per cent in England, 78.5 per cent in Scotland, and 78.2 per cent in Wales. In Sweden the figure is 86 per cent, with an European average of 81.8 per cent. In England, 80.3 per cent of men with prostate cancer were alive five years later, compared with 90.2 per cent in Austria, 90 per cent in Finland and a European average of 83.4 per cent.

At first glance, this seems an indictment of the UK's approach to diagnosing and treating cancer. But the five-year survival rate needs interpretation: it is the proportion of patients still living five years after diagnosis. We can improve the five-year survival rate by better treatment, which is unambiguously good, or by *earlier diagnosis,* which is far more questionable. Earlier diagnosis can simply mean more intervention and more treatment (and more side effects), but does not necessarily lead to a reduction in the cancer mortality rate - which is a far better indicator of healthcare efficiency than the five-year survival rate.

A Social Policy Bond regime aiming at improving the overall health of a population would refine and target more-robust indicators, such as mortality and longevity, and would do so impartially. For more about Health Bonds, click [2]here. For more about how misleading are five-year survival rates click [3]here or [4]here.

1. http://www.telegraph.co.uk/news/health/news/11891554/UK-cancer-survival-worst-in-western-Europe.html
2. http://socialgoals.com/health.html
3. http://theincidentaleconomist.com/wordpress/survival-rates-are-not-the-same-as-mortality-rates/
4. http://ourhealthcaresucks.com/health-care/selling-cancer-screenings-with-meaningless-survival-rates/

12.10 October

12.10.1 Biology, engineering, and Social Policy Bonds (2015-10-01 23:05)

An academic paper about the use of the Precautionary Principle says:

> Significantly, the failure of traditional engineering to
> address complex challenges has led to the adoption of
> innovation strategies that mirror evolutionary processes,
> creating platforms and rules that can serve as a basis
> for safely introducing small incremental changes that
> are extensively tested in their real world context.
> This strategy underlies the approach used by highly-
> successful, modern, engineered-evolved, complex systems ranging from the Internet, to Wikipedia, to iPhone
> App communities. [1]Source (pdf)

The paper justifies the application of the Precautionary Principle where 'ruin', defined as low-probability, infinite cost policy outcomes, is a nonzero possibility.

Importantly, it also recognises the positive role that evolutionary processes play in engineering. As the authors say, this mirrors biological evolution. It results in more robust

outcomes. I suggest we adopt the same mechanism for society's broad, long-term goals: create a policy environment within which diverse, adaptive approaches are tried, and only the most successful (in their place and time) are given the funds necessary to continue and proliferate. There's very little of this in today's policy world. The necessary first step, self-evaluation, [2]is rare. Even less frequent are learning from failed policies and applying those lessons to current policymaking.

Explicit acknowledgement of the need for failed approaches is probably rare in engineering; it's equally unusual in the world of policy. But, society is approaching the complexity of that of biology. For those broad, long-term goals that we have failed to achieve ([3]ending violent political conflict, for instance), it's clear that no single, top-down approach is going to work - especially one based on relationships that apply in only one part of society or at only one point in time.

That's where Social Policy Bonds can play a role. A bond regime would target society's long-term problems: problems that no single approach can ever solve. Investors in the bonds would have incentives to try many different approaches, and to continue to fund only those that are working efficiently at achieving society's goals. Unlike in today's world, failing projects would be terminated: bondholders would be motivated to end them swiftly, rather than, as today, lobby for government funds to keep them going. A Social Policy Bond regime would create [4]new types of organization, whose activities would be entirely subordinated to achieving social goals efficiently. The bodies that currently are charged with achieving social goals are rarely paid in ways that encourage better performance. (Indeed, very successful organizations might even be punished by seeing their funding reduced.)

In policy, as in biology and engineering, we should let evolution do what it does efficiently: encourage a wide array of approaches and reward only those that are most successful for their time and place. Social Policy Bonds would do exactly that.

For more about Social Policy Bonds, please go to my [5]main website*. For examples of previous posts about the bonds and evolution see* [6]here *and* [7]here*.*

1. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCEQFjAAahUKEwiO6PrAo6LIAhWH2KYKHchGAis&url=http%3A%2F%2Fwww.fooledbyrandomn
2. http://dspace.mit.edu/handle/1721.1/5533
3. http://www.socialgoals.com/conflict-reduction-.html
4. http://www.socialgoals.com/new-type-of-organization.html
5. http://socialgoals.com/

6. http://socialgoals.blogspot.com/2010/07/evolutionary-fitness.html
7. http://socialgoals.blogspot.com/2008/08/government-suppresses-adaptation.html

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12.10.2 Environmental policies that hurt the environment (2015-10-05 19:38)

> As cities move beyond recycling paper and metals, and into glass, food scraps and assorted plastics, the costs rise sharply while the environmental benefits decline and sometimes vanish. "If you believe recycling is good for the planet and that we need to do more of it, then there's a crisis to confront," says David P. Steiner, the chief executive officer of Waste Management, the largest recycler of household trash in the United States. "Trying to turn garbage into gold costs a lot more than expected. We need to ask ourselves: What is the goal here?" [1]*The reign of recycling*, John Tierney, 3 October

Say no more. Or rather, say it again and again: what is the goal? Recycling is not a goal: it is an alleged means to ends that remain unspecified. We'd do better to think about those ends, specify them, and then encourage people to achieve them. Recycling can and does play a role, but not always, as the article excerpted above shows.

We see something of the same lack of clarity about environmental goals in the recent Volkswagen debacle. A recent article title sums it up: *[2]The Volkswagen diesel scandal was driven by carbon obsession:*

> From 2001, punitive rates of up to £500 were applied to cars [in the UK] which emit carbon emissions of more than 225g/km, while cars below 120 g/km were treated to token road-tax rates. As manufacturers quickly discovered, the only way to get many vehicles below these thresholds was to make them diesel.It was well known that diesel engines produced large amounts of tiny carcinogenic soot particles, but this was brushed over. Particulate emissions were meant to be dealt with by filters, yet these are known to become blocked if engines spend too much time idling, as they do on urban roads. Diesels also produce far higher levels of nitrogen oxides, the subject of the VW scandal. Ross Clark, 3 October

A Social Policy Bond regime would improve on this sort of random policymaking. Certainly, the first steps would be difficult, but they are essential: defining the environmental goals we want to achieve. Most likely, we'd target for reduction pollutants that adversely affect human, animal and plant life. The bonds are sufficiently versatile that other objectives could be simultaneously targeted. The important thing is that, under a bond regime, we'd be targeting

meaningful goals according to their lethality, rather than their media profile.

For more about application of the Social Policy Bond concept to the environment start [3]here. There are also numerous posts about the environment on this blog.

1. http://www.nytimes.com/2015/10/04/opinion/sunday/the-reign-of-recycling.html?emc=edit_th_20151004&nl=todaysheadlines&nlid=59924205
2. http://new.spectator.co.uk/2015/10/the-volkswagen-diesel-scandal-was-driven-by-carbon-obsession/
3. http://www.socialgoals.com/environment.html

12.10.3 Media news (2015-10-09 21:46)

[1]

Greg Bearup has written about the genesis of the Social Policy Bond idea, and applications of the non-tradeable version of it in Australia, in the cover [2]article in the *Weekend Australian Magazine*, dated 10 October. If you cannot see the story on the WAM site, a pdf of the article (missing a picture or two) can be downloaded [3]here.

1. https://www.blogger.com/
2. http://www.theaustralian.com.au/life/weekend-australian-magazine/social-impact-bonds-bring-families-together-while-rewarding-investors/story-e6frg8h6-1227563482
3. http://socialgoals.com/bearup.pdf

12.10.4 How to avoid societal collapse (2015-10-16 23:34)

We haven't evolved to think long term and globally, according to [1]Joseph Tainter, author of *[2]The Collapse of Complex Societies*. In a recent and fascinating podcast interview Dr Tainter sees the collapse of the Roman empire as a template for societal collapse:

> Everything the Roman government did in the short term was rational. Everything

> they did made sense at the time they did it. It's the long-term consequences that they couldn't foresee. ... It's the long-term cumulative effects that do the damage, and these are unforeseeable. *[3]Societal Complexity and Collapse*, 'Omega Tau', 13 October

It is this lack of an over-arching objective that is (and, I suspect, always has been) missing from policy. At almost every level of policymaking we do not explicitly target the crucial goal of societal survival. We cannot anticipate and so we cannot, with our conventional policymaking process, forearm ourselves against all possible threats to society. That's because conventional policymaking relies on some body (usually, at the national level, government) trying to anticipate threats and then work out the best ways of dealing with them. But the most potent threats are those likely to be long term in nature and to arise from outside the purview of the policymakers - precisely the qualities that evolution has not equipped us to tackle.

What we can do though is this: target societal survival, *whichever threats to it might arise,* and reward people for achieving it, *however they do so*. We don't know what these threats will be and we don't know who will be best at nullifying them nor how they will go about doing so. But, under a [4]Social Policy Bond regime, we don't need to know any of those things. We issue bonds, at the national or global level, that target the avoidance of such calamities as [5]violent political conflict (war or civil war) or other [6]disasters, natural or man-made. These bonds, floated on the open market, become redeemable for large sums, after a long period of societal survival. Policymakers don't need to identify specific threats, nor debate about their significance or relative priority. Investors or would-be investors in the bonds would do all that, and would be motivated to do so continuously, throughout the targeted time period: which could be two or three decades in length (after which, similar bonds could be issued for a further period).

Social survival is perhaps our most important goal: it's worth targeting it explicitly and motivating people to find the most efficient ways of ensuring it. We cannot and should not look to government to take care of threats to our survival. But we can - and should - set in place a regime that explicitly targets our long-term survival and rewards its achievement. With Social Policy Bonds we can do that.

1. https://en.wikipedia.org/wiki/Joseph_Tainter
2. http://intersci.ss.uci.edu/wiki/index.php/The_Collapse_of_Complex_Societies
3. http://omegataupodcast.net/category/podcast-en/
4. http://socialgoals.com/
5. http://socialgoals.com/world-peace.html
6. http://socialgoals.com/disaster-prevention.html

12.10.5 Climate change: the fundamental question (2015-10-26 19:55)

Social Policy Bonds impose a useful discipline on policymakers. They oblige us to be very clear about what we want to achieve. Nowhere is this more necessary than with climate change. The fundamental question, which I don't see posed in policymaking circles or indeed anywhere else is:

Are we more concerned about climate change, or about the impacts of climate change on human, animal and plant life?

There seems to be a pervasive assumption that the most efficient way of mitigating the negative impacts of climate change is to reduce that which current science suggests (but does not know for certain) are one of its major causes: greenhouse gas emissions.

A Social Policy Bond regime would not make that assumption. Instead we would specify very clearly what we want to achieve. We would express our policy goal as a combination of physical, social, biological and financial measures that must fall within specified ranges for a sustained period. Only then would holders of [1]Climate Stability Bonds be paid out.

In fact, there's a strong case for ensuring that policy be independent of our views about what's happening to the climate. For instance: a family made homeless by an earthquake or a missile is just as homeless as one made homeless by rising sea levels. Perhaps we should target for reduction the human cost of [2]all disasters, whether caused by adverse climatic events, other acts of God, or by man. Impacts on animal and plant life could be targeted by [3]other bond issues.

Unfortunately an entire bureaucracy has grown around climate change as a discrete problem. It seems to me that the existence and activities of this bureaucracy embody the assumption that our trying to influence the climate is the most efficient way of dealing with problems caused by unfavourable changes in the climate. I think that assumption needs to be challenged.

1. http://socialgoals.com/ieakyototext.html
2. http://www.socialgoals.com/disaster-prevention.html
3. http://www.socialgoals.com/environment.html

12.10.6 Loyalty ... to what? (2015-10-28 21:13)

My [1]previous post mentioned the climate change bureaucracy. Underpinning that bureaucracy are two assumptions: that it's better to deal with climate change than with its effects; and that cutting back greenhouse gas emissions is the best way of dealing with climate change. But what if those assumptions wrong? Would the climate change bureaucracy reform itself?

Freeman Dyson reviews a biography of Max Planck:

> My
> Princeton colleague Albert Hirschman
> published in 1970 a little book with the
> title *Exit, Voice, and Loyalty* ...., exploring
> these issues in a different perspective.
> Hirschman was writing as an economist about large-scale enterprises that
> he had seen in many countries, beginning with the railroads in Nigeria
> and ending with the American war in
> Vietnam. In each of these enterprises,
> gross failures were manifest, and the
> individuals occupying positions of responsibility had to choose between
> three alternative responses. Exit meant
> to quit the enterprise. Voice meant to
> stay on the job but speak out publicly
> for change of direction. Loyalty meant
> to stay on the job and give support to
> the continuation of failing policies.
> Hirschman observed that in the majority of enterprises, voice is sadly lacking.
> Most people choose loyalty
> and very few choose voice.
> Those who choose exit have
> only a small effect on the
> enterprise. If gross errors
> and injustices are to be corrected, voice must be fearless
> and fierce, loud enough to be
> heard. *[2]Max Planck: the tragic choices* (subscription), Freeman Dyson, 'New York Review of Books', 22 October

"Most people choose loyalty": with existing organizations this means loyalty to the people in control and their way of doing things. It's perfectly understandable: most organizations have worthy-sounding goals and are staffed by ethical, hard-working people. I have met such people who work to ensure compliance with the Kyoto agreement's climate commitments. Their loyalty - naturally, understandably, but regrettably - is to the climate change bureaucracy. Though they may express private doubts about the value of their work, they feel they are

in no position to question the bureaucracy that employs them *or its underlying assumptions*. The bureaucracy has an inertia of its own; it continues living and breathing and trying to grow, even when its goals conflict with those of society.

That is what conventional organizations do. Under a Social Policy Bond regime though, things would be different. A bond regime would lead to [3]new kinds of organizations:
ones whose composition, structure and range of activities would be
subject to continuous change. Their entire purpose would be to achieve society's goals, as expressed in the redemption terms for
Social Policy Bonds. Their composition and activities would depend
entirely on how efficient its members and projects are in helping to
achieve that goal. Assumptions as to *who* is best placed to achieve society's goals or *how* they will go about achieving those goals would be subject to continuous questioning by would-be investors in the market for the bonds. These investors would have interests exactly congruent with those of society as a whole: to achieve our social and environmental goals as efficiently as possible. They would, in short, be loyal to society's goals rather than, as at present, to a hierarchy, ideology or dubious assumptions.

1. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
2. http://www.nybooks.com/articles/archives/2015/oct/22/max-planck-tragic-choices/
3. http://www.socialgoals.com/new-type-of-organization.html

12.11 November

12.11.1 "There's no money in health..." (2015-11-06 23:57)

[1]Suzanne Beachy talks to [2]Dr Peter Breggin about the loss of her son 'due to psychiatry's failure to offer beneficial, caring human services, and indeed due to psychiatry's opposition to them.':

> There's no money in health; there's only money in managing illness. Suzanne Beachy, *[3]Dr Peter Breggin Hour*, 4 November

Ms Beachy is relating her experiences in the US, but the same applies to most western countries. The concept of 'health' is not one that can be readily addressed by our existing institutions. It suffers because it results from a huge number of influences, and because our institutions have grown up during times when that number of influences was much smaller. So these institutions and the systems they embrace aren't as good a fit in today's complex society's as they used to be. Curing short-term illnesses is a relatively visible and quantifiable activity. Treating or managing poor health can also be reduced to a series of procedures that can be performed by our current health care providers. Sure, clinical trials are performed,

pills and equipment sold, and a whole array of indicators is measured and targeted. But much about the clinical trials - who performs them, how they're performed and which ones are quietly ignored - is [4]questionable, and many of the targeted indicators are [5]Mickey [6]Mouse at best. They have evolved to measure highly specific rates of activity, rather than outcomes that are meaningful to ordinary people, healthy or sick. The result is exactly what Suzanne Beachy experienced: a system that
motivates people and institutions to manage illness rather than optimise
health.

Here's another approach: measure the broad health of society, and target that for improvement. Society is so complex, and our knowledge about society and science is growing so rapidly that no government, however altruistic, generous, or far-sighted, can know how best to maximise our physical and mental well-being. But what a government *can* do is put in place a system that gives people incentives to find the most efficient ways to maximise society's health *continuously*. In short, government can apply the Social Policy Bond principle to society's physical and mental well-being and issue [7]Health Bonds.

1. http://www.madinamerica.com/author/suzbeachy/
2. https://en.wikipedia.org/wiki/Peter_Breggin
3. http://drpeterbregginshow.podbean.com/e/the-dr-peter-breggin-hour-%e2%80%93-110415/
4. http://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.0020124
5. http://socialgoals.blogspot.com/2015/09/five-year-survival-rates-another-mickey.html
6. http://socialgoals.blogspot.com/2012/11/in-absence-of-broad-clear-coherent.html
7. http://socialgoals.com/health.html

12.11.2 Terror: too much too late (2015-11-15 19:44)

There is one simple solution to the problem of terrorism: kill lots of people, of which some are certain to be terrorists. Choose a terrorist-rich area, and if you kill everybody within it, then you can be sure no terrorists will originate from there ever again. It's a cruel policy and also a stupid one, in that it's likely to create resentment outside the killing zone, which will generate more terror later. Of course you can enlarge the killing zone, create a desert, and call it peace, but you cannot do that indefinitely, and the costs to everybody rise hugely as your killing zone expands. Unfortunately, politicians, the military and the public want a simple solution, and the Tacitean desert approach seems to be the policy of choice in today's world. It's the 'too much, too late' option, which, arguably, has led to numerous devastating wars.

I have another idea. Let's recognise that there is no simple solution. That it's likely that only a combination of different approaches, varying with time and over geographical area, will work, and that our goal is a sustained period during which terror will not occur. There are initiatives now that can help achieve that goal, But they're not co-ordinated and are heavily outweighed by the reactive policies of governments under pressure to 'do something' when an outrage occurs. Almost all the incentives on offer are to those with a strong interest, conscious or not, in keeping conflict going. This means the military, the men of religion, the ideologues on all sides, and the millions of intimidated and frightened ordinary citizens.

We need to put in place a system of countervailing incentives; one that encourages diverse, adaptive approaches, and one that will reward people who oppose or undermine the interests that generate conflict. We should focus on the long term, so that our goal would not be undermined by policy changes or unconsidered reactions to outrages. One way of doing this would be by issuing Conflict Reduction Bonds. These could be backed by any combination of governments, non-governmental organizations, philanthropists and ordinary citizens, whose funds would reward the achievement of *a sustained period* of global (or regional) peace. Incentives under a bond regime would cascade down into all sorts of initiatives, glamorous or not, high level or low level, bottom up or top down, old-fashioned or innovative: efficiency in reducing the prospects of conflict would be the sole criterion for the allocation of funds. For more see this previous [1]post, or my [2]papers on applying the Social Policy Bond concept to conflict reduction.

1. http://socialgoals.blogspot.com/2006/07/solitudinem-faciunt.html
2. http://www.socialgoals.com/conflict-reduction-.html

12.11.3 The bias against unglamorous diseases (2015-11-21 19:57)

From a letter to the editor of *the Economist*:

> [R]oughly speaking, mental health receives only about half the research funding it should in America, based on its health burden. The problem is that many interest groups lobby Congress vigorously for research funding for their disease. Patients with mental illness do not yet exert that kind of political pressure. [1]letter from Michael Hanna of Mercury Medical Research & Writing, 'the Economist' dated 21 November

It's striking how unrelated is healthcare funding to need. Medical experts have little capacity or incentive to see beyond their own institution or speciality. Government - and not only in the US - responds to pressure from interest groups and allocates funds accordingly. Slipping through the cracks are unglamorous diseases including mental illness. Even within a class of

diseases, such as cancer, funding discrepancies are stark: [2]this paper looks at the UK. I think government here is failing in its purpose. It should target for improvement the broad health of all its citizens rather than merely respond to lobbyists, however dedicated, sincere and hard working. It should, as far as possible, be impartial as to the causes of ill health, and direct resources to where they can return the biggest health benefit per dollar spent. Applying the Social Policy Bond principle to health could do this. For more, see my short paper on [3]Health Bonds.

1. http://www.economist.com/news/letters/21678756-letters-editor
2. http://www.health-policy-systems.com/content/13/1/62
3. http://socialgoals.com/health.html

12.11.4 Climate change, again (2015-11-27 22:29)

I posed this question [1]before but it bears repeating: are we more concerned about climate change, or about the impacts of climate change on human, animal and plant life? The popular assumption is that the most efficient way of mitigating the negative impacts of climate change is to reduce that which current science suggests are one of its major causes: greenhouse gas emissions. But we don't know that for certain, and we don't know the degree to which we can do anything about it. And we'll never know whether any of the costly policies suggested in this article will have had any impact whatsoever. It would seem preferable to spend our scarce resources on dealing with the impacts of adverse climatic events - whether they're caused by greenhouse gases or not. Floods are just as devastating whether caused by greenhouse gas (ghg) emissions or not. [2]Climate Stability Bonds would, in fact, encourage ghg emission cuts if they are found to be the most efficient way of dealing with the adverse impacts of climate change on human, animal and plant life.

When I wrote along the above lines to an internet comment forum, one respondent said: 'What you don't do is cause a problem, then ignore it while you "fix" the symptoms.' My response is that we should not be dogmatic about whether we tackle causes or symptoms. The 'cause' of a large proportion of the crime problem is 'young men': we don't force all boys to undergo a sex change just so we can save money on a justice system.

There are undoubtedly symptoms whose root causes we can identify readily and address.

There are others whose root causes are currently unknown or too expensive to tackle. We could still, with Social Policy Bonds, target the symptoms for solution and motivate bondholders to work out whether or not the best way of dealing with them is to go after possible root causes. There are [3]problems whose root causes might never be unambiguously identified. But if we issue [4]Conflict Reduction Bonds, for instance, there's no need to resign ourselves to living on a planet wracked by war.

1. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.blogspot.com/2005/07/war-terrorism-and-root-causes.html
4. http://www.socialgoals.com/conflict-reduction-.html

12.12 December

12.12.1 But who allocates the funds? (2015-12-04 00:37)

From 'the Economist', in a feature about climate change:

> Energy firms do not spend a lot on research because there is no product differentiation in energy (electrons are electrons) and thus nothing exciting to sell until the price falls below that of the existing technology. So taxpayers will have to stump up most of the cash. If more money were forthcoming, a good deal of it would be wasted on dead-end projects. But that is the nature of research and development. *[1]Second-best solutions*, 'the Economist', 28 November

I'm not sure whether funding research into alternative ways of generating electricity is a goal that ordinary people would find meaningful. But putting that aside, and assuming that 'taxpayers will have to stump up most of the cash', there are better ways of allocating that funding than via the usual activity-based, outcomes-don't-matter, formula that typifies government research programmes.

My proposal would be for the government to do what it's good at: (1) raising the necessary funding and (2) specifying a goal to be achieved, but then to bow out and allow a

motivated private sector to allocate the funding to its chosen projects - something that economic theory, and all the evidence, suggest it can do more efficiently than the central planners in government. Social Policy Bonds *could* directly target cleaner electricity production, though I'd prefer they target broader and more obviously meaningful goals. Either way, a bond regime would lead to diverse, adaptive projects and bondholders would have powerful incentives to back only the most efficient ways of achieving whatever goal is specified. When government allocates funding, all sorts of criteria other than maximising returns per taxpayer dollar creep in. And we don't need to go beyond the energy sector to [2]see [3]that.

1. http://www.economist.com/news/special-report/21678959-if-best-method-tackling-climate-change-not-offer-try-something
2. http://www.washingtontimes.com/news/2015/apr/27/obama-backed-green-energy-failures-leave-taxpayers/?page=all
3. http://www.economist.com/blogs/economist-explains/2014/12/economist-explains-10

12.12.2 Metrics for climate change (2015-12-08 20:44)

The Economist discusses metrics for climate change:

> [T]aking the world's temperature is not as easy as it sounds. Different parts of the planet warm at different rates, as do different layers of the atmosphere, so all sorts of corrections have to be applied to arrive at a single number. A truly simple, and arguably better, approach would be to use concentrations of greenhouse gases—the cause of the warming—as putative maxima. These gases mix rapidly into the atmosphere, so are easily sampled in ways that brook little dissent. *[1]Goal difference*, 'the Economist, 5 December

I disagree, partly because greenhouse gases are not the sole cause of warming: we do not know, for instance, how big are the relative contributions of deforestation (through changes in albedo as well as carbon emissions) or different cloud types. Some proportion of climate change also comes from natural (non-anthropogenic) events. At least as importantly, our views about the greenhouse gases' relative contributions change dramatically with our growing scientific knowledge. There would, then seem to be a pragmatic basis, as well as the case for broader public engagement, for instead targeting for reduction the impacts on human, animal and plant life of adverse climatic events.

[2]Climate Stability Bonds could set such impact reduction goals. If, in time, and with the market's incentives on offer, bondholders decide that the best way of achieving such goals is to reduce certain greenhouse gas emissions, then that is what they will do. But it would seem hubristic and inefficient for governments or UN bodies to assume that that this is the best way of achieving meaningful reductions in those impacts. There are too many uncertainties, and the science upon which such a policy is based is inescapably ossified. See also my other [3]recent [4]posts on this question.

1. http://www.economist.com/news/science-and-technology/21679431-limiting-global-warming-2-c-above-pre-industrial-levels-more-political
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
4. http://socialgoals.blogspot.com/2015/11/climate-change-again.html

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12.12.3 Paris will fail (2015-12-18 00:27)

Why I think the Paris deal on climate change, which concluded on 12 December, will fail.

- It may not be enough. It targets, using ossified science, cuts in greenhouse gas emissions. But what if that achieves nothing? What if the climate continues to change much more than expected, because the deal's underlying calculations and assumptions are wrong? What then? The emission cuts are a supposed means to unspecified, but crucial, ends. It would be preferable to do the hard work of identifying exactly and explicitly what those ends are, expressed in terms of impacts on human, animal and plant life, perhaps combined with social and financial targets. Then we could target those ends directly and, importantly, measure progress toward them more accurately.
- It may be too much, in the sense that resources could be diverted into reducing gas emissions and away from projects that could have a much more positive impact on human, animal and plant life.
- No buy-in. Ordinary people don't know or care about greenhouse gas emission volumes. What we do understand is adverse climatic events, and their effects on humanity and the environment. If we were to target those directly not only would we be solving real problems more efficiently, we'd also have more public understanding and commitment to the process. In short, you would get buy-in from the public, which is as essential as it is absent from the Paris agreement.

That said, the $100 billion to be transferred from the rich countries (that is, their taxpayers)

to the developing countries (that is, their governments) to adapt to climate change could be useful - if that's
where the money actually ends up. But, on past form, what isn't spent on
luxury goods or otherwise squandered will end up in [1]Swiss bank accounts.

To read more about how Social Policy Bonds could be applied to climate change see my paper [2]here, or recent blog posts [3]here, [4]here and [5]here.

1. http://www.gfintegrity.org/report/illicit-financial-flows-from-developing-countries-2004-2013/
2. http://socialgoals.com/ieakyototext.html
3. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
4. http://socialgoals.blogspot.com/2015/11/climate-change-again.html
5. http://socialgoals.blogspot.com/2015/12/metrics-for-climate-change.html

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12.12.4 Social Policy Bonds: the past and the future (2015-12-31 20:05)

In the past year there has been a rise in the number of issues of Social *Impact* Bonds - the non-tradable variant of Social Policy Bonds, about which I have had mixed feelings. They essentially function as performance-related bonuses to service providers. Because they aren't tradable, they favour existing bodies and so, in my view, can be gamed or manipulated more readily than could Social Policy Bonds. However, there are social services that are currently so poorly provisioned that SIBs could well represent an improvement over existing policy. And they might be a first step - perhaps even a necessary first step - to the issuing of Social Policy Bonds. Tradability would greatly expand the range of goals that could be targeted, and I discuss this and other advantages of Social Policy Bonds over SIBs [1]here and [2]here. (You could also search for "SIBs" on this blog.) This [3]wikipedia page summarises where SIBs are being issued and other details.

As far as I know, Social Policy Bonds are not being issued anywhere. I believe, though, that the need for outcome-based policy is becoming increasingly urgent. Society grows ever more complex, and its problems ever less amenable to solution with our existing government machinery. As ever, there is a much broader consensus about the outcomes we wish to see than the possible means of achieving them. The gap between governments and the people they are supposed to represent keeps widening. The recent Paris meeting, which was supposed to address climate change, is the example *par excellence* of policymaking entirely disconnected from citizens. [4]It will fail for several reasons, foremost of which is the total absence of buy-in from ordinary people - that is, people who aren't involved in policymaking or lobbying. With efforts to address global problems, there would be huge benefits arising from a market-based solution, which in economic theory and on all the evidence would optimise

resource allocation.

For reasons of both buy-in and efficiency, then, and because of our increasingly interlinked world, I remain optimistic that Social Policy Bonds will play a role in achieving social and environmental outcomes in the future. Perhaps not in 2016 but, I think, within the next ten years.

1. http://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
2. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
3. http://en.wikipedia.org/wiki/Social_impact_bond
4. http://socialgoals.blogspot.de/2015/12/paris-will-fail.html

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2016

13.1 January

13.1.1 No one is in charge (2016-01-10 20:46)

'The Economist' writes:

> Global problems are not tackled[,] because governments fail to co-operate; voters get angrier and push their leaders into more nationalistic positions. And it is hard to see things changing this year, with no country likely to take the lead. America will be consumed by its presidential election, Europe by refugees and fear of terrorism, China by its adjustment to slower growth. No one is in charge. *[1]Loathe thy neigbour,* 'The Economist', 9 January

The column excerpted above is concerned mainly with the refugee crisis and economic problems. But other global concerns come to mind: the impacts of climate change, nuclear proliferation, or military tensions in south-east Asia and elsewhere. These are potentially serious problems that could lead to the death, injury or homelessness of millions of people and have devastating effects on the environnment. Our current political system ensures that those whose lives would be shattered by, say, nuclear war have little sway over how policy is made. There is a huge and widening gap between the concerns of ordinary people and those who make policy. It's not the policymakers who are at fault: it's the system.

Nobody is in charge, as the column says. That's bad enough. But worse is that nobody has an incentive to stop what they're doing at the moment and look for solutions to these global problems. Under the current regime the costs of giving up an income are upfront and certain. The benefits of helping solve global problems are remote and nebulous. International bodies like the United Nations agencies or non-governmental bodies do tackle some large-scale problems, but their efforts are haphazard and the people who work for them are not paid

in ways that reward success. Some are corrupt.

Many of us, sensing the inadequacy of humanity's attempts to think globally, fall prey to some ideology that imposes meaning on our predicament. Such ideology can take the form of wishful thinking, at best, or a sort of revenge psychology, at worst. All ideologies, though, are insufficient to solve our global problems, in that they see one or other top-down, uniform and unresponsive mechanism as *the* solution. These ideologies are mutually incompatible and their leaders mostly corrupt, incompetent or insane. But helpless people facing huge uncertainties will seek reassurance from anybody who promises salvation in this world or the next.

A better policymaking system would help. [2]Social Policy Bonds, issued with the backing of all governments, supplemented by contributions from philanthropists and ordinary people, would articulate people's wishes for a world of peace, reduced poverty, and environmental health, to take three of our most urgent and serious challenges. It would separate the articulation of our wishes from their achievement. People - all people - would be in charge of specifying our broad, global goals. But the achievement of our goals would be in the hands of [3]new types of organization: coalitions of people, government or not, who at any one time would have incentives to find the most efficient solutions to our global problems. These new organizations would take a long-term view, targeting goals that might seem remote and unachievable, but that are necessary for humanity. Goals such as a thirty-year period of nuclear [4]peace, or the reduction of adverse [5]climatic events. The organizations would probably have changing compositions and structures, and would have incentives to co-operate with each other. Their goals would be exactly the same as humanity's. The bond regime would reward them in ways that correlate directly with their efficiency.

The Social Policy Bond mechanism would see to it that market forces would serve humanity as a whole, by allocating our resources - all our resources - where they can do most good. The world needs diverse, adaptive approaches to our global problems. The current system does not and cannot supply them. Social Policy Bonds can.

1. http://www.economist.com/news/finance-and-economics/21685484-politics-making-international-co-operation-harder-loathe-thy-neighbour
2. http://socialgoals.com/
3. http://www.socialgoals.com/new-type-of-organization.html
4. http://www.socialgoals.com/conflict-reduction-.html
5. http://www.socialgoals.com/climate-change.html

13.1.2 Insiders, outsiders, and world peace (2016-01-17 20:28)

The Economist describes the French labour market as...:

> ...divided into “insiders”, those with permanent, protected, full-time jobs, and “outsiders”, whose work is insecure and temporary. .... And France’s biggest unions, for all their revolutionary rhetoric, have
> become talented and conservative defenders of insider privileges, at the
> price of shutting too many young people out of decent jobs altogether. *[1]Fighting French unemployment: mode d’emploi*, ’The Economist’, 16 January

It seems to be the way of all big organizations, be they trade unions, religious institutions, government bodies, large corporations or political parties. They start out well intentioned but at some point their interests diverge from those of the people they purport to represent, and their over-arching goal becomes self-perpetuation. Sometimes, especially during their early years, these bodies have interests that coincide with those of their members. Later, institutional growth or survival becomes an end in itself. Even when they do represent their members, large organizations do so only in their members’ capacity *as* members - as distinct from human beings with interests that are longer term and broader than those encompassed by their membership. People outside these bodies suffer, either directly, because the organizations’ rules benefit insiders at the expense of outsiders, or less directly, in that people expend a great deal of time and energy trying to become insiders because, largely thanks to big organizations’ ways of working, that’s the only way to improve one’s quality of life. So, for instance, we see large corporations manipulating the regulatory environment to keep out smaller companies.

My own thinking is that of course there must be large organizations - including countries with borders - but they must be made to keep to their principles and so have broader goals than self-perpetuation. Many of our social and environmental goals are the responsibility of the large bureaucracies that, in common with other other large bodies, have self-perpetuation as their ultimate goal. That is why I think Social Policy Bonds could help. Under a bond regime the structure and composition of organizations responsible for achieving our social goals would be constantly changing. The market for the bonds would see to it that the people working for these organizations would be paid according to their efficiency in achieving our goals - which coincide exactly with society’s goals. The market for would ensure that only the most efficient approaches to solving our social problems would flourish, and that unsuccessful approaches would be terminated.

The organizations’ structure, composition and all their activities, would be subordinated to the outcomes that we, as a society, want to see achieved. These [2]new types of organization, because of the way the market for Social Policy Bonds work, would always have powerful incentives to achieve our social goals. For all these reasons, Social Policy Bonds mean that we could meaningfully target long-term, urgent, but hitherto idealistic-*sounding* goals such as the achievement of [3]world peace.

1. http://www.economist.com/news/europe/21688429-fran-ois-hollande-has-one-last-chance-tackle-rising-jobless-rates-mode-demploi
2. http://www.socialgoals.com/new-type-of-organization.html
3. http://www.socialgoals.com/world-peace.html

13.1.3 Health screwups (2016-01-25 20:12)

The evidence is necessarily scanty, but the (US) Institute of
Medicine in 1999 [1]estimated (pdf) that at least 44 000 and perhaps as many as 98 000 citizens died each year in US hospitals and 1 million patients were injured
from a range of mistakes. Since then, according to Joe and Teresa Graedon, there has been little, if any, improvement.

> If medical mistakes and misadventures were a disease, there would be a great deal of hand wringing. We would have an organization comparable to the American Heart Association or the American Cancer Society to publicize the problem, and huge sums of tax dollars would be spent researching the causes and seeking solutions to all these screwups. Instead, the medical establishment mostly acts as if this problem were invisible. *[2]Top Screwups Doctors Make and How to Avoid Them*, Joe Graedon and Teresa Graedon, 2011

My own view is that resources for health care are rarely allocated in ways that optimize returns. It *might* be that, as I suspect, efficiency counts for little against the charisma or leverage of top specialists, interest groups and celebrities when it comes to deciding which diseases, for instance, shall receive most funding. Or whether preventive medicine should receive more funding. Or, indeed, whether the most efficient ways of improving a population's health have less to do with medicine, and more to do with, as the Graedons persuasively suggest, introducing check lists and rigorous procedures in healthcare facilities. It's only a suspicion, but the point is that *there are no incentives in place for people to find out whether it's true.*

Applying the Social Policy Bond principle to health might be the solution. To 'health', note, not 'health care'. Why? Because health is not something that arises mainly, or even primarily, from the decisions made by institutions devoted to health care. It may well be the case that relatively costless changes in diet, exercise, tobacco consumption or (one of my pet hates) the frequency and volume at which emergency vehicle [3]sirens are played would do more for health than, say, investments in [4]statins or new technology. As with exposing

and tackling the 'screwups' identified by the Graedons, there are no incentives for anyone to find all this out. Instead we have organizations, such as hospitals, health services, charities, interest groups, and corporations which all have their own agendas which *might* at times coincide with improving the health of the population, but [5]might not, and even if they did, would not necessarily be doing so efficiently. The human and financial costs of such resource misallocation are huge. The Social Policy Bond concept applied to [6]health, by targeting and rewarding improvements in the population's health, *however achieved,* might be the solution.

1. https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0ahUKEwjK39SqzMXKAhVLRiYKHaJSAAwQFgggMAA&url=https%3A%2F%2Fiom.nationalacad
2. http://www.amazon.co.uk/Screwups-Doctors-Make-Avoid-Them/dp/0307460916/ref=sr_1_1?ie=UTF8&qid=1453745411&sr=8-1&keywords=Top+Screwups+Doctors+Make+and+How+to+Av
3. http://socialgoals.blogspot.co.uk/2015/08/smoking-and-obesity-anxiety-and-sirens.html
4. http://drmalcolmkendrick.org/books-by-dr-malcolm-kendrick/the-great-cholesterol-con/
5. http://www.amazon.co.uk/Bad-Pharma-How-Medicine-Broken/dp/000749808X/ref=sr_1_2?ie=UTF8&qid=1453748591&sr=8-2&keywords=goldacre
6. http://www.socialgoals.com/health.html

13.2 February

13.2.1 The importance of buy-in (2016-02-02 21:23)

The American Interest writes about the European immigration crisis:

> However much the idea appeals to cosmopolitan utopians, it is not possible for such human communities to accommodate levels of migration beyond some ceiling. That ceiling is variable, and when there are large cultural and religious differences between the native population and newcomers, the ceiling drops. *[1]Europe's waning welcome*, 'The American Interest', 1 February

'Such human communities' refers to 'polities that were relatively ethnically homogenous'. I agree that the 'ceiling is variable', but think the authors should have mentioned the importance of buy-in. It's unfortunate that hugely important issues, like immigration, are influenced less by ordinary people than by the usual benefactors and manipulators of an inaccessible policymaking environment. Especially when it is ordinary people who will experience most of the disadvantages of mass immigration, and it is ordinary people whose attitude to immigrants will do much to determine immigrants' loyalty to their new home. The usual benefactors and manipulators? Politicians, lobbyists, billionaires and ideologues.

It wouldn't be hard to involve the public in policymaking if we were to focus on outcomes rather than institutional funding and structures, legal processes, slogans and the celebrity status of policy proponents. Immigration is a relatively accessible issue, and the public should be consulted about it. I am certain the reception accorded to immigrants described in the article excerpted above would be less hostile if our leaders had thought to consult us on the issue.

So too with other policies: consultation generates buy-in, and our democracies face many urgent, big challenges for which buy-in from ordinary citizens will be crucial but is almost entirely absent. Climate change, for instance, health care, nuclear weaponry, or disaster prevention or, not least, the nature of the policymaking process itself. Expressing our policy goals in terms of outcomes, rather than impossible-to-follow procedures, would allow public consultation and with that, buy-in. Without buy-in, we're going to see continuing public disengagement from the policy process, which could express itself in ways that are dangerous to us all.

Social Policy Bonds are a means by which policymaking would be focused on outcomes rather than process. Under a bond regime, government would articulate society's goals and could back bonds that would reward their efficient achievement. By emphasising outcomes, rather than the supposed means of achieving them, policymaking would become comprehensible to ordinary people. Buy-in would be one happy result: efficiency, brought about by market forces, would be another.

1. http://www.the-american-interest.com/2016/02/01/europes-waning-welcome/

13.2.2 The 'root causes' fallacy (2016-02-10 21:04)

The 'root causes' fallacy is my explanation for why we don't really do much to solve such seemingly intractable problems as violent political conflict (war and civil war) or other complex social and environmental problems, such as crime or drug abuse. For historical reasons, policymaking is almost entirely a top-down activity. Politicians and public servants see a problem, then decide what needs to be done about it. If they aren't certain what needs to be done, either they guess at the root causes, or they ignore the problem. What they are not comfortable doing (yet) is to contract out the finding of solutions to the private sector. And finding solutions to a problem does not necessarily mean that we have to find its root causes - which can take decades or, indeed, be impossible. This, from *the Economist*, writing about data-based models:

> Too many things tend to happen at once to isolate cause and effect: liberalised trade might boost growth, or liberalisation might be the sort of thing that governments do when growth is rising, or both liberalisation and growth might follow from some third factor. And there are too many potential influences on growth for economists to know whether a seemingly strong relationship between variables is real or would disappear if they factored in some other relevant titbit, such as the wages of Canadian lumberjacks. [1]*A mean feat*, 'The Economist', 9 January

When it doesn't supply an easy excuse for inaction, this supposed need to identify root causes before doing anything can be catastrophically costly when mistakes are made: policies are put in place that cannot easily be reversed. Take climate change: our governments have decided that they know the cause of climate change is anthropogenic greenhouse gas emissions. They know, or act as if they know, exactly the relative contributions of each of these gases to climate change. But there are at least as many variables affecting the climate as there are 'potential influences on growth', and that makes a nonsense of trying to implement policies whose success depends entirely on their correct identification. But the juggernaut has begun its downhill movement: climate change policy has led to the creation of organizations powerful enough to oppose removal of their funding and even to [2]distort facts that might threaten their existence.

My solution: target outcomes, rather than the alleged means of achieving them. Instead of targeting climate change, target for reduction the negative impacts of adverse climate events on human, animal and plant life. Instead of trying (or pretending to try) to stop the civil war in Syria, target for reduction the numbers of people killed and made homeless in that country. Complex social and environnmental problems require diverse, adaptive approaches for their solution. They don't require that we identify their real or mythical 'root causes' before doing anything. By contracting out the achievement of solutions to a motivated coalition of holders of Social Policy Bonds, we could bypass the supposed need to identify root causes and instead concentrate on finding solutions to the problems they create.

For more about my approach to climate change see [3]other [4]posts [5]on [6]this [7]blog, or this [8]essay. For more about my approach to achieving peace, follow this [9]link.

1. http://www.economist.com/node/21685480
2. https://judithcurry.com/2015/08/13/mark-steyns-new-book-on-michael-mann/
3. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
4. http://socialgoals.blogspot.com/2015/11/climate-change-again.html
5. http://socialgoals.blogspot.com/2015/12/but-who-allocates-funds.html
6. http://socialgoals.blogspot.com/2015/12/metrics-for-climate-change.html
7. http://socialgoals.blogspot.com/2015/12/paris-will-fail.html

8. http://socialgoals.com/ieakyototext.html
9. http://socialgoals.com/world-peace.html

13.2.3 Society as a dynamic system (2016-02-19 19:43)

James Lovelock writes:

> Cause-and-effect thinking, so often the basis of teaching, fails to provide understandable explanations of real dynamic systems. It fails in physiology, quantum physics and engineering. *[1]A rough ride to the future*, James Lovelock, 2014

And, I'd say, in policymaking. This links in to my previous [2]post about root causes. Our society and environment are too complex for linear, cause-and-effect thinking to work. That doesn't mean we should give up when faced with supposedly intractable national or global problems as crime, terrorism, war, or poor health. Within each of these problems there will be occasions when cause-and-effect thinking will work well: for instance, improving basic sanitation will probably greatly improve the health of people living in urban slums. But the over-arching policy environment within which decisions such as whether to improve basic sanitation or allocate health funding elsewhere must be one that takes account of the dynamic nature of human society. In other words, it must be adaptive.

A Social Policy Bond regime targeting an array of broad health goals for a population would be adaptive. Under a bond regime government (most probably) would still do what it does best; indeed, what only government can do: articulate society's health goals and raise the revenue for their achievement. But rather than dictate how those goals shall be achieved it would, by issuing (say) [3]Health Bonds, contract out the achievement of those goals to a motivated coalition of bondholders (or people paid by bondholders). The structure and composition of this [4]coalition would probably change over the time period during which the goal are to be achieved - which could be several decades. But at every point in time, bondholders or their agents will have incentives to look for the most efficient ways of raising the population's health. To maximise their returns they will have to respond to changing circumstances, including our rapidly expanding scientific and technical knowledge, and *the effects their own activities have* on the social and physical environment. By maximising their returns, of course, they would also be maximising society's return on our limited resources.

In short, Social Policy Bonds would take account of the complexities inherent in the dynamic systems that characterise our large societies. They would encourage diverse, adaptive solutions to our social and environmental problems, as articulated by society itself through government. The would inject the market's incentives into the allocation of society's scarce

resources *at every stage necessary* to achieve our goals. By so doing they would maximise the returns on society's investment in our future.

1. http://www.amazon.co.uk/Rough-Ride-Future-James-Lovelock/dp/0241961416/ref=sr_1_1?ie=UTF8&qid=1455905311&sr=8-1&keywords=lovelock+rough+ride+to
2. http://socialgoals.blogspot.com/2016/02/the-root-causes-fallacy.html
3. http://socialgoals.com/health.html
4. http://socialgoals.com/new-type-of-organization.html

13.2.4 Overcoming institutional sclerosis (2016-02-27 22:54)

The disenchantment we see with western governments, the European Union, and some United Nations bodies is almost inevitable. But it's not particular to government bodies; it is a feature of almost any large institution, be it a trade union, church, university, or political party. It's also a feature of the largest private-sector corporations: those whose survival doesn't depend on customers buying the products in something more competitive than a monopolistic or oligopolistic market. These are the large corporations that can manipulate or subvert the policy environment to their ends at the expense of consumers. Institutional sclerosis can also afflict the military, where it remains untested. So I'd expand a bit on this quote from Thomas Sowell;

> The most fundamental fact about the ideas of the political left is that they do not work. Therefore we should not be surprised to find the left concentrated in institutions where ideas do not have to work in order to survive. Thomas Sowell, 'The Survival of the Left', in *[1]The Thomas Sowell Reader*, 2011

Big businesses that are close to government, lobbyists for farmers (for example), right-wing political parties, and other bodies *not* linked to the political left are subject to exactly the same sclerosis that Mr Sowell describes. It's not about 'left' or 'right'; it's about being responsive to changing circumstances. Many big organizations, not just those on the left, are institutions 'where ideas do not have to work to survive'. The long-term result of this is alienation from ordinary people and a culture of insiders against outsiders. And the result of that is something we are seeing now: a disenchantment with conventional politics and a willingness to embrace anything that promises radical change. This could turn out to be positive; it could also be calamitous.

Which is why I have suggested we think about policy *not* in terms of institutions, with their limited capacity to think in the very long term or to prioritize, when it comes to the crunch, anything other than their own survival. I suggest that we encourage instead the creation of [2]new types of organization whose funding, composition, structure and activities are entirely a function of how well they achieve society's goals. This would happen under a Social Policy Bonds. As well as channelling society's scarce resources with optimal efficiency, a

bond regime would, by rewarding people for achieving society's goals, close the gap between policymakers and the people they are supposed to represent.

1. http://books.google.com/books?id=Nfd2KKqZbNYC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false.
2. http://socialgoals.com/new-type-of-organization.html

13.3 March

13.3.1 Economic growth and inequality (2016-03-04 21:55)

One of the less obvious advantages of a Social Policy Bond regime is that it insists on defining our goals; transparently and explicitly. And perhaps the least laudable feature of the current regime is that there are few explicit goals, and those that are stated have little to do with society's well-being. The goal that is usually invoked to justify some policy or other is economic growth, expressed most often as Gross Domestic Product per person. I've blogged about the flaws in the targeting of GDP before ([1]here and [2]here, for instance). It needs restating, though, that economic growth, however measured, does not inevitably benefit everybody. Most people in the US, for instance, feel this, but work by Professor John Komlos tries to quantify it. His main conclusion?

> The major consistent findings are what in the colloquial is referred to as the "hollowing out" of the middle class as well as the tremendous increase in the income of the top 1 %. The income of the latter relative to the 1st [poorest] quintile increased from a factor of 21 in 1979 to 51 in 2011. *[3]Growth of income and welfare in the U.S*, (pdf) 1979-2011, John Komlos, Professor Emeritus, University of Munich

In a column, Professor Komlos shows that US census data shows that:

> [T]he bottom 20 percent of U.S. households is
> underwater with an average net worth of - $32,000, that is, the debts of
> about 60 million people are greater than all their assets combined. If you combine the first and second
> quintiles of the wealth distribution, it's apparent that 120 million
> people's average net wealth is still below zero at minus $11,000. *[4]These facts about inequality can't be whitewashed,* 21 December 2015

The essential lesson from all this is one that bears repetition: economic growth is not an end in itself. In our increasingly complex world we cannot rely on trickle-down economics to achieve our social goals. More explicit targeting of broad social and environmental outcomes is necessary. Social Policy Bonds are one way of setting such targets and ensuring that they are achieved efficiently.

1. http://socialgoals.blogspot.co.uk/2014/07/war-and-peace-and-gdp.html
2. http://socialgoals.blogspot.co.uk/2014/10/gdp-versus-mental-well-being.html
3. https://www.dropbox.com/s/o8w3o1xiie13987/CBO%20income%20growth.pdf?dl=0
4. http://www.pbs.org/newshour/making-sense/column-these-facts-about-inequality-cant-be-whitewashed/

13.3.2 Blockchains and Social Policy Bonds (2016-03-08 20:58)

I've started learning about [1]blockchains, a fairly new technology, and specifically the possibility that they can function as a platform for markets for Social Policy Bonds. This suggestion has been made by two of my correspondents in the past few days; it's a new idea, and my first thought is that it's an exciting one. The blockchain principle allows us to bypass government (or whoever issues the bonds) when it comes to monitoring progress toward goal achievement. It facilitates payments made to those who help achieve the objective; a role that I have thought might have to be played by a coalition of holders of large numbers of the bonds making decisions as to which projects are likely to be most efficient. This [2]link is to a short article showing how the blockchain principle is being applied to searching for a cure for HIV. Though it talks about a Social Impact Bond, if I surmise correctly the [3]tradeability of the bonds means that they are in fact Social Policy Bonds - perhaps the first ever to be issued.

Update 12 March: there is a discussion about implementing Social Policy Bonds in Ethereum [4]here.

1. https://en.wikipedia.org/wiki/Block_chain_(database)
2. https://city.wsj.com/stories/fe6b7359-baf8-42ed-a069-2dc145786ccc.html
3. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. https://www.reddit.com/r/ethereum/comments/40f8pq/anyone_working_on_implementing_social_policy/

13.3.3 Money isn't everything (2016-03-16 21:32)

In chats with friends about deploying Social Policy Bonds to counter religious or ideological extremism, I'm often told that the fanatics just won't respond to financial incentives so, the reasoning goes, a bond issue aimed at [1]reducing conflict would be unlikely to succeed. I think the premise is correct: fanatics *are* motivated entirely by their beliefs. Money doesn't come

into it. But I think the conclusion is false: financial incentives can work to eliminate conflict; fanatics are found in any bar, campus or on any street corner. Without backing, either direct or indirect, from others, they do not ascend into positions of influnce. The further one goes from the fanatical centre, the more one will find supporters of the extremists who *are* amenable to financial incentives. Social Policy Bonds can motivate these people to withdraw their support from the fanatics and, possibly, to channel their support into goals that are more congruent with those of society. A bond regime wouldn't change the beliefs of the extremists, but it would decouple them from positions of influnence. At its most simple level, a bond regime could act as a counterbalance to all the financial incentives that exist to create and continue conflict: those that motivate, at some level, arms manufacturers and brokers, and the interests of those who think they will gain if the conflict resolves in their favour. Money isn't everything, but Social Policy Bonds targeting conflict for reduction could channel the urge to acquire it into socially beneficial activities.

1. http://socialgoals.com/conflict-reduction-.html

13.3.4 Bypassing democracy (2016-03-20 19:59)

Jeff Madrick, reviews a [1]book by Lee Drutman about lobbying in the US. Drutman finds that business spends $34 on lobbying for every dollar spent by likely opponents such as labour unions and other interest groups. Drutman also briefly cites academic research showing that:

- The stocks of the firms that spent the most on lobbying as a percentage of their assets beat market averages substantially.
- The more firms lobby, the lower their tax rates.
- Lobbying has a positive effect on a firm's return on equity compared to the market as a whole.
- Companies that lobby intensively are less likely to be detected for fraud than other companies.
- Companies with politically connected board members have higher stock market returns than others. *How the lobbyists win in Washington*, Jeff Madrick, 'New York Review of Books', dated 7 April

Big business is the major beneficiary then, of a system that rewards lobbying. On one side we have corporations and their friends in government; on the other, small businesses and ordinary citizens. When policymaking is overly influenced by lobbyists, government is failing in its duty to articulate the wishes of society as a whole. Democracy is undermined and the response from ordinary people, who aren't consulted about issues that drastically affect their

lives, could be dangerous indeed. We see portents of such danger in the western world today.

Social Policy Bonds could do much to close the ever-widening gap between lobbyist-influenced government and ordinary citizens. Under the current system policymakers can get away with favouring their lobbyist-paymasters because making policy has become an arcane, legalistic, protracted process to which ordinary people have no access. Discussion is centred around points of law, detailed regulation, and the structures and funding of various bodies. Only people paid to follow the process have the resources to do so. This means lobbyists. A Social Policy Bond regime, however, would focus on outcomes: policy would be expressed in terms that ordinary people can understand. Broad social and environmental goals would be targeted, and the people who help achieve these goals will be rewarded.

Under a bond regime, government would do what it is good at - indeed what only government can do: articulating *society's* goals and raising the revenue for their achievement. It would have more time and energy for these activities because, by contracting out the achievement of these goals to the private sector, it would spend less time trying to achieve them itself or working out ways to word legislation in ways that favour lobbyists and the corporates that employ them. Big business might lose out. But ordinary citizens would gain. So too would democracy.

1. http://www.amazon.co.uk/Business-America-Lobbying-Corporations-Politicized-ebook/dp/B00TXHWXEC/ref=sr_1_1?ie=UTF8&qid=1458498426&sr=8-1&keywords=The+Business+of

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13.3.5 Society needs more creative destruction (2016-03-24 20:08)

'[1]Creative destruction' is the term coined by [2]Joseph Schumpeter to denote a "process of industrial mutation that
incessantly revolutionizes the economic structure from within,
incessantly destroying the old one, incessantly creating a new one."

Creative destruction in the private sector essentially means that failing companies go out of business and successful ones survive and prosper. One of the reasons that social problems persist is that creative destruction rarely determines which policies shall be aimed at solving them. Largely for historic reasons, the solution of national and global social problems, including crime, pollution, terrorism and war, has been left to the public sector. That is, to

bodies that face no competition and are seldom rewarded in ways that correlate with their success. Indeed, many failing institutions supposedly devoted to solving social problems are likely be penalised for success, by seeing their budgets cut or even their very survival threatened. At some level, for some employees, this perverse incentive is bound to operate, to the detriment of the people they are supposed to serve but to the continued survival of the inefficient institution.

Social Policy Bonds are intended to re-jig these incentives by injecting market incentives into the solution of social problems. A bond regime would direct funding to those approaches that bring about the most benefit, defined in terms of beneficial social impact per taxpayer dollar. Note the word 'approaches': it's the best policy initiatives that are rewarded, not the body that introduces them, which otherwise might well become more interested in self-perpetuation than in achieving targeted social goals.

The unfortunate trend is that, rather than social problems becoming more subject to creative destruction, the private sector is becoming less and less subject to it. The current *Economist* focuses on the US manifestation of this:

> The excess cash generated domestically by American firms beyond their investment budgets is running at $800 billion a year, or 4 % of GDP. The tax system encourages them to park foreign profits abroad. Abnormally high profits can worsen inequality if they are the result of persistently high prices or depressed wages. ... If steep earnings are not luring in new entrants, that may mean that firms are abusing monopoly positions, or using lobbying to stifle competition. The game may indeed be rigged. *[3]The problem with profits,* 'the Economist, dated 26 March

Exactly, and it's not only the biggest firms that can abuse government for their own purposes. [4]Farmers do it too, and have been for decades, though it is likely that most benefits that are in the public mind accrue to farmers do in fact go to the [5]biggest landowners and agribusiness corporates.

I believe this trend is unsustainable. The capture of government by big business and its lobbyists, which has led so much inequality, is already provoking a reaction. Let's hope that this leads to a policy environment that will allow creative destruction to play a bigger role in both the public and private sectors. I write about the need for a new protean type of organization, whose composition and activities will be exclusively focused on achieving social goals, [6]here. New technology, including the [7]blockchain, might help bring these

organizations into being.

1. http://www.investopedia.com/terms/c/creativedestruction.asp
2. http://www.investopedia.com/terms/j/joseph-schumpeter.asp
3. http://www.economist.com/news/leaders/21695392-big-firms-united-states-have-never-had-it-so-good-time-more-competition-problem
4. http://www.keepeek.com/Digital-Asset-Management/oecd/agriculture-and-food/agricultural-policy-monitoring-and-evaluation-2015/summary/english_ea5b74c8-en#page1
5. http://farmsubsidy.openspending.org/
6. http://socialgoals.com/new-type-of-organization.html
7. http://socialgoals.blogspot.com/2016/03/blockchains-and-social-policy-bonds.html

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13.4 April

13.4.1 Inequality (2016-04-04 22:50)

The *Economist* writes:

> VOTERS' anger over inequality is one explanation for the rise of politicians as varied as Donald Trump, Bernie Sanders and Marine Le Pen. [1]*Tough choices*, the 'Economist', 26 March

Very true, and our governments don't seem very highly motivated to do anything about it. Many might not consider reducing inequality to be a goal worth targeting in itself. But, if we did move in the direction of targeting meaningful outcomes, that would be for society as a whole to decide.

But Social Policy Bonds could reduce inequality in a less obvious, less direct way. A bond regime would be

a
means whereby private gain would be strongly, visibly and inextricably correlated with public benefit. Some bondholders, whether institutions or

individuals, would start out rich and, if their bonds rose in value, would become richer. But working successfully to achieve desired social goals would most probably be seen as a laudable way of acquiring wealth. There are intangible benefits from having people or institutions grow rich in this way. There are many disaffected people who view with suspicion or alarm the very high incomes or profits of corporations engaged in activities of little obvious net social or environmental benefit. They are also unconvinced that ‘trickle-down’ occurs to any meaningful degree. Wealth, in these people’s eyes, must inevitably result from exploitation, either of other people or the commons

. Social Policy Bonds could shift this worldview and, by helping people take a more positive view of the act of earning an income and accumulating wealth, could make for a more cohesive society. A socially acceptable way of becoming wealthy would also make it more politically feasible to tax less socially desirable ways more heavily – not necessarily an end in itself, but a means of raising more tax revenue for redistribution or increasing the number and quality of public goods

and services.

Meantime the OECD is [2]reporting that:

> Income inequality in OECD countries is at its highest level for the past half century. The average income of the richest 10 % of the population is about nine times that of the poorest 10 % across the OECD, up from seven times 25 years ago.

1. http://www.economist.com/news/finance-and-economics/21695554-state-spending-will-be-hard-cut-given-rising-inequality-tough-choices
2. http://www.oecd.org/social/inequality.htm

13.4.2 Subsidising obesity (2016-04-09 19:41)

Jason Fung writes:

> The government is subsidizing, with our own tax dollars, the very foods that are making us obese. Obesity is effectively the result of government policy. Federal subsidies encourage the cultivation of large amounts of corn and wheat, which are processed into many foods. These foods, in turn, become far more affordable, which encourages their consumption. Large-scale consumption of highly processed carbohydrates leads to obesity. *[1]The Obesity Code: Unlocking the Secrets of Weight Loss* (page 130), Jason Fung, 2016

What have this and [2]other perverse subsidies got to do with Social Policy Bonds? Simply that the relationship between a policy and its effect is obscured by a policymaking process that focuses on supposed ways of achieving desirable outcomes, rather than the outcomes themselves. So, the US (and most other rich countries) justifies agricultural subsidies because they are supposed to protect the 'family farm'. But very little of these subsidies actually go to smaller farms: most of them are capitalized into farmland values, benefiting [3]wealthy landowners, or end up as subsidies to large agribusiness corporates. And, as Dr Fung relates, they conflict with health objectives. They persist because our policymaking process allows the - deliberate or not - obscuring of the real goals of the powerful.

Expressing policy goals as broad outcomes that are meaningful to ordinary people would change this. If people truly wanted their tax payments and higher food prices to fund wealthy aristocrats and agribusiness then a government could achieve the same result without deceiving its citizens. But it's unlikely that the public actually wants to subsidise the very wealthy: it happens only because policymaking is effectively manipulated and disguised by the powerful. Social Policy Bonds would make the real goals of policy clearer to everybody, generating more public participation in the policymaking process and so, importantly, more [4]buy-in.

1. http://www.amazon.co.uk/Obesity-Code-Unlocking-Secrets-Weight/dp/1925228797/ref=sr_1_1?ie=UTF8&qid=1460225968&sr=8-1&keywords=The+Obesity+Code%3A+Unlocking+the+
2. http://www.corporateleadersgroup.com/resources/news-items/paris-climate-change-conference-opens-unprecedented-call-governments-businesses-end-fossil-fuel-subsid
3. http://www.desmog.uk/2015/07/27/landed-gentry-jackals-claiming-billions-farm-subsidies
4. http://socialgoals.com/buy-in-1.html

13.4.3 Health is not an accountancy issue (2016-04-17 19:41)

Reading about psychiatry and obesity, and health generally, you can easily get the impresion that the incentives in play conflict with the stated goals of the professionals.

Psychiatry first: Dr Peter Breggin [1]writes copiously and [2]broadcasts about the over-prescription of psychiatric drugs to adults and children, in the US. Often these drugs have little in the way of robust scientific research to justify their use. Research can be shoddy or misrepresented. The organizations that encourage misdiagnosis and overtreatment are captured by powerful interests in, for example, the pharmaceutical industry.

Or obesity: there is an entire weight loss industry dedicated to selling diet books, supplements or food substitutes. There are television shows and exercise programmes, all supposedly aimed at reducing obesity. Yet the *long-term* results of almost all these interventions are [3]almost invariably small and often negative.

Even in the less cash-driven, more socialized health services of, for instance, the UK, doctors come under pressure to [4]over-prescribe, and defensive medicine - [5]medical care performed primarily to reduce the risk of litigation - is significant.

Let's say that there are arguments on both sides: that some overdiagnosis and overtreatment is going on, but we're not sure how much, or how [6]deleterious are their effects on health. I have no idea how close we are to optimal levels of treatment. Perhaps Dr Breggin and the other sites to which I link above are mistaken, but the important point is that *nobody has incentives to find out.* Instead, largely by default or historical accident, the major determinants of what interventions get prescribed to whom and how often, are the short-term interests of companies that have goods or other interventions to sell. Their incentives are to overprescribe. It is the narrow, short-term goals of corporations or professional organizations, or government bodies, that largely dictate how we shall tackle our health goals.

So if, say, the best interventions, from the point of view of the unwell person, won't benefit, in cash terms, powerful interest group, it seems likely that they will be under prescribed. (A similar argument applies too to 'negative defensive medicine', where the *fear of a cash loss* motivates practitioners *not* to treat patients.) Dr Jason Fung, for instance, recommends [7]fasting as a cure for Type 2 diabetes and obesity.

Again, the point is that there are too few incentives in place that encourage people to look for low- or no-cost ways of treating people that are better, *from the patient's point of*

view, than high-cost ways.

This is where the Social Policy Bond principle can play a part. [8]Health Bonds would target the broad, long-term, general health of an entire population. Bondholders would be rewarded if health outcomes improve, *however that occurs.* Bondholders would have incentives to research, investigate and exploit only the most efficient ways of improving people's health outcomes. If non-treatment or low-cost treatment is the best way of improving a person's health, then that is what bondholders will be motivated to supply. The important point is that, under a Health Bond regime, *it is the ordinary citizen's long-term general health that is the priority for bondholders and not, as in the current system, the accountancy goals of existing organizations*, be they public- or private-sector.

1. http://www.breggin.com/
2. http://drpeterbregginshow.podbean.com/
3. https://intensivedietarymanagement.com/all-diets-fail-how-to-lose-weight-xi/
4. http://www.kingsfund.org.uk/blog/2015/08/nhs-delivering-too-much-wrong-things
5. http://www.bmj.com/content/351/bmj.h5786
6. http://www.amazon.co.uk/Killer-Care-Medical-Americas-Largest-ebook/dp/B0176TGYA2/ref=sr_1_1?ie=UTF8&qid=1460916738&sr=8-1&keywords=James+B.+Lieber%2C+%22Killer+
7. https://intensivedietarymanagement.com/the-obesity-code-available-for-pre-order/
8. http://socialgoals.com/health.html

13.4.4 The business of America is lobbying (2016-04-24 20:09)

Broken at the top is a recent Oxfam report which, amongst other findings, reports that:

- From 2008-2014 the 50 largest US companies collectively received $27 in federal loans, loan guarantees and bailouts for every $1 they paid in federal taxes.
- From 2008-2014 these 50 companies spent approximately $2.6 billion on lobbying while receiving nearly $11.2 trillion in federal loans, loan guarantees and bailouts.
- For every $1 spent on lobbying, these 50 companies collectively received $130 in tax breaks and more than $4,000 in federal loans, loan guarantees and bailouts. *[1]Broken at the top*, Oxfam, 14 April

When I talk about Social Policy Bonds I usually emphasise their efficiency. But they have another great advantage: transparency. Expressing policy in terms of targeted outcomes does mean that ordinary people can follow what's going on - in contrast to the current system. So if society as a whole wanted to subsidise the largest, wealthiest corporations in the land, then we could do so, and we'd be doing so with our eyes open. But if, as seems likely, people would rather see society's scarce resources channelled into helping the most disadvantaged amongst us, then we could issue Social Policy Bonds targeting for improvement broad indicators of our citizens' basic

well-being. [2]Health, for instance, or literacy and other basic [3]educational goals.

These are outcomes that are meaningful to ordinary people. Which means we could all participate in the policymaking process. This would be a huge improvement over the current system, which is - deliberately or not - made so obscure that the only people who can follow it closely are those whose ultimate sources of funding are the already wealthy.

1. http://www.oxfamamerica.org/explore/research-publications/broken-at-the-top/
2. http://socialgoals.com/health.html
3. http://socialgoals.com/education.html

13.4.5 GDP and distribution (2016-04-28 18:42)

The current *[1]Economist* (dated 30 April) features Gross Domestic Product and its inadequacies, [2]here and [3]here. It doesn't seem to mention distribution of income, which is important as many governments use GDP as a *de facto* target. I argue though that rises in GDP don't do much for welfare if they are increasingly concentrated in the hands of the top one percent or so. If we are trying to do something to improve welfare, we need to target an array of measures.

Raising GDP (or GDP per capita) has become the default goal for governments because they are unwilling or unable to target for improvement an array of broad outcomes that are meaningful to ordinary people: such as better [4]health, universal [5]literacy, full [6]employment etc. The vague, slippery, and ever-revisable GDP metric is a handy smokescreen that allows government not to commit itself to improving the welfare of ordinary citizens. A Social Policy Bond regime would be a stark contrast: it would target for improvement explicit, meaningful and verifiable metrics that are inextricably linked to the welfare of ordinary people.

1. http://www.economist.com/printedition/2016-04-30
2. http://www.economist.com/news/leaders/21697834-gdp-bad-gauge-material-well-being-time-fresh-approach-how-measure-prosperity
3. http://www.economist.com/news/briefing/21697845-gross-domestic-product-gdp-increasingly-poor-measure-prosperity-it-not-even
4. http://socialgoals.com/health.html
5. http://socialgoals.com/women-s-literacy.html
6. http://socialgoals.com/employment.html

13.4.6 DAOs and Social Policy Bonds (2016-04-29 18:59)

Decentralized Autonomous Organizations might be the sort of organization that I envisage [1]here; organizations whose structure, composition and activities are all subordinated to the

market's constantly changing view as to who is best placed to achieved targeted goals efficiently. A discussion on DAOs and Social Policy Bonds has started in this [2]ethereum forum.

1. http://socialgoals.com/new-type-of-organization.html
2. https://www.reddit.com/r/ethereum/comments/4gxgah/social_policy_bonds_spbs_and_daos/

13.5 May

13.5.1 Terrorism and strokes (2016-05-07 19:13)

The website [1]Think by Numbers looks at US government spending on health:

> [W]e spend $500 million for every death from terrorism and only $2,000 for every death resulting from strokes. That means we spend 250,000 times more per death on terrorism. [2]*Anti-Terrorism Spending 50,000 Times More Than on Any Other Cause of Death*, Mike P Sinn, October 2011

We can quibble a bit about the numbers, but these figures do seem to indicate an inefficient way of improving the health outcomes of American citizens. There would be nothing necessarily wrong with such spending patterns if this disparity were the result of an informed populace deciding for itself where its taxpayer dollars should be channelled. But, this isn't the case, and the *Economist* this week [3]reminds us that 'defence' - that is to say, the military - is one of those industries notorious for cronyism. (Others identified by that journal include telecoms, natural resources, construction, which all 'involve a lot of interaction with the state, or are licensed by it'.)

Of course, it's unrealistic to ask people exactly how every health dollar should be spent. But we can engage the public in such decisions by focusing not on the pathways to improved health - which are complex and ever-changing - but on the outcomes we should like to see. For instance, we could express health goals in terms of [4]Quality Adjusted Life Years, and then answer questions as to whether some x percent improvement in QALYs should be weighted more heavily than others. If the consensus is 'yes', and we judge terrorist deaths, for example, to be more negative than deaths caused by strokes, then we can allocate spending accordingly. Even then, we're unlikely to see the sort of disparities outlined above, which are more a consequence of emotional reactions to television footage, lobbying and cronyism than rational thinking.

My short piece on applying the Social Policy Bond principle to [5]health goes into more detail.

1. http://thinkbynumbers.org/
2. http://thinkbynumbers.org/government-spending/false-sense-of-insecurity/
3. http://www.economist.com/news/international/21698239-across-world-politically-connected-tycoons-are-feeling-squeeze-party-winds
4. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
5. http://socialgoals.com/health.html

13.5.2 More regulation, more gaming (2016-05-15 18:53)

The Economist, writing about new vehicle emission testing, is realistic rather than cynical:

> Changes to testing regimes are afoot. Japan is likely to review the way its tests are carried out. Europe's system is also being readied for an overhaul. Plans are in place to replace its test cycle with a new one that more closely mimics real-world driving and imposes stricter rules over how cars may be prepared. A system for rechecking NOx emissions from production vehicles on the road is under discussion. That should ensure exhausts are cleaner. But the new test will only be harder, not impossible, to game. *[1]Exhaustive analysis*, the 'Economist' 30, April

Incentives matter. The incentives faced by car manufacturers under any likely testing regime will, as the *Economist* says, encourage gaming. It's one chapter in an old and gloomy story: government sees a problem (air pollution in this instance), thinks it knows how best to solve it (by limiting certain vehicle emissions), and legislates its preferred solution. This can still work: where cause and effect are easily identifiable and when society's complexities are not overwhelming. But when it comes to air pollution it fails. It fails because vehicle manufacturers will game the system. And it's likely to fail for other reasons. The government doesn't and cannot know the type and impact on human health of the emissions vehicles produce when, necessarily, only some of the many emitted compounds can be identified and quantified. Regulating carbon dioxide, for instance has led to increases use of diesel engines, which generate different pollutants of [2]unknown impact. Depending on how electricity is generated, even electric cars could have a more severe effect on health than petrol or diesel vehicles. Technology is changing fast, so is our knowledge of the relationships between emissions and health. Regulations cannot keep up with the pace of change.

Here's another suggestion: use the Social Policy Bond principle to target air pollution. Issue bonds that become redeemable only when air pollution targets have been met and sustained. The bonds would then encourage exploration, experimentation and implementation of those ways of reducing air pollution that are most cost-effective. Being tradeable, they could target a long-term goal: investors could profit by making achievement of the goal more likely, then sell their bonds to new holders who would take the necessary next steps toward the goal's achievement. For links to papers on applying the Social Policy Bond principle to the environment see [3]here.

1. http://www.economist.com/news/business/21697869-gulf-between-test-results-and-real-world-widens-exhaustive-analysis
2. http://www.air-quality.org.uk/26.php
3. http://socialgoals.com/environment.html

13.5.3 What is government for? (2016-05-22 19:55)

Simon Calder writes about the effects of European Union regulation, EC261, which says that airlines must pay at least €250 to every passenger who arrives three hours or more behind schedule. Mr Calder quotes one senior airline executive:

> Of course, if we are approaching a three-hour delay, we may decide to accelerate the turn-round by leaving bags behind. *When airlines deliberately leave behind your baggage* , Simon Calder, 'the Independent', 21 May

He imagines how passenger would react to this announcement from an airline captain:

> Only half the bags have been loaded. We can either set off now, and be two hours 55 minutes behind schedule, or wait for another 10 minutes to load the remainder.

Passengers would vote unanimously to wait another ten minutes. But EC261 makes such an onboard referendum unlikely, stipulating, as it does, "a blunt three-hour boundary between paying out nothing and being exposed to compensation claims amounting to tens of thousands of pounds."

[1]

You might think, as I do, that government would do better to leave this sort of micro-management to the market. But every organization, including every government agency, however well-meaning and hard-working, has as its over-arching goal self-perpetuation. Formulating, propagating and enforcing Mickey Mouse [2]micro-objectives like the three-hour deadline doesn't help passengers, still less airlines, but it does promote the unstated (and perhaps even unconscious) goal of government: to expand its role.

A Social Policy Bond regime would be different. it would target broad goals in essential areas, such as [3]health, [4]crime or - at a supra-national level - [5]war. These goals would be meaningful to ordinary people, and the agencies who take on the role of goal-achievement would have a composition and structure that would adapt to changing circumstances and expanding knowledge of the causes and effects of social problems.These [6]organizations would subordinate all their activities to the achievement of society's goals - in stark contrast with our current policymaking system.

1. https://upload.wikimedia.org/wikipedia/en/thumb/d/d4/Mickey_Mouse.png/220px-Mickey_Mouse.png
2. http://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
3. http://socialgoals.com/health.html
4. http://socialgoals.com/crime-.html
5. http://socialgoals.com/conflict-reduction-.html
6. http://socialgoals.com/new-type-of-organization.html

13.5.4 Blockchain could guarantee integrity of redemption terms (2016-05-23 19:45)

I've written before about [1]hidden metrics as applied to Social Policy Bonds. Briefly, the aim is to overcome the sort of gaming that we see nowadays with certain micro-objectives: [2]here, for example. [3]Campbell's Law, if we're not careful, could apply. One answer, as I wrote, would be to target broad outcomes without specifying exactly how we shall determine whether our target has been achieved. So, say, we are aiming for 99 percent literacy of 15-year-olds in a country. We could issue Literacy Bonds, redeemable only when surveys show that that goal has been satisfied. We could say at the outset what the broad outlines of these surveys would look like: say a minimum of 250 boys and 250 girls randomly sampled from another random sample of 10 regions out of 100 regions. The identity of these regions need not be revealed or even determined until the bond market reckons that the literacy target has been achieved. At that point, the regions to be surveyed could be randomly chosen. That would work, provided the randomizing could be seen to be done transparently and fairly.

But the current *Economist* points to what might be a more elegant solution. It discusses using blockchain technology to distribute public keys to the protocols of the many thousands of medical trials carried out annually to ensure that the pharmaceutical companies sponsoring these trials cannot alter trial protocols. This, the sponsors have been known to do because the drugs being trialed have some positive effects, but not those specified at the outset of the trial. Such 'hidden outcome switching' can exaggerate the value of the drugs being trialed.

> The blockchain is a database that acts as a public ledger of all transactions with the currency, and is thought to be almost completely tamper-proof because it is validated and stored independently on thousands of different computers worldwide. This provides a way ... to check that results have not been fudged. [4]*Better with bitcoin*, the 'Economist', 21 May

Anyone with a copy of the trial protocol could generate the original private key, and check that it generates the same public key when it's decrypted using the same algorithm that encrypted it. 'Public keys for protocols should be uploaded to trial registries ... and included in research papers. Researchers and medical journals could speedily check whether the right results were being reported.'

More important, from the Social Policy Bond point of view, is this possibility, which concludes the *Economist* article:

> Another benefit, paradoxically, is that the protocol for studies could be hidden until completed. This might be useful for commercially sensitive trials of new therapies. As long as the public key was uploaded to a registry when the trial began, the protocol could be verified later without the worry that it had been changed during the study.

If, instead of 'protocol for studies', we substitute 'detailed redemption terms', then we could use the same technology to could guarantee to investors in Social Policy Bonds that the backers of the bonds they own would not attempt to evade their obligations by manipulating the terms under which the targeted goal shall be deemed to have been reached.

1. http://socialgoals.blogspot.co.uk/2015/08/hidden-metrics.html
2. http://socialgoals.blogspot.co.uk/2009/06/mickey-mouse-micro-targets.html
3. http://socialgoals.blogspot.co.uk/2012/08/campbells-law.html
4. http://www.economist.com/news/science-and-technology/21699099-blockchain-technology-could-improve-reliability-medical-trials-better

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13.5.5 Answering the phone quickly is not a health goal (2016-05-24 20:09)

Another story - this from the UK - shows what happens when we have Mickey Mouse micro-objectives rather than broad meaningful goals:

> In January 2016, Lincolnshire Police began an investigation after an allegation that staff within the Force Control Room were calling 999 at quiet times, to ensure calls were picked up quickly to improve performance statistics. ... Today [23 May], five Force Control Room staff have been suspended from duty and have been informed they are under investigation. *[1]Source*

('999' is the emergency phone number in the UK.) I've been inveighing against these micro-goals for years ([2]here's my first blog post on the subject). Their basic problem is that they arise from the narrow, short-term needs of organizations, rather than the people these organizations are supposed to serve. They're too easy to game, and their achievement is - to put it kindly - not inextricably linked to improvements in the well-being of ordinary people.

A Social Policy Bond regime would be different. We'd target for improvement broad, meaningful goals, such as the [3]health of the entire population. Bondholders would benefit by financing projects that accelerate the achievement of society's targeted outcomes, rather than, as so often today, turning up for work and fulfilling some meaningless quota.

1. http://www.sleafordstandard.co.uk/news/local/five-g4s-employees-working-for-lincolnshire-police-suspended-following-anti-corruption-investigation-1-7396508
2. http://socialgoals.blogspot.co.uk/2005/03/mickey-mouse-targets.html
3. http://socialgoals.com/health.html

13.5.6 Nuclear war? Yawn, yawn (2016-05-27 19:20)

The current [1]*Economist* writes about North Korea's nuclear capability. Amidst many worrying facts cited are these:

> North Korea is thought to have a stockpile of around 20 devices. Every six weeks or so it adds another. *[2]Source*

> Two engines from Soviet-era R-27 submarine-launched ballistic missiles were coupled together to provide the propulsive power and range for a warhead carried by a KN-08 to hit the east coast of the United States. It is not known how many R-27s North Korea has, but up to 150 went missing from Russia in the post-Soviet 1990s. *[3]Source*

The R-27, a submarine-launched ballistic missile, [4]has the explosive power of 1 Megaton, or about [5]50 times that of the bomb that was dropped on Hiroshima.

I have no solution to the problem of nuclear proliferation and its attendant risks of catastrophe. I don't think anyone has, despite valiant efforts by well-meaning people working for governments or international organizations. But what I can offer is a means by which we channel more of our human ingenuity into solving that problem, rather than expending time and energy on activities of very little social value (see [6]here for instance, or [7]here). In other words, a way of motivating more people to put more high-quality effort into reducing the risks of a nuclear catastrophe.

That way entails issuing Social Policy Bonds that target for reduction either man-made [8]conflict, or [9]disasters of any kind. Bonds could be specially issued to target the risk of a nuclear explosion. How would this work? First, funds would be raised from any source - public- or private-sector or both - to back bonds that would be redeemable for a fixed sum only when there has been nuclear peace for a sustained period of, say 30 years. These bonds would be issued on the open market for whatever price they fetch. The goal, being long-term, could mean that the bonds would sell for very little. So any movement to increase the likelihood of sustained nuclear peace would see an improvement in the bonds' value. The bonds would be tradeable, so holders (or their agents) could benefit in the short term by doing things that, in the eyes of the market, bring us closer to our long-term goal. The effect would be to reward people for helping achieving the goal efficiently. Nuclear Peace Bonds would create a [10]protean coalition of people who have a powerful incentive to explore, investigate and implement the most effective (at any given time) array of measures that bring us closer to our goal. With such a big, remote objective, no single approach will work. A bond regime would stimulate diverse, adaptive solutions to the problem of nuclear proliferation.

The current policymaking system can work well when the relationships between cause

and effect are readily identifiable. But for problems like the risk of nuclear catastrophe, which are large-scale and have multiple causes, the Social Policy Bond idea offers a better solution. Our nuclear peace goal fulfils other key criteria that point to the advantages of a bond regime :

- Current approaches are either ineffectual or inefficient;
- A robust and verifiable metric. I suggest 'a nuclear detonation that kills 500 or more people within 24 hours'; and
- Financial rewards to those involved in achieving objectives are currently uncorrelated to their effectiveness or efficiency in doing so.

Currently, there's a jarring mismatch between the fears of, and risks to, almost everyone on the planet and the resources devoted to mitigated them. A shift in resources away from ingenious ways of manipulating financial markets, or ingenious commercials for dog-food, would undoubtedly (in my view) be a worthwhile public good. But our current policymaking system doesn't encourage such a re-orientation of priorities. Instead, we have people, many of whom are dedicated and hard working, working through outdated bureaucratic channels to achieve bureaucratic goals in ways that do not reward directly and immediately reward success or deter failure. Nuclear Peace Bonds would be change all that, to the long-term benefit of all of us, including generations yet unborn.

1. http://www.economist.com/printedition/2016-05-28
2. http://www.economist.com/news/leaders/21699445-it-past-time-world-get-serious-about-north-koreas-nuclear-ambitions-nuclear
3. http://www.economist.com/news/briefing/21699449-kim-jong-un-home-straight-making-his-country-serious-nuclear-power-nobody-knows
4. https://en.wikipedia.org/wiki/R-27_Zyb
5. https://en.wikipedia.org/wiki/Nuclear_weapon_yield
6. http://www.salon.com/2015/10/31/wall_street_is_just_this_dumb_there_are_traders_who_are_smart_though_not_many/
7. https://www.youtube.com/watch?v=eyUJdI2Mi-8
8. http://socialgoals.com/conflict-reduction-.html
9. http://socialgoals.com/disaster-prevention.html
10. http://socialgoals.com/new-type-of-organization.html

13.6 June

13.6.1 PBR and SIBS: bring in tradability! (2016-06-08 20:05)

The *Economist* writes about Payment By Results (PBR) for public services in the UK, and cites these problems:

- PBR can create strange behavioural incentives, including a phenomenon known as "creaming". Given the emphasis on meeting targets, providers are often tempted to focus on the easiest-to-help people.
- In addition, the economics of PBR can work against innovation. Providers of public services must pay their employees and suppliers. It is difficult, especially for small firms, to wait around for a payment based on how they have done. *[1]Pay up*, the 'Economist', 4 June

It goes on:

> The question, then, is not whether to get rid of PBR, but how to make it work better."

My suggestion? Make the contracts tradable. Then government can specify broad, much longer-term objectives which would encourage participation of a much wider range of potential service suppliers at every stage of the pathway towards goal achievement. Unlike under PBR there would be creative destruction of useless interventions and inefficient agencies.

The article also mentions Social Impact Bonds, of which there are now 32 in the UK and the most famous of which 'seems promising'. I have posted before about Social Impact Bonds, which, while I think they may be a much-needed improvement in neglected policy areas, would benefit greatly by being made tradable (and so becoming Social Policy Bonds, as I conceived them). You can now search this blog for keywords such as Social Impact Bonds, or see [2]here and [3]here for my short papers on them.

1. http://www.economist.com/news/britain/21699970-payment-results-much-criticised-it-wrong-conclude-it-has-failed-pay-up
2. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
3. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

13.6.2 Metrics for World Peace Bonds (2016-06-09 19:39)

Metrics for World Peace Bonds, or: Why Long-term Goals are Best

Pondering the best metrics for peace, I came to think that with a goal for peace sustained over fifty or more years, metrics that target for elimination the use of deadly violence become more closely aligned with what we actually want to achieve. By this I mean that, with a decades-long goal, bondholders would have incentives not merely to prevent the outbreak of violence, but also to prevent the precursors to violence. From the point of view of the backers and issuers of World Peace Bonds this makes the metric of deadly violence more robust.

For example: the Cold War ended peacefully, but if [1]World Peace Bonds issued in the year 1950 had targeted a period of sustained peace of just ten years then bondholders would have profited, despite the accumulation of ever more horrific atomic and nuclear weapons, during the period that preceded the [2]Cuban Missile Crisis of October 1962. If the same bonds had been issued with a target of fifty years of sustained peace, then bondholders would have been motivated to reduce tensions, including by such means as reducing the weapons pile-up, or fostering better relations between the US and USSR. A ten-year goal would see the original bondholders making profits while the prospects for peace looked ever darker. A fifty-year goal would have seen the value of their holdings collapse before and during the Crisis.

The point is not only that peace sustained for a decades-long period encourages longer-term thinking. It is also that by choosing the longer-term goal, our targeting of a relatively easy-to-measure metric like deadly violence and its consequences, we shall inevitably do much to eliminate the much less quantifiable - but hugely important - precursors of violence.

1. http://socialgoals.com/world-peace.html
2. https://en.wikipedia.org/wiki/Cuban_Missile_Crisis

13.6.3 Britain and the European Union (2016-06-20 18:49)

I am sympathetic to the idealism that led to the formation and development of what is now the 28-member European Union. I also see great value in having hundreds and thousands of bureaucrats, from all the member states, in Brussels, talking to each other; their children going to the same schools.

But, more and more, the people who work for the European Union; the administrators and politicians, are seen as - and indeed are - a separate caste. They have seldom worked outside government and they enjoy safety-nets and benefits that are decreasingly available to private-sector would-be employees, especially the young. The processes and institutions

of the EU are opaque. The decision-makers are unknown and unelected. They dictate policies that are hugely important to ordinary citizens, such as those concerning immigration, without consulting the public and so without getting buy-in. Ordinary people cannot vote these people out and cannot engage in the policymaking process. There are few consequences for failure at any level of the EU bureaucracy. All this would be less intolerable if the European Union showed any sign of adapting to the wishes of the broader population. But I don't see that.

So I fear that this project is going too far, too
fast, and without the consent of the vast majority of the public. If I could be persuaded that the EU and the people running it were keeping the peace, then I'd forgive all their *hauteur* and all their extravagances. Nothing would be worse than another European war. But the signs as I interpret them - in Austria, France and elsewhere - are that we are seeing exactly the opposite: the European project, in widening the gap between politicians and ordinary people, is planting the seeds of exactly the sort of vicious nationalism that made its founding so necessary.

A vote in favour of Britain's leaving the EU might lead to worthwhile reforms. So might a close decision, either way. But I wouldn't bet on it. For British voters, I'd suggest that a Leave victory would help to close the gap between themselves and the people who make their laws, and reduce the risk of contagion from what looks increasingly likely to be a mean-spiritedly (at best) or murderously (at worst) nationalistic continent.

13.6.4 The CAP is destroying Europe (2016-06-22 20:20)

George Monbiot's article today about our [1]old [2]friend, the European Union's corrupt, insane Common Agricultural Policy, does a great job in describing its wastefulness, its transfers from the poor to the very wealthy, and its disastrous environmental depredations.

I am perplexed therefore by his decision to vote for the UK to stay in the EU:

> I will vote In on Thursday, as I don't want to surrender this country to the unmolested control of people prepared to rip up every variety of public spending and public protection except those that serve their own class. But if we are to live in Remainia, we should insist on sweeping change. Daylight robbery and mass destruction: the EU is supposed to prevent them, not to deliver them. *[3]Leave well alone*, George Monbiot, 'the Guardian', 22 June

Why Mr Monbiot thinks the EU is suddenly going to reverse itself and dismantle the CAP -

which still swallows up 40 percent of the EU budget - is a mystery to me. It has been four decades since, as undergraduate agricultural economists, we learned about the CAP's calamitous [4]impacts. In those 40 years the unelected EU decision-makers have shown themselves to be incapable of responding to economic, social or environmental rationality. Which is why I think Britons would do better to vote to leave the EU in tomorrow's referendum. Yes, as Mr Monbiot points out, the Leave campaigners have promised to keep subsidizing UK farmers. But if Britons don't like that policy, they can vote to change it. They still have a say in who become Members of the British Parliament, and they can vote against stupid, cynical, wasteful and destructive policies. But the people who make EU policy? We don't even know who they are or how they got there. And we certainly can't get rid of them.

1. http://socialgoals.com/nation98.html
2. http://socialgoals.com/orchard2.html
3. http://www.monbiot.com/2016/06/21/leave-well-alone/
4. https://www.morningstaronline.co.uk/a-1abe-How-the-EU-starves-Africa#.V_ZRqvkrLIV

13.6.5 Good policy is not about choosing a team (2016-06-27 19:51)

Michael Tomasky quotes Christopher Achen and Larry Bartels:

> We conclude that group and partisan loyalties, not policy preferences or ideologies, are fundamental in democratic politics. Thus, a realistic theory of democracy must be built, not on the French Enlightenment, on British liberalism, or on American Progressivism, with their devotion to human rationality and monadic individualism, but instead on the insights of the critics of these traditions, who recognized that human life is group life.... For most people, partisanship is not a carrier of ideology but a reflection of judgments about where "people like me" belong. *[1]Can the monster be elected* ?, Michael Tomasky, 'New York Review of Books', dated 14 July

There are likely or possible explanations for this. One, perhaps, is that a country - still less a group of countries - is just too large a body of people with which we can identify. But more important is how this insight links with policymaking, and how it can be, and is, manipulated by those seeking power. So, for instance, it's regarded as 'compassionate' to approve of Angela Merkel's impulsive decision to welcome unlimited numbers of migrants from the third world. And the impulse truly was a compassionate one. Who would want to identify with the (relatively) hard-hearted approach of Australia towards boatloads of refugees and migrants? Or the (absolutely) hard-hearted approach of Saudi Arabia? People understand compassion and we all want to think ourselves compassionate.

It makes for disastrous policy. Migrants drowning in

[2][3]record numbers

in the Mediterranean. People in Europe feeling let down by their elected representatives, generating widespread alienation and anger, more support for [4]extremist parties, the erosion of [5]free speech, British exit from the European Union and [6]record gun sales throughout Europe.

It points to the irrelevance of outcomes as a determinant of policy in today's democracies. Bonding with 'people like me', signalling virtue and 'compassion', mutual back-patting: these are how we choose which policies and parties to back. I don't think there's anything particularly wrong or reprehensible with this - except that it leads to calamitous results, as we are seeing. Policymakers should hold themselves to a higher standard: instead of being compassionate, or acting compassionately, or allying themselves with the 'compassionate' side of an argument, they should be making decisions with a view to their likely outcomes.

Unfortunately, our system doesn't target outcomes and, especially, it does not target long-term outcomes. Politicians win points by seeming compassionate and human and empathic, regardless of the long-term results of their policies. Or by identifying themselves as being in opposition to 'compassion', unity, tolerance and all the other labels the other team likes to apply to itself.

The losers from all this are ordinary people including, especially and most tragically now, those thousands of Africans risking their lives trying to cross the Mediterranean.

Social Policy Bonds are a way of closing the gap between ordinary people and the politicians and bureaucrats who make the policy that determines how we live. Under a bond regime we could target long-term goals; goals that would not be swayed by striking televisual imagery, rhetoric, impulse or reaction. Ordinary people would help choose these goals and their relative priority far more readily than they can engage in policymaking in today's world. Crucially, policy goals - as distinct from the ways we achieve them - would be stable over time, and not subject to the whims and caprices of the 'people like us'.

Social Policy Bonds will never be seen as 'compassionate'. They channel people's self-interest into solving social problems. (I titled an early version of my book Give greed a chance.) People make money by achieving social goals, and if they're efficient, they make more money. That is anathema to the 'compassion' lobby, who are more interested in picking a team, banging a tambourine and advertising their virtue than actually finding the best ways of helping the most people. I would think, though, that the people we are trying to help - the poor, the disadvantaged, those who are illiterate after years of schooling, those whose lives are devastated by war - are more interested in outcomes than motives. I certainly am.

1. http://www.nybooks.com/articles/2016/07/14/can-the-monster-be-elected

2. https://www.blogger.com/
3. http://www.iom.int/news/iom-counts-3771-migrant-fatalities-mediterranean-2015
4. http://www.huffingtonpost.com/entry/europe-right-wing-refugees_us_562e9e64e4b06317990f1922
5. http://www.economist.com/news/leaders/21699909-curbs-free-speech-are-growing-tighter-it-time-speak-out-under-attack
6. https://www.sofmag.com/gun-sales-for-self-defense-spike-in-france-austria-and-germany-while-illegal-guns-flow-to-criminals/

13.7 July

13.7.1 Compassionate woman, compassionate policy, cruel outcome (2016-07-02 20:11)

Compassionate woman, compassionate policy, cruel outcome:

> IOM [International Organization for Migration] reports an estimated 222,291 migrants and refugees entered Europe by
> sea in 2016 through 26 June, arriving in Italy, Greece, Cyprus and
> Spain. Deaths in the Mediterranean so far this year are 2,888, compared
> with 1,838 through the first six months of 2015. *[1]Source*

Nobody, least of all, Chancellor Merkel, wanted this. Compassion works in everyday life, with people whom we know, or with people whose need is desperate and urgent. As a policy, though, it fails. I think we should do better to target outcomes, rather than the supposed means of achieving them. If our goal is to reduce drownings in the Mediterranean, then reward people for achieving that outcome. If our goal is to improve the [2]quality of life for ordinary Africans, then we should reward people for achieving that outcome. And if our goal is to reduce or eliminate [3]conflict in the Middle East, then why not put in place a system of incentives that motivates people to achieve that?

Social Policy Bonds allow us to set these long-term objectives and to reward the people who achieve them. They don't *sound* compassionate relying, as they do, on monetary incentives, and many on the left disdain or despise the idea (and their originator!) for that reason. But monetary incentives - often known as salaries or wages as well as prizes or bonuses or profits - are the very basis of whatever prosperity there is on this planet. The wish to acquire more cash can be directed into social and environmental causes, as well as frivolous or destructive ones. The world would be better served if we all got over our hang-ups about money and with our wish to *appear* compassionate, and actually worked towards more compassionate outcomes. Or, as a [4]line from the 1981 movie, *Southern Comfort* has it: "Comes a time when you have to abandon principles and do what's right."

1. https://www.iom.int/news/mediterranean-migrant-arrivals-2016-222291-deaths-2888
2. http://socialgoals.com/human-development.html
3. http://socialgoals.com/middle-east-peace.html
4. http://www.imdb.com/title/tt0083111/quotes

13.7.2 From operative to speculative politicians (2016-07-12 20:38)

The more I chat with politically interested people, the more I become disillusioned. Outcomes for the people they purport to represent mean far less to them than the other things that go along with identification with a political party or opinion: belonging to a group of like-minded (good or 'compassionate') people; the joy of differentiating themselves from the other (evil) lot; participation in group events and rituals; the convenience of having an ideology that both explains the world and generates apparent solutions to its problems.

I am respectful of all this. I recognize the need of all humans to engage with each other, to sing or dance [1]together, to share our hopes, to be with people who have a similar world view for whatever reason, to identify with a clan or tribe; above all: to belong.What I do find problematic, though, is that the 'rightness' of such belonging, the elation and joy that come with satisfying a genuine human need, can lead participants to prescribe policies that they try to apply to people outside their in-group, without seeking the outsiders' buy-in - without, indeed, thinking it necessary or desirable. I've [2]written (frequently!) about how the over-arching goal of any institution, however well intentioned, initially, however hardworking its members, becomes more and more that of self-perpetuation.

Most of us, if we're allowed to express ourselves coolly and freely, want to live in some sort of welfare state, with a safety net for the disadvantaged. We also want a healthy, productive, wealth-generating business sector. Yes, there will be differences of emphasis and priority, disagreements about procedure. But our overall goals are not that different. Not so different, surely, as to justify the mutual hatreds that we are seeing in the politics of many western countries today. These hatreds could bring about calamity, in the form of weakened societies, prey to those with far less edifying ambitions. The old Arab proverb comes to mind: 'a falling camel attracts many knives'.

My response is twofold. The first (predictably!) is to advocate [3]Social Policy Bonds. The ostensible reasons for our polarized, dysfunctional politics, are not so much about our goals, but about the ways we think they shall be best achieved. We could instead debate social and environmental outcomes, about which there is more consensus and more objectivity. On a global scale, for instance, we could target the sustained [4]survival of our species,

or [5]world peace, or the non-deployment of [6]nuclear weapons. At a regional level, we could target [7]Middle East peace. At a national level we could target [8]universal literacy, or improvements in [9]crime rates or [10]environmental health. People understand these outcomes far more than we do the intricacies and legalisms of policymaking under the current system, and the structures and activities of those charged with achieving our social goals. And because we understand outcomes, we can participate in the policymaking process. Nobody would be perfectly satisfied by the array of specified targets, but there would be [11]buy-in - something we need and something missing in today's organization- and activity- based policies.

Less frequently have I mentioned my second response: the deliberate refocusing of ideological politics away from policymaking and towards other, more inward-looking, activities. You might have thought that the economic and social shambles that was Marxism would have expired with the old Soviet Union. But it survives in China and elsewhere, not as an economic system, but as an extraordinarily potent ideology *about* an economic system. Freudian psychoanalysis, though [12]discredited as a [13]therapy, [14]survives as a cult revolving around the life and work of Sigmund Freud. There is not a single proven example of a visit to Earth by an alien spacecraft – yet opinion [15]polls consistently show that more than half of adult Americans believe in such an event.

Could our political parties and their associated ideologues take the same steps? They probably wouldn't take the initiative, but if it became the only means by which they survive, then they would surely do so. A Social Policy Bond regime could accelerate the process. Parties and ideologues are concerned with personalities, ideologies, activities, funding and institutional structures, all of which are the supposedly rational basis for their existence from which derives the positive features of belonging. Social Policy Bonds would lead to [16]new types of organization which would erode that basis - but not the more edifying need for bonding. There is a precedent, and it is the world of Freemasons. Some groups of working or 'operative' stonemasons began to allow non-masons into the guilds. Operative masonic lodges raised money by charging the gentry for admission to their "mysteries". (See [17]here.) The guilds and mysteries persisted after the great British and European cathedrals had been built. Operative masons declined in number; 'speculative' masons took over, and today there are around six million freemasons [18]worldwide.

Could our politicians and those with a vested interest in the power-structures to which they belong and from which they derive inspiration be persuaded to give up their dysfunctional organizations and divisive politics, and become 'speculative' policymakers? Then we'd be free to focus on social and environmental outcomes that are meaningful to ordinary people. I think everyone - politicians and public - would be happier if our potentially catastrophic 'operative' way of making policy became 'speculative' and focused more on inward enlightenment than on making an impact on the world.

1. https://www.amazon.com/Dancing-Streets-History-Collective-Joy/dp/0805057242
2. https://socialgoals.blogspot.co.id/2007/01/institutional-goa-par-excellence-self.html

3. http://socialgoals.com/
4. http://socialgoals.com/disaster-prevention.html
5. http://socialgoals.com/world-peace.html
6. http://socialgoals.com/nuclear-peace.html
7. http://socialgoals.com/middle-east-peace.html
8. http://socialgoals.com/women-s-literacy.html
9. http://socialgoals.com/crime-.html
10. http://socialgoals.com/environment.html
11. http://socialgoals.blogspot.com/2016/02/the-importance-of-buy-in.html
12. https://en.wikipedia.org/wiki/The_Assault_on_Truth
13. http://www.spectator.co.uk/2006/05/an-unhappy-birthday-to-sigmund-the-fraud/
14. https://www.psychologytoday.com/blog/fulfillment-any-age/201205/freud-s-not-dead-he-s-just-really-hard-find
15. http://www.ufoevidence.org/topics/publicopinionpolls.htm
16. http://socialgoals.com/new-type-of-organization.html
17. https://en.wikipedia.org/wiki/History_of_Freemasonry#Early_Masonic_sources
18. https://en.wikipedia.org/wiki/Freemasonry#cite_note-UGLEFAQ-1

13.7.3 Political parties are divisive and unnecessary (2016-07-23 18:43)

John Lanchester writes about UK politics:

> Political parties are the mechanism through which divisions in society are argued over and competing interests asserted. The trouble with where we are now is that the configuration of the parties doesn't match the issues which need to be resolved.
> *[1]Brexit Blues*, John Lanchester, 'London Review of Books', dated 28 July

Quite so. Society has become too complex for the old political parties which, I [2]believe, will have to evolve much as the stonemasons did, into organizations that are less concerned with improving material circumstances than with ritual, bonding and inner development. In their place we could see new types of organization: ones with protean structure and composition that are dedicated to single issues.

In a Social Policy Bond regime, these [3]organizations would target social or environmental outcomes. All their activities would be devoted to achieving broad, meaningful outcomes as cost-effectively as possible. Most of us agree that we need a society that both looks after its disadvantaged members and has a healthy, efficient business sector that will generate surpluses to pay for a welfare state. Broad, meaningful goals would encompass (for examples) health, education, the state of the environment, crime, and poverty; at an international level we could target the elimination of all war and civil war.

Of course there will be disagreements about priorities, but there will be more consensus about these goals than there is about the supposed means of achieving them. Political parties are failing. They cannot cope with society's complexities and are unnecessarily divisive. They're unlikely ever voluntarily to relinquish their over-sized role in making policy, but a transition toward a Social Policy Bond regime could see them decline or encourage them to reinvent themselves as something different, much as did the old stonemasons. For my thinking as to how this transition could be managed, see chapter 4 of [4]my book.

1. http://www.lrb.co.uk/v38/n15/john-lanchester/brexit-blues
2. http://socialgoals.blogspot.com/2016/07/from-operative-to-speculative.html
3. http://socialgoals.com/new-type-of-organization.html
4. http://socialgoals.com/links-to-chapters.html

13.7.4 How we select our policymakers (2016-07-24 20:23)

How do we select our policymakers? By what criterion do we judge our potential leaders? No, it's not good looks, or ability to generate soundbites, or 'the common touch', or gender, race, or sexual orientation. Still less does competence have anything to do with it. Politico.com supplies the answer:

> Inside the VP hunt: How Clinton picked Kaine
>
> How tough was the vetting? Finalists had to turn over every password for every social media account for every member of their families.They had to turn over every password for every social media account for every member of their families. They had to list every piece of property they'd ever owned, and copies of every résumé that they'd put out for the past 10 years. Every business partner. Every gift they'd ever received, according to those familiar with the details of the vetting process. *[1]Inside the VP hunt,* Edward-Isaac Dovere and Gabriel Debenedetti, 'Politico.com', 23 July

1. http://www.politico.com/story/2016/07/tim-kaine-vp-ticktock-226069

13.7.5 Policy for the Middle East (2016-07-30 20:12)

Philippe Sands discusses the recently released Chilcot report into the UK's role in the Iraq conflict:

> There's nothing really new, since the material emerged when the hearings took place, but these 169 pages of tightly woven narrative and assessment nonetheless offer a unique insight into the place of legal advice within government: **how law is made to fit around policy, rather than the other way round**. .... [T]he decision to remove Saddam Hussein and wage war in Iraq was taken early, and ... intelligence and law were then fixed to facilitate the desired outcome. *[1]A grand and disastrous deceit,* Philippe Sands, 'London Review of Books', 28 July. (My emphasis.)

The Iraq debacle is a tragic story of how policy is made without regard not only for the law, or the truth, but also for the well-being of people in Iraq. It's a typical conceit of those in power. Here's a problem: Saddam's regime is nasty. And here's our solution: remove Saddam and wage war in Iraq.

I can't offer a better solution. But what I can offer is a way of generating better solutions. The first step is to be clear about our goals. I'd say our over-arching goal should have been to improve the well-being of all the Iraqi people. A second goals would be to remove any threats to non-Iraqis arising from weapons of mass destruction. For each of these two goals we need reliable indicators that we could then target by issuing Social Policy Bonds. A quantifiable indicator of well-being could target for improvement a combination of such measures as the [2]human development index, the numbers of political prisoners, the numbers killed in sectarian violence, numbers of emigrants and refugees, and some measures of media incitement to hatred and violence. Importantly, such Iraq Peace Bonds would not assume that, for instance, Saddam must be removed and his regime dismantled. It would be up to bondholders, motivated by financial incentives, to calculate how best to achieve peace in Iraq. Financial incentives - not emotion - would dictate their decisions.

What about the second goal: the elimination of the threat arising from real or imagined weapons of mass destruction? This goal could have been targeted by a second bond issue, which would reward bondholders for achieving the non-use of such weapons over a sustained period of, say, several decades.

In both bond issues, bondholders would have incentives to generate *diverse, adaptive* approaches to meeting their goals. This means that they would not impose top-down solutions on the basis of how they feel at one point in time, and that they would have a *continued* strong interest in the long-term success of their approaches. I've written about bonds targeting

peace in the Middle East [3]here, and about bonds targeting sustained nuclear peace [4]here.

1. http://www.lrb.co.uk/v38/n15/philippe-sands/a-grand-and-disastrous-deceit
2. https://en.wikipedia.org/wiki/Human_Development_Index
3. http://socialgoals.com/middle-east-peace.html
4. http://socialgoals.com/nuclear-peace.html

13.8 August

13.8.1 Government of the people, by the rich, for the rich (2016-08-03 21:43)

Elizabeth Drew quotes John Tanner, a former US congressman, explaining extremist attitudes in US primary elections:

> If a Republican strays from the far ideological right ... they put themselves in political peril. They know better—some of them—but it's not worth the political fallout to wander into the sensible center and try to sit down and work something out. No one will do what they *all know has to be done to keep the country from going adrift*. (My emphasis.) [1]*American democracy betrayed*, Elizabeth Drew, 'New York Review of Books', dated 18 August

I've always maintained that there is more consensus about our social goals than there is on how to achieve them. Even so, as Mr Tanner indicates, there is also wide agreement over what needs to be done: that is, over activities. And yet the way we conduct our politics makes us incapable even of undertaking those activities. Divisiveness, which in its less virulent form may on balance have served us well over history, has become toxic. In the US particularly, it has become self-entrenching, through cynical manipulation of constituency boundaries, as in this example given by Ms Drew in the same article:

> [A] a tiny peninsula was added at the last minute to a new district in northeast Ohio not because it contained certain residents but because it was the site of a large manufacturing company that could produce campaign contributions.

To put it bluntly, our system has been hijacked by experts who have little interest in the well-being of broader society. The result is becoming clear to us all: a wide and widening gap between government and big business on the one hand, and ordinary people and small business on the other. The political systems, not only of the US, but in all countries, have become too complex for ordinary people to follow. The dangers are becoming apparent: growing cynicism, extremism and nihilism.

To close the gap between people and their supposed representatives, I offer [2]Social Policy Bonds. They aim to inject the market's efficiencies into the achievement of our social and environmental goals. But perhaps even more important, they demand clarity of these goals. Meaningful, explicit goals, which all of us can understand. Goals such as universal literacy, improved health, reduced crime and pollution and, at an international level, peace. With greater comprehension of our politics, we'll see more public engagement, and hence more [3]buy-in: an end in itself, as well as a means towards more efficient ways of solving our social problems. What we have now is a travesty: government of the people, by the rich, for the rich. I don't think it's sustainable. By switching deliberately and slowly towards something like a Social Policy Bond regime we could ensure that, instead of a likely collapse followed by anarchy or tyranny, we'd see politics geared towards the well-being of all society and not, as now, those who are powerful enough to manipulate the system.

1. http://www.nybooks.com/articles/2016/08/18/american-democracy-betrayed/
2. http://socialgoals.com/
3. http://socialgoals.com/buy-in-1.html

13.8.2 Health funding needs to be more impartial (2016-08-07 19:59)

Priorities for healthcare funding are heavily influenced by factors other than the ratio of benefit to cost.

[A] [1]review by Cancer Australia
(pdf) showed that between 2006 and 2011, breast, colon and prostate cancer
all received funding greater than their proportional toll on society —
measured in years of healthy life lost. By the same measure, research into lung cancer, along with lymphoma, pancreatic cancer and cancer of the brain were underfunded. *[2]Lung cancer research underfunded compared to societal impact*, ABC news, 12 August 2015

In this graph, taken from the above link, 'DALYs' on the vertical axis means disability adjusted life years lost to the type of cancer on the horizontal axis. Funding is given in millions of Australian dollars.

Some disparities are striking: "Lung cancer, which takes the heaviest toll on years of healthy life,
received less than a quarter of the funding given to breast and colon
cancer research."

Governments have to make their resource allocation decisions on the basis of data that are necessarily incomplete and constantly changing. So, by default, health expenditure is influenced by groups of medical specialists with little incentive or capacity to see improvements in the general health of the nation as an objective. As a result, funding of these specialities depends to a great and varying extent, on the strength of their lobby groups or on their public profile rather than on what would best meet the needs of society.

The problem is the same sort of top-down, one-size-fits-all, fossilised systems of funding that bedevil other (well-meaning) attempts by government, or any large organisation, to keep track of multiple variables across any but the smallest geographic area. In health, as in education, housing, crime prevention, or environmental pollution we need diverse, adaptive approaches to solving our problems. Society is just too complex now for simple approaches to work effectively, except in those increasingly rare cases were cause and effect can be readily identified and relatively stable over time and space.

The Social Policy Bond principle can be applied to health. Essentially, under a bond regime, government would target for improvement the health of the entire population as measured by (probably) DALYs in combination with other measures. Resources woudl then be allocated impartially according to where they will yield the most benefit per dollar spent. Any target could be long term: if it were several decades bondholders would have an incentive to investigate numerous approaches, including preventive measures, research and education, on a dynamic basis and always with an eye to cost-effectiveness. For more on this, see my brief piece on [3]Health Bonds.

1. http://canceraustralia.gov.au/sites/default/files/publications/cancer-research-australia-overview-funding-initiatives-support-cancer-research-capacity-australia
2. http://www.abc.net.au/news/2015-08-13/lung-cancer-research-underfunded-compared-to-societal-impact/6693228
3. http://socialgoals.com/health.html

13.8.3 Social Policy Bonds: state of play (2016-08-14 21:22)

I don't think any Social Policy Bonds have yet been issued, despite their having been in the public arena for 28 years. That said, more national and local entities are issuing or considering Social Impact Bonds, the non-tradable variant of Social Policy Bonds. This wikipedia [1]page summarises the history and current deployment of SIBs. I'm pleased to say that they are becoming more widespread. Countries in which they have been issued include the UK, Australia, the US, and they are also being considered in Brazil, Israel and New Zealand. Dan Corry of [2]New Philanthropy Capital in London summarises the current (9 August) state of play with SIBs in the UK [3]here, while Patrick Young, in Australia puts out the [4]Daily SIB Newsletter.

I do have reservations about SIBs, which I have expressed [5]here, [6]here, and in several blog posts (search this page for *Social Impact Bonds*). Perhaps necessarily, they are narrow in scope and, in my view, will be prone to manipulation and gaming, especially if they become so commonplace that they escape public scrutiny. Because of their limitations they are also, as I expected, relatively costly to administer, as Alliance 54 [7]reported in July: 'SIBs are gaining traction with 57 models operating, but they have proven complicated and costly to design and implement.' I haven't been consulted about, and have no involvement in, any of these SIB issues. My hope is that SIBs, will advance, rather than discredit, the Social Policy Bond concept.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. http://www.thinknpc.org/
3. http://www.thinknpc.org/blog/where-are-we-at-with-social-impact-bonds/

4. http://socialimpactbondnews.com/
5. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
6. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
7. http://alliance54.com/addimpact/

13.8.4 (2016-08-17 10:14)

Success is indeed good
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13.8.5 Poverty: the need for diverse, adaptive approaches (2016-08-20 20:29)

The *Economist* writes about US President Clinton's 1996 welfare reform package. Under the sub-head *Blockheads*:

> Challenged to reduce the number of people receiving welfare, many states merely shifted people onto disability insurance instead, declared victory and sent the bill to Congress.... How might the reform be reformed? Most vitally, by concentrating attention and resources on those 1.5m families at the very bottom. Since this is the hardest group to reach, the federal government should use its money to encourage states to find new ways to help them. [1]*A patchy record at 20*, the 'Economist', 20 August

Quite so. Clarity about aims is an essential and inescapable first step in implementing a Social Policy Bond regime. Unfortunately, policymakers under the current system can get away - or get rewarded for - with shifting people from 'receiving welfare' to receiving 'disability insurance'.

The article continues:

> A useful model is "Race to the Top", an education initiative from the Obama administration which rewards states that achieve improvements with extra

> money, in the hope that others will copy their success. There are plenty of policies worth experimenting with: expanding tax credits for those without children, extra government help with finding a job and even public make-work schemes. But this must be experimentation with the right purpose—helping the poorest into work rather than simply cutting welfare rolls.

True: the aim is not to cut the number of people on welfare. But I question whether raising the number of poor people in work is exactly what we want to achieve. I would think our over-arching goal is to eradicate poverty over a sustained period. Increasing employment among those currently poor may be one way of doing that, but we should not assume that it is the most efficient way. Nor the most compassionate: it's not difficult to think of people for whom employment would be less helpful than other interventions. For instance, a struggling single parent of several small children could benefit more from, for instance, help with childcare. Society as a whole would benefit more, in the long term, by improving the children's education and healthcare or their physical and social environment, or improving the parent's access to information about how best to nurture children. If parents were compelled to work, the benefits of a higher household income could be outweighed by the negative effects on the children.

As Barbara Ehrenreich put it:

> The "working poor" ... neglect their own children so that the children of others will be cared for; they live in substandard housing so that other homes will be shiny and perfect; they endure privation so that inflation will be low and stock prices high. To be a member of the working poor is to be an anonymous donor, a nameless benefactor, to everyone. *[2]Source*

Social Policy Bonds targeting poverty could encourage the exploration and implementation of whichever approaches would best suit the varied and ever-changing circumstances of a population. Every one of those 1.5 million worst-off families referred to in the first excerpt above will face different challenges. Employment will be a solution for some, but not all. Social Policy Bonds would motivate people to find the diverse, adapative solutions that extreme poverty and many other social and environmental problems require if they are to be solved, rather than merely disguised.

1. http://www.economist.com/news/leaders/21705331-bill-clintons-welfare-reform-1996-got-more-people-work-failed-reduce-deep
2. https://en.wikipedia.org/wiki/Nickel_and_Dimed

13.8.6 Alternative data and metrics for a bond regime (2016-08-22 21:20)

The *Economist* writes about 'alternative data':

> The growth of small, low-cost satellites and machine learning means companies can quickly and cheaply parse millions of satellite images a day. A common trick is to analyse photos of car parks outside big-box retailers such as Walmart to get a sense of daily revenues. A Chicago-based data firm, RS Metrics, sells estimates on the productivity of factories by tracking the number of lorries parked outside. *[1]The watchers*, the 'Economist', 20 August

Mindful of [2]Campbell's Law, I've always thought that each Social Policy Bond issue should target a set of metrics, each of which has to fall within a specified range before the bonds can be redeemed. Also, that, if we target a broad national goal (universal [3]literacy, say) the bond's issuers could stipulate that the bonds would be redeemed on the basis of data from a random sample of people of the country, so as to minimize the risks of manipulation. Alternative data could contribute to robust combinations of metrics for the purposes of a bond regime, especially those covering countries where official data is scarce or unreliable. As the article says: "Investors are particularly keen for firms to study pictures that yield rare data on, say, steel production in China or Russia, where official data can be patchy." It's not difficult to imagine scenarios in which alternative data could play a possibly indispensable role in the monitoring of progress toward [4]environmental goals, or goals such as [5]disaster prevention or [6]conflict reduction.

1. http://www.economist.com/news/business/21705369-alternative-data-firms-are-shedding-new-light-corporate-performance-watchers
2. http://socialgoals.blogspot.com/2012/08/campbells-law.html
3. http://socialgoals.com/women-s-literacy.html
4. http://socialgoals.com/environment.html
5. http://socialgoals.com/disaster-prevention.html
6. http://socialgoals.com/conflict-reduction-.html

13.8.7 Make them tradeable (2016-08-27 20:30)

Quite a bit going on with Social Impact Bonds, as is apparent from their [1]Wikipedia page and the almost daily *[2]Social Impact Bond newsletter*; one recent [3]issue highlighting Japan's interest in the concept. I do have reservations about SIBs, which I have written about [4]here and [5]here, though they do seem to have been inspired by my early work on Social Policy Bonds. One weakness, in my view, is that because they are not tradeable, SIBs are more subject to gaming and manipulation than Social Policy Bonds. This could become a bigger problem if the SIB concept becomes so widely adopted that they avoid public scrutiny. There is a long and sorry history of (presumably) well-intentioned measures, ostensibly taken to boost

efficiency in the public sector, ending up as subsidies to the already wealthy and powerful. See, for instance, this [6]piece about the UK's Private Finance Initiative. This is [7]corporate welfare wearing a thin disguise.

So, given my doubts about SIBs, do I have anything positive to say about them? Yes:

First, is that they aim to reward better performance in the provision of social services. True, their lack of tradeability drastically narrows the range of such services and severely restricts their applicability over space and, especially, time. Still, they do give incentives to service providers to do a better job, given such limitations: something that is more revolutionary than it should be, but nevertheless a definite step forward.

Second, whatever their weaknesses, SIBs might be an improvement in policy areas that are particularly poorly served by existing interventions. Such unglamorous policy areas as, for instance, provision of services to the mentally unwell or to newly-released prisoners to help prevent them from recidivism.

And third, of course, SIBs might serve as a helpful or necessary transitional step toward Social Policy Bonds. SIBs allow the bonds' issuers, whether public- or private-sector a greater degree of control than Social Policy Bonds over *who* shall go about achieving the bonds' objectives and (less directly) *how* they shall do so. Government and other backers of bonds are, understandably, reluctant to relinquish their control over these levers of power. But Social Policy Bonds could be introduced gradually, and government agencies - if they are truly efficient - need not fear their introduction. Exposure to competition from others motivated to achieve society's goals, as targeted by a Social Policy Bond regime, would stimulate the exploration and implementation of diverse, adaptive solutions to national and even global problems. If it takes a decade or two's experimentation with SIBs to get there, it's a worthwhile journey. My hope is that SIBs' weaknesses and the greater scope they give for manipulation do not falsely discredit the Social Policy Bond idea in the eyes of the public.

For more about a transition to a Social Policy Bond regime, see chapter 3 of [8]my book.

1. http://en.wikipedia.org/wiki/Social_impact_bond
2. http://socialimpactbondnews.com/
3. http://socialimpactbondnews.com/august-24-2016/
4. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
5. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
6. http://www.monbiot.com/2011/11/21/the-corporate-welfare-state/
7. http://www.theguardian.com/politics/2015/jul/07/corporate-welfare-a-93bn-handshake
8. http://socialgoals.com/links-to-chapters.html

13.8.8 Social Policy Bonds as a meta-system (2016-08-30 19:39)

I haven't read [1]*The Moral Economy: Why good incentives are no substitute for good citizens*, by Samuel Bowles, but I have read reviews. Mr Bowles points out that, in some circumstances, monetary incentives alone cannot make people behave as we should wish and can even encourage perverse behaviour. This echoes the work of [2]Professor Bruno Frey who found that monetary incentives can undermine our willingness to do the right things for ethical and moral reasons. People perform valuable social or environmental services not only for monetary gain, but also because they enjoy doing them for their own sake, because they believe them to be the morally right things to do, or because they believe that their actions will advance some cause to which they are committed. These 'intrinsic' motives are qualitatively different from external, monetary incentives, and offering monetary rewards might 'crowd out' or undermine these less mercenary and more civic-minded motivations. Crowding out internal motivation can occur, writes Prof Frey, because, monetary incentives can undermine people's feelings of self-determination and self-esteem. Also, when external incentives are supplied, the 'person acting on the basis of his or her intrinsic motivation is deprived of the chance to exhibit this intrinsic motivation to other persons.'

Not mentioned by Frey, but also plausible is that financial incentives can undermine the cognitive outlook that sees socially and environmentally beneficial services as worthwhile in their own right, rather than as a cost for which compensation and payments must be paid by taxpayers.

What do these findings mean for Social Policy Bonds, which at first sight seem to be entirely dependent on monetary incentives that will encourage achievement of socially desirable goals? First, it's important to note that, as Frey points out, the crowding-out effects are not always significant. In markets, which are based on relationships amongst essentially self-interested strangers, financial incentives as exhibited through the price effect do work as classical economics predicts. That is, they work to increase supply. And when (as they would be under a Social Policy Bond regime) external rewards are seen as correlated with civic duty rather than an attempt to 'buy' one's civic performance, they may well support, rather than undermine, moral and other intrinsic motivations. This would be especially true if, partly because of the role that a bond regime [3]could play in raising taxes on less socially valuable forms of wealth accumulation.

Second: Social Policy Bonds are not merely a system by

which monetary incentives are funneled into the most efficient providers of public goods and services, but a 'meta-system' that motivates bondholders to find the best ways of encouraging socially beneficial behaviour - whether these be monetary or not. A bond regime could give bondholders incentives to explore further the insights of Mr Bowles and Prof Frey, looking in detail at the relationships between financial incentives and civic performance. They could use this knowledge to minimise the costs of achieving targeted objectives by, for example, finding out when monetary incentives are least likely to supplant the intrinsic motivations of people who help achieve objectives, and concentrating their use in those circumstances.

Social Policy Bonds, then, are not a relatively crude financial instrument that rewards payment for performance in a narrow sense (that would be Social Impact Bonds), but rather a way of rewarding people for encouraging socially beneficial behaviour, however they do so.

1. https://www.amazon.com/Moral-Economy-Incentives-Substitute-Citizens/dp/0300163800
2. https://www.bsfrey.ch/
3. http://socialgoals.blogspot.com/2013/07/a-better-way-of-becoming-rich.html

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13.9 September

13.9.1 Impediments to a radical transformation (2016-09-03 19:25)

My 27 August [1]post pointed out the advantages of making [2]Social Impact Bonds tradeable. In other words, of issuing Social Policy Bonds rather than SIBs. Why then have Social Policy Bonds, to my knowledge, not yet been issued?

One reason is that Social Policy Bonds work best on a large scale and over long time periods during which resources can most readily find their optimal deployment. I've pointed out the necessarily narrow scope of Social Impact Bonds [3]here and [4]here. Because SIBs cannot be traded, their ownership is restricted to a specified (small) number of service providers with an inescapably short time horizon as compared with the long time usually needed to solve important social and environmental problems. But SIBs' restricted scope acts as reassurance to policymakers in general, and the bonds' issuers in particular: it gives them control over who shall undertake the activities that help achieve the targeted goal. Yes, the bonds do reward more efficient performance, but only for specified service providers.

Social Policy Bonds, in contrast, work best when service providers are subject to [5]creative destruction: the impetus that rewards successful firms and winnows out failures. It's a discipline rarely seen in the provision of social services which, being very often government agencies, are immune from penalty for poor performance (and often, if too successful, will face a reduction in funding, or even dissolution). The time period required for the solution of most

major social problems will necessarily be long; longer in most cases than the planning horizon of existing service providers and probably, in the case of very remote goals ([6]world peace, for instance) longer than most people's life expectancy. The creative destruction that will be a necessary byproduct of efforts to solve these large-scale problems discourages existing service providers, be they government or non-governmental organisations of any type, from advocating for, or themselves issuing Social Policy Bonds. Existing bodies, in this view, are impeding the achievement of some of humanity's most urgent goals, not so much through any active lobbying on their part, but because of an understandable wish not to jeopardise their survival.

It is the interests of existing organisations, public- and private-sector, and their wish either to control who shall achieve social goals or to survive that, I think, are impediments to the radical transformation of humanity's prospects to which Social Policy Bonds could give rise.

1. http://socialgoals.blogspot.com/2016/08/make-them-tradeable.html
2. http://en.wikipedia.org/wiki/Social_impact_bond
3. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
5. https://en.wikipedia.org/wiki/Creative_destruction
6. http://socialgoals.com/world-peace.html

13.9.2 Health: better late than never (2016-09-08 23:18)

The *Economist* looks at the UK's National Health Service

> A better model
> [than the NHS]would be to give health providers a budget based on the population they
> serve, and pay them according to their ability to meet targets of better public health. This would increase the incentives to use new technology that would give patients more responsibility for their own health. If private outfits can do this with a profit margin to spare, good for them. *[1]Bitter Pills*, the 'Economist', dated 10 September

Quite right. The current system is staffed by dedicated, well-intentioned, hard-working people, but its goals, explicit or implicit, have little to do with raising the general health of the population. In this the NHS is like many other social services: it began at a time when (1) relationships between cause and effect were easier to identify and (2) resources and expectations were constrained, so that only the most urgent and obvious challenges could be met. Times have changed. Society is more complex, time lags more important, and expectations are higher.

Targeting broad, general, health outcomes, and injecting market incentives into doing so, would greatly improve society's well being, as the *Economist* (belatedly), suggests. My 2013 [2]essay on applying the Social Policy Bond principle to health goes into more detail.

1. http://www.economist.com/news/leaders/21706513-nhs-terrible-shape-keeping-it-alive-requires-medicine-both-left-and-right-will
2. http://socialgoals.com/health.html

13.9.3 New world disorder (2016-09-15 20:58)

Walter Russel Mead writes about the world we actually live in:

> The problem isn't that the goals of the liberal internationalists are bad goals. They are excellent goals: no war, the spread of democracy and human rights, limits on weapons of mass destruction, strong institutions. The world they dream of is a much better world than the one we have now. And the liberal internationalists are also right that the world can't afford to go on in the old way. Given 21st century technology and the vulnerability of our large urban populations to anything that disrupts the intricate networks on which we all depend, old-fashioned great-power politics with its precarious balance of power shored up by recurring wars is a recipe for utter disaster and, maybe, the annihilation of the human race. But the difficulty that over and over sinks hopeful efforts by liberal internationalists is this: *Liberal internationalist methods won't achieve liberal internationalist goals*. *[1]It's Kim Jong-un's World; We're Just Living In It*, Walter Russell Mead, 'The American interest', 9 September (my emphasis)

It's not an optimistic view, but it's one that I mostly share. A world in which North Korea and other small, poor countries acquire nuclear weapons is not going to be safe for the liberal values under which most of us, mainly in the west, are lucky enough to live. We can see the pessimistic scenarios as a clash of civilizations, or a clash of values, or shifts in geopolitical power, but I choose to see it as a problem of perverse incentives.

To be simplistic, but not wholly inaccurate: for most of the people in politics, more power is an end in itself. Solution of social problems can be a means to that end but, for example, whipping up nationalistic fervour *at the expense* of improving your citizens' well being can work just as well, with Kim Jong-un being today's exemplar par excellence. Our political systems reward the acquisition of power and on the international stage as currently set up is strongly correlated with the acquisition of nuclear weapons.

Social Policy Bonds can drastically re-orientate the operating incentives and reward the proliferation not of nuclear weapons but of what Mr Russell Mead calls liberal internationalist values. I would assign a high priority to ensuring sustained nuclear peace, but we could also strive for 'the spread of democracy and human rights'. Social Policy Bonds with sufficient backing and a long-term focus could give incentives for people to focus on achieving these goals. The current system will always be vulnerable to people like Kim Jong-un (or worse) because it does not encourage people to find ways of stopping those who are psychopathically hungry for power from ascending into influential positions. There's very little upside to seeking to depose Mr Kim. We need to change that. [2]Nuclear Peace Bonds could help to do this. Mr Russell Mead continues his article saying that ' [p]ower, not communiqués, is what makes the world go round.' But money correlates strongly with power. And while it's nice that our cats and dogs have a [3]huge range of foods to choose from, I'd like to think that, given the choice, they'd rather see some of that human ingenuity channelled into making the world safe from nuclear apocalypse.

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The [4]first cross-border Social Impact Bond has been issued. I have no involvement in this project, and I have written about my reservations about SIBs [5]here and [6]here. However, I have always hoped that the bonds would be used on a level higher than the national level, as in my post above. It might be that these first cross-border SIBs are a necessary first step toward internationally-backed [7]tradeable Social Policy Bonds.

1. http://www.the-american-interest.com/2016/09/09/its-kim-jong-uns-world-were-just-living-in-it/
2. http://socialgoals.com/nuclear-peace.html
3. https://socialgoals.blogspot.co.at/2007/03/pseudo-choices-for-dogs.html
4. http://www.globalbankingandfinance.com/first-cross-border-social-impact-bond-helps-dutch-unemployed-find-german-jobs/
5. http://socialgoals.com/why-the-bonds-must-be-tradeable.htmlhttp://socialgoals.com/why-the-bonds-must-be-tradeable.html
6. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.htmlhttp://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
7. http://socialgoals.blogspot.com/2016/08/make-them-tradeable.html

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13.9.4 Industry concentration discredits market forces (2016-09-21 19:21)

The 'Economist' writes about the direction in which our economies appear to be heading: briefly, the concentration of business into fewer big companies:

> The share of GDP generated by America's 100 biggest companies rose from about 33 % in 1994 to 46 % in 2013. The five largest banks account for 45 % of banking assets, up from 25 % in 2000. In the home of the entrepreneur, the number of startups is lower than it has been at any time since the 1970s. More firms are dying than being born. *[1]A giant problem*, the 'Economist', 17 September

The dangers of such concentration extend beyond the 'too big to fail' paradigm that in the past few years has brought about a [2]massive transfer of wealth from the poor and middle class to banks and wealthy investors. It's the [3]usual [4]scenario: government and big business on the one side, ordinary people and small enterprises on the other. I have two objections to increasing industry concentration: first, that it widens the gap between governments and the people they are supposed to represent. This results in a public disengaged from policymaking, which can lead to flawed policymaking or, just as bad, the creation of otherwise good policies that have no [5]buy-in.

My other objection is simply that industry concentration discredits our economic systems in general and markets in particular. The 'Economist' identifies technology and globalisation as two of its causes. But, as the journal points out, some of the consolidation of business represents the triumph of the anti-market approach. Big business is adept at taking advantage of and manipulating trade rules and other important parts of the regulatory environment to stifle competition:

> Regulation inevitably imposes a disproportionate burden on smaller companies because compliance has a high fixed cost. ... The complexity of the American system also serves to penalise small firms. The country's tax code runs to more than 3.4m words. The Dodd-Frank bill was 2,319 pages long. Big organisations can afford to employ experts who can work their way through these mountains of legislation; indeed, Dodd-Frank was quickly dubbed the "Lawyers' and Consultants' Full-Employment act". General Electric has 900 people working in its tax division. *[6]Why giants thrive,* the 'Economist', 17 September

Society needs *some* guidance. Not, heaven forbid, central planning, but some sense of direction over where both market and anti-market forces are taking us. We're now on a path that is taking western countries into a world of entrenched wealth and class differences and widespread, growing alienation. It's not a healthy outlook.

Which is where Social Policy Bonds could enter the picture. A bond regime wouldn't randomly allow influential players to throw their weight around with the government (if we're lucky) coming in to deal with the adverse consequences or (if we're unlucky) being co-opted

to join with big business in stifling competition and extracting funds from taxpayers. In contrast, Social Policy Bonds would reward people who achieve universally wished for social and environmental outcomes. They would do so in ways that inject the market's incentives and efficiencies into the achievement of social goals. The skills and energies of, for instance, those 900 tax experts working for General Electric, would be channelled into socially useful projects. Incentives matter and we need to give big business and its pals in government incentives to work for all citizens, and not just for their own narrow short-term interests.

1. http://www.economist.com/news/leaders/21707210-rise-corporate-colossus-threatens-both-competition-and-legitimacy-business
2. http://thefreethoughtproject.com/barack-obama-successfully-rich-richer/
3. http://socialgoals.blogspot.com/2009/11/good-news-probably.html
4. https://socialgoals.blogspot.co.at/2008/09/government-should-help-people-not.html
5. http://socialgoals.blogspot.com/2016/02/the-importance-of-buy-in.html
6. http://www.economist.com/news/special-report/21707049-power-technology-globalisation-and-regulation-why-giants-thrive

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13.9.5 Polluter Pays Principle: Social Policy Bonds as a meta-system (2016-09-24 20:33)

The Polluter Pays Principle (PPP) says simply that those who pollute the environment must pay for the damage they have caused. The idea originated in the 1970s when members of OECD countries sought a means by which pollution control costs would be financed by the polluters rather than the public in general. Its principal defect is that it does not guarantee efficiency of pollution control and environmental protection.

The PPP assigns environmental rights to those who benefit from environmental improvement, so polluters pay. The Beneficiary Pays Principle (BPP), on the other hand, says that whoever benefits from a cleaner environment should bear the costs of pollution control.

Especially for diffuse sources of pollution, it's not always obvious who should pay: the polluter or the beneficiary. One of the virtues of a Social Policy Bond regime is that it would leave it to holders of [1]Environmental Policy Bonds to decide how to allocate the costs of a cleanup. They would do so not according to the the subjective and possibly divisive criterion of 'fairness', but on the basis of which principle will be more efficient at ensuring the maximum reduction in pollution per dollar spent.

Social Policy Bonds are versatile in that respect; they also scale up. So: assume that we want to target global levels of air pollutants, according to their lethality. A global fund, backed by contributions from governments and possibly non-governmental organization, could be set up to reward bondholders once a targeted reduction in global air pollution levels has been achieved and sustained. No single approach - PPP or BPP or any other - will work best over the entire planet for a period of (say) decades. Instead, a mosaic of approaches, varying with time and space, will maximise the pollution reduction per dollar spent by our global fund. There will be some circumstances, especially when polluters can be clearly identified, where the PPP will work best. But even under very similar circumstances, politics might make that approach unacceptable.

The crucial points are that the Social Policy Bond principle:

1. is versatile enough to encompass both the PPP and the BPP, or any combination; and
2. maximises efficiency, expressed as maximum reduction in pollution per dollar spent.

Social Policy Bonds are, then, a meta-system. They do not dictate how goals shall be achieved, nor who shall achieve them. They do require some source of funding, but raising funds for widely agreed environmental *outcomes* is likely to be less contentious than the current system, whereby contributors and beneficiaries have to be identified in advance of projects that for the most part reward activity rather than success.

1. http://socialgoals.com/epbs.html

13.9.6 Policymaking is incomprehensible to outsiders (2016-09-27 22:39)

Lee Drutman writes:

The organizations that are most likely to be the winners in the modern policymaking process are those that:

• are able to lobby on multiple issues over multiple years;

• can pay the increasingly high price of entry necessary for effective participation; and

• gain from policy complexity, both because it gives them more opportunities to insert narrow provisions with limited public scrutiny and because they are more capable of supplying expertise to overworked staffers.

More and more, the only organizations that are capable of marshaling the resources to do all these effectively are business organizations,—both individual companies and the associations that represent them. [1]*The business of America is lobbying*, Lee Drutman, 2016

I've [2]long [3]railed [4]against [5]the [6]increased [7]complexity of policymaking in western countries. It is now too complicated for ordinary people to follow. So, on the one hand we have government and big business in a mutually enabling relationship, and on the other we have ordinary people and small enterprises. The gap is widening and so we see rising and potentially dangerous levels of alienation and cynicism.

Social Policy Bonds could narrow that gap. Ordinary people understand broad national or global goals, such as better [8]health, a cleaner [9]environment, or [10]world peace. Governments could target these goals by issuing Social Policy Bonds. The current system is arcane, long-winded and incomprehensible to outsiders - presumably by accident rather than design. It's focussed on process and decisions about funding and organizational composition and structure. It rewards activity, rather than outcomes.

Achieving goals such as better health or world peace would in most cases mean that governments relinquish control over those organizations that are currently charged with achieving these goals. Governments, naturally, are not keen to do so willingly, so perhaps the first issuers of Social Policy Bonds will be philanthropists, non-governmental organizations or members of the public: or some coalition of all three, who would put up the funds necessary to redeem the bonds. I discuss the transition to a Social Policy Bond regime here and in chapter 4 of [11]my book.

1. https://www.amazon.com/Business-America-Lobbying-Corporations-Politicized/dp/0190215518
2. https://socialgoals.blogspot.be/2007/01/corruption-is-built-into-opaque.html
3. https://socialgoals.blogspot.be/2007/04/role-of-current-lobbyists-in-social.html
4. https://socialgoals.blogspot.be/2016/08/government-of-people-by-rich-for-rich.html
5. https://socialgoals.blogspot.be/2010/03/problem-with-lobbying.html
6. http://socialgoals.blogspot.com/2011/03/special-interests-benefit-from.html
7. https://socialgoals.blogspot.be/2016/08/government-of-people-by-rich-for-rich.html
8. http://socialgoals.com/health.html
9. http://socialgoals.com/environment.html
10. http://socialgoals.com/world-peace.html
11. http://socialgoals.com/links-to-chapters.html

13.10 October

13.10.1 Limitations of the Payment by Results model (2016-10-04 19:50)

An interesting comment from Mr Toby Lowe on an [1]article extolling the benefits of Payment by Results (PbR):

> [I]n order for PbR to work, 'results'
> must be directly attributable to particular interventions .... In complex systems, results are never attributable to particular
> interventions, and so PbR cannot work. This is not a technical issue
> about measures, it is an inescapable consequence of the way that complex

> systems operate. Toby Lowe, [2]commenting on *[3]The next step in payment by results* by Rodney Schwartz, 28 September

You might think that this - valid - point undermines the Social Policy Bond concept. But I would disagree. PbR as practised today differs from Social Policy Bonds in that the bodies that are paid to perform better are (1) conventionally structured, and (2) generally known in advance.

Both these features multiply the opportunities for gaming and manipulation. Bodies that are paid by results under current regimes are service providers that have a persistent composition and identity, and mainly for that reason are committed to a fairly limited range of activities. The 'results' for which these bodies are paid, though termed 'outcomes' are therefore quite narrow. So a body can, for instance, game the PbR scheme by simply exporting a targeted problem to areas not covered by that scheme. More importantly, the very scope of the 'outcomes' targeted is greatly restricted in time and space by the constraints imposed by the structures and activities of existing organizations. I belive that to tackle broad social problems we need a [4]new type of organization; one of protean structure and composition, so that at each point along the outcome-achieving path it forms a coalition of the bodies that will be most efficient at solving the targeted problem. Social Policy Bonds would bring about such organizations.

What about the difficulty of attributing results to interventions in complex societies? Again, I agree with Mr Lowe. But under a Social Policy Bond regime, there would rarely be a need for direct, deliberate (and manipulable) attribution. Take for example the goal of targeting a nation's health for sustained improvement over, say, thirty years, as measured by a combination of such indicators as longevity, infant mortality and quality adjusted life years. Under a Social Policy Bond regime, such [5]Health Bonds would be valued not by some cash-doling bureaucracy, but by the market for the bonds. Any activities undertaken by holders of the bonds would raise the value of their bonds only if they, *in the market's view*, make the early achievement of society's health goal more likely. Bondholders can undertake, or finance, a vast range of health-improving activities, some of which might benefit from a PbR approach, others of which will not (and might even [6]conflict with one). It will be for motivated bondholders to decide. Such broad outcomes, undertaken by bodies that come and go during the lifetime of the bonds and overseen by a motivated market, cannot be manipulated. The complexity of the interventions and their effects is matched by the complexity of the bondholders', their coalition and the vast range of approaches that they will try in their efforts to achieve the targeted goal. *Direct* attribution of payment to successful interventions is no more necessary in such a long-term, broad project than it is to employees of a hospital.

Most of the PbR schemes that are being talked about involve [7]Social Impact Bonds (also known as Payment for Success bonds), which are non-tradeable versions of [8]Social Policy Bonds. I have discussed the limitations of such bonds, and my ambivalence toward them, [9]here and [10]here and in many posts in this blog: [11]here and [12]here, for

examples, or search this blog for *Social Impact Bonds*. Long ago I did a post on [13]New Public Management, which is also relevant.

1. http://www.thirdsector.co.uk/rodney-schwartz-next-step-payment-results/finance/article/1410562
2. http://disq.us/p/1ce6kd0
3. http://www.thirdsector.co.uk/rodney-schwartz-next-step-payment-results/finance/article/1410562
4. http://socialgoals.com/new-type-of-organization.html
5. http://socialgoals.com/health.html
6. https://socialgoals.blogspot.co.uk/2009/04/incentives-need-not-be-monetary.html
7. http://en.wikipedia.org/wiki/Social_impact_bond
8. http://socialgoals.com/
9. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
10. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
11. http://socialgoals.blogspot.com/2016/08/make-them-tradeable.html
12. http://socialgoals.blogspot.com/2016/09/impediments-to-radical-transformation.html
13. https://socialgoals.blogspot.be/2005/09/new-public-management.html

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13.10.2 Why I voted for Brexit (2016-10-09 21:35)

Some colleagues and friends were surprised by my voting for Britain to leave the European Union. I have tried to explain my reasons to them but, invariably, disappointingly, revealingly, they choose to ignore my arguments. It's not lack of interest in the topic: it's that they just *know* they're right. I agree with them that the European project began as a noble, well-intentioned and extremely successful way of anchoring democracy and helping keep the peace in Europe. I also value its helping to free trade within Europe and its promoting democracy in eastern Europe. Where we differ is that they think the EU retains its noble character and continues to be a force for good. I disagree and these are my reasons why.

First, as I wrote [1]here and [2]here: the persistence of the Common Agricultural Policy, in the face of four decades of its environmental [3]depredations, its raising of food prices for European families (by [4]around 17 %), and its subsidies to the extremely wealthy:

> Greenpeace analysed the top recipients of CAP subsidies in the UK for the first time. Some 16 of the top 100 are owned or controlled by individuals or families who feature on the 2016 [UK's] *Sunday Times* rich list, receiving a total of £10.6m last year in "single payment scheme" subsidies alone, and £13.4m in total farm subsidies.... *[5]The Queen, aristocrats and Saudi prince among recipients of EU farm subsidies*, the 'Guardian', 29 September

Worse than all this is the CAP's crippling of trade opportunities for Africa, with the tragic results that we are seeing in the Mediterranean. Some would say that the EU's refugee crisis is largely self-inflicted. Bad karma.

Now the EU, again led by France, wants to do to Latin America what it did to Africa:

> But
> 13 European countries, led by France, want to scupper the talks [about a trade pact] because
> their farmers are scared of Mercosur [a trading bloc whose core countries are Brazil, Argentina, Paraguay and Uruguay], the world's most competitive producer of grains and meat. They forced the EU to withdraw, at the last minute, proposed tariffs cuts on beef. A trade pact between the blocks would make shopping cheaper for 750m consumers. *[6]Mercosur's missed boat* , the 'Economist', 14 May

This is no small matter: the Common Agricultural Policy, still swallows up 40 percent of the EU budget. The EU has had 40 years to solve the CAP problem, but it has failed. The persistence of the CAP, in the face of all the evidence of its destructive insanity shows very clearly that the EU is systemically incapable of reforming itself.

The EU's Common Fisheries Policy is another [7]disaster, also with grave environmental implications.

> The EU, meaning Brussels bureaucrats, knows the CFP is crazy. Top European Commission officials say the current quota system is indefensible. The problem is that certain key national governments, eg, France, Italy, Greece, Malta, Poland (it is a long list), are adamantly opposed to any reforms that would lead to wholesale restructuring and consolidation of fishing fleets. *[8]Britain and the EU*, Bagehot's notebook, 13 January 2011

Again, the real problem is not simply that the CFP is deranged, corrupt and environmentally disastrous. It is that, even knowing this and having known it for decades, the decision-makers at the EU won't reform it. Worst of all we, the common people, cannot even identify who's making these decisions; still less boot them out of office.

Nor are the Eurocrats addressing the problems caused by a common currency - including high unemployment in southern Europe - or immigration.

I regard these two statements as axiomatic:

- Big government is remote government, and
- People in power always overplay their hand. No exceptions.

The EU has morphed into an unaccountable, anti-democratic, opaque, self-interested, coercive body. Its structure and activities are creating precisely those most poisonous forms of nationalism that it was supposed to eradicate. The consequences of this threaten to negate all the undoubted good that European integration has brought about.

Divorce is always painful but sometimes it's necessary. Relationships, however glorious their beginning, frequently turn sour or abusive. Brexit might just be the shock that stimulates the EU to reform itself. I hope that happens, but I wouldn't bet on it.

1. http://socialgoals.blogspot.com/2016/06/The-CAP-is-destroying-the-EU.html
2. https://socialgoals.blogspot.be/2015/04/immigration-to-europe.html
3. http://www.monbiot.com/2016/06/21/leave-well-alone/
4. https://iea.org.uk/blog/abolish-the-cap-let-food-prices-tumble
5. https://www.theguardian.com/environment/2016/sep/29/the-queen-aristocrats-and-saudi-prince-among-recipients-of-eu-farm-subsidies
6. http://www.economist.com/news/americas/21698715-can-new-attempt-strike-deal-europe-revive-moribund-trading-block-mercosurs-missed
7. http://www.greenpeace.org.uk/oceans/fishing-laws-need-fixing
8. http://www.economist.com/blogs/bagehot/2011/01/britain_and_eu

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13.10.3 Make democracy work: target outcomes directly (2016-10-14 19:26)

George Monbiot [1]writes about the weaknesses of democracy. He ends on a vague note but does ask: 'What if democracy doesn't work? What if it never has and never will?' To which I would reply with another question: 'how do we know if it's working?'

I think there are two elements to an answer. One: democracy is working when people have [2]buy-in to the way society runs. Two: it's working when things are generally getting better for ordinary people. The two go hand-in-hand. Buy-in is important, because unanimity over virtually anything in any large society is impossible and if we have been consulted we

are more likely to go along with what wider society decides, even if it's not what we would choose.

We do occasionally consult ordinary people over certain decisions. But - and this is where the other essential element comes in - these decisions are rarely expressed in terms of outcomes. Instead we are asked questions such as: which political party do you want to form the government? Whom do you want to be President?

Prospective politicians say what they hope to achieve; we vote for them on the basis of what they say and on factors such as their looks, delivery, public image, or their experience in or out of office. These attributes might tell us something about candidates' intentions but they tell us very little about the impact they will actually have on the things that matter to us.

Which is why I think policy should focus on broad, meaningful outcomes. Things like better health, a cleaner environment or, at a global level, world peace. We know something about how to achieve the first two of those examples: essentially, throw more money at them. But neither we nor any politician has a clue about how to achieve them *with maximum efficiency*. And world peace? We are completely clueless on that one.

[3]Social Policy Bonds could be the answer. Instead of wasting time with political parties, public images, or simplistic and inescapably inadequate (at best) ideologies, we could instead move toward a policymaking system that targets outcomes directly. A bond regime would do that, and would inject the market's incentives and efficiencies into the every process needed to achieve our social and environmental goals. Because the bonds would be [4]tradable, we could target goals that will require many approaches and that are inevitably going to take many years to achieve - such as, yes, [5]world peace. Bondholders (or the people they contract) would have incentives to explore numerous approaches, to boost the successful ones and - something that seldom happens in the public sector nowadays - terminate the failures.

Our current policymaking systems fail because they don't engage the wider public. Buy-in is a lost cause. Political processes are arcane, legalistic, complex and time-consuming. The only people who follow it closely are those who have a strong financial interest in doing so; mainly big corporations, lobbyists and think-tanks. Social Policy Bonds could both widen public participation and achieve society's goals more efficiently. Then we'd know that democracy is working.

1. http://www.monbiot.com/2016/10/06/what-we-are/
2. http://socialgoals.blogspot.com/2016/02/the-importance-of-buy-in.html
3. http://socialgoals.com/

4. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
5. http://socialgoals.com/world-peace.html

13.10.4 How not to address climate change (2016-10-17 22:50)

How not to address climate change:

Government Subsidies to Fossil Fuels are 22 Times Larger than Government Support to Adaptation on Climate Change

That's the header to [1]article by Laura Merrill, put online on 2 June by the [2]Global Subsidies Initiative. And [3]here's my suggestion.

1. http://www.iisd.org/gsi/news/government-subsidies-fossil-fuels-are-22-times-larger-government-support-adaptation-climate
2. http://www.iisd.org/gsi/
3. http://socialgoals.com/climate-change.html

13.10.5 The EU: killing its citizens and destroying rainforests (2016-10-19 18:58)

Craig Sams writes, in a letter to the *New Scientist*:

> ... In 1993 my company Whole Earth Foods launched a trans-fat-free spread, branded Superspread. Other manufacturers objected to our advertising: the Advertising Standards Authority banned it, effectively killing our product. We presented the ASA with the medical evidence, which was abundant 23 years ago. They accepted its validity but said we violated their code because we were "appealing to fear" by suggesting trans fats could damage your heart health. When Denmark banned trans fats the food industry replaced them with coconut and palm fats, and the EU was faced with a rapeseed oil glut, as that was the oil that was mostly hydrogenated. So the Renewable Transport Fuels Obligation required rapeseed oil to be blended with diesel. That requirement overshot. So we are now deforesting Indonesia to grow palm oil to make up the quota for vegetable oil in diesel. If there is anything to be learned from this tragic fiasco that continues to cost tens of thousands of lives annually and blights many more with ill health, it is that agricultural policy should never trump health policy. [1]*The tragic fiasco of trans fats*, letter to the 'New Scientist', 16 October

In short, the European Union couldn't care less about the health of its subjects, and helps destroy Indonesian rainforests. It keeps on doing it. And there are *no mechanisms in place* either to stop the insanity, nor to make the decision makers accountable, nor even to identify the decision makers, still less to get rid of them. That's why I [2]voted for Brexit, and hope that this whole tragic experiment, which began so nobly, gets [3]dragged behind the barn and killed with an ax.

1. https://www.newscientist.com/letter/mg23230951-000-6-the-tragic-fiasco-of-trans-fats/
2. http://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html
3. http://socialgoals.blogspot.com/2008/02/farm-subsidies-continued.html

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13.10.6 World Peace: the quick and efficient way (2016-10-25 23:33)

Keith Ward writes:

> There is any number of ways in which the Darwinian process of slow, gradual, cumulative adaptation could fail. This is not an argument for God. But it shows that reliance on the predictability of nature, and on its tendency to produce increasingly complex and adapted organic life-forms, is dependent on a very specific adjustment of physical laws that is itself hugely improbable. *[1]Why there almost certainly is a God: doubting Dawkins*, Keith Ward, April 2009

Mr Ward is well aware that evolution - even if the human species
represents its crowning achievement - depends on very
specific circumstances. We don't know (though we might believe) that there was a plan. Nor do we know whether the evolutionary path will continue to produce more complex life-forms.

There's a similarity here with the downward trend in violence that Stephen Pinker has [2]identified: Professor Pinker tells us that over human history most forms of violence have steadily and steeply declined, and that we live in one of the most peaceful ages in history. This seems right to me looking, as Pinker does, at relative, rather than absolute levels of violence in human society.

Just as with the evolution of life-forms, we cannot know whether this decline was inevitable, nor whether it will continue. What we *can* be sure of is that both trends have been have been extremely inefficient. Millions of species have no doubt been created and become extinct as complex life-forms developed. It's been a slow and wasteful process, if we are to take today's ecosystem as an end point. Similarly, and even more tragically, countless millions of human beings have been killed or maimed in deadly conflicts in our history - and it's still happening.

And we have no reason to assume that either our history as a species or as social animals will continue to play out favourably. Professor Pinker is writing descriptively rather than prescriptively and he does not say the trend will continue. Some would argue (see [3]here, scroll down to "...Taleb's major complaints...") that the *risk* of catastrophic violence has risen, even as the actual level of physical violence has fallen.

What's all this got to do with Social Policy Bonds? Simple: whether or not initial circumstances are God-given, I think we could use the bonds consciously and deliberately to guide our progress toward a world of peace, and to speed it up.

Instead of relying on centuries of history, during which numberless millions of innocent people's lives have been destroyed, to bring about the tentative and incomplete peace that most of us enjoy today, my suggestion is that we issue [4]World Peace Bonds. These bonds would be redeemable for a fixed sum only when a targeted array of indicators of peace had been achieved and sustained for a long period. They would reward people who do what they can to end violence. Backed by a combination of governments, non-governmental organizations, philanthropists and ordinary people, they would encourage a vast number of peace-generating approaches. Some would inevitably fail; the way the market for the bonds would work means that these efforts would be terminated and resources diverted into more promising initiatives.

The effect of World Peace Bonds would be to give incentives to accelerate and guide our progress toward a less violent world more efficiently than has happened so far: a protracted, haphazard and bloody path that has, true, given us a less violent world, but also one that has left us fearful of self-induced catastrophe. We can do better than that. By acknowledging that not all approaches are going to work, and supplying incentives for those that do, we can guide and accelerate evolutionary processes to bring about, quickly and efficiently, what is surely our most urgent goal: world peace

1. https://www.amazon.com/Why-There-Almost-Certainly-God/dp/0745953301
2. https://www.amazon.com/Better-Angels-Our-Nature-Violence/dp/0143122010
3. http://brickandrope.blogspot.co.uk/2013/05/the-better-angels-of-our-nature-steven.html
4. http://socialgoals.com/world-peace.html

13.11 November

13.11.1 Consensus and politics (2016-11-05 23:55)

Maria Bustillos introduces the concept of dismediation:

> Dismediation is looking to make you never really trust or believe a news story, ever again. Not on Fox, and not on NPR. It's not that we can't agree on what the facts are. It's that we cannot agree on what *counts as fact*. The machinery of discourse is bricked. That's why we can't think together, talk together, or vote together. ...

> The peculiar mendacity of [George W Bush's] catastrophic presidency left us with worse problems than a bunch of lies to put straight and reflect on. There's a broken trust to restore—to the extent that it's possible to replace toxic cynicism with healthy skepticism—in media and in government. *[1]When truth falls apart*, Maria Bustillos, 3 November

And, as this prolonged US Presidential election campaign reaches its end, she asks "How do we restore consensus in an age so divorced from fact?"

Here's my suggestion: we vote on social and environmental goals, rather than the supposed means of achieving them: namely, politicians or political parties. Personality is not a sound basis for choosing who shall make policy. Neither, we know now, are campaign sound-bites or media commentary. Currently though, we have little else to go on. We choose policymakers rather than policies; and we choose them on the basis of their image at worst, or their stated policy priorities or ideological leanings at best. Rarely are we given the chance to target desirable outcomes.

In theory, our current approach is practical: social, economic and environmental policy-making is complex and time-consuming. Ms Bustillos quotes Edward Bernays writing in 1928:

> [E]very citizen makes up his mind on public questions and matters of private conduct. In practice, if all men had to study for themselves the abstruse economic, political and ethical data involved in every question, they would find it impossible to come to a conclusion about anything… *Propaganda*

But if we don't have the skills or energy to evaluate policy ourselves, and if we can't rely on the media any more, what can we do to bring about some consensus and repair what looks increasingly like a dysfunctional policymaking system?

I suggest outcome-based policy. Instead of voting for people or parties, we'd all participate in choosing and prioritising social goals. Social Policy Bonds lend themselves to a gradual transition to this sort of policymaking: by focusing on outcomes to be targeted they would be more transparent than the current policymaking process. A bond regime would generate more consensus - and, just as important - [2]buy-in, about our chosen goals. A transition to a Social Policy Bond regime would be quite easy to arrange, with funding to existing activity-based bodies (mostly government agencies) being reduced gradually, at the same time as funds for Social Policy Bond redemption rise.

Choosing policymakers is fraught with problems, not the least of which is the raucous and destructive *dialogue des sourds* flooding out of our news media. It's time to target outcomes, issue Social Policy Bonds, and let motivated public- and private-sector bondholders work towards achieving society's goals.

1. https://theawl.com/when-truth-falls-apart-b4667d39575b#.as8168erz
2. http://socialgoals.blogspot.com/2016/02/the-importance-of-buy-in.html

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13.11.2 Bootlickers, yes men, liars (2016-11-09 20:52)

There are many ways we can interpret the US Presidential election result. I prefer to see it as the victory of ordinary people over the people who are supposed to look after their

well-being. In domestic politics, just as in the international [1]aid [2]industry, a whole class of intermediaries, supposedly devoted to improving the condition of the ordinary man and woman, has grown and expanded so much that its interests have now diverged from the

very people they are supposed to represent. Mr Trump speaks for these people. Whether he will improve their lot remains to be seen, but it would difficult to do a worse job than the current motley coalition of politicians, bureaucrats, academics and media persons.

Two statements I take as axiomatic:

- Every institution, whether church, government body, trade union, university, charity or whatever, however well meaning it began, however well meaning and hard working the people it employs will, sooner rather than later, have as its over-arching goal that of self-perpetuation.
- Everybody - *everybody* - in a position of power, will always overplay their hand.

The US establishment - the political parties, the bureaucrats, the media, the countless lobbyists, academics and government bodies - are no better and no worse than innumerable other spinners of dreams, bootlickers, yes men, liars, whose corruption and degeneracy have let ordinary people down. Hence [3]Brexit - and hence President Trump.

1. https://www.amazon.co.uk/Lords-Poverty-Graham-Handcock/dp/0871134691
2. http://dambisamoyo.com/publications-articles-videos/books/dead-aid/
3. http://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html

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13.11.3 Ideologues and vested interests impede good policymaking (2016-11-18 00:17)

A letter-writer reacts to the suggestion by the *Economist* that poor American consumers gain more from cheap imports than they would if imports were restricted and America produced the same goods:

> Being able to buy a Chinese-made 50-inch TV when you work by flipping hamburgers for the minimum wage may be more efficient than working in a factory on wages where you can only afford the 30-inch American-made model. But Donald Trump's voters weighed up factors that many economists and your newspaper often downplay: the marginal utility of consumer goods in a rich society, the distribution of wealth and a sense of self-worth. The medium through which they channelled their anxiety may be flawed, but their message is clear. *[1]Trump's triumph,* Prof Diomidis Spinellis, the 'Economist' dated 19 November

Exactly so; countries as a whole [2]benefit from free trade in that the benefits to the economy more than offset the losses, even if the losers - those whose jobs become obsolete - are fully compensated. The problem is that most of the gains are going to the wealthy, and *the losers aren't being compensated*.

One of the great advantages of the Social Policy Bond approach is clarity about ends and means. Free trade isn't an end in itself: it's a means to an end: the improved well-being of society. A bond regime targeting poverty or income levels would ensure adequate compensation to the losers from free trade (which could take the form of subsidies to struggling companies or laid-off individuals, or enhanced re-training opportunities). Or it could restrict trade, perhaps temporarily, if that were to better meet society's long-term income goal. Such measures would be heresy to the free trade ideologues, but in a bond regime it is outcomes that matter, not ideology.

We see similarly non-outcome driven approaches in other policy areas, where ideology or vested interests get in the way of rational, welfare-enhancing policies. Healthcare in the US is one example, where the interests of insurance companies and blind resistance to anything that could be called 'socialist' do so much to blight the security of even middle-class Americans.

1. http://www.economist.com/news/letters/21710231-letters-editor
2. https://en.wikipedia.org/wiki/Comparative_advantage

13.11.4 Policy for the post-truth era (2016-11-27 19:57)

US President Barack Obama talks about the new media system which:

> ...means everything is true and nothing is true. ...An explanation of climate change from a Nobel Prize-winning physicist looks exactly the same on your Facebook page as the denial of climate change by somebody on the Koch brothers' payroll. .... Ideally, in a democracy, everybody would agree that climate change is the consequence of man-made behavior, because that's what 99 per cent of scientists tell us. And then we would have a debate about how to fix it. That's how, in the seventies, eighties, and nineties, you had Republicans supporting the Clean Air Act and you had a market-based fix for acid rain rather than a command-and-control approach. So you'd argue about means, but there was a baseline of facts that we could all work off of. And now we just don't have that. *[1]It happened here*, David Remnick, 'New Yorker' dated 28 November

Science isn’t a consensual process though, so even if the majority of scientists agree

on one thing, whether it’s anthropogenic climate change, or acid rain, or whatever, that should carry no more weight than the collective wisdom of experts in other fields, such as [2]economists or [3]opinion pollsters. There is a genuine problem here: how should we make policy when the relationship between cause and effect in our ever more complex societies is impossible to identify? It’s not simply a question of following the opinions of existing bodies often backed by vested interests - nor of reflexively ignoring them: they might after all be right as well as self interested. Nor should we simply identify a problem then mindlessly dole out funds to the organizations whose stated objective is to solve it, but whose over-arching objective - in common, [4]I think, with all organizations - is self-perpetuation.

We should instead recognize that resolving complex social and environmental problems, cannot wait for our receiving [5]perfect information about causal relationships, and nor should we delay making decisions until such information becomes available - it might never happen. Take climate change: it’s likely that, by the time we know the effects of man’s greenhouse gas emissions on the climate, it will be too late to do anything to avoid or reverse their catastrophic effects on the environment. The current way of addressing the problem seems inadequate: extravagant gestures that *might* lead to some reductions in emissions that we *think* contribute to climate change, which *might* lead to some tiny, almost imperceptible (but unverifiable) effect on the climate some decades hence.

I think we can do better than this. We could use the Social Policy Bond idea, first to identify exactly what we want to achieve; and second to channel the market’s incentives and efficiencies into achieving it. With climate change, we need to [6]clarify whether we are more concerned about climate change, or about the impacts of climate change on human, animal and plant life. In other words, we define the outcome that we wish to achieve, then let the market decide how best to go about achieving it. Most social and environmental goals will embody an array of conditions that have to be satisfied for the goal to have been deemed met and the Social Policy Bonds redeemed. Our climate change goal should embody measures of physical, biological, social and financial variables that shall have to fall within a targeted range for a sustained period before the redemption of [7]Climate Stability Bonds.

And as with climate change so with other major challenges.The important point is that the Social Policy Bond principle works *even when the facts about what causes climate change, say, or [8]crime, or [9]war, are disputed.* As such, Social Policy Bonds are the perfect policy instrument for today’s [10]post-truth politics.

Update 5 December: a version of this post for newcomers to the Social Policy Bond idea is available [11]here

1. http://www.newyorker.com/magazine/2016/11/28/obama-reckons-with-a-trump-presidency
2. http://www.telegraph.co.uk/comment/personal-view/3623669/How-364-economists-got-it-totally-wrong.html
3. http://www.bloomberg.com/politics/articles/2016-11-09/failed-polls-in-2016-call-into-question-a-professio n-s-precepts
4. https://socialgoals.blogspot.com/2016/11/bootlickers-yes-men-liars.html
5. https://en.wikipedia.org/wiki/Perfect_information
6. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
7. http://socialgoals.com/climate-change.html
8. http://socialgoals.com/crime-.html
9. http://socialgoals.com/conflict-reduction-.html
10. https://en.oxforddictionaries.com/definition/post-truth
11. http://socialgoals.com/short-article,-1100-words.html

13.12 December

13.12.1 Fossilised science is no basis for policy (2016-12-07 20:19)

How do we weight different environmental impacts? Take diesel, lauded at one stage as a way of cutting back greenhouse gas emissions, but known to have lethal effects through emissions of particulates and other pollutants:

> Volkswagen's rigging of emissions tests for diesel cars comes after nearly 20 years of the technology being incentivised in Europe in the knowledge that its adoption would reduce global warming emissions but lead to thousands of extra deaths from increased levels of toxic gases. *[1]The rise of diesel in Europe,* John Vidal, 'The Guardian', 22 September 2015

Or, take organic food. An organic field will certainly host more wildlife and biodiversity, and decrease or eliminate air and water pollutants. But the same field will most probably yield less than conventional farming. More land would then have to be devoted to supply the same volume of food. And it's likely [2]too that organic food production results in higher greenhouse gas emissions than conventional farming. There are also questions about whether GM crops (foods genetically
modified by modern techniques) are better for the environment because
they could, for example, require less fertiliser, less land, less water
and be more tolerant of salt.

What should policymakers do here? The difficulties of weighing environmental impacts are compounded by our imperfect, but ever-growing knowledge of, say, the effects of pollutants, and more and more research into how to reduce emissions from transport or

agriculture. Fossilised science is no basis for sound policy, and getting it wrong, as did those who incentivised European diesel engines, can have disastrous effects.

This is where the Social Policy Bond idea could help. Instead of trying to work out whether, say, less petrol and more diesel is a good idea, or whether organic agriculture is better than conventional, we could instead target social and environmental *outcomes,* and let a motivated coalition of interested decide how best to achieve them.

How would this work? We first need clarity over what we are trying to achieve. Mostly, we'll be concerned about impacts on plant, animal and human health. Focusing just on human health, we would have broad, national, targets for an array of indicators, such as longevity, infant mortality, quality adjusted life years and others. These would be determined by government, articulating as it does society's goals. But the ways of achieving these goals, and who would achieve them, would be the function of a market in Health Bonds. It would be up to holders of these bonds to decide, on a continuing basis and in response to all new scientific knowledge, what will be the most efficient ways of achieving these goals. The most efficient ways will be those that maximise returns to the bondholders but also to *society as a whole*. Bondholders' interests will be exactly congruent with those of society, and they will remain so until the bonds are redeemed - which could be decades hence.

Health Bonds would make it unnecessary for decision makers to try to anticipate new scientific knowledge, or to make decisions on trade-offs that can be, and have been, disastrous. They would stimulate the exploration and implementation of diverse, adaptive ways of improving the nation's health. It's unfortunate that we have very few people or institutions devoted to the healh of an entire country. We have instead organizations like Ministries of Agriculture, Transport, the Environment, and plenty of organizations advocating for solutions to specific health problems: cancer, heart disease, respiratory diseases, and so on. These organizations undoubtedly do good work and are staffed by well meaning, hard working individuals. But they cannot, in good conscience, make the trade-offs between, say carbon dioxide emissions and lung problems in ways that maximise the total health of an entire population. Sadly, that necessary policy perspective falls outside their remit and could even threaten their income and status.

For more about Health Bonds see [3]here. For more about Social Policy Bonds, see [4]here.

1. https://www.theguardian.com/environment/2015/sep/22/the-rise-diesel-in-europe-impact-on-health-pollution
2. https://www.newscientist.com/article/mg23231022-900-stop-buying-organic-food-if-you-really-want-to-save-the-planet/
3. http://socialgoals.com/health.html
4. http://socialgoals.com/

13.12.2 Target environmental ends, not means (2016-12-14 00:03)

The current *Economist* [1]looks at the the environmental cost of solar electricity generation and in particular at work done on quantifying the very big efficiency improvements in the production of solar cells since 1975. It appears that, over the lifetime of solar panels made today, there will be very significant cuts in emissions over those that would result from the consumption of fossil fuels in generating the same quantity of electricity. This is interesting but it doesn't actually tell us a great deal about the net environmental impact of substituting solar panels for fossil fuels. As one commenter puts it:

> If you're going to measure the "clean" of solar power, why would you neglect the production of all of the minerals that are used in the process? These minerals include arsenic, bauxite, boron, cadmium, coal, copper, gallium, indium, iron ore, molybdenum, lead, phosphate, selenium, silica, tellurium, and titanium dioxide. Some of these minerals are difficult to source and mine, and almost always create a large degree of environmental damage in their wake. *[2]Source*

There are also the environmental costs of providing backup (for when the sun isn't shining) in the form of batteries, or other storage, and the costs of disposing of the panels after their lifetime. As the *Economist* article says, "The consequence of all this number-crunching is not as clear-cut as environmentalists might hope."

This underlines what I have said in my [3]previous post when it comes to making policy: rather than try government try to identify all the environmental implications of any policy with inescapably limited knowledge at fixed point in time, we should rather be identifying the outcomes we want to see and rewarding their achievement, *however that is done*. This would be more practical than attempting to conduct entire [4]life-cycle analyses over all possible policy choices - which, even if it were possible, would be instantly made obsolete by new technology and our expanding scientific knowledge. It would also cohere more closely with goals that can be clearly articulated and that are meaningful to ordinary people: those that specify desirable levels of plant, animal and human health.

For more on applying the Social Policy Bond concept to the environment see [5]here.

1. http://www.economist.com/news/science-and-technology/21711301-new-paper-may-have-answer-how-clean-solar-power
2. http://www.economist.com/comment/3325418#comment-3325418
3. http://socialgoals.blogspot.com/2016/12/fossilised-science-is-no-basis-for.html
4. https://en.wikipedia.org/wiki/Life-cycle_assessment
5. http:///

13.12.3 Working for a living (2016-12-30 23:47)

> *It doesn't matter whether the cat is black or white, as long as it catches mice.* [1]Deng Xioping

I'm not sure I fully understand the recent article entitled *[2]Shared stakes, distributed investment: Socially engaged art and the financialization of social impact* by Emily Rosamund, but it did make me think about the apparent disdain that some have for worthwhile activities when they are undertaken mainly for financial gain. Social Policy Bonds have been in the public arena for something like 28 years now and their non-tradeable variant, [3]Social Impact Bonds, are now being issued in about 15 countries. In my experience, it's been the ideologues on the left that are most opposed to the concept.

Often implicit, sometimes explicit, is their feeling, or argument, that Social Policy Bonds are a means by which investors make money out by doing what they should be doing anyway. It is true that some wealthy bondholders could become even more wealthy by first buying Social Policy Bonds, then doing something to achieve the outcome that they target, then selling their bonds for a higher price. This some call "profiting from others' misery" and it offends their sensibilities.

But it can also be called "working for a living while doing something socially useful". In the long run it's quite probably that only a few people or organizations will amass huge fortunes under a bond regime, even if they do successfully achieve society's goals and profit from their bondholding. The way the market for Social Policy Bonds works would mean that excess profits could be bid away by competitive would-be investors. The market for the bonds would openly transmit a huge amount of information, that will indicate the constantly varying estimated costs of moving towards a targeted goal (see chapter 5 of [4]my book for a full explanation). Barriers to entry into helping with target achievement could be low, especially if most bonds are held by investment companies who would contract out the many diverse approaches necessary to achieve most social and environmental goals.

The absolute sums of money at stake might be huge, particularly for Social Policy Bonds that target apparently remote, national or global goals, but there's no particular reason to assume that, *in the long run,* it would be shared out any less equitably than, say, teachers' salaries. Teachers? Yes, and nurses, doctors and social workers, all of whom perform socially valuable services for which nobody, even on the left, begrudges payment.

1. https://en.wikiquote.org/wiki/Deng_Xiaoping
2. http://financeandsociety.ed.ac.uk/article/view/1725/2239
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. http://www.socialgoals.com/links-to-chapters.html

2017

14.1 January

14.1.1 How to become a nuclear optimist (2017-01-05 19:24)

Bruce Schneier [1]discusses Steven Pinker's optimism that trends that have brought about a less violent world will continue. Schneier doesn't share this optimism, thinking that 'the damage attackers can cause becomes greater as technology becomes more powerful', and that this trend will overtake Pinker's. it's an interesting discussion.

What do I think? I can't see any reason to doubt Schneier's belief, which is predicated on what 'the most extreme person with the most extreme technology' will be able to do, if trends continue. *But* I think that, understanding this, we can do something to influence the speed and direction in which 'technology' takes us. It's not only the compactness and falling cost of massive destructive power that threaten us; it's their proliferation. These need not be taken as a given: all can be influenced by the incentives on offer.

Unfortunately, the incentives currently on offer reward people for finding ever cheaper, more concentrated destructive power, *and for selling it*. The results, which we see now, fully justify Schneier's pessimism. So I think the time has come to offer countervailing incentives: in other words, to reward the sustained non-use of weapons of mass destruction.

Issuing a sufficiently large number of very high-value Nuclear Peace Bonds would, in my opinion, go a long way toward avoiding nuclear catastrophe. Assume that we issue bonds that become redeemable for, say, $10m each only when a period of thirty years of non-use of a nuclear weapon has been achieved. While that long-term goal seems remote, the bond issue would have an immediate effect on current investment programmes. Incentives would cascade down from the expected redemption value of a large bond holding, to finance an array of approaches aimed at reaching our goal. People or organizations would benefit by doing what they can to reduce the possibility of a fatal nuclear detonation: it would be up to them to decide the most effective ways of doing that. Such ways could entail bribing politicians or 'religious' leaders to tone down their rhetoric, the investigation into technical ways of detecting

nuclear materials, giving nuclear scientists now working for belligerent regimes one-way, first class air tickets to the tropical resort of their choice, or any of a vast array of other possible initiatives. The important point is that we don't have to know in advance which will be the most efficient ways of achieving our nuclear peace goal. That will be up to bondholders to decide, continuously, as our political, scientific and psychological environments evolve.

I fully accept that even the most dangerous demagogues in human affairs are unlikely themselves to be amenable to financial incentives. But their capacity to unleash destruction can be realized only by dealing with others - who will be. Social Policy Bonds can re-jig the incentives, giving a more credible voice to the vast majority of humanity who don't want to see nuclear catastrophe.

For a short piece on Nuclear Peace Bonds see [2]here *. For a longer article about Conflict Reduction see* [3]here *. For a 5800-word essay about how we can use the Social Policy Bond principle to bring about World Peace see* [4]here *.*

1. https://www.schneier.com/blog/archives/2017/01/are_we_becoming.html
2. http://www.socialgoals.com/nuclear-peace.html
3. http://www.socialgoals.com/conflict-reduction-.html
4. http://www.socialgoals.com/world-peace.html

14.1.2 Target health, not surrogate indicators (2017-01-08 18:20)

Surrogate indicators in medicine are measures that might be correlated with physical health. An example would be cholesterol levels, which can be correlated with heart disease. There are general problems with such indicators: correlation does not imply causation; the correlation anyway may be weak; or the measure might indicate a specific medical concern but not the overall health of an individual. In recent years ([1]here and [2]here, for instance) I've inveighed against the medical establishment's use of surrogate indicators for policy purposes, claiming that most medical professionals have neither the incentive nor capacity to look at the broad health of a nation and to target that for improvement.

It's been a lonely road, so I was much cheered to hear [3]this *British Medical Journal* podcast, with Professor Emeritus of Surgery, Michael Baum, arguing on exactly the same lines as I do in my work on applying the Social Policy Bond concept to health. There is a link to the BMJ article on which the podcast is based [4]here. My paper on Health Bonds, and links to some of my other blog posts on the subject can be found [5]here.

1. http://socialgoals.blogspot.com/2010/08/surrogate-markers-in-medicine-and.html
2. http://socialgoals.blogspot.com/2015/07/targeting-surrogate-indicators.html
3. http://www.bmj.com/content/355/bmj.i6286

4. http://www.bmj.com/content/355/bmj.i6286
5. http://www.socialgoals.com/health.html

14.1.3 Outcomes versus Justice (2017-01-16 20:03)

Sometimes we have to put aside notions of justice and fairness in order to achieve our goals:

> Richmond to me is a story of pragmatism ... This idea that we're going to step away from a purely ideological, moralistic approach to try new things and see what works.
> Barry Krisberg, criminologist at the University of California in Berkeley,
>
> quoted in [1]*A radical approach to gun crime: paying people not to kill each other*, by Jason Motlagh, 'The Guardian', 9 June 2016

This (long) article discusses a programme in Richmond, California that entails paying people not to kill each other. Such payments amount to "a pittance compared with what Richmond
police department must pay for overtime, or what the city pays for the
cost of a criminal trial, or medevac helicopter rides to take shooting
victims to hospitals." There *are* moral or ethical principles that might be being violated here, but that shouldn't be a bar to pragmatic solutions. It's not difficult to think of problems whose solution might mean that, for instance, killers aren't brought before a court of law, but instead are, essentially, bribed to give up (or decommission) their weapons. Real-world examples include the recent peace deal in [2]Colombia, and deals made with men of violence in [3]Northern Ireland and [4]South Africa. In such cases, despite their crystallising injustice, the benefits to society as a whole far outweigh the costs.

They are not pure expressions of the Social Policy Bond ideal, but they do embody payment-for-outcomes, which is an essential element of that ideal. How would Social Policy Bonds differ? They would allow us to take a longer-term, broader, approach. A bond issue targeting gun deaths in Richmond, California, for instance, could target the reduction of gun deaths by 50 percent over a sustained period; say twenty years. Payments to potential killers *might* be one way of achieving that goal, but holders of those bonds would make such payments *only when they are convinced that they are the most efficient way* of achieving their goal - a goal which is exactly congruent with that of society. Still: it's a start.

1. https://www.theguardian.com/us-news/2016/jun/09/richmond-california-ons-gun-crime
2. http://www.bbc.com/news/world-latin-america-38096179
3. http://www.bbc.co.uk/history/events/good_friday_agreement
4. https://en.wikipedia.org/wiki/Truth_and_Reconciliation_Commission_(South_Africa)

14.1.4 Land use and mental well-being (2017-01-18 20:22)

Society's long-term goals often conflict with the short-term, narrow, outlook of our political systems. As well, many of the most valuable things in life are often ignored by our economic and political systems, because they cannot readily be converted into monetary terms. Some contributors to air pollution, for instance, are still disregarded in most countries. The consequences to plant and animal life of loss of habitat are usually ignored too.

But I'll look today at mental health, and specifically the negative impact on it of certain forms of planning and land use. Society's mental health goals are difficult to quantify, but I think we can be reasonably sure that our recent patterns of development of the built environment and land use increase alienation, loneliness, anxiety and depression. A brief extract from a recent article on land use in the US:

> [W]alkable communities and co-housing — sound exotic to American ears. Thanks to shifting baselines,
> most Americans only know single-family dwellings and auto-dependent
> [ie car-dependent] land use. They cannot even articulate what they are missing and often
> misidentify the solution as more or different private consumption. But I do not think we should just accept that when we marry and start
> families, we atomize, and our friendships, like our taste in music,
> freeze where they were when we were young and single. We shouldn't just accept a way of living that makes interactions with neighbors and
> friends a burden that requires special planning.
>
> *[1]How our housing choices make adult friendships more difficult*, David Roberts, 'Vox', 16 January

My own belief is that the evidence that US-style suburban patterns of settlement are injurious to mental health is compelling, though perhaps not proven nor provable. But my opinion isn't important. What is important are these points:

- Few of us have any incentive to find out whether in fact our land use patterns do create or exacerbate psychological problems for large numbers of people, and
- Even were we to find that suburban living does destroy communities, lead to alienation and atomisation, and so aggravate psychological problems, policymakers have no incentive or capacity to do anything about it.

Acute mental health problems - the sort whose consequences are tragically newsworthy -

do get some passing attention. But long-term mental well-being counts for very little in our economic and political systems. Just as policymakers failed to consider most aspects of our physical environment for decades until the consequences of doing so became too difficult to ignore, so too are mental problems and their causes neglected today. And, as the excerpt above implies, if we don't even know what we're missing, there's very little chance of either the market or benign central planners doing anything to help.

Perhaps Social Policy Bonds targeting for improvement the mental well-being of all citizens could be a solution. They could function as a way of representing the interests of people as human beings, as distinct from economic units. Such bonds, in targeting mental health indicators, could act as a countervailing force to the weight given to financial indicators in the property sector. Quantifying mental health might appear difficult, but there is important work being done in this area: examples are [2]here and [3]here.

Mental health is a hugely important issue, but there are others equally important that are similarly ignored by policymakers. There *are* measures being taken to help avoid nuclear war, for instance, but they are laughably small in relation to the enormity of the problem. The few people charged with conflict reduction - hard working and well meaning though they undoubtedly are - are not paid for their success in doing so, nor do the aggregate funds on offer reflect the urgency and magnitude of the challenge. Which is why I believe we should back Social Policy Bonds that reward the achievement of sustained [4]nuclear peace - an indispensable requirement for humanity and one that is routinely ignored by policymakers. Just like long-term mental health.

1. http://www.vox.com/2015/10/28/9622920/housing-adult-friendship
2. http://www.healthscotland.com/scotlands-health/population/mental-health-indicators.aspx
3. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2805147/
4. http://www.socialgoals.com/nuclear-peace.html

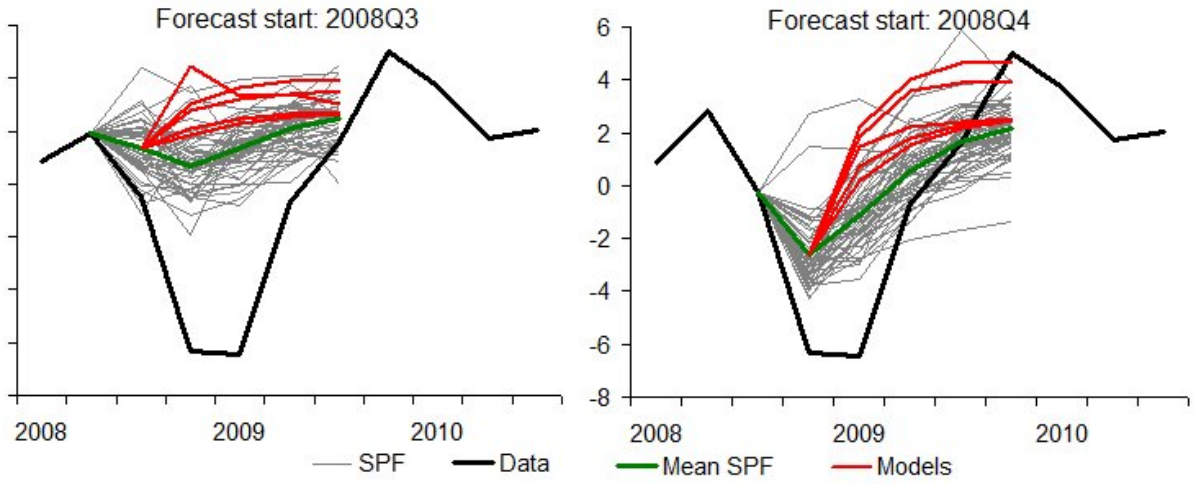
14.1.5 What are economists for? (2017-01-22 00:58)

Markets are means, not ends

Though much of my working life was intended to promote free trade, I question most economists' adherence to it. On the grounds of freedom, I fully agree that governments have no business interfering with willing buyers' importing goods and services from willing sellers. With some caveats, concerning risks to plant, animal and human health, and labour and environmental standards, I do think people should be free to trade with one another. The other argument in favour of free trade is slightly more subtle, but no less persuasive: it's underpinned by the principle of [1]comparative advantage. Essentially, it shows that international specialisation of labour can benefit all trading countries. There are, again, caveats, but generally the theory holds. My concerns are that, yes, a country, say, the US, will benefit from

trade with China, but who *within the US* captures most of the benefits? Consumers, including many poorer consumers, do benefit from cheaper imported goods. But do those gains from cheaper goods outweigh the income lost from jobs now done overseas? Are most of the gains from free trade going to the owners of capital, rather than low-income labour? Comparative advantage says that even after compensating the losers countries benefit from free trade. The problem is that most of the losers are not being fully compensated.

There's what appears to be a similarly misplaced ideological commitment to something called 'markets' in such policy areas as health and education where these are mostly run by government. Much intellectual effort has gone into trying to implant in the public sector those disciplines that characterise the creative destruction of the private sector. This is the sort of work in which my profession seems to revel. (Along, incidentally, with making false predictions: here's how successful they were in predicting the Great Recession: "As you can see, even in the third quarter of 2008, the best models we have missed the big recession entirely.")



Source: [2]*Economists' biggest failure*, Noah Smith, 'Bloomberg', 5 March 2015

I don't know whether such efforts have been successful; I'm not sure anybody does. They have certainly been divisive and morale sapping, and have expanded bureaucracy, and led to such wasteful distractions as [3]Mickey [4]Mouse [5]micro-[6]objectives and 'teaching to the test'.

This is where Social Policy Bonds could enter the picture. Instead of seeing 'free trade' and 'markets' as ends in themselves, why not see them as means to an end, and so *why not target those ends directly*? All the empirical evidence backs up economic theory that markets are the best means we have of allocating society's scarce resources. The definition of economics I was taught is the allocation of scarce resources *in order to meet prescribed ends.*

Most countries don't bother with broad social or environmental goals. By default, therefore, the implicit goal becomes something like Gross Domestic Product per head, or its growth rate. Occasionally a social or environmental problem becomes so acute - and visual - that it becomes impossible to ignore, so resources are devoted to solving it. But we can do better than that. Instead of seeing free trade or markets as ends in themselves, we can yoke them to a higher purpose, as defined by society and its government. That would probably mean helping those severely disadvantaged, including those who suffer from the freeing up of international trade.

So I think society should define certain ends and use markets to achieve them. This has to be at a broad level, because resources can readily move between sectors. Under a Social Policy Bond regime, government would do what it is best at: articulating society's goals, whether they concern health, education, or extreme poverty; and raising the funds necessary to achieve them. And markets would do what they are best at: allocating our scarce resources in order to achieve our social goals with optimum efficiency.

1. https://en.wikipedia.org/wiki/Comparative_advantage
2. https://www.bloomberg.com/view/articles/2015-03-05/economics-can-t-predict-the-big-things-like-recessions
3. http://socialgoals.blogspot.com/2015/09/five-year-survival-rates-another-mickey.html
4. http://socialgoals.blogspot.com/2012/05/mickey-mouse-micro-targets-are.html
5. http://socialgoals.blogspot.com/2012/01/new-zealand-opts-for-mickey-mouse-micro.html
6. http://socialgoals.blogspot.com/2006/12/meaningless-mickey-mouse-micro-targets.html

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14.2 February

14.2.1 Sacrifice on the altar of 'renewable energy' (2017-02-07 19:26)

From the current issue of *[1]New Scientist*:

> Last week, air pollution in London soared to heights not seen since 2011. The usual suspects were named and shamed, including traffic fumes and a lack of wind. But joining them was a surprising culprit. "We think about half of the peak was from wood smoke," says Timothy Baker, part of a team at King's College London that monitors air pollution. The trendy log-burning stoves producing much of this pollution are marketed as a source of renewable energy that can cut fuel bills while helping reduce global warming. But recent findings suggest they pose a serious threat to the health of their owners, and are also accelerating climate change in the short term. If nothing is done to discourage log burning in homes, it could become the biggest source of air pollution in cities like London. .... Children are especially vulnerable .... *[2]Where theres's smoke,* Michael LePage, 'New Scientist', 4 February

This is just one example showing how our governing institutions cannot deal with broad, long-term social and environmental problems. We have in mind something that sounds like an unarguable benefit: 'renewable energy', say, and target it, explicitly or implicitly. But we fail to take into account the broader, longer-term ramifications. There's no clarity about the distinction between means and ends. Something like 'renewability' - which is anyway a function of our ever-expanding scientific knowledge - is not an end in itself. At best, it's a means to certain ends, which are rarely specified, or specified in such vague terms ('sustainability') as to be subject to bureaucratic or corporate manipulation. The bigger picture is lost: in this instance, the health of vulnerable people and children is sacrificed on the altar of 'renewability'.

It's not good enough. We need to be reward the achievement of goals that are meaningful to ordinary people. 'Physical health' would be a good starting point. Defined in terms of objective criteria, such as longevity or [3]Quality-Adjusted Life Years, a benign and far-sighted government could target the health of its citizens for improvement, and contract out the achievement of such a goal to bodies motivated to, and capable of, keeping up with relevant scientific advances. Our existing institutions and systems of government cannot do this, but Social Policy Bonds targeting health could. I have written about such bonds [4]here. As society grows more complex and the linkages and time lags more intricate, so the scope for problems such as the increased air pollution described above or self-interested deception expands. We need a system that keeps the big picture in mind, and that starts with articulating what, as a society, we want to achieve. Our existing institutions, hard working and well intentioned as they doubtless are, have little incentive to advocate for goals broader than their remit. That worked in times and circumstances when the relationship between cause and effect was easy to identify and address. In today's society, that no longer applies. [5]New organizations with an interest in seeing the big picture are necessary, and a Social Policy Bond regime would see their creation.

1. https://www.newscientist.com/
2. http://www.sciencedirect.com/science/article/pii/S0262407917302208
3. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
4. http://www.socialgoals.com/health.html
5. http://www.socialgoals.com/new-type-of-organization.html

14.2.2 Consensus and buy-in (2017-02-08 21:01)

From the current issue of the *Economist*:

> Millennials are accustomed to tailoring their world to their preferences, customising the music they listen to and the news they consume. A system that demands they vote for an all-or-nothing bundle of election promises looks uninviting by comparison. *[1]Not turning out*, 'Economist', 4 February

And not only millennials. There's palpable disillusion, cynicism and despair about where our political systems are taking us. There's consensus that they are not working, but little consensus about how to change them. In such circumstances, we appear to be drifting toward authoritarianism.

My suggestion? Instead of taking as our starting point the political party and its membership, let's focus on the social and environmental outcomes that we'd like to see. There's certainly more consensus over the in which direction we'd like to see broad outcomes move than there is about the supposed means of effecting that movement. I would say there's near total agreement amongst the global electorate that, for example, nuclear war is something we don't want. And while we do have organizations at every level trying to defuse conflict, they do not have the command of resources nor the expertise to look at the global interest over a period of decades. And unlike the 'defence' contractors or the ideological fanatics, neither do their rewards correlate with their success or otherwise in achieving their organizations' objectives. More fundamentally, because we take our current policymaking system as a given, the wishes of the vast majority of human beings have to be channelled through our over-worked, or entirely self-interested, or corrupt politicians and bureaucracies. Few people can afford to spend their time and expertise in working full-time to ensure nuclear peace. When the issue does exercise the public imagination, it invariably becomes a forum for energy-sapping, ideologically-based squabbling about partisanship and motives.

A Social Policy Bond regime targeting sustained nuclear peace would transcend party political differences. It would generate a motivated [2]coalition of interests devoted to

achieving that goal - which would be exactly society's goal, as laid down in the redemption terms of the bond. That coalition would be of diverse, changing composition and structure, but its goal of nuclear peace would not be subject to the whims and caprices of faddish ideology or party politics.

The same would apply to less lofty goals: there would be little debate about, for instance, the direction in which we'd want to see a nation's health go. We could debate definitions, targets and priorities but, unlike our current arcane policymaking system, these debates would be relatively easy to follow, so we should have greater public participation and hence greater public [3]buy-in - an asset of crucial importance and one that's almost absent from today's politics.

For more about applying the Social Policy Bond concept to nuclear peace, see [4]here. For health, see [5]here. If you would like to consider supporting my work through patreon, please click [6]here.

1. http://www.economist.com/news/international/21716023-democracies-are-risk-if-young-people-continue-shun-ballot-box-millennials-across
2. http://www.socialgoals.com/new-type-of-organization.html
3. http://www.socialgoals.com/buy-in-1.html
4. http://www.socialgoals.com/nuclear-peace.html
5. http://www.socialgoals.com/health.html
6. https://www.patreon.com/RonnieHoresh

14.2.3 New overview paper (2017-02-18 00:25)

I've written a new long overview paper on [1]Social Policy Bonds. It's about 6000 words.

1. http://www.socialgoals.com/long-paper,-6000-words.html

14.2.4 Dealing with the unknown (2017-02-20 20:22)

> Speaking ahead of an address to the Munich Security Conference, [Bill Gates,] the [1]richest man in the world
> said that while governments are concerned with the proliferation of
> nuclear and chemical weapons, they are overlooking the threat of
> biological warfare. [2]*Bioterrorism could kill more people than nuclear war, Bill Gates to warn world leaders*, 'The Telegraph', 17 February

One of the strengths of the Social Policy Bond principle is that we do not need to specify in

advance the exact nature of the problem we want to solve. Many potential problems could arise from our denser, more linked, populations and higher technology. These are difficult even for a well-resourced government, or indeed any single big organisation, to anticipate, let alone do much to forestall. Hurricanes, tsunamis or pandemics are only a subset of a range of and disasters that threaten mankind. Others include the risks arising from new biological advances or scientific experiments that concentrate energy, or natural disasters such as asteroid impacts or volcanic super-eruptions. These threats are in addition to the 'known unknowns' of more widely understood catastrophes. Social Policy Bonds are versatile: depending on society's wishes, and the views of the bonds' backers, bonds could target any type of disaster that, say results in the deaths of 10 000 people within one week or its occurrence, however caused and in whatever
part of the world.

Holders of such [3]Disaster Prevention Bonds, would be able to redeem them only after a sustained period of, say, ten years, during which no such disaster has occurred. They would have incentives to anticipate potential disasters and to work to prevent them and mitigate their effects on human life. Today's disaster prevention policies are mostly carried out by bodies anticipating 'known' types of disaster, and mitigation strategies are often merely reactive. As well, few have the types of incentives that Disaster Prevention Bonds would put in place, that would reward the sustained *absence* of a disaster.

1. http://www.telegraph.co.uk/finance/economics/11445375/Bill-Gates-named-worlds-richest-person-for-16th-time.html
2. http://www.telegraph.co.uk/news/2017/02/17/biological-terrorism-could-kill-people-nuclear-attacks-bill/
3. http://www.socialgoals.com/disaster-prevention.html

14.3 March

14.3.1 How we decide (2017-03-02 20:33)

How we decide whom we shall vote for: Andrew Tyndall, a media analyst based in the US, monitors American broadcast news media at his website the [1]Tyndall Report. He found that the overwhelming majority of the time spent by the US media in coverage of the run-up to last November's presidential election was spent on coverage of (1) the candidates and (2) polling.What about policy issues?

> With just two weeks to go, issues coverage this year has been virtually non-existent. Of the 32 minutes total, terrorism (17 mins) and foreign policy (7 mins) towards the Middle East (Israel-ISIS-Syria-Iraq) have attracted some attention. Gay rights, immigration and policing have been mentioned in passing.
> No trade, no healthcare, no climate change, no drugs, no poverty, no

> guns, no infrastructure, no deficits. To the extent that these issues have been mentioned, it has been on the candidates' terms, not on the networks' initiative. [2]Andrew Tyndall, 25 October 2016

From my viewpoint, it doesn't really matter whether we, the public, are more interested in personalities and opinion polls than issues, or whether the almost total absence of policy discussion reflects the preferences of the mainstream media. The important point is that we do not, as a society, debate the outcomes we want to see. Policymaking in all the democracies, not just the US, has become so obscurantist as to become inaccessible to all except those who are paid to follow it. All that's left for the rest of us is to discuss the personality flaws of the candidates, and how people react to them. It's not an edifying spectacle, nor is it one that makes for social cohesion. Powerful interests, with much at stake and resources to match, follow policymaking and influence it in their favour. We have, then, on the one hand government and big business (which these days includes much of academia) and on the other, ordinary people and small businesses. The gap between the two is already wide, and appears to be growing wider.

Social Policy Bonds could change that. They are focused entirely on the social and environmental outcomes we wish to see. 'We' meaning *all* society; not just policy wonks, ideologues and public- and private-sector interest groups. Social outcomes, under a bond regime, would be agreed and targeted for improvement. There's more consensus over such outcomes and the direction in which we want to move, than there is about the supposed ways of achieving them, or who we think will be better at achieving them - even when outcomes are actually under discussion which, as we see, is very seldom. And there's certainly more comprehension about what outcomes are than about the arcana that are such a feature of our current policymaking process. Of course, even under a bond regime, there would be disagreements about the priorities people would give to different goals but, importantly, even those whose strong opinions would be over-ridden, would have been consulted. More generally, with greater public participation in the policymaking process, there would be more [3]buy-in - an essential feature that is largely absent from today's politics.

"How we decide" today is a risible process; one that is divisive and distracting. As a result "what we decide" is far removed from the concerns of ordinary people. Social Policy Bonds targeting broad, meaningful goals, would be a big improvement.

1. http://tyndallreport.com/about/
2. http://tyndallreport.com/comment/20/5778/
3. http://socialgoals.com/buy-in-1.html

14.3.2 Fossil fuel subsidies (2017-03-12 19:31)

Two brief excerpts from the International Energy Agency's publication, World Energy Outlook 2016, highlight what happens when there's no guiding strategic vision for our planet's future:

> The value of fossil-fuel consumption subsidies dropped in 2015 to $325 billion, from almost $500 billion the previous year. ... Subsidies to renewables are around $150 billion today. *[1]World Energy Outlook 2016,* Executive Summary; link to pdf [2]here

The drop owes something to what the publication calls a ’subsidy reform process’ but also to lower fossil-fuel prices. As well as these billions, there are, of course, subsidies for the exploration, development and production of fossil fuels. These are difficult to assess because of the “lack of transparency in
government and company accounts, and limited information on off-budget
subsidies to producers" [3]source. It’s easy to see how these subsidies arose, and why they persist. What is more difficult to discern is how our policymaking systems can do anything to address them. Large corporations have immense political power, partly funded by the very subsidies whose withdrawal they can effectively resist. The multitude of smaller interests, those of ordinary people and the environment, have little weight in our policymaking system.

There’s nothing new in such an analysis, but what I can offer is a means by which we can aggregate and represent the interests of the vast majority of human beings - now and in the future - who don’t benefit from energy subsidies and who suffer from the environmental depredations they cause. We could issue Social Policy Bonds that target for improvement the health of humans, plants and animals. Backed by national governments, the bonds would channel the market’s incentives and efficiencies into improving the environmental well-being of the entire planet. Large corporations could still make money doing what they do now, but they’d find it less profitable. They might instead re-focus their resources into more environmentally beneficial areas. The way the bonds work means that bondholders would pick the lowest-hanging fruit first. In other words, they would maximise the environmental improvement per dollar spent.

But perhaps most important of all, Social Policy Bonds would clarify what we, as a species, wish to see. The current arrangement, the one that subordinates mankind and the planet to the narrow, short-term interests of large corporations, came about without consulting the rest of us. It thrives because the policymaking process is opaque to ordinary people, concentrating as it does on legalisms, institutional structures and, as we see with energy subsidies, obscure funding arrangements. A Social Policy Bond regime would change that. Because the bonds’ starting point would be social and environmental outcomes, the public could participate in the policymaking process. So, if we wanted to donate billions of our taxes to large energy corporations we could still do so under a bond regime. I doubt that we’d choose to do that, but if we did we’d be doing so with our eyes open.

For more about environmental applications of the Social Policy Bond principle see [4]here .

1. http://www.worldenergyoutlook.org/resources/energysubsidies/
2. http://www.iea.org/publications/freepublications/
3. http://www.iisd.org/gsi/sites/default/files/ffs_rens_impacts.pdf
4. http://socialgoals.com/environment.html

14.3.3 Social Policy Bonds: the acceptable face of capitalism (2017-03-18 23:43)

Social Policy Bonds have many advantages over conventional policymaking. Mostly, they would be more efficient, as investors would have incentives to achieve society's social and environmental goals quickly and cost-effectively. Clarity and transparency of policy goals are further advantages, arising from the bonds' focus on, and explicit targeting of outcomes rather than the supposed means of achieving them. The question of which goals should be targeted is one that most governments evade or obscure, leaving a vague goal, most commonly 'economic growth', expressed as GDP per capita, to fill the vacuum. For much of history, that goal would have been strongly correlated with the improved well-being of a country's population. Nowadays, though, that correlation appears to be broken, with most of the gains in national wealth and income accruing to a minuscule number of people dubbed 'the elite'. In the US, for instance, the most recent data show that top 1 % families captured 52 % of total real income growth per family from 2009-2015 ([1]source, pdf).

Under a Social Policy Bond regime, we could ask whether society sees such inequality as a problem to be targeted directly or, rather, whether our main income goal is the alleviation of poverty. Even if inequality were seen as a problem in itself, it might not be necessary to target it for reduction. This is because Social Policy Bonds would be a means of acquiring wealth with which private gain is strongly correlated with public benefit. Many bondholders would be rich and, if their bonds were redeemed early, they would become richer. But this would be a socially acceptable way of acquiring wealth. Bondholders would become richer only by efficiently and quickly achieving society's targeted social goals. This means of accumulating wealth would allow other, less socially beneficial ways – inheritance, say - to be taxed more heavily. It might even transpire that investors would find achieving society's social goals will be easier than the sort of ethically questionable ways of acquiring wealth that constitute the ever more [2]unacceptable face of capitalism. Social Policy Bonds: a new means of acquiring wealth that actually leads to a more cohesive society? Call them 'the acceptable face of capitalism'.

1. https://eml.berkeley.edu/~saez/saez-UStopincomes-2015.pdf
2. http://www.conservativehome.com/thetorydiary/2016/07/the-return-of-the-unacceptable-face-of-capitalism.html

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14.3.4 The corruption of science (2017-03-28 17:45)

John Michael Greer writes:

> Especially but not only in those branches of science concerned with medicine, pharmacology, and nutrition, the prostitution of the scientific process by business interests has become an open scandal. When a scientist gets behind a podium and makes a statement about the safety or efficacy of a drug, a medical treatment, or what have you, the first question asked by an ever-increasing number of people outside the scientific community these days is "Who's paying him?" .... These days, in any field where science comes into contact with serious
> money, scientific studies are increasingly just another dimension of
> marketing. *[1]Dark Age America*, John Michael Greer, 2016

It *is* a scandal, and it's no wonder that we are increasingly cynical about scientists' pronouncements on climate change, diet, or virtually anything else. Science, like politics, has become removed from the concerns of the people it's supposed to serve. The gap between on the one hand government and big business, and on the other ordinary people, grows ever wider. Without deliberate action that's unlikely to change, as many of the reason for the gap are self-reinforcing: more funding means more can be spent on advertising, and lobbying for still more funding and a more favourable - to corporate interests - regulatory environment. Ordinary people don't come into it. The result? Skepticism, cynicism, alienation, and [2]despair. Not all the reasons for the gap can be ascribed to self-interest or malevolence, but it remains an urgent concern.

My suggestion is that we start to express policy goals in terms of outcomes that are meaningful to ordinary people. Broad, long-term goals such as the improved health of a country's citizens, should guide the activities of all the agents, public- and private-sector that have anything to do with health: not only big pharma, but also the medical profession, agribusiness, retailers, schools, town planners, architects and so on. We cannot solve our health problems simply by spending more on organisations whose sole (stated) interests have to do with health. And just as health is not just a matter for drug companies alone, so crime is not just a matter for the police and the corrections industry. And so on.

Which is why I suggest we issue Social Policy Bonds that would not only target broad, long-term social goals, but also inject the market's incentives and efficiencies into their achievement. Social and environmental goals are more easily understood and more meaningful than the narrow, short-term goals of the bodies that are supposed to be achieving them but end up, as we see in science, spending much of their energy trying to justify their survival and expansion. With more comprehensible, explicit, policy goals, more people would engage with the policymaking process. Our views might be debated and over-ruled, but we'd have a

greater understanding of the inevitable trade-offs that resource allocation entails. Importantly too, we'd have [3]buy-in to policies that are not only currently remote from us, but also someitmes conflict with our interests. Most important of all, the goals of a Social Policy Bond regime would be understood by, and linked to, the concerns of all of us. It's a sad indictment that we cannot say that of our current system.

1. https://www.newsociety.com/Books/D/Dark-Age-America
2. https://www.theatlantic.com/business/archive/2017/03/economic-despair/520473/
3. http://socialgoals.com/buy-in-1.html

14.4 April

14.4.1 The European Union: just like every other organisation (2017-04-06 19:45)

From Nigel Farage's recent speech to the European Union Parliament:

> Eighty-five percent of the global economy is outside the EU. if you wish to have no deal [with the UK] it is not us that will be hurt. ... A return to tariffs will risk the jobs of hundreds of thousands of people living in the EU. What you are saying is that you want to put the interests of the European Union above that of your citizens and your companies. [1]Nigel Farage, 5 April

Earlier in the same speech Mr Farage also pointed out that in 1973 the UK voted to stay in the European *Economic* Community; not a political union. The speech neatly illustrates two principles which I deem axiomatic:

- Every organisation, be it a church, trade union, university, government or whatever, will always seek to overplay its hand.
- Every organisation will, sooner or later, forget its founding ideals and its stated objectives, and devote its energies to [2]self-perpetuation.

In the private sector there is, or should be, the discipline of the market and competition, though we increasingly see larger companies winning out over small businesses not through fair compeition but via manipulation or subversion of the market.

Social Policy Bonds would lead to a[3] new type of organisation: one whose goals would

exactly coincide with those of society. That's one feature that would differentiate them from all other organisations in history. The other is that the goals of the organisation would either themselves be, or be inextricably linked to, society's well-being. Every activity of a coalition of holders of Social Policy Bonds would be undertaken with exactly one objective in mind: to maximise the efficiency with which society's targeted social or environmental goal is achieved. The activities, structure and composition of the organisation would be entirely subordinated to that one objective.

The difference between a Social Policy Bond regime, and any other current policymaking system, is stark. Under a bond regime governments would do what they do best (democratic governments anyway): that is, articulate society's goals and raise the revenue for their achievement. Then they'd, in effect, contract out the achievement of these goals to new organisations whose interests are exactly those of society. Their focus, and their striving for efficiency, are built into the Social Policy Bond mechanism. All society would benefit.

My reasons for voting for Brexit are given [4]*here*. For more on Social Policy Bonds see the overview papers linked to *[5]here.*

1. http://www.ukipdaily.com/watch-nigel-farage-tells-eu-behaving-like-gangsters/
2. http://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
3. http://socialgoals.com/new-type-of-organization.html
4. http://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html
5. http://socialgoals.com/

14.4.2 What are governments for? (2017-04-15 19:18)

George Monbiot quotes from Kate Raworth's *[1]Doughnut Economics*, saying that:

> [E]conomics in the 20th Century "lost
> the desire to articulate its goals." It aspired to be a science of human behaviour: a science based on a deeply flawed portrait of humanity. The dominant model – "rational economic man", self-interested, isolated, calculating – says more about the nature of economists than it does about other humans. The loss of an explicit objective allowed the discipline to be captured by a proxy goal: endless growth. *[2]Circle of life,* George Monbiot, 13 April

I've inveighed for [3]years against the *de facto* goal of governments everywhere which, in the absence of clear, explicit goals, has become economic growth, expressed as the rate of

increase of Gross Domestic Product, or GDP per capita. The grievous effects of this mistargeting on income and wealth [4]distribution, the environment, and much else, are now becoming apparent. More recently, I've asked [5]What are economists for? Governments as well as economists have lost their way. As Raworth says, they do not think in terms of explicit goals that are meaningful to ordinary people. They are pre-occupied with process and complexity:

> The Dodd-Frank bill, like Obamacare, is tyranny by complexity.
> Consider the Glass-Steagall Act, at 37 pages in length, and the 2,319-page monstrosity of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
> [6]Charles Hugh Smith, 6 April

The only people who follow and understand our policymaking system are those politicians, bureaucrats, academics, lawyers and [7]lobbyists who receive monetary rewards, sometimes [8]vast, for doing so. The 'rational economic man' just happens to be the person who, in our sad attempts to purchase things that used to be supplied by the [9]commons, maximises economic activity: that is, GDP. I think most people now see the flaws in targeting GDP as if it were an end in itself, but we are less united over what to do about it. My suggestion is that we start to express our policy goals in terms of broad, verifiable, explicit outcomes that are meaningful to ordinary people. Social Policy Bonds could do this, and inject the market's incentives and efficiencies into the achievement of those outcomes.

Under a Social Policy Bond regime, governments could still do what they are good at: raising revenue to achieve our social and environmental goals. And, though it would be a departure for most of them, they could learn to articulate these goals, as expressed and debated by the people they are supposed to represent. They could even, through government-financed bodies, help achieve these goals, but only if, through the Social Policy Bond mechanism, bondholders have confidence in their ability to do so more efficiently than other investors in the bonds. The current model which as Raworth points out, is dominant - that of 'rational economic man' - assumes and entrenches a paradigm that undervalues and often conflicts with community, the environment, small enterprises, and ordinary people's mental well-being. The short-term interests, as measured by accountants, of large organisations, both public- and private-sector, are privileged at the expense of the the rest of us. Social Policy Bonds would change that, right from the start, by posing the question that we cannot continue to evade: what are governments for?

1. http://www.kateraworth.com/
2. http://www.monbiot.com/2017/04/13/circle-of-life/
3. https://socialgoals.blogspot.co.uk/2007/05/individuals-make-mistakes-but.html
4. http://socialgoals.blogspot.com/2016/04/gdp-and-distribution.html
5. http://socialgoals.blogspot.com/2017/01/what-are-economists-for.html
6. http://www.oftwominds.com/blogapr17/totalitarian4-17.html
7. https://socialgoals.blogspot.co.uk/2016/03/bypassing-democracy.html
8. http://socialgoals.blogspot.com/2009/04/incentives-are-important.html
9. https://socialgoals.blogspot.co.uk/2008/11/incentives-to-preserve-commons.html

14.4.3 Reinforcement learning and the public sector (2017-04-22 19:44)

Will Knight writes about reinforcement learning:

> Reinforcement learning is a way of making a computer learn through experience to make a series of decisions that yield positive outcomes—even without any prior knowledge of how its actions will affect its immediate environment. A software-based tutor, for example, would alter its activities in response to how students perform on tests after using it. *[1]Reinforcement Learning*, Will Knight, 'MIT Technology Review', March/April

It's the same approach practised by the computer called *DeepMind*, which 'mastered the impossibly complex board game Go and beat one of the best human players in the world in a high-profile match last year.' It's also, at least in theory, the basis of our economic system: the learning process that is supposed to go on through the creative destruction of business enterprises that fail to adapt to changing circumstances. As applied to driverless cars, 'the software governing the cars' behavior wasn't programmed in the conventional sense at all.' The software learns through trial and error.

Large corporations and their friends in government have seen to it that competitive markets play a lesser role than they should in determining our economic prospects. Corporations succeed today not so much through competing in markets, but more by manipulating the legislative and regulatory environment, and participating in effective cartels with other powerful players, both private- and public-sector. But the principle - that of survival of the most adapted, and the most quick to adapt - has generated enormous material wealth, and continues to operate, though more to the benefit of the already-wealthy than to ordinary people.

With its record of success, why isn't reinforcement learning, or competition to find the best approaches, allowed to operate in the public sector. That is, why don't we allow competition to solve our social problems? It's partly for historical reasons. When governments began to take an interest in the welfare of ordinary people, solutions to their basic problems were fairly easy to identify. Requirements for things like sanitation, elementary education, a police force, fire engines and hospitals were - and are - difficult to argue against. But as society has grown more complex so too have our social and environmental problems. How, for example, do we go about reducing crime, improving our (already relatively high) levels of physical health, improving our mental well-being, or ending war? No obvious solutions leap to mind.

Which is where Social Policy Bonds could enter the picture. Rather than let public-sector organisations have a monopoly on trying to deal with these problems, a bond regime would, in

effect, contract out finding the best solutions to the private sector. A goal such as eliminating war is going to need the exploration, deployment and refinement of a multitude of potential approaches. More than that, though, it's going to need to reward the most effective of these approaches and *to terminate the useless ones.* There are well-meaning organisations working to end war, but the people working for them are not rewarded for their success. There are no built-in incentives for the organisations to find optimal solutions, nor for inefficient organisations to be dissolved if their efforts prove futile or counterproductive. The result is that the challenges humanity faces, including environmental calamities or nuclear proliferation, are nowhere near being effectively met. But, unlike computers learning how to drive cars, or businesses operating in competitive markets, our failed approaches and ineffectual organisations aren't terminated. Sometimes, in fact, our politicians pump even more money into them.

Social Policy Bonds would change that. They would channel the market's incentives and efficiencies into the discovery and implementation of diverse, adaptive and, above all, efficient approaches to our social and environmental problems, including those, like war, that many of us have concluded have no solution. Our current system places responsibility for the solution of our problems in the hands of large, usually monopolistic, organisations that face little competition and have no incentive to try diverse approaches. There's certainly no reinforcement learning. It is because of its ability to stimulate diverse, adaptive approaches that a Social Policy Bond regime could succeed where existing policies have failed.

1. https://www.technologyreview.com/s/603501/10-breakthrough-technologies-2017-reinforcement-learning/

14.4.4 We need countervailing incentives in science (2017-04-28 23:20)

Dr Malcolm Kendrick writes about what he learned at medical school:

> [N]ot only were certain key facts
> wrong, there seemed to be a co-ordinated effort to attack anyone who
> dared to challenge them. *[1]Tim Noakes found not guilty - of something or other,*
> blog post by Dr Malcolm Kendrick, 26 April

Dr Kendrick picks two cases spanning forty years. The first was John Yudkin, the founder of the nutrition department at the University of London's Queen Elizabeth College, who ' did not believe that saturated fat was to blame for heart disease,
the idea at the centre of the diet-hypothesis. .... In 1972 Yudkin wrote the book '*Pure white and deadly'* in which he outlined why sugar was the probable cause of heart disease, not fat(s). He was then ruthlessly attacked.' Dr Kendrick quotes from the (UK) *Daily Telegraph*:

> Yudkin was “uninvited” to international conferences. Others he organised were cancelled at the last minute, after pressure from sponsors, including, on one occasion, Coca-Cola. When he did contribute, papers he gave attacking sugar were omitted from publications. The British Nutrition Foundation, one of whose sponsors was Tate &Lyle, never invited anyone from Yudkin’s internationally acclaimed department to sit on its committees. Even Queen Elizabeth College reneged on a promise to allow the professor to use its research facilities when he retired in 1970 (to write Pure, White and Deadly). Only after a letter from Yudkin’s solicitor was he offered a small room in a separate building. John Yudkin: the man who tried to warn us about sugar

Similar treatment has been dished out to Professor Tim Noakes, ’a very well-known proponent of the high fat, low carb (HFLC)
diet, as a way to treat obesity and type II diabetes – and improve athletes’ performance.’

As Dr Kendrick says:

> [A]ny scientist looking on gets a very clear message. If you say things we don’t like, we will attack you and drag you through court and make your life a living hell for three years. Now, that is how you silence people, just as they silenced Yudkin nearly forty years ago.

It’s not really news that nutritionists and, indeed all scientists, are heavily influenced by whoever funds their research. But it is news of which we need constantly to be reminded. The stakes - the funding involved and the absolute number of people’s lives involved - are high: perhaps higher than they have ever been. And what does need emphasis is that *nobody under the current system has incentives to change things.* Certainly not in ways that reward their success in doing so.

This is where Social Policy Bonds targeting the broad health of all a country’s citizens could enter the picture. The bonds would introduce a source of funding that rewards people who improve society’s health: not those who head institutions that purportedly improve health, or whose research budget depends on vested interests. [2]Health Bonds would allocate funding purely on the basis of which approaches to improving society’s health will

bring about the most improvement per dollar spent. They would reward efficiency in achieving society's health goals. You would think that any multi-billion dollar government health budget would be doing that anyway. But, as in so much of the way policymaking is conducted even amongst western democracies, government and big business have interests that differ from, and are often in conflict with, those of ordinary people and smaller enterprises. They can get away with doing so by keeping our focus on nebulous and irrelevant arcana, such as [3]Mickey Mouse micro-targets. Under a bond regime dissenting experts would be given a fair hearing. That would not only be in the interests of bondholders: it would be in the interests of society.

1. https://drmalcolmkendrick.org/2017/04/26/tim-noakes-found-not-guilty-of-something-or-other/
2. http://socialgoals.com/health.html
3. http://socialgoals.blogspot.com/2012/11/in-absence-of-broad-clear-coherent.html

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14.5 May

14.5.1 I don't know (2017-05-05 18:59)

'I don't know.' How often do we hear this from policymakers? Ask them how they plan to reduce crime, improve the environment or grow the economy and they will talk about things to do with funding allocations, institutional structures, laws, regulations and processes. They will never say 'I don't know.' We could even ask them how they intend to bring peace to the Middle East, to reduce the chances of a nuclear exchange, or to deal with climate change...and they'd still come up with superficially adequate responses. Responses, though, not answers.

Simple goals - sanitation, basic
education, satisfying the nutritional needs of children etc - are those
for which cause and effect are easy to identify, don't vary much over
space, and don't change much over time. A benign and reasonably efficient
government knows how to achieve these things. The more complex problems,
though - including how to bring about benign and efficient government where
it is absent - require a range of approaches to be tried, with only the most efficient being implemented. This is something policymakers don't do very well. Probably no single conventional organisation can do it well, beholden as they are to fixed world views, and the interests (monetary, ideological) of their supporters and employees.

I don't know how to bring about world peace, nor improve a nation's health, nor prevent or mitigate disasters, man-made or natural. I offer no solutions, but I do think that the [1]Social Policy Bond concept is a way of encouraging people to find solutions: a way that channels the market's efficiencies and incentives into all the processes necessary to discover

and implement the optimal mix of approaches to solving our complex problems. So, when asked how to solve the world's problems, I answer 'I don't know. *However*...'

1. http://socialgoals.com/

14.5.2 (2017-05-11 09:09)

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[7]Accreditation and Quality Assurance Center
[url]http://sites.ju.edu.jo/en/pqmc/Home.aspx[/url]
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14.5.3 (2017-05-11 09:09)

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14.5.4 Bribes for peace (2017-05-13 20:46)

A headline from *[1]Mailonline*:

> Could $175bn pay for the removal of Kim Jong-un?
> Huge bribes of $30m may be enough to convince North Korea's top officials to abandon their dictator, says expert
>
> by Julian Robinson, 12 May

I'm happy to see that the judicious use of financial incentives to achieve a desirable social outcome is at least being considered by one academic. The piece continues:

> In his [2]book, *Stop North Korea!: A Radical New Approach to Solving the North Korea Standoff,* [Professor Shepherd] Iverson imagines a scenario where the top tiers of North Korea's power elite could be bribed to ensure a peaceful transition.

I've made similar suggestions [3]myself: under a Social Policy Bond regime targeting, say, [4]Middle East peace, bribes could be paid to troublemakers, but *only if bondholders think that to be one of the most efficient ways* of ensuring peace. As I'm sure Professor Iverson would agree, while the fanatics themselves are unlikely to be moved by lavish cash handouts, their enablers and supporters are another story.

This particular type of activity is one that neatly illuminates one of the less obvious advantages of a Social Policy Bond regime: whereas governments would find it politically impossible to pay such bribes, and whereas if they were anyway to offer such payments, there would very likely be a counterproductive reaction, holders of Social Policy Bonds need suffer no such qualms. Even if the bonds were issued and backed by some government or combination of governments, bondholders are not agents of government. It's entirely up to bondholders to decide how best to achieve the targeted goal, and if bribery is the most effective way of doing so, then that's how they'll do it. Notions of justice and fairness may have to be suspended but, in the case of North Korea (and others), avoiding catastrophe should be our highest priority.

1. http://www.dailymail.co.uk/news/article-4496172/Could-175billion-pay-removal-Kim-Jong-un.html
2. https://www.amazon.co.uk/d/Books/Stop-North-Korea-Approach-Standoff/0804848599
3. https://socialgoals.blogspot.co.uk/2016/03/money-isnt-everything.html
4. http://socialgoals.com/middle-east-peace.html

14.5.5 (2017-05-13 23:49)

That is so true.

14.5.6 New concepts in Mickey Mouse micro-targets (2017-05-19 23:06)

What determines the targets that our governments aim at? Something that sounds good? Something that they're already measuring? Something that they know they can easily achieve without doing anything? One thing's clear: whether the goal is big ([1]GDP, *net* immigration, inflation) or small (waiting times at [2]hospitals), the goals chosen have nothing to do with the well-being of the citizens our governments are supposed to represent.Two examples recently cited:

> Fifteen years ago police in Hokkaido, in Japan's sparsely populated north, conspired with yakuza gangsters to smuggle guns into the country so they could meet quotas for finding them. [3] *As crime dries up, Japan's police hunt for things to do*, 'the Economist, dated 20 May

> Some road space rationing scheme have had perverse knock-on effects. According to some reports, people in Mexico and Beijing have started buying second vehicles with different licence plates to get around restrictions. Often the second car will be cheap and more polluting. *[4]Cutting through the smog: What to do to fight air pollution,* Nic Fleming, 'New Scientist', 3 May

In our complex societies quantitative
targets are probably necessary. But these targets need to be both meaningful
to ordinary people and *inextricably linked* to, improvements
in well-being. The alternative to such indicators are the sort of
Mickey Mouse micro-targets, like those above, that actually conflict with societal well-being. Social Policy Bonds would clarify what exactly as a society we want to believe. Targets would be the subject of debate in which the public can participate. They'd be broad and relevant, comprehensible and explicit. Targets are too important to be left to the interests of those with an interest in keeping them narrow, short term and irrelevant (at best) to the nation's well-being.

1. http://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
2. https://socialgoals.blogspot.nl/2006/03/another-mickey-mouse-micro-objective.html
3. http://www.economist.com/news/asia/21722216-there-was-just-one-fatal-shooting-whole-2015-crime-dries-up-japans-police-hunt
4. https://www.newscientist.com/article/2129555-cutting-through-the-smog-what-to-do-to-fight-air-pollution/

14.5.7 Economics and politics: closing the gaps (2017-05-23 19:33)

Elisabeth Jacobs, in an essay, about Thomas Piketty's book *[1]Capital in the Twenty-First Century*, says that politics is 'everywhere and nowhere' in his book. The reviewer points out

that:

> A focus on efficiency is unobjectionable in a world in which political and institutional stability can be taken for granted, much less so in a world in which it cannot. ... [E]conomists set themselves too easy, too useless a task if they can describe how capitalism works only when politics is unchanging. *[2]A new anthology of essays reconsiders Thomas Piketty's "Capital"*, the 'Economist', 20 May

Quite so. I've questioned the limited purview of the economics profession [3]before. Economists find it safer to describe the world as it is, and to try (and usually fail) to predict what's going to happen to certain macro-economic variables. (There are [4]exceptions [5]of [6]course.) The gap between economics and useful endeavours mirrors that between politicians and the concerns of the citizens they are supposed to represent.

In both cases, I think Social Policy Bonds could help close the gap. A bond regime would take as its starting point broad goals that are meaningful to a population: goals that are inextricably linked to our well-being and that we can understand. And because we can understand outcomes such as improved [7]health, or [8]nuclear peace, we can participate in assigning their priorities. (Economists could, perhaps, make a useful contribution here.) Such participation will give us more understanding of the trade-offs that inevitably need to be made. We might not see our own priorities replicated exactly in those that society chooses to target, but we shall have been consulted, and so have far more [9]buy-in, than under any of the current policymaking systems.

I think that lack of buy-in goes a long way in explaining why our political systems are failing, perhaps catastrophically. The gaps between policymakers and citizens; between the rich, the bureaucrats, media, academics, and ordinary people, are growing ever larger. Consultation about the outcomes we wish to see would start to close these gaps. Injecting the market's efficiencies and incentives to bring about those outcomes with optimal efficiency, would take that process a step further. The ultimate goal would be a politics that improves all our well-being, making for a more healthy, more prosperous and peaceful, more contented and cohesive society. A Social Policy Bond regime, I believe, could achieve all that.

1. https://www.amazon.co.uk/Capital-Twenty-First-Century-Thomas-Piketty/dp/067443000X/ref=sr_1_1?ie=UTF8&qid=1495560823&sr=8-1&keywords=piketty+capital
2. http://www.economist.com/news/finance-and-economics/21722166-book-explores-arguments-left-undeveloped-mr-pikettys-masterwork-new
3. http://socialgoals.blogspot.com/2017/01/what-are-economists-for.html
4. https://www.johnkay.com/
5. http://aida.econ.yale.edu/~shiller/
6. https://charleshughsmith.blogspot.co.uk/
7. http://socialgoals.com/health.html

8. http://socialgoals.com/nuclear-peace.html
9. http://socialgoals.com/buy-in-1.html

14.5.8 Focus on outcomes, not party (2017-05-30 20:02)

Matt Taibbi discusses the US Democratic Party's reaction to the Bernie Sanders campaign, in a piece originally penned on 9 June 2016:

> Politicians are so used to viewing the electorate as a giant thing to be manipulated that no matter what happens at the ballot, they usually can only focus on the Washington-based characters they perceive to be pulling the strings. Through this lens, the uprising among Democratic voters this year wasn't an organic expression of mass disgust, but wholly the fault of Bernie Sanders, who within the Beltway is viewed as an oddball amateur and radical who jumped the line. Nobody saw his campaign as an honest effort to restore power to voters, because nobody in the capital even knows what that is. In the rules of palace intrigue, Sanders only made sense as a kind of self-centered huckster who made a failed play for power. Matt Taibbi, [1]*Insane Clown President*, January 2017

Exactly. We need to reconnect politicians and their parties with voters. Policymaking systems have been subject to two principles which I deem axiomatic:

- Every organisation, be it a church, trade union, university, political party, large corporation or whatever, will always seek to overplay its hand.
- Every organisation will, sooner or later, forget its founding ideals and its stated objectives, and devote its energies to [2]self-perpetuation.

So political parties are no better, and not much worse, than any other large organisation, except in their oligopolistic power over the rest of us. I think our policymaking models are outdated. In the western democracies we choose a person or a party who promises to do something to help achieve some vague, usually unverifiable outcome at some indefinite time in the future, usually long after they can be called to account. It's a very indirect form of influence, and one that, as we see, has been corrupted, so that the link between the voter and the politician is distorted and broken by wealthy interest groups, whether they be corporations or government agencies who don't want their boat to be rocked.

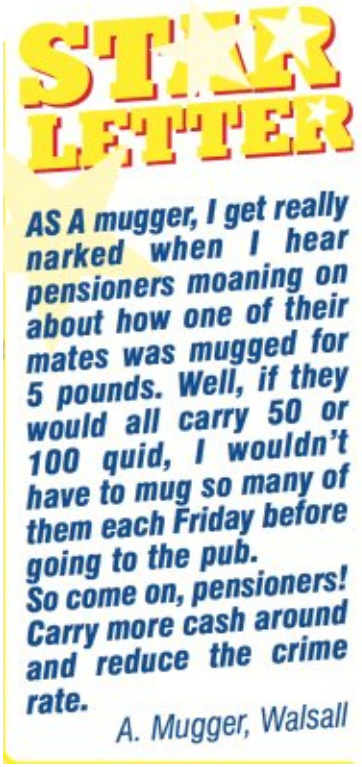
I propose that instead of choosing people or parties, we choose outcomes: explicit, verifiable outcomes that are meaningful to ordinary people. Which means outcomes that are not phrased in terms of expenditure, institutional size, structure or remit, or regulatory or legislative powers. Outcomes such as improved [3]health, or [4]world peace, that people can understand, and that we can help choose and prioritise. I am not necessarily advocating Social Policy Bonds here: a shift toward discussing outcomes and their costs would be an improvement over our current systems. But Social Policy Bonds could focus debate more, and have the crucial advantage that they inject the market's incentives and efficiencies into all processes necessary to achieve society's goals.

1. https://www.amazon.com/Insane-Clown-President-Dispatches-Circus/dp/0399592466/ref=pd_sim_14_1?_encoding=UTF8&pd_rd_i=0399592466&pd_rd_r=4EXJZ0ZTNJS60P4HC8B2&pd_
2. http://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
3. http://socialgoals.com/health.html
4. http://socialgoals.com/world-peace.html

14.6 June

14.6.1 How not to reduce the crime rate (2017-06-01 20:13)

Or: the importance of choosing your indicators carefully:

[1] 

[2]Source

1. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEgALSrV-YwwZyFTmJUtAirux-To7AJyT8CiCDSzD2l-6FOsqY4HRv00ot-fkDtxKAgaK-RaKqxkcVNjnUV43spKAqEYBaFTpAgKh_j
2. http://viz.co.uk/letterbocks-360/

14.6.2 Self-entrenching atomisation (2017-06-06 20:11)

In a discussion about air travel, Steve Randy Waldman makes an interesting point:

> Aggregate outcomes are not in general or even usually interpretable as an aggregation of individual preferences. When we learn about the Prisoners' Dilemma, we don't interpret the fact that both players rat as evidence that, really, they both just wanted to go to jail for a long time. After all, that is their revealed preference, right? No. We understand that the arrangement that would obtain if they could cooperatively regulate one another's behavior is in fact the outcome that they would prefer. As isolated individuals, they simply have no capacity to express this preference. *[1]Source* See also *[2]Prisoner's Dilemma*

This explanation of the mismatch between the sum of individual preferences, and aggregate decisions makes a lot of sense, and we can see its implications beyond the air travel industry

in the deficiencies of our policymaking system. (I'm not, incidentally, convinced by the rest of Mr Waldman's discussion of the air travel industry.) To my mind, it points to the need for more public engagement with policy; more discussion amongst ordinary people about the costs and benefits of policy alternatives. But policy itself is not really the issue: policy is a means to various ends, and those ends under our current system are rarely articulated, often deliberately obscured, and often in conflict with each other and with the interests of anybody except those bodies wealthy enough to follow and influence them. We don't "cooperatively regulate one another's behaviour" in the policymaking process, because that process is just too esoteric and time-consuming for ordinary people to follow.

The result is that our politics is ceded to powerful bodies, public- and private-sector, which benefit by ordinary people's unwillingness or inability to follow the policymaking process. A self-entrenching mechanism seems to be at work: certain policies weaken social and family bonds. I'd include amongst these policies that deal with welfare payments, subsidies to (for instance) road transport and capital-intensive agriculture, zoning laws, regulations that favour big business, and trade agreements. Importantly, the positive effects of these policies might well outweigh the negative, but the negative effects do tend to divide us. And, as atomised individuals or nuclear families, we exhibit exactly the behaviour that Mr Walden talks about: we cannot translate our wishes through a broken policymaking system, into 'an aggregation of individual preferences'. This cycle perpetuates itself.

Social Policy Bonds could help. They would refocus policy discussion onto outcomes that are meaningful to ordinary people. Goals, in short, that we could understand and debate. Under a bond regime anyone could engage with the policymaking process and, crucially, with each other, over policy goals and priorities. Even if our individual wishes were over-ruled, we'd have the satisfaction of knowing we'd been consulted. One result of this would be more [3]buy-in: a crucial feature missing from politics these days. Another would be the solution to the problem to which Mr Waldman alludes: our individual preferences could be aggregated in a meaningful way. For example: few of us would want to see, say, a conflict anywhere in the world that led to the detonation of a nuclear device. Or, at the national level, most of us would like to see universal literacy and reductions in the level of violent crime. Currently, we have no way of articulating and debating these preferences in a systematic way: we can vote for political parties that may or may not offer different perspectives; we can join single-issue groups (which tend to [4]deviate from their initial remit), and there are various other *ad hoc* activities we can undertake in support of some, but not all, of our individual goals. But they're unsystematic, often incoherent, and rarely exposed to moderating or contrary argument. And a large number of interest groups anyway replicates almost exactly the mismatch discussed above.

In contrast, a Social Policy Bond regime would enable us meaningfully to express goals that our current system finds difficult to target: goals like the avoidance of a nuclear conflict. The bonds could do this effectively because they would not presuppose how our goals shall be achieved, nor who shall achieve them. By focusing entirely on outcomes and costs, Social Policy Bonds would translate and modify our individual preferences into coherent,

consensual policy goals. An invaluable by-product of a bond regime would be its reversal of the atomisation process afflicting western democracies.

1. http://www.interfluidity.com/v2/6846.html
2. https://en.wikipedia.org/wiki/Prisoner%27s_dilemma
3. http://socialgoals.com/buy-in-1.html
4. https://socialgoals.blogspot.co.uk/2017/05/focus-on-outcomes-not-party.html

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14.6.3 Listening to the 99.9 percent (2017-06-13 18:27)

Jeffrey Lewis writes about *Our Nuclear Future*:

> President Trump, for example, would have between two and four minutes to decide that computerized reports of [a nuclear] attack are not a false alarm and to give the order to retaliate. [1]*Our Nuclear Future*, Jeffrey Lewis, 'The American Scholar', Summer 2017

The possibility of nuclear catastrophe is not confined to the Russia - US theatre:

> If the 30 minutes that it would take for an intercontinental ballistic missile to fly from Russia to the United States imposes crushing time pressures, consider that flight times in South Asia will be five to 10 minutes, depending on the missile and the target. India and Pakistan are re-creating a Cold War deterrence framework under much more demanding conditions.

That's scary enough, and then there's North Korea.... What can be done to reduce the chance of catastrophic nuclear conflict? Mr Lewis writes about the Global Zero initiative, but that appears to be a failing attempt to eliminate all nuclear weapons. So, despite its fading somewhat from public consciousness, the nuclear nightmare hasn't gone away. In many ways it's getting worse. As Mr Lewis writes, the very narrow window available for decision-making 'requires an enormously complex computerized system to detect missile launches, convey that information to the president, and then transmit and execute his order. Every minute that is lost to these processes reduces the time in which the president must decide. As a result,

the pressure to automate much of the system is strong.' And with automation comes the possibility of malware or defective hardware or software.

The problem is magnified, in my view, by the mismatch between the enormous costs of

nuclear catastrophe and the relatively minuscule rewards on offer to those working to prevent it. I am certain those involved in initiatives such as Global Zero, and in disarmament, whether they be UN or non-governmental agencies or other public- and private-sector bodies are hard working and well meaning. They probably couldn't work harder even if their salaries were tripled. But the point about lack of incentives is that they are needed to attract more, and more-talented people into striving for nuclear peace. Our current political systems have no way of funnelling sufficient funds into a goal, such as nuclear peace, that is inherently long term, and that has no powerful interest group to lobby in its favour, despite the enormous potential benefit to the 99.9 percent of humanity that would like to see it happen.

The Social Policy Bond principle could help, in the form of [2]Nuclear Peace Bonds. We don't know how to achieve nuclear peace; we don't know who'll be best at achieving it, but we do know that, if we're going to achieve it, we need to offer higher rewards, so as to encourage a diverse, adaptive range of peace building initiatives. Some of these initiatives will be failures or inefficient; others will need research and refining before they can be implemented effectively. This points to the need for a long-term, guaranteed reward for success, as well as the need to make the bonds [3]tradeable, so as not to discourage people from taking only partial steps toward our goal. It seems ridiculous to me, that the rewards to people who gamble with other people's money, keep their winnings and get taxpayers to pay for their losses, are in the [4]billions of pounds, while the collective rewards for those working in an unglamorous but far more socially beneficial field - like nuclear peace - are much more modest and entirely unrelated to effectiveness. Nuclear Peace Bonds would fix that.

1. https://theamericanscholar.org/our-nuclear-future/
2. http://socialgoals.com/nuclear-peace.html
3. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. https://www.gov.uk/government/speeches/executive-remuneration--2

14.6.4 Creeping corruption afflicts charities too (2017-06-17 20:13)

I've blogged [1]before about my two opinions about organisations, which I deem axiomatic:

- Every organisation, be it a church, trade union, university, government or whatever, will always seek to overplay its hand.
- Every organisation will, sooner or later, forget its founding ideals and its stated objectives, and devote its energies to [2]self-perpetuation.

Sadly, but not unexpectedly, the list in the first axiom can be taken to include charities, which appear to be just as [3]subject to [4]creeping [5]corruption as all the others. There's little point in trying to find why this happens, but there is a great deal to be gained, in my opinion, by remedying the problem.

Social Policy Bonds would lead to the creation of a [6]new sort of organisation: ones whose composition and structure will adapt to changing circumstances. The bonds would encourage the achievement of social goals that will take longer to achieve than the current, relatively short, time horizons of people or bodies in the current system. Under a Social Policy Bond regime, the members of the coalition of bondholders targeting, say, better [7]health, would gain by buying bonds, doing what they can to improve the nation's health, then selling their bonds at an increased value. *They need not stay invested in the bonds for the lifetime of that bond*. At every point in time between the flotation of the bond and its redemption, the bondholders would form the body that can advance goal-achievement most efficiently. Bondholders need not be directly involved in achieving the goal; they might be investment companies, whose role will be to allocate funds according to what they think will be the most efficient people or projects that will help bring about the next step toward achievement of the targeted goal, simultaneously raising the value of their bonds. The identity of any and all bondholders would change over time, if that turns out to be the best way of achieving our objective quickly. Blockchain technology could facilitate any shifts in the membership of the coalition of bondholders.

The important point is that every activity of every bondholder would be devoted to achieving our goal. Their self-interest would be exactly congruent with those of society - in stark contrast to what happens now under even the best of our current systems of government.

1. https://socialgoals.blogspot.co.uk/2017/04/the-european-union-just-like-every.html
2. http://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
3. http://www.telegraph.co.uk/news/2016/05/13/rspca-boss-says-sorry-for-blunders-and-admits-charity-was-too-po/
4. http://www.bbc.com/news/uk-38230335
5. http://www.dailymail.co.uk/news/article-4612658/What-s-gone-wrong-RSPCA.html?offset=151&max=100&jumpTo=comment-215157474&reply=215157474
6. http://socialgoals.com/new-type-of-organization.html
7. http://socialgoals.com/health.html

14.6.5 Social Policy Bonds and price signalling (2017-06-27 18:42)

One of the less obvious benefits of a Social Policy Bond regime arises from the price signalling of the market for the bonds. At flotation, the bonds would be auctioned, and difference between the sums raised at flotation and the total redemption value of the bonds would supply the market's best estimate of the cost of achieving the targeted goal at that time. This estimate would vary over time, depending on many factors including bondholders' performance

in undertaking or financing goal-achieving projects. The market for Social Policy Bonds, then, as with all markets, plays a vital role not only in allocating resources but also in signalling; in this instance to policymakers, the approximate costs of achieving social goals.

A competitive market for Social Policy Bonds would minimise the

total

cost of achieving a specified objective, as well as signalling it. More subtly, and more technically, it would
also indicate the

marginal

cost of achieving further
improvements. Say one million [1]crime reduction bonds issued by a local authority were to sell for $5
each. This would tell the issuing body that the present value of the expected
maximum cost, including bondholders' profits, of reducing the crime level from, say 50 to 40 units, would be $5 million. The local authority might then suppose that it
could afford to be more ambitious, and aim for a further fall to 30 units. It
could issue a million additional bonds redeemable when this new lower rate were reached. These would (probably) have an initial market value of less than $5,
reflecting the (probably) diminishing returns involved in preventing crime. The
point is that, by letting the market do the pricing of the bonds, the local authority would be getting an informed view of the

marginal

cost of its objectives. So if the bonds targeting the
new level of 30 units were to sell for $4 each, then the maximum cost of
achieving that objective would be $11 million, being equal to: $5 million (paid out when the level fell from 50 to 40 units) plus $6 million (paid out when the level fell from 40 to 30 units). The marginal cost of a 10-unit drop in crime would thus have been revealed to have risen from $5 million to $6 million.
Should the local authority aim for a further fall to 20 units? Following such crime rate-targeting bond issues

it
would have robust information about the cost of doing so.

This
is, of course, a simplified example and in fact the bond market would continuously update its pricing information. Say that new research, of the sort that might be stimulated by an initial bond issue targeting crime, suggested new ways of reforming or deterring criminals. Bondholders may, for example, have financed successful research into more effective reform programmes, or set up more appealing alternative lifestyles for especially hardened criminals. How would the market react to such developments? Once their effectiveness had been revealed, the value of all the bonds would rise. Instead of being priced at $5 and $4, the two crime reduction issues of the example might sell for $8 and $7. The total cost to the government of redeeming these bonds would not change: it would remain at $11 million (though redemption would most probably occur earlier). But the market would be generating new information as to the likely cost of future reductions in the crime rate. The market would now be expecting reductions of 10 units of crime to cost $2 million (from 50 to 40 units), and $3 million (from 40 to 30 units). The new research would have reduced the costs from $5 million and $6 million (respectively). So the cost of any further crime reductions would also fall, and by following market price movements policymakers could gauge approximately by how much.

These figures are hypothetical, but they do
indicate the role that markets for Social Policy Bonds could play in helping the government, and taxpayers, decide on their spending priorities.

The market for the bonds is elegantly efficient in
conveying information about the cost of achieving objectives and, crucially for policymakers, how this cost varies with time and circumstances. I discuss this in chapter 5 of [2]my book.

1. http://socialgoals.com/crime-.html
2. http://socialgoals.com/the-book.html

14.7 July

14.7.1 Blockchain-based investing and the Social Policy Bond principle (2017-07-01 18:39)

Zipper Global Ltd, on 28 June, released a draft paper that marries the Social Policy Bond and blockchain concepts. The aim is to address some of the flaws in current startup protocols. The abstract of their draft:

> Blockchain based investing and contributing to early stage token projects
>
> Today's startup funding protocols have several serious flaws. Startup founders struggle to get early stage funding and spend significant amount of their time fundraising instead of building their company and community. Investors are stuck with their illiquid investments for years, and have to make risky investments without knowing if startups are able to execute their plans. Zipper investment platform fixes these pain points and disrupts startup funding with milestone and token based investments. The platform, based on Ethereum blockchain, provides professional investors an early access and safe way to invest into even the most ambitious startups' tokens, as funds are released to startups in tranches based on reached, smart contract controlled milestones. Investors can exit anytime by selling the startup's tokens, and startups can scale more easily by giving tokens
>
> to their network such as users and contractors as incentives. Startups spend also significantly less time in fundraising as less funding rounds are needed. ZIP token, the platform's native usage token, grants investors the right to invest through the platform. Moreover, a smart contract controlled Startup Trust scales the platform by investing into selected startups in the platform with the ZIP tokens the Trust holds. ZIP token holders co-decide which startups the Trust invests into and how to spend the Trust's investment profits, such as purchasing ZIP tokens from the open market which would create demand and liquidity for the tokens.

The paper - full text [1]here (pdf) - is a first draft, and Zipper Global invite comments via either zipperglobal.com or https://slackin-qhgawovsyq.now.sh/.

1. `https://tinyurl.com/yb7wghcw`

14.7.2 The environment: what do we want? (2017-07-05 18:54)

John Michael Greer writes:

> A huge fraction of the energy consumed by a modern industrial society is used indirectly to produce, supply, and transport goods and services; an allegedly “green” technological device that’s made from petroleum-based plastics and exotic metals taken from an open-pit mine in a Third World country, then shipped halfway around the planet to the air-conditioned shopping mall where you bought it, can easily have a carbon footprint substantially bigger than some simpler item that does the same thing in a less immediately efficient way.
>
> [1]*Dark Age America*, John Michael Greer, 2016

The sort of life-cycle analysis required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties and the difficulty of weighting one type of environmental impact against another. They are better than blandly assuming that rail is ‘better’ than air travel, or that solar power is better than coal-fired power stations but, for the making of robust policy, they would need to be continually reassessed in the light of improving technology, our ever-expanding knowledge of the environment, and our ever-changing environmental priorities. Government policy cannot be so responsive: if government did use life-cycle analysis with the aim of altering our behaviour, it would probably do so on the basis of a one-time, one-size-fits-all, and possibly quite subjective assessment of environmental costs and benefits. It’s not good enough, but even worse would be what we largely have now: government environmental policy based on corporate interests, regulatory wrinkles, and ’feels-good’ media stories and the launching of visually appealing initiatives that attract air time but otherwise achieve nothing.

Social
Policy Bonds would take a different approach. They would subordinate environmental policy to targeted environmental outcomes. It might be, for instance, that society wishes to reduce its use of fossil fuels. A Social Policy Bond issue that rewarded achievement of such a reduction would generate incentives for bondholders to bring it about *at least cost*. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government would do so: bondholders have incentives to achieve their goal efficiently. This is likely to mean responding to and stimulating: increased knowledge of scientific relationships, and technical advances.

More important, though, is that a Social Policy Bond regime would compel clarity over society's real goals. In this case, we'd have to answer the question: is reducing fossil fuel use an end in itself, or a means to other ends? And if the latter, what are those ends? Let's say those ends include, *inter alia,* improving air quality. Now, is improving air quality an end in itself, or is it the effects that air pollution has on human, plant and animal life that we really want to be targeting? And, if the latter, why not target these ends directly? There might be good reasons, involving the costs of monitoring, for targeting indirect means of achieving our goals, but we do need to keep these goals clearly in mind.

A Social Policy Bond regime would necessarily entail asking ourselves what are the real goals of, say, environmental policy. It would then contract out the achievement of these goals to those people or bodies - public- or private-sector - who, at any one time, will form that coalition that can most efficiently take us along the route towards achieving our goals. Even a perfect life-cycle analysis cannot do this: technology and our knowledge are changing constantly. Policy should therefore limit itself to articulating our environmental goals, and raising the revenue for their achievement.

Most of our important environmental goals will require diverse, adaptive responses. These are precisely the sort of responses
that government does very badly. Government can and should articulate
society's environmental goals, and can help pay for their achievement:
in the democratic countries it performs these functions quite well and, indeed, it is the only body that can do so. But
actually achieving these goals requires continuous, well-informed and
impartial decisions to be made about the allocation of scarce resources.
For that purpose, Social Policy Bonds, with their incentives to achieve
targeted outcomes efficiently would, I believe, be far better than the
current ways in which environmental policy is formulated. For more about how Social Policy Bonds could target improve the environmental goals, see [2]here.

1. https://www.newsociety.com/Books/D/Dark-Age-America
2. http://socialgoals.com/environment.html

14.7.3 Immigration: the need for buy-in (2017-07-11 20:09)

Tim Black writes about the immigration crisis facing Italy, where last year 181 000 migrants

arrived via Libya, and 'already this year, a further 84 000 have arrived, which is 20 per cent more than arrived in the first half of 2016.'

> Now, if those Italians whose towns have been turned into migrant holding stations had been allowed to debate the migration issue; if those living in Lampedusa and the other migrant destinations in Italy had been part of a process of democratic deliberation; and if they had been allowed to voice their concerns, and influence the decisions which have led to the influx of migrants, then perhaps the seething resentment, the sense of being imposed upon, of having their lives turned upside down with the stroke of pen in Brussels, might have been absent. Perhaps a more workable solution could even have been found. And perhaps the migrants themselves wouldn't be treated as a problem, but as people just like us, sometimes fleeing wretched lives, always seeking better ones. *[1]The EU: pitting migrants against citizens*, Tim Black, 'Spiked', 12 July

Sadly for everybody involved, our so-called representatives at the national and EU levels have got into the habit of not consulting us about almost everything. The results are as dismal as they are predictable: the gap between citizens and politicians grows ever wider. Ordinary people feel - and are - powerless. Politics are hyper-polarised. Anger and violence are now a normal feature of political discourse.

Our politicians just *know* they're right. So do those NGOs and philanthropists who support 'open borders', for example, though, unlike the rest of us, they don't have to live with the consequences of their momentous decisions.

It's time to change the way policymaking works. Social Policy Bonds have two main elements: identifying society's social goals, and injecting market incentives into their achievement. If we could strive for the first of these elements alone, that would be preferable to our current system. As it is, few ordinary people are consulted on issues, such as immigration, and our political class is now so removed from everyday life that they no longer have any feeling for what's important to us.

Social Policy Bonds could narrow the gap between politicians and the people they are supposed to represent. Political debate under a bond regime would focus on outcomes that are meaningful to ordinary people; things like physical and mental health, crime and housing. Because such concerns are meaningful to all of us, we could all contribute to discussion about which goals we should target, and their relative priority. Of course, none of us will be fully satisfied by our collective decision. But, crucially, we shall know that we have been consulted and that, if we wanted to, we could have contributed to the debate.

One happy result of that is that there would be widespread *buy-in*. We might not fully agree with every decision, but we were able to participate in the process, and we now have a fuller understanding of the trade-offs inherent in any political decision.

I've written more about Social Policy Bonds and buy-in on my main website [2]here, and in various blog posts including, recently, [3]here, [4]here and [5]here.

1. http://www.spiked-online.com/newsite/article/the-eu-pitting-migrants-against-citizens/20065
2. http://socialgoals.com/buy-in-1.html
3. http://socialgoals.blogspot.com/2017/06/self-entrenching-atomisation.html
4. http://socialgoals.blogspot.com/2017/05/economics-and-politics-closing-gap.html
5. http://socialgoals.blogspot.com/2017/03/how-we-decide.html

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14.7.4 Climate change: means and ends (2017-07-14 19:12)

A leader in the current 'Economist,' referring to public- and private-sector commitments to run their operations on 100 percent renewable energy is titled: *[1]Better to target zero emissions than 100 % renewable energy*:

> Most important, a 100 % renewables target confuses means with ends. The priority for the planet is to stop net emissions of greenhouse gases, especially carbon dioxide. Putting too much emphasis on wind, solar and other renewables may block off better carbon-reduction paths. 'The Economist', dated 15 July

No. The real ends of policy have to do with the problems caused by climate change. Whether,

and by how much, greenhouse gas (ghg) emissions contribute to those problems is still an open question. And, whatever the answer to that question, still more important to policymakers is whether reducing ghg emissions is the best way of dealing with climate change. For that, we need to go beyond the cant about renewables and beyond the *Economist*'s - and almost everyone else's - focus on greenhouse gases to ask whether we are more concerned about climate change, or about the impacts of climate change on human, animal and plant life?

A Social Policy Bond regime would not assume that reducing ghgs is the best way of achieving our goals. Instead it would specify very clearly what our goal actually is. Most likely, we would express our policy goal as a combination of physical, social, biological and financial measures that must fall within specified ranges for a sustained period. We'd then issue [2]Climate Stability Bonds that would be redeemed only when that had occurred.

Unfortunately an entire bureaucracy has grown around ghg emissions. It seems to me that the existence and activities of this bureaucracy embody the assumption that our trying (and most probably failing, though we'd never know either way) to influence the climate is the most efficient way of dealing with problems caused by unfavourable changes in the climate. I think that assumption needs to be challenged. Clarity about what actually we want to achieve, of the sort that a Social Policy Bond approach would necessitate, is the only feasible starting point.

1. http://www.economist.com/news/leaders/21725001-goal-after-all-curb-global-warming-not-favour-particular-technologies-better
2. http://socialgoals.com/climate-change.html

14.7.5 Targeting long-term goals (2017-07-20 18:20)

James Hansen talks about climate change:

> You're talking about a system that responds on the timescale of decades to centuries — that's a different time constant than the political constant." James Hansen talking to David Wallace-Wells in *[1]The Uninhabitable Earth: Annotated Edition* (reference 12)

It's not only climate change for which our current politics is inadequate. Any crisis building now, but whose effects will be felt only by future generations or, even more scarily, future administrations, is going to to be neglected within our current system. Our politicians face few incentives to consider future generations, and plenty of incentives to ignore them completely. We see this in the amassing of grotesquely inflated [2]debt levels, badly thought-out [3]immigration policies, under-investment in [4]critical infrastructure, and environmental behaviours

including, but by no means limited to, those that affect the climate. The narrow, short-term interests of powerful interests, public- and private-sector, win out every time. As for future generations: our politicians are expert at kicking the can down the road.

Social Policy Bonds could remedy this neglect of long-term consequences. They would create a coalition of interests in favour of achieving social and environmental goals that are currently too remote to receive much attention - though plenty by [5]dystopian [6]fiction [7]writers. The way the bonds work would be to reward the achievement of our long-term goals at every stage of the process.

Social Policy Bonds (unlike [8]Social Impact Bonds) are radeable, which means that bondholders don't have to hold them until redemption to see their value rise and realise a profit.. This allows the bonds to target effectively such remote goals as [9]climate stability, [10]universal literacy and [11]world peace. The bonds would begin their work as soon as they were issued: those who buy the bonds would be motivated to begin the explore measures that would immediately raise the chances that the targeted goal will be achieved quickly. For most long-term goals, a large array of diverse measures will need to be proposed, implemented on a small scale, then either terminated or implemented more widely. No government can effectively oversee such a range of projects, nor can any single, conventional organisation. In particular, terminating failed approaches in favour of more efficient ideas does not come easily to government. But under a Social Policy Bond regime there would be every incentive to focus only on those approaches that will achieve our targeted goal most efficiently. And, crucially, the optimum mix of approaches will change over time - especially over the long time period that remote goals will require for their achievement. The bonds would give rise to a [12]new type of organisation; ones whose composition and structure would change, perhaps radically, over the lifetime of the bonds, in response to changing circumstances and improving knowledge. Again, such adaptiveness is not a characteristic of government action, but it is an essential element of any attempts to solve our long-term problems.

Social Policy Bonds would represent a radical change from today's politics. But, as long-term problems threaten to overwhelm humanity (click on the source excerpted at the top of this post, for one example) it's clear that business as usual is not working. Targeting long-term goals and injecting market incentives into their achievement would seem to be our best hope. Social Policy Bonds, uniquely amongst policy instruments, would do both.

I've written about why I believe tradeability is important [13]here, and why I am ambivalent about Social Impact Bonds [14]here.

1. http://nymag.com/daily/intelligencer/2017/07/climate-change-earth-too-hot-for-humans-annotated.html
2. https://charleshughsmith.blogspot.co.uk/2017/07/we-do-these-things-because-theyre-easy.html
3. http://socialgoals.blogspot.com/2017/07/immigration-need-for-buy-in.html
4. http://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-global-infra

structure-gaps

5. https://www.amazon.co.uk/Windup-Girl-Paolo-Bacigalupi/dp/0356500535
6. https://www.amazon.co.uk/d/Books/Androids-Dream-Electric-Sheep-Gollancz-Philip-Dick/0575079932/
7. https://www.amazon.co.uk/Oryx-Crake-Margaret-Atwood/dp/0349004064/
8. http://en.wikipedia.org/wiki/Social_impact_bond
9. http://socialgoals.com/climate-change.html
10. http://socialgoals.com/women-s-literacy.html
11. http://socialgoals.com/world-peace.html
12. http://socialgoals.com/new-type-of-organization.html
13. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
14. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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14.7.6 Social Policy Bonds and free riders (2017-07-21 20:57)

Let's say that the bonds have been floated, and that a high proportion of them have been sold to people or bodies have no intention of doing anything to achieve our targeted goal. These are would-be *free riders*, hoping to benefit from other bondholders' efforts to achieve the goal, or a drift toward the goal that happens regardless of anybody's efforts. (An example of this would be a holder of Climate Stability Bonds benefiting from new scientific evidence showing that the climate isn't changing as quickly as the market thought it was when the bonds were issued.)

If too many Social Policy Bonds were held by would-be free riders who had no intention of doing anything to help achieve the targeted social objective, then the value of all the bonds would fall. At that point it becomes worthwhile for active bondholders to buy those bonds that are traded, do something to achieve the goal, and see the value of their bonds rise. This would benefit any remaining free riders of course, but not as much as the new bondholders, because these new bondholders would have paid less for their bonds. Most likely, we'd see aggregation of bond holdings as it becomes worthwhile for passive bondholders to sell their bonds. The resulting small group of large bondholders would then have incentives to cooperate with each other. This would mean, amongst other things, that they would all benefit by agreeing on how the specified social problem could best be targeted. One element of the optimal strategy will be to decide who will be responsible for what activities, and how they shall be compensated. Major bondholders will certainly have incentives to share information with each other. Many of the bonds would be traded between bondholders.

If the proportion of bonds held by free riders is small, then their passivity would have little effect on the market value of the bonds, and they might benefit by hanging on to their holdings if active bondholders are successful in their efforts to move towards the goal's achievement. Such behaviour would, to a limited degree, undermine the Social Policy Bond concept, but keep in mind that:

- The true standard of comparison is not perfection: just something significantly better than any alternative, and
- Our goal is to achieve social goals as efficiently and quickly as possible; not to ensure that everyone is rewarded strictly in accordance with their efforts.

There is more about Social Policy Bonds and free riding in my [1]book, [2]chapter 4.

1. http://socialgoals.com/the-book.html
2. http://socialgoals.com/links-to-chapters.html

14.7.7 Nappies, LCAs, and the environment (2017-07-30 18:24)

From an article in a recent *New Scientist*:

> Greenhouse gas emissions from the production of various materials reveal that recycling is always greener than using virgin resources *[1]Throwaway culture: the truth about recycling*, Bob Holmes, 'New Scientist', 22 July

This is problematic for two reasons. First: I think it's a mistake to define 'greener' as 'generating a lower level of greenhouse gas emissions'. Why? Because production inevitably entails numerous other environmental impacts. Second: because 'always' is anyway too definitive.

Life Cycle Analyses (LCAs) are not a simple exercise, but one conducted by the UK's Environment Agency compared the environmental impacts of disposable nappies (diapers) against home- and commercially-laundered cloth nappies. The conclusion:

> For the three nappy systems studied, there was no significant difference between any of the environmental impacts – that is, overall no system clearly had a better or worse environmental performance, although the life cycle stages that are the main source for these impacts are different for each system. *[2]Life Cycle Assessment of Disposable and Reusable Nappies in the UK* (pdf), Environment Agency, 2005

This LCA considered a wide array of environmental impacts: 'resource depletion; climate change; ozone depletion; human toxicity; acidification; fresh-water aquatic toxicity; terrestrial

toxicity; photochemical oxidant formation (low level smog) and nutrification of fresh water (eutrophication).' Climate change, note, is just one of these impacts. This study was published 12 years ago, and its conclusion might have changed since then - which is my second point: that even if we can say now that recycling aluminium, say, is currently 'greener' than producing from the virgin resource, it might not always be so. Weighting environmental impacts, apart from being largely subjective, can never be definitive: our scientific knowledge about these impacts changes, as do the technologies of extraction and recycling and numerous other relevant variables. Our current policymaking system, as applied most spectacularly to climate change,
relies on our trying to identify the source of a problem and then basing
policy instruments *for decades ahead* on that - ossified - knowledge of
scientific relationships. As well as failing to account for our rapidly expanding scientific knowledge, it necessarily ignores potentially massive changes in social, financial or biological variables.

My suggestion is that policymakers or environmental campaigners stop focusing on *how* things are done and instead target environmental outcomes, measured in terms of human, animal and plant health. [3]Environmental Policy Bonds could target quite ambitious goals at the national or even global level. Just choosing their target could force policymakers and the rest of us into clarifying what we really want to achieve. For example: do we primarily want to influence the climate, or are we more concerned about the adverse effects of the climate on human, animal and plant life? The difference is subtle, but it might be that doing the former is not the most efficient, nor even a feasible, way of mitigating the latter.

Clarification of goals is one crucial advantage of the Environmental Policy Bond concept. Another is that the bonds, being [4]tradeable, could target ambitious, long-term goals that will probably require the lifetime of multiple democratic government administrations to achieve. A bond regime would not dictate how our goals shall be achieved, nor who shall achieve them. At any one time the bonds will be held by that coalition of interests who are - or who think they are - the people who will be most efficient at achieving the next step on way to the bonds' redemption.

In all, then, the [5]Social Policy Bond concept, as applied to the environment, would motivate bondholders to explore and implement diverse, adaptive initiatives that will efficiently achieve our environmental goals. This is something that our current policymaking system, based as it is on the use of fossilised science and heavily influenced by vested interests, simply cannot do.

1. https://www.newscientist.com/article/mg23531352-000-throwaway-culture-the-truth-about-recycling/
2. http://www.ahpma.co.uk/docs/LCA.pdf
3. http://socialgoals.com/environment.html
4. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
5. http://socialgoals.com/

14.7.8 A successful Social Impact Bond (2017-07-31 19:47)

A flurry of reporting on the success of the world's first [1]Social Impact Bond. The goal was to reduce reoffending rates of short-sentence ex-prisoners in the English city of Peterborough by at least 7.5 percent. The result was a 9.0 percent reduction:

> The conclusion of the world's first social impact bond (SIB) will return all of the investment as well as a one off payment described by Social Finance as "just over 3 % interest per annum" over five years go to 17 social investors after outcomes were achieved. All of the investors were charities or charitable foundations.
>
> *[2]Peterborough social impact bond investors see 3 % interest*, Lee Mannion, 'Pioneers Post, 27 July

Social Impact Bonds are the non-tradeable variant of Social Policy Bonds. I've had no direct involvement in any of the 89 SIBs in 19 countries which have now been issued. I'm ambivalent about SIBs and their non-tradeability - see [3]here and [4]here. But I think they can be helpful where the alternatives are neglect or poor policy. They might also serve as a handy stepping-stone to the full [5]Social Policy Bond model. For current news about SIBs there is a database and relevant links, [6]here.

1. http://en.wikipedia.org/wiki/Social_impact_bond
2. https://www.pioneerspost.com/news-views/20170727/peterborough-social-impact-bond-investors-see-3-interest
3. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
5. http://socialgoals.com/
6. http://www.socialfinance.org.uk/database/

14.8 August

14.8.1 Health: too important to be left to the healthcare industry (2017-08-04 18:42)

Brian Nelson writes:

> That
> our payment incentives have had the unintended consequence of often

> harming patients has been recognized by payers (government included) and efforts are underway to change. Can we devise a system that pays for outcomes rather than paying for services regardless of effectiveness? Unless we do, I fear things will not change. A
>
> [1]review by
>
> Brian W Nelson (orthopaedic surgeon), of [2]*Crooked: Outwitting the Back Pain Industry and Getting on the Road to Recovery*,
>
> 21 May

There's an idea: pay for favourable health outcomes, rather than activities or institutions purporting to deliver those outcomes, but at least as concerned for their own well-being as those of the people they are supposed to be helping. We see this not only in orthopaedics, but in other areas of [3]physical and [4]mental health. There's nothing particularly startling about this: practitioners have their own families to support, and are reacting perfectly rationally to the incentives on offer. And those incentives encourage [5]over-[6]screening and [7]over-treatment, and the neglect of commercially [8]nonnviable [9]preventive [10]interventions. As the British Medical Association puts it, in a recent paper:

> Despite the clear acknowledgement across the UK of the need to prioritise ill-health prevention and public health activities, the data analysed in this briefing show this is not matched by funding commitments. *[11]Funding for ill-health prevention and public health in the UK* (pdf), British Medical Association, 2017

It's the same, or worse, in the US:

> Almost 1.3 million people went to U.S. emergency rooms due to adverse drug effects in 2014, and about 124,000 people died from those events. [R]research suggests that up to half of those events were preventable. ... An estimated $200 billion per year is spent in the U.S. on the unnecessary and improper use of medication, for the drugs themselves and related medical costs.... *[12]Too many meds?*, Teresa Carr, 'Consumers Reports', dated September 2017

It's time for a new approach. My suggestion is that rather than policymakers' focusing on the means by which they think good health can be achieved, they instead focus on targets for good physical and mental health, and provide incentives for people to achieve those targets. The Social Policy Bond concept, applied to health, would do this, and more: it would inject the market's incentives and efficiencies into all the processes necessary to improve a

nation's health. [13]Health Bonds would channel our scarce resources into the most efficient means of improving our health, including those currently neglected or not even considered by our current healthcare bodies, most of which have little incentive or capacity to consider broad health outcomes that fall outside their increasingly specialised remit.

Health Bonds wouldn't stipulate how our health goals shall be achieved, nor who shall achieve them. This allows a broader approach. For example: our current compartmentalised accountancy-driven policy approach would not take into consideration the adverse health impacts of subsidising advanced courses for young drivers of motorbikes or cars. But holders of Health Bonds would look at such measures, investigate their possible health impacts, and make an informed decision as to whether any improvement they might bring to the nation's health is worthwhile, compared to other possible interventions.

1. https://www.amazon.com/gp/customer-reviews/R2NMOUGCV67BKH/ref=cm_cr_dp_d_rvw_ttl?ie=UTF8&ASIN=0062641786
2. https://www.amazon.com/gp/customer-reviews/R2NMOUGCV67BKH/ref=cm_cr_dp_d_rvw_ttl?ie=UTF8&ASIN=0062641786
3. http://www.badscience.net/category/big-pharma/
4. https://en.wikipedia.org/wiki/Peter_Breggin
5. https://sciencebasedmedicine.org/a-skeptical-look-at-screening-tests/
6. https://www.theguardian.com/science/blog/2014/jan/03/patients-truth-health-screening-harm-good
7. http://www.bmj.com/too-much-medicine
8. http://www.afr.com/news/special-reports/future-of-healthcare/prevention-rather-cure-rated-highly-in-healthcare-but-funding-sparse-20161011-grzhdb
9. http://heart.bmj.com/content/96/4/261
10. http://jech.bmj.com/content/71/8/827
11. http://sentpressrelease.com/pressrelease/attachment/73108/79fbe4f4-c323-4f1e-a7df-9abe85930d12/ec3ffd77-5767-4ab4-a59b-f781867fc1ca?fileDisplayName=Funding%20fo
12. https://www.consumerreports.org/prescription-drugs/too-many-meds-americas-love-affair-with-prescription-medication/
13. http://socialgoals.com/health.html

14.8.2 Incentives and health (2017-08-13 19:36)

Dr James DiNicolantonio writes about the influence of the sugar industry on nutritional guidelines:

> Throughout the years, the effects of conflicts of interest with the sugar industry were never quantified, until a recent systematic [1]review of systematic reviews was published in 2013 in the journal [2]PLOS Medicine. The review found that in studies with a conflict of interest with the food industry, 83.3 percent found no evidence linking sugar-sweetened beverages with weight gain/obesity. In contrast, when only studies

> without conflicts of interest with the food industry were analyzed, the same percentage (83.3 percent) found a positive association—that sugar-sweetened beverages have a definitive connection with weight gain and obesity. This one study provides just a small glimpse of how much science has likely been affected by these types of influences. *[3]The Salt Fix: Why the Experts Got it All Wrong and How Eating More Might Save Your Life*, Dr. James DiNicolantonio, June 2017

Nothing particularly new, but we do need reminding of the importance of incentives even on hard-working, well-meaning, highly talented members of the medical profession. Of course, financial incentives can reinforce public health as well as degrade it. The Social Policy Bond concept, as applied to health, would align our national health goals with rewards to those who are efficient at achieving them. It's unfortunate that, under our current healthcare systems, there is little to encourage people to seek out those ways of improving our health at least cost. Medical specialists, expert in their field, advocate effectively for their share of limited resources, but the overall health of the nation isn't effectively targeted. Few people have any financial incentive to consider it, and especially not to question the current ways in which funding is allocated.

[4]Health Bonds would be different. They would target our broad health goals, probably in the form of a range of indicators such as longevity and Quality Adjusted Life Years. For the bonds to be redeemed, each indicator would have to fall into a specified range, representing an improvement over the current level. Significant improvements in a nation's health will probably take decades to achieve, but Health Bonds would be tradeable, meaning that any coalition of interests who improve our health, however marginally, can profit from their doing so by virtue of the increased value of their bondholding. By backing and issuing Health Bonds, a government could effectively maximise the health gains per tax dollar spent without having to specify how such gains shall be achieved, nor who shall achieve them. Opportunities for the sort of corruption (whether deliberate or not) hinted at by Dr DiNicolantonio and the authors of the paper he cites, would disappear, to be replaced by a healthcare system in which the interests of practitioners and population would be entirely congruent.

1. http://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1001578
2. https://en.wikipedia.org/wiki/PLOS_Medicine
3. https://www.amazon.co.uk/Salt-Fix-Experts-Wrong-Eating/dp/0349417385/ref=sr_1_1?ie=UTF8&qid=1502647498&sr=8-1&keywords=the+salt+fix
4. http://socialgoals.com/health.html

14.8.3 What exactly is the problem? (2017-08-21 11:24)

'When greenbacks are on offer, American schoolchildren seem to try harder': the *Economist* discusses how financial incentives can change test results:

> [R]esearchers conducted an experiment in secondary schools in Shanghai and Amer-

> ica. In each place pupils were split into two groups. The first answered 25 maths questions that had appeared in PISA. The second took the same test, but before the pupils did so, they were presented with an envelope with 25 dollar bills or the equivalent in yuan. The teens were told that for every wrong answer they would be docked a dollar. [The researchers] found that the ploy boosted scores among American students relative to their compatriots without a cash incentive, but not among the Chinese ones. *[1]Effort, not ability, may explain the gap between American and Chinese pupils,* 'the Economist', 19 August. PISA is the Programme for International Student Assessment

The boost was significant: 'According to some rough calculations, if extrapolated to the main PISA test, the improvement in performance would have moved America from 36th to 19th in the ranking [of 69 countries], in which Shanghai came top.' It's an interesting result, and one that should make us question what the tests are trying to measure, and whether there are wider policy implications.

Test scores will most likely continue to play a big role in determining policy and the allocation of resources in education. That would be true whether or not we issue Social Policy Bonds that aim to achieve, say, [2]universal literacy. So, in the light of the research results summarised above, should we offer cash incentives to pupils about to take literacy tests?

I'm inclined to think not, at least when it comes to measuring basic literacy. One reason is that motivation, or the lack of it, are significant in themselves. If children of school age find a basic reading test too burdensome to pass without a financial incentive, then that in itself can be seen as a problem that needs to be solved. The nature of that problem might be a general cultural one, or one that's specific to certain classes of pupil. We might even interpret the difference between performance with a financial incentive and without as a social problem; and aim to narrow it.

There's no definitive answer though. Much depends on how we're going to use test scores, and whether there are other indicators that can usefully be targeted at the same time. As a society, we do need to think carefully about what we are trying to achieve. '[3]Teaching to the test' is problematic in itself and, while I do think universal literacy and numeracy are valid goals in themselves, and not very susceptible to the effects described above, we might do better to target for reduction as well as, or instead of, illiteracy, the social problems of unemployment and poverty.

1. https://www.economist.com/news/united-states/21726745-when-greenbacks-are-offer-american-schoolchildren-seem-try-harder-effort-not
2. http://socialgoals.com/women-s-literacy.html
3. https://en.wikipedia.org/wiki/Teaching_to_the_test

14.8.4 Climate change: humility recommended (2017-08-25 23:37)

The *Economist*, in a long article about the US state of Louisiana's coastal erosion problem (much of which is caused by factors other than climate change) says:

> The state's impressive coastal policy illustrates America's ability to adapt to a natural disaster that is already upon it. It does not seem to have nudged the state, or the Republican Party, any closer to policies that **might** slow the warming that is contributing to that disaster. (My emphasis) [1]*Louisiana fights the sea, and loses*, the 'Economist' 26 August

I approve of the tentativeness implied by 'might', and it's good to see others implicitly question whether stopping greenhouse gas emissions is the best way of achieving whatever are our goals concerning the climate. I would argue that the fundamental question we should be asking ourselves is:

> *Are we more concerned about climate change, or about the impacts of climate change on human, animal and plant life?*

Accepting that there is a climate change problem, and that anthropogenic greenhouse gases are responsible (to an uncertain degree) for it, we need, I think, to challenge the pervasive assumption that the most efficient way of mitigating its negative impacts is to reduce those same greenhouse gas emissions. With the word 'might', the *Economist* would seem to agree.

A Social Policy Bond regime would specify very clearly what we want to achieve. We would express our policy goal as a combination of physical, social, biological and financial measures that must fall within specified ranges for a sustained period. Only then would holders of [2]Climate Stability Bonds be paid out. These bonds would, in effect, contract out the achievement of our multiple climate goals to the private sector, leaving it to respond to our ever-expanding scientific and technical knowledge. Current policy is rigid and arrogant, in that it is based entirely on current science and assumptions about future trends. It cannot adapt to new knowledge. We shall need a multitude of diverse, adaptive approaches to achieving our goals relating to climate change and its impacts - many of which will have nothing to do with greenhouse gas emissions. Climate Stability Bonds would encourage them. Current policy, as well as being politically divisive and imposing extremely high upfront costs, will not.

1. https://www.economist.com/news/united-states/21727099-has-lessons-americas-climate-change-policy-louisiana-fights-sea-and-loses
2. http://socialgoals.com/ieakyototext.html

14.9 September

14.9.1 I don’t know: Climate Stability Bonds edition (2017-09-09 15:46)

Social Policy Bonds aren’t always the best way of solving a social or environmental problem. When such a problem has a clearly identified (and universally acknowledged) cause, or set of causes, then direct action, usually done, or organised, by government, is probably the most efficient way of solving it. Much of the raison d’etre of government arises from its ability to raise revenue to solve our social problems. Dealing with military threats, providing basic sanitation and transport infrastructure, and elementary education are examples of solutions that are usually best funded via, and designed, by government.

Other problems are trickier: crime, for instance, or health and education beyond universally achieved basic levels. Or, at the global level, risks of nuclear conflict. Tried and tested approaches can help, and many dedicated, hard-working people follow these, with some, limited, success. But, in my view, these problems have so many causes, and the relationships between cause and effect can change so radically over time, and differ so widely between geographic areas, that the one-size-fits-all, top down, approaches that characterise government action just don’t work. Especially when our goals are inescapably long term in nature, we need diverse, adaptive approaches that government does not do well. It is for these goals, I believe, that the Social Policy Bond concept can show the most marked advantage over any other approach.

I am not sure about climate change. A correspondent, who knows a lot more about the science than I do, tells me that it is now beyond doubt that the causes of climate change (or climate breakdown, as George Monbiot puts it) are anthropogenic greenhouse gas emissions. If this is the case, then perhaps my suggested solution of Climate Stabiity Bonds aimed at addressing the depredations caused by climate change to human, animal and plant life might not be optimal. The most efficient solution might be to target greenhouse gas emissions directly, either through a carbon tax, or cap and trade, or (possibly) by a Social Policy Bond issue targeting the composition of the atmosphere.

Theoretical efficiency, though, isn’t the only criterion. I said ’univerally acknowledged’, in my first para, above. And I’ve written many times here and on the SocialGoals.com website about the importance of buy-in. For dealing with climate change, which is going to require the expenditure of massive resources, upfront, for an uncertain and inherently long-term benefit, buy-in is as elusive as it is crucial. I don’t know whether there will ever be enough buy-in globally to deal adequately with greenhouse gas emissions. The Climate Stability Bond approach might yet have presentational advantages and more palatable money flows than such elegant solutions as a carbon tax. Any presentational advantages would be due to people’s more readily identifying with the direct targeting for reduction of the impacts of adverse climatic events, whether they be short term - and televisual - such as hurricanes, or long term and drawn out, such as desertification. The money flows would be more palatable

because, essentially, payment is for results: Climate Stability Bonds would not be redeemed until all targeted goals had been achieved. Another possible advantage of the bond approach is that it could be more ambitious than simply trying to return our atmosphere to something like its pre-industrial state. With a much greater global population than (say) 150 years ago, climatic disasters on an appalling scale would still occur, even if that very remote goal were achieved and sustained. A bond approach could, amongst other goals, target those disasters for reduction.

Set against those possible advantages is the more practical one of the atmosphere's composition being much more readily measurable than the multiple goals of a Climate Stability Bond regime.

I"ll conclude inconclusively, by suggesting that perhaps the best approach would be to target (1) atmospheric composition and (2) the impacts of adverse climatic events, independently. Social Policy Bonds could be used to achieve either goal, or both, or neither. Much depends on how willingly people will pay upfront for the abstract-*sounding* goal of aiming to reduce greeenhouse gases in the atmosphere to their pre-industrial levels.

14.9.2 We're all human (2017-09-26 11:36)

> As Kaiser, King, and Supreme War Lord, Wilhelm II was simply bound to be central to the decision-making processin July 2014, and a heavy responsibility rests on his shoulders for the terrible catastrophe that befell the world that summer. ... "The Serbs need sorting out - *and soon.*" It was "now or never", [the Kaiser] declared, for a thoroughgoing settling of accounts with the Serbs. *[1]Wilhem II: Into the Abyss of War and Exile 1900-1941,* John C G Rohl (English translation), 2014

What is particularly striking is how, at the highest level of national government, big decisions appear to be made on the basis of reactive, primal emotion. Rationality and the long-term interests of the people politicians are supposed to represent hardly figure at all. Reading some of the Kaiser's comments made in the run-up to World War I, one is struck by how their puerile, reactionary nature. Yes, monarch and policymakers are human - but so too are the millions of citizens for whom they make policy.

Reactive thinking is particularly dangerous when military conflict looms, and not much has changed in the 103 years since 1914. Except, of course, the destructive power in the hands of our leaders. An [2]article about Henry Kissinger's role in US foreign policy quotes him saying to US President George W Bush's speechwriter, about radical Islamic opponents: 'We need to humiliate them'. Comments like this abound in high politics. George W Bush himself

[3]cried ‘bring ‘em on’ at an early point in the invasion of Iraq. These are not examples of high-level thinking.Current comments by political leaders are no more considered or sophisticated.

One of the benefits of a Social Policy Bond regime would be the clarification of social goals, and the transparency of the process that targets them. Goals would have to be articulated before targeting. They’d have to be thought through. There would have to be consultation and buy-in. It’s unlikely that random, reactive emotional outbursts would crystallise into policy in such a inescapably level-headed policymaking environment, however eminent the people making them. Had the well-being of all their citizens been targeted for improvement, a Kaiser and his ministers would have had seriously and coolly to think of the interests of the people they were supposed to represent. They would never have been allowed to lead (or ’[4]sleepwalk’, as Christopher Clark puts it) Germany and much of the rest of the world over the brink into catastrophe.

1. https://www.amazon.com/Wilhelm-II-Set-John-246/dp/110706662X
2. https://thinkprogress.org/report-henry-kissingers-long-history-of-complicity-in-human-rights-abuses-ffcb00aafbee/
3. http://www.huffingtonpost.com/robert-s-mcelvaine/bring-em-on---the-fifth-a_b_110233.html
4. https://www.amazon.com/Sleepwalkers-How-Europe-Went-1914/dp/0061146668

14.10 October

14.10.1 Short termism: taking advantage of complexity (2017-10-07 15:59)

There’s much of interest in John Kay’s [1]presentation at the Public Hearing on Sustainable Finance at the European Commission. The key point is this:

> Short termism is the product of the intervention of intermediaries. Evolution of the financial system over the last 40 years has been characterised by the steady growth of the process of intermediation, a process which has taken finance further and further away from meeting the real needs of the underlying users and suppliers of finance. Market-based capital allocation and long-term decision-making do not fit easily together. John Kay, 18 July

There’s a mismatch between people’s long term goals, and the short-term focus of the people who are supposed to help us achieve those goals. The same sort of mismatch occurs not only in finance but also, though perhaps less pervasively, in healthcare and education. Reasons vary, and are not easy to pin down. Information asymmetry may play a big role: in finance, as in healthcare, providers know a lot more than customers. Society is complex and large

institutions are adept at misusing that complexity to take advantage of our relative ignorance. In fact, they are not above manipulating the regulatory environment to add to our confusion.

The more important question, though, is how to close the gap between what we want to see, and what our public- and private-sector institutions deliver. My suggestion is that we articulate long-term social and environmental goals, and reward people for achieving them. We don't need to prejudge intermediate steps, nor specify who shall achieve our goals. If we issue Social Policy Bonds with the aim of improving our citizens' health, say, or achieving universal literacy, then intermediaries will proliferate only if bondholders think them necessary to reach our targets with maximum efficiency. Information asymmetry means that intermediaries can take advantage of our relative ignorance about how best to achieve our personal long-term goals and substitute their own, usually much shorter-term objectives, which rarely coincide with our goals and often, indeed, conflict with them. But whereas we might not know how best to achieve our personal goals, nor society's goals, we are not at all ignorant about what those goals actually are. Social Policy Bonds would recast the way we, as a society, do things. They would put our broad, long-term, goals back where they belong: as top priorities, to which our institutions and all their activities are entirely subordinate.

1. https://www.johnkay.com/2017/09/24/market-based-capital-allocation-not-support-long-term-decision-making/

14.10.2 Emotion-based policy (2017-10-12 18:00)

What drives policy? And what should drive policy? Two entirely separate questions. What actually drives policy today is largely emotion, which seems to be supplanting other policy drivers, and is easily manipulated by large private- and public-sector bodies. Society is growing ever more complex as are the relationships between cause and effect in social and environmental policy. Emotion is easier to communicate and exploit than a rigorous accounting of which policies work and which don't. But as a policy driver emotion has obvious faults. It's far too easy to subvert for mercenary and more sinister ends.

I'd much prefer to see meaningful outcomes drive policy. These could bypass the complexities of our economy and society, so they would berelatively easy for non-specialists to understand. It's far simpler, say, to aim to reduce violent crime, or climate change, than it is to make a case for (say) subsidising leisure centres for youths or urging poor countries to stop building coal-fired power stations. These actions, at some point in time, *might* be necessary and efficient, but that should be an open question: one to be answered by informed and motivated investors, rather than remote, cumbersome, corruptible and

monolithic central government.

Which is where Social Policy Bonds would enter the picture. One of the benefits of a bond regime is to bring transparency and stability into the policymaking process. Framing policy decisions
in terms of costed outcomes would be an inescapable first step. Currently
policymakers can - indeed must - express their decisions as vague, noble-*sounding* declarations of intent, backed up by funding programmes for favoured
bodies, be they government agencies or other interest groups. As Milton Friedman [1]said:

"one of the great mistakes is to judge policies and programs by
their intentions rather than their results". (I would insert 'stated', before 'intentions' here.)

Issuers of
Social Policy Bonds, would in contrast, have to be explicit about their
objectives: transparency and accountability are built into a bond
regime, as surely as they are excluded from the current policymaking
apparatus. as well as more efficient goal-achievement, formulating policy in terms of meaningful outcomes would generate more [2]buy-in - something that we urgently need as the gap between citizens and the politicians they are supposed to represent is in danger of becoming unbridgeable.

1. https://bfi.uchicago.edu/news/post/milton-friedman-his-own-words
2. http://www.socialgoals.com/buy-in-1.html

14.10.3 Avoiding the disaster of disengagement (2017-10-18 18:34)

Peter Arnold writes:

> Mimicking 'the Trump phenomenon', Emmanuel Macron did not win the
> French presidential election. The politicians who had, for decades,
> governed the country, *lost*. Mark Rutte's governing party *lost* seats in the Dutch parliament to Geert Wilders and other small parties. Matteo Renzi's governing party *lost* the 2016 plebiscite to change the Italian constitution. Theresa May's governing party *lost* ten seats to minor parties. Malcolm Turnbull's governing party *lost* seats to minor parties. As further proof my thesis, Angela Merkel will lose seats next month.
>
> What is it about governing politicians in these democracies that has
> caused their electorates to vote against them? The French have a word
> for it, a word which emerged after Mr Macron, although lacking a
> political party, saw his opponents fall by the wayside – *dégagement.*
>
> 'Disengagement'. *[1]Winning by default,* Peter Arnold, 'Quadrant online', 13 October

We shouldn't be surprised at this all-pervasive disengagement. Policymaking is now so removed from the concerns of ordinary people and the process itself is so arcane, that only specialists, usually employed by large public- or private-sector bodies, can afford to follow it. Despite the odd referendum, the gap between the politico-bureaucratic complex and the people they are supposed to represent grows ever larger. In such a dysfunctional environment, disengagement would seem to be the least timewasting strategy for ordinary citizens to adopt.

[2]Social Policy Bonds might be a way of closing the gap. Their aim is to inject market incentives into the solution of our social and environmental problems. But, as well as, and perhaps even more important than, the channeling of the market's incentives and efficiencies into such problems, they take as their starting point outcomes. Social and environmental outcomes, that is, that we want to achieve. Under a bond regime, the focus of political debate would be on these outcomes: the priority we attach to them and how much we are willing to spend on them. Current policymaking focuses on institutional funding and structures and esoteric aspects of law and regulation, all of which can be, and are, manipulated by those lobbyists and their paymasters. The rest of us have to live with the consequences. The underlying assumption is that, if we have a social problem, it's government who should decide how we'll try to solve it, and who shall be charged with doing so. With anything at all complex it's unsurprising that such a way of doing policy is at best inefficient, and at worst an opportunity for vested interests to delay or oppose anything that threatens their business model.

Social Policy Bonds, in centering policy debate on outcomes, would encourage less rarefied policymaking than the current system. People understand broad meaningful outcomes more than we do the obscurantist tactics of today's legislators. So we should be able - if we want - to participate for more fully than we can today. It's likely too that some of the heat would be taken out of politics: there's probably far more consensus over outcomes that we want to see - [3]healthier citizens, [4]less air pollution, [5]universal literacy, say - than over the supposed means of reaching them.

Under a bond regime, probably nobody would see exactly the policy priorities they want to see. But, compared with today's policymaking, (1) it's probably more likely that citizens' interests will be considered and taken seriously, and (2) public participation in the process can be seen both as a desirable goal in itself (see [6]here, for instance), and as a necessary condition for [7]buy-in, without which many of our most urgent challenges are unlikely to be met. Disengagement presages disaster. Social Policy Bonds could be the way to avoid it.

1. https://quadrant.org.au/opinion/qed/2017/10/winning-default/
2. http://www.socialgoals.com/
3. http://www.socialgoals.com/health.html
4. http://www.socialgoals.com/environment.html
5. http://www.socialgoals.com/women-s-literacy.html
6. https://www.amazon.com/Happiness-Economics-Economy-Institutions-Well-Being/dp/0691069980

7. http://www.socialgoals.com/buy-in-1.html

14.10.4 How to bypass cultural imperatives (2017-10-20 18:52)

Philip Salzman writes:

> Peace is not possible in the Middle East because values and goals other than peace are more important to Middle Easterners. Most important to Middle Easterners are loyalty to kin, clan, and cult, and the honour which is won by such loyalty. These are the cultural imperatives, the primary values, held and celebrated. When conflict arises and conflict-parties form based on loyal allegiance, the conflict is regarded as appropriate and proper. *[1]Why There Is No Peace in the Middle East*, Philip Carl Salzman, 14 October

On first reading, this seems correct. If so, it would devalue my attempts to encourage the issuing of [2]Middle East Peace Bonds. But what would ordinary people - men and women - in the Middle East or, indeed, anywhere else, say if they were given the chance to voice their opinions in private? I'd like to think that they would happily ditch tribal loyalties in exchange for peace and the consequent brighter prospects for themselves and their descendants. Middle East peace might seem overly idealistic, and it probably is, if we see tribal loyalties which, simply because they've persisted for a thousand years or more, as intractable. But slavery too, used to be [3]considered part of the natural order of things, along with other physical and societal pathologies. Over the course of a conventional politician's planning horizon, of course, Salzman is correct. Conventional politicians, unfortunately, generate conventional policies; a particularly ineffectual approach when trying to address problems that will most likely require an array of possibly untried and adaptive approaches for their solution.

Applying the Social Policy Bond concept to armed conflict might be the way forward. For some regions, a definition of our peace goal might need to be more nuanced than 'cessation of conflict' (as measured, say, by numbers of people killed or made homeless). But the bonds can target peace, however defined, over a decades-long term, which means that bondholders would be motivated to bring about popular, sustainable peace agreements. 'Cultural imperatives' and other so-called 'intractable' problems, I believe, are amenable to solution: we might not know the exact nature of such solutions, but we can and should be giving people incentives to finding them.

1. http://www.meforum.org/6965/why-there-is-no-peace-in-the-middle-east
2. http://www.socialgoals.com/middle-east-peace.html
3. https://en.wikipedia.org/wiki/Natural_slavery

14.10.5 Whose goals? (2017-10-25 19:28)

There are two main elements to the Social Policy Bond idea. One is the injection of market incentives into all the processes necessary to bring about our social goals. The other is the focus on these goals themselves, and my contention that they be goals that are meaningful to ordinary people. Goals such as [1]reduced crime, better [2]health, and a cleaner [3]environment. Under a Social Policy Bond regime we could target such apparently remote goals as [4]world peace, or universal [5]literacy.

Our current policymaking systems don't really consider either element. There's plenty of rhetoric about market forces but the people spouting it are, most likely, using them to justify decisions made in the favour of large corporations, typically multinationals. The hypocrisy is breathtaking: market forces imply competition, but large corporations typically try to maintain their status by undermining competition, usually by pressuring governments to manipulate the legislative, regulatory and trade environment in their favour.

Nathan Robinson's article about how Amazon is going about choosing its second headquarters in the US makes sombre reading:

> There's something sad about watching
> suffering post-industrial cities like Gary plead for an investment from
> Amazon. (Gary's mayor issued a [6]heartfelt appeal,
> on the mistaken assumption that Jeff Bezos possesses a conscience.) It
> feels like the peasants are coming before the king, bearing whatever
> meager offerings they can scrape together, and begging him for his
> favor. Having humbled themselves at Bezos' feet, [7]praised his products
> and promoted his brand, nearly all of them will walk away with…
> nothing. Even though Bezos could single-handedly transform the economic
> fortunes of a place like Gary, the spoils will almost certainly go to a
> place that is already prospering. *The sad spectacle of cities groveling to Amazon*,
> Nathan J Robinson, 'Current Affairs', 16 October

A long [8]article by James Meek looks at the human costs of such subservience to the interests of multinationals from a European perspective. I think it's time for us to ask the question: whose goals should have a higher priority: those of the multinationals or those of ordinary people? It's an important question, not only because these goals differ, but because they often conflict. Most of us as individuals have longer-term and more broad interests than large corporations, which are duty bound to put the interests of the company (though [9]not specifically shareholders) above all. Because our political systems give little voice to our

interests as individuals or as a society, we now have policymaking that is largely influenced only by those who have the means to follow it closely. That is, large corporations, including government agencies.

> Which do you want? Do you want to live in a town patronized by some great combination of capitalists who pick it out as a suitable place to plant their industry and draw you into their employment? Or do you want to see your sons and your brothers and your husbands build up business for themselves under the protection of laws which make it impossible for any giant, however big, to crush them and put them out of business? [10]Attributed to US President Woodrow Wilson, 1912

[11]Social Policy Bonds could be a way of raising the influence of ordinary people at the expense of large corporations. They would take as their starting point *our* interests: as individuals, families, communities and societies. Being [12]tradeable, the bonds could target goals whose end-point might be years or decades into the future. Large corporations could still play a part, but their goals would be congruent with those of wider society. In much the same way, governments issuing Social Policy Bonds while still, articulating society's goals and raising the revenue for their achievement, would be doing so with the aim of raising the long-term well-being of all society and not, as now, the short-term interests of large corporations.

1. http://www.socialgoals.com/crime-.html
2. http://www.socialgoals.com/health.html
3. http://www.socialgoals.com/environment.html
4. http://www.socialgoals.com/conflict-reduction-.html
5. http://www.socialgoals.com/women-s-literacy.html
6. https://www.washingtonpost.com/news/wonk/wp/2017/09/21/how-poor-decaying-gary-indiana-is-fighting-to-win-amazons-heart/?utm_term=.75a695dec92f
7. https://www.theverge.com/2017/10/11/16461706/amazon-second-headquarters-kansas-city-five-stars-reviews
8. https://www.lrb.co.uk/v39/n08/james-meek/somerdale-to-skarbimierz
9. https://www.nytimes.com/roomfordebate/2015/04/16/what-are-corporations-obligations-to-shareholders/corporations-dont-have-to-maximize-profits
10. https://thetyee.ca/Opinion/2017/07/28/Who-Owns-Your-Grocery-Store/
11. http://www.socialgoals.com/
12. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html

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14.11 November

14.11.1 Who cares about efficiency? (2017-11-04 17:49)

The title of an [1]article in last week's *Economist* itself gives cause for concern:

Counties that voted for the president get more in disaster relief

The article is referring to the federal aid that United States dispenses following natural disasters. It's a bit more nuanced than the title suggests. Research found that:

> [G]iven two natural disasters that inflict the same amount of damage, presidents have been twice as likely to declare a disaster when one occurs in a swing state like Ohio or Florida, with a roughly equal number of Republican and Democratic voters, as when one happens in a politically uncompetitive place. *Economist*, 20 October

Another study quoted in the article says that:

> [I]t takes about $27,000 of relief spending to "buy" just one extra vote for an incumbent party. It would be far more efficient to invest that money in disaster preparation, since each dollar governments spend on preventing harm from nature's wrath

is thought to yield some $15 in savings on future relief costs. Unfortunately, the electorate seems to reward only politicians who open up the public purse after damage is done.

The problem, then, is not solely one of cynical politicians: we citizens are culpable to the degree that we react emotionally in times of crisis, especially when that such crises have impacts that can be filmed. Which is why I advocate targeting outcomes, including the impacts of national or global disasters, ahead of time, so that we can channel our scarce resources into the areas where it will relieve most suffering. [2]Disaster Prevention Bonds could do this. Issuers of these bonds would target for reduction the numbers of people killed, injured or made homeless by natural or manmade disasters. The nature of the disaster need not be specified in advance and the bonds could aim to target for reduction national or global catastrophes.

Disaster Prevention Bonds targeting global disasters could be backed by some or all of the world's governments and issued by an international body like the United Nations or World Bank. These bonds need not bear interest, and would redeemable for a fixed sum once a sustained period of absence of a humanitarian disaster had passed. The bonds would be floated on the open market and be tradeable at any time thereafter. Because they *are* [3]tradeable, they would give people incentives to look for solutions to problems that might arise years beyond the planning horizon of today's policymakers. The bonds' redemption terms would stipulate that they would become worthless the moment an unspecified calamity killed, say, 100 000 of the world's citizens by a single catastrophic event in any 48- hour period. So bondholders would have powerful incentives to anticipate such an event, and minimise the chance of its occurring. Nationally backed Disaster Prevention Bonds would work in similar fashion, on the national scale.

Disaster Prevention Bonds would entail our making decisions about funding before catastrophes arise, when efficiency, in terms of the reduction of suffering per dollar spent, will be our key driver. They would not stop the misallocation of resources once a disaster has occurred, but the second piece of research quoted above would suggest that disaster prevention is currently underfunded. A bond regime would make such funding levels transparent, in ways that ordinary people can comprehend, and it's likely that, as a result, it would work to minimise the suffering inflicted by future disasters.

1. https://www.economist.com/news/united-states/21730430-federal-aid-sent-puerto-rico-fits-longstanding-pattern-counties-voted
2. http://www.socialgoals.com/disaster-prevention.html
3. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html

14.11.2 Society as an interest group (2017-11-12 23:01)

Clive James writes:

> [W]e tend to believe that there
> is some natural state of justice to which political life would revert
> if only the conflicts between interest groups could be resolved. but
> whatever justice we enjoy arose from the conflicts between interest
> groups, and no such natural state of justice has ever existed. The only
> natural state is unjust.... [1] *The Meaning of Recognition*
>
> , 2005, page 4

I'm not so gloomy. When it comes to how things shall be done, and who shall do them then, yes, interest groups - those motivated to follow the policymaking process and so to benefit from it - are the only protaganists that really matter. But it doesn't have to be that way. Or rather, by targeting outcomes rather than the alleged means of achieving them, we can enlarge the interest group such that it includes *all* citizens.

Targeting broad outcomes, such as better health or reduced adverse environmental impacts, that are meaningful to all of us can bring about greater public engagement in the policymaking process. Yes, there will be disagreements over priorities, but we shall have been able to follow the process and contribute to it - unlike under today's regime, where policymaking is strictly for devotees or their paid employees.

The world is too small now for the solution of
social and environmental problems to be left to exclusive interest groups to sort out. Social Policy Bonds could represent a middle way between the happenstance of a free
market approach to solving our problems, and the coercive, and (often)
ham-fisted, inefficient way of central planning. Government, influenced as it is by interest groups, usually does a terrible job in actually achieving our
complex social goals. A Social Policy Bond regime, on the other hand, would play to government's strengths: articulating society's goals and raising the revenue to
achieve them. But then it would, in effect, contract out the achievement of those goals, letting market forces do what they are best at: ensuring the optimum allocation of society's scarce resources in order to achieve society's goals - not those of interest groups, be they private- or public-sector.

Social Policy Bonds would, I believe, achieve our social and environmental goals

more efficiently and less randomly than the current system. The planet as a whole cannot afford either the time for conflicts between interest groups to be resolved or the collateral damage that such conflicts are inflicting on our ever smaller planet.

1. http://www.amazon.com/Meaning-Recognition-Essays-2001-2005/dp/033044025X

14.11.3 The stability of the septic tank (2017-11-16 19:54)

I often agree with British journalist and military historian [1]Max Hastings. But not with his remarks in this interview with Tobin Harshaw:

> MH: One of the things I've learned as a historian is that one should never listen to anybody who uses the word "solution." Most difficult problems in the world are not susceptible to solutions. What they are susceptible to is management. We'd all get along a lot better if we understood there is not the remotest possibility of a "solution" or even multiple solutions to the troubles in the Middle East because they are so fantastically complex. The only way to approach them is to think how we can best manage them. How best can we avoid making things worse?
>
> TH: That goes back to what you said earlier... about peace not being the goal. What did you say - it should be stability?
>
> MH: Yes, stability is the key.

[2]Trump, Brexit and Echoes of World War I, Tobin Harshaw, 'Bloomberg View', 11 November

I think Mr Hastings is too pessimistic. Yes, war and conflict have been a feature of humanity at least since history began, and yes, many conflicts appear [3]intractable. But Mr Hastings is in good company: here is Professor Colin Gray:

> War is a part of the human condition, it is not a problem that can be solved. However, it is a condition some of the worst features of which can be alleviated by law, custom, norms and plain self-interest. *[4]Another Bloody Century* (page 379), Colin S Gray, 2007

I am much more optimistic, and I think we should be aiming for outcomes more edifying than the stability of the septic tank. I think that if war's negative impacts can be satisfactorily defined, then targeted for reduction, then, with sufficient incentives, the suffering imposed by human conflict can be drastically reduced. As Professor Gray explains elsewhere in his book "Warfare is social and cultural, as well as political and strategic, behaviour. As such it must reflect the characteristics of the communities that wage it." (page 385). These characteristics are deep-seated and pervasive, which means that any solution to the problem of human conflict will need to be long term in nature. An array of diverse, adaptive and focused approaches will therefore be required.

[5]

Stability: our highest aspiration?

A Conflict Reduction Bond regime could work to stimulate such approaches of the sort that we cannot necessarily foresee. We should, I believe, contract out much of the work

needed to find the best approaches to eliminating war. While robust definitions of 'peace' will need to be thought through, we could immediately issue bonds redeemable only when there had been large numbers of people killed, injured or forced to flee their homes for a sustained period.

Bondholders would then have incentives to prevent conflict with maximum efficiency. They would explore and invent new, more diverse options than are currently being undertaken, and they could divert funding into the most promising of these. They would have more latitude for action than government. For example, bondholders could subsidise intermarriage between members of different religious or territorial communities. They could sponsor school exchange visits, sports matches or the broadcasting of peaceful propaganda. They could arrange for the most virulent warlords and preachers of hate to take one-way, first-class journeys to luxurious holidays in remote resorts with limited access to communication facilities. Whatever holders of bonds targeting war and terrorism do, they will have successes and failures. But *they will also have incentives to terminate projects that are failing* and to refine and replicate their successes - to be efficient, in other words.

Government has no such direct incentive. It cannot offer direct financial rewards for success, and its talent pool is limited, partly for that reason. It would get into trouble if it advocated things like intermarriage, or sponsored sybaritic retirement for warmongers. As in other areas of social policy, its options are limited. They tend to be one-size-fits-all, slow to adapt and advocated mainly because they have been done before, rather than by their efficiency: government will always prefer *tried, tested and failed* to *promising, innovative - and potentially destabilising*.

The field of conflict is one area where the private sector can and should be given the chance to operate more freely. Sadly, it is largely private incentives - to arms manufacturers and brokers - that have contributed to human conflict. We need to redress the balance and reward those who strive for peace.

Under a [6]Conflict Reduction Bond regime, government would still have the responsibility of defining our peace goal, and it would be the ultimate source of finance for achievement of that goal. But the actual achievement of peace would be contracted out to the private sector, who would have powerful incentives to achieve it as cost-effectively as possible. Government and the private sector would each do what it does best: respectively, articulating its citizens' wishes, and finding the most efficient ways of achieving its goals. We can, and should, aim for peace, not managing the stability of the septic tank. Peace, after all, is what almost all of us want for ourselves and for future generations.

1. https://en.wikipedia.org/w/index.php?search=max+hastings&title=Special:Search&profile=default&fulltext=1&searchToken=3eowife918m4lfced2alyvevg

2. https://www.bloomberg.com/view/articles/2017-11-11/trump-brexit-and-echoes-of-world-war-i
3. https://www.beyondintractability.org/e-about
4. http://www.amazon.com/Another-Bloody-Century-Warfare-Phoenix/dp/0304367346
5. https://deavita.net/wp-content/uploads/2017/03/septic-tank-precast-concrete-septic-tank-advantages-disadvantages.jpg
6. http://www.socialgoals.com/conflict-reduction-.html

14.11.4 Short selling (2017-11-22 19:06)

A correspondent asks whether short selling will work against the Social Policy Bond concept. Specifically: *if [1]Conflict Reduction Bonds are issued, would short sellers profit from events that would make peace less likely?*

Short selling in this context would be the selling of Conflict Reduction Bonds that are not currently owned, in the hope that their market price will fall, and that the seller will buy the bonds at their lower price. Short sellers could then be motivated to foment conflict.

I have these responses:

(1) The short seller doesn't own the bonds, but has to borrow the bonds from the broker or dealer when placing the sell order. The seller is then obliged to buy back the bonds at some point in the future. Just as the seller will want to see the value of the bonds fall, so the broker or dealer will want to see their value rise. In the Conflict Reduction Bond example, any additional incentive to foment conflict on the part of the seller would be balanced by an incentive on the part of the broker to reduce conflict.

(2) The weight of money - that is, the funds for the bonds' redemption - will be in favour of progress toward the goal; just as in the share market, the short selling of a company's shares doesn't change the incentives for the company itself to succeed. It's likely that any profits from short selling will be short term in nature; the long arc of the market for the bonds will bend in our favour.

(3) Public opprobrium. While people or corporations do profit from the failure to achieve social goals, they do so in ways that are indirect. If short sellers were to work to make social goals less achievable, the source of their activity and the reasons for it would be direct and identifiable. Taking the Conflict Reduction Bond example, again, weapons manufacturers and military contractors do already profit from their activities. They could even now be deliberately fomenting conflict with the aim of boosting their revenue. Short selling would be only one

more way of profiting from war, but it is one that is both more identifiable and more likely to attract public opprobrium than any other so, even if a corporation were that way inclined, it would be unlikely to follow through.

Social Policy Bonds are not a Utopian solution but (in my view) they are much better than the current system. They would bring about the re-jigging the incentives to reward the outcome we want, rather than the activities, institutions or policies ostensibly trying to achieve it.

1. http://www.socialgoals.com/conflict-reduction-.html

14.11.5 Perverse incentives and health (2017-11-28 23:33)

Dr Jason Fung explains why 'there is so much money being raised for heart disease or cancer or diabetes, and why there is so little real medical progress.' As he says, 'there are many ways that Big Pharma pays doctors':

- The most common are speaker's fees and consulting fees. ...
- The second form of graft is consulting fees. The company will pay the doctor for his/her 'advice' as a consultant on how to market a drug. Of course, the company cares not at all about what he/she says. It is an opportunity to give these doctors a 2 hour advertisement disguised as a consultation. For this the doctor is paid $2000- $5000. ...
- The most insidious form of corruption is 'research' money. While it sounds great, it is usually another thinly disguised form of bribery. Some research project is usually set up with little or no academic merit. The universities setting this up are well paid. The doctors who participate are well paid. Best of all, research meetings are held regularly in lovely locations like Vienna and Hawaii. 'Researchers', of course, are invited to participate, all expenses paid. The public only sees that the company has donated 'research' money and that the doctor is doing 'research'. These shenanigans happen every day, in every university. If you've ever wondered why there is so much money being raised for heart disease or cancer or diabetes, and why there is so little real medical progress – this is the reason. *[1]Clinical Practice Guidelines or Legalized Bribery?,* Dr Jason Fung, November

He's mostly referring to the United States, but perverse incentives pervade even government-run healthcare systems. By default, health expenditure is influenced by groups of medical specialists with little incentive or capacity to see improvements in the overall health of a large population as an objective. As well as the substantial money flows described by Dr Fung, funding decisions are also heavily influenced by the public profile of a disease or its victims, rather than on what would best meet the needs of society. Health is about a lot more than what Big Pharma does, or how governments allocate healthcare funds. It's also a question of diet, exercise, transport, and culture. Recent research shows, for instance, the beneficial effects on health of green spaces in our cities (see [2]here (pdf) for instance). The

way government is structured, with its discrete funding bodies, makes it unlikely that such benefits will influence funding decisions.

We cannot expect a government nor any single organisation, even if they were ethical and altruistic, to identify the huge numbers of variables, with all their time lags and interactions, that influence the nation's health. We can, though, devise a system that rewards people who explore and implement the most cost-effective health solutions, even when circumstances and knowledge are changing continuously. I have tried to do this with my essay on [3]Health Bonds, which would aim to distribute scarce government funds to where they would do most good, as measured by such indicators as [4]Disability Adjusted Life Years.

Incentives matter, and current incentives have nothing to do with achieving society's broad, long-term goals. Instead, they accrue to those who maximise the narrow, short-term goals that have more to do with the financial success of big companies than the health of ordinary citizens.

1. https://idmprogram.com/clinical-practice-guidelines-legalized-bribery/
2. http://www.ehrf.info/wp-content/uploads/2011/09/BenefitsofGreenSpace.pdf
3. http://www.socialgoals.com/health.html
4. https://en.wikipedia.org/wiki/Disability-adjusted_life_year

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14.12 December

14.12.1 Free market? Don't believe it (2017-12-07 23:26)

There's a lot of lip service paid to the notion of the free market, as if competition, at least over the long run, will lead to economic efficiency. There are many problems with this. The biggest, in my view, is that we now have political systems that not only entrench wealth and income inequalities, they extend them. This seems to be an almost worldwide phenomenon. Our governments and big business now act as a coalition, very often acting against the interests of ordinary people and small businesses. Inequality on a staggering scale is both the result of policies favouring the rich, and the stimulus to more of them.

Take this excerpt from a review of [1]*The Captured Economy: How the Powerful Enrich Themselves, Slow Down Growth, and Increase Inequality*, by Brink Lindsey and Steven Teles, discussing the US economy:

> Of the firms that enjoyed returns on invested capital of 25 % or more in 2003, 85 % were still earning returns that high a decade later. The authors put forward four case studies to illustrate the choking spread of rent-seeking behaviour. Implicit and explicit government subsidies to the financial industry enrich bankers and sow the seeds of crisis, for example, but have done little to boost growth. Increasingly strong intellectual-property protections have not unleashed a torrent of new ideas, but have instead swelled the earnings of top firms, which wield their patents and copyrights menacingly at would-be innovators. The cost to negotiate reams of licence agreements, and the risk of lawsuits, can stymie the most determined of entrepreneurs. Analyses of occupational licensing and land-use rules turn up similarly skewed policies: they benefit those already on top at the expense of society as a whole. [2]*How America's economy is rigged by special interest*s, the 'Economist', 2 December

Having been involved in agriculture, I have seen how [3]corrupt, [4]insane [5]policies can persist for decades. More important than their benefiting bureaucrats and fraudsters, is that they enrich people and corporations sufficiently to finance opposition to their being withdrawn. No trick is too low. I think much of the reason for the persistence of profligate policies like agricultural subsidy programmes, and those competition-stifling regulatory barriers described above, is that our policymaking process is too protracted and complex for ordinary people to follow unless, of course, they are paid to do so.

One of the benefits of Social Policy Bonds is that they would define explicit, transparent policy goals that are meaningful to ordinary people. This would make the policymaking process itself more accessible. And when people understand what a policy is all about, we can participate more in its development, refinement, and implementation. We should also better understand the limitations and trade-offs that are intrinsic to public policymaking when resources are limited – as they always are. A hugely important benefit arising from this will be [6]buy-in: having been consulted when our social goals are being formulated, we are more likely to participate in achieving them. The widening gap between politicians and the citizens they are supposed to represent would begin to close. Bondholders and their paid agents would experiment with different approaches to solving our social and environmental problems and, no doubt, they will try some that are useless or worse. But - unlike in today's policymaking world, with its entrenched interests - they will have every incentive to terminate their failures. We'd still need regulation and licensing, but they would be means to ends that are wanted by ordinary people, not corporations and other powerful interests.

1. https://www.amazon.com/Captured-Economy-Powerful-Themselves-Inequality/dp/019062776X
2. https://www.economist.com/news/books-and-arts/21731803-americas-government-should-invest-well-paid-qualified-civil-research-bureaucracy-how
3. http://socialgoals.com/nation98.html
4. http://socialgoals.com/vetscrip.html
5. http://socialgoals.com/orchard2.html
6. http://socialgoals.com/buy-in-1.html

14.12.2 The Collapse of Complex Societies (2017-12-16 19:54)

Clay Shirky writes about Joseph Tainter's 1988 book *[1]The Collapse of Complex Societies.*

> One of the interesting questions about Tainter's thesis is whether markets and democracy, the core mechanisms of the modern world, will let us avoid complexity-driven collapse, by keeping any one group of elites from seizing unbroken control. This is, as Tainter notes in his book, an open question. There is, however, one element of complex society into which neither markets nor democracy reach—bureaucracy.even when moderate adjustments could be made, they tend to be resisted, because any simplification discomfits elites. Clay Shirky, *[2]The Collapse of Complex Business Models*, April 2010 (?)

In my view, these elites include the bureaucrats themselves.
As Mr Shirky writes: "In a bureaucracy, it's easier to make a process more complex than to make it simpler, and easier to create a new burden than kill an old one." There are too many powerful people with an interest in maintaining the complex way we do things. This includes policymaking. It suits vested interests to keep it complex and arcane, so that only they or, more likely, their paid agents, can follow and influence it.

Social Policy Bonds would simplify policymaking because policy goals would be expressed in terms that ordinary people can understand. Goals would be explicit, transparent and meaningful to ordinary citizens, who could then engage in the policymaking process. If Trainter's thesis is correct, it might well be the complexity of our politics that precipitates societal collapse: too few of us understand it, so we have very little buy-in to the process and its institutions. In the west we are seeing the result of this lack of buy-in: extreme polarisation, whereby different views are barely tolerated. Yet [3]buy-in is going to be essential if we are to face up to urgent, huge challenges facing all of us: [4]climate change for instance, or [5]nuclear proliferation.

Social Policy Bonds could help remove unnecessary complexity further down the track, when it comes to solving our social problems. Under a bond regime, inefficient operators would be penalised - whoever they are - and only efficient approaches would receive funds. It would be the self-interest of bondholders that would ensure this: their goal would be exactly congruent with those of society: to achieve our social goals as efficiently as possible. There might still be complexity in achieving these goals, but only if it boosted efficiency. The contrast with today's system, in which complexity is almost a deliberate ploy to deter scrutiny, would be total.

1. https://www.amazon.co.uk/Collapse-Complex-Societies-Studies-Archaeology/dp/052138673X
2. http://www.shirky.com/weblog/2010/04/the-collapse-of-complex-business-models/
3. http://www.socialgoals.com/buy-in-1.html
4. http://www.socialgoals.com/climate-change.html
5. http://www.socialgoals.com/nuclear-peace.html

14.12.3 Planet to government: humility required (2017-12-18 21:41)

Helena Bottemiller Evich writes about research done by Irakli Loladze on the effects of a changing atmosphere on the nutritional content of plants:

> "Every leaf and every grass blade on earth makes more and more sugars as CO_2 levels keep rising," Loladze said. "We are witnessing the greatest injection of carbohydrates into the biosphere in human history—[an] injection that dilutes other nutrients in our food supply." ... Within the category of plants known as "C3"—which includes approximately 95 percent of plant species on earth, including ones we eat like wheat, rice, barley and potatoes—elevated CO_2 has been shown to drive down important minerals like calcium, potassium, zinc and iron.
>
> *[1]The great nutrient collapse*, Helena Bottemiller Evich, 'Politico' 13 September

The loss seems to be of the order of 8 percent or less, but the implications for humans and for the species that eat and pollinate these plants are uncertain. (See [2]here for a spirited debate.) Policymakers prefer to focus on variables that they can influence or control. In agriculture, the focus has been on yields: that is, the mass of crops per unit of land area. Many governments have funded agricultural extension and research institutes with the main aim of maximising yields. Reasons for this are understandable; memories of wartime shortages, for instance. For yields, cause and effect are relatively easy to identify, as are the effects of time lags. There are costs, though, which take the form of [3]depleted soil, [4]polluted water (pdf), loss of [5]wildlife habitat and, as we see, nutrient depletion.

What does this have to do with social policy, or with Social Policy Bonds? Simply this: Social Policy Bonds would change policymakers' focus from things that they can influence, to problems that society wants to solve. So, rather than simply aim to maximise food production, for instance, we'd focus on improving society's health, broadly defined. If nutrient depletion worsens society's health, its effects would be captured by components of our targeted health goal including, probably, [6]Quality Adjusted Life Years, infant mortality and longevity. It would be up to bondholders, motivated to find the most efficient ways of achieving our health goal, to work out whether, and how, to deal with nutrient depletion. No government, no

single organisation, the way policy is made now, has the incentive or the capacity to address problems that we do not fully understand, using science that is inescapably out of date. Our social and physical environments are too complicated for any government to understand. Instead, they should be looking at desirable social and environmental outcomes, and setting up a system that motivates people to achieve them. If they use Social Policy Bonds, they'd be doing that, *and* injecting the market's incentives and efficiencies into all the stages necessary to achieve those outcomes. Focusing on any particular variable, whether it be greenhouse gas emissions, numbers of smokers, or [7]hospital waiting times - or crop yields - just isn't good enough any more.

For more about Social Policy Bonds see [8]here. For more about how the Social Policy Bond concept can be applied to health see [9]here. For my views on agricultural policy see [10]here and [11]here.

1. https://www.politico.com/agenda/story/2017/09/13/food-nutrients-carbon-dioxide-000511
2. https://www.reddit.com/r/TrueReddit/comments/7kkymn/the_great_nutrient_collapse_the_atmosphere_is/
3. https://www.theguardian.com/environment/2017/sep/12/third-of-earths-soil-acutely-degraded-due-to-agriculture-study
4. http://www.fao.org/3/a-i7754e.pdf
5. http://www.wwf.org.au/ArticleDocuments/355/pub-fact-sheet-what-impacts-do-human-activities-have-on-habitats-and-wildlife-23may17.pdf.aspx
6. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
7. https://socialgoals.blogspot.co.uk/2013/02/corridors-are-not-wards.html
8. http://socialgoals.com/
9. http://www.socialgoals.com/health.html
10. http://socialgoals.com/vetscrip.html
11. http://socialgoals.com/orchard2.html

14.12.4 What do we actually want? (2017-12-29 19:08)

One reason I don't watch tv programmes about wildlife is given by George Monbiot:

> To be aware of the wonder and enchantment of the world, its astonishing creatures and complex interactions, and to be aware simultaneously of the remarkably rapid destruction of almost every living system, is to take on a burden of grief that is almost unbearable. *[1]The unseen world*, George Monbiot, 28 December

Neither have I read all of *Tipping point for planet Earth*, which ends:

> The world really is poised to roll in one of two different directions. One direction leads us right over an environmental tipping point....The other direction leads to the bright future that our children want, and that we all want. Ending up at that future requires building communication bridges, and enhancing our global awareness, to the point that a critical mass of the global society and world leaders recognises our current environmental problems as real, and begins fixing them before it's too late. If we can get to that kind of tipping point we're in good shape, because we've already got much of the technology we need, and people are incredibly clever when they're motivated. *[2]Tipping point for planet Earth*, Anthony Barnovsky, July 2016

We are all the beneficiaries of a degraded environment. I don't just mean those of us who fly or drive or buy supermarket food. I mean everyone on the planet. By destroying the environment we have allowed a massive increase in the quantity of life, and we ourselves, our lives, are the result. Without past environmental destruction the earth would be supporting far fewer people. Many of us are also beneficiaries in that we enjoy a life of abundant food, good health and material wealth. My point is that any campaign or reframing, must start with recognising that It's not us versus them. We are all 'us'. If we do actually want future generations to face brighter prospects we, the 'critical mass of global society' need to encourage our 'world leaders' to express that goal in some form that will motivate people to do something about it. Statements of intent aren't enough.

To be more pragmatic, I suggest reframing the discussion in terms of explicit, agreed, meaningful, environmental goals. Not, as at present, about rights, processes, activities, or funding of institutions. Broad goals that are meaningful to all of us, such as reductions in the levels of pollution of our air and water, or so that instead of trying to monitor and pin down polluters of our air and water, we'd agree on and target the quality of our air and water. Instead of trying to target the average planetary temperature, we'd target for reduction the harm done (to humans, animals and plants) by adverse climatic events. These are goals that mean something to everyone and there is more consensus over what we need than about how to get there.
Talking about outcomes makes trade-offs clearer, and brings more
participation and [3]buy-in into environmental policy. My piece on [4]Environmental Policy Bonds goes into more detail and discusses how we can use the market's incentives and efficiencies to achieve environmental goals. (I've also written about [5]climate change.) Efficiency is part of it, but the first step, which we have not taken, is to articulate and reward the achievement of agreed, explicit and *meaningful* goals.

1. http://www.monbiot.com/2017/12/28/the-unseen-world/
2. https://www.amazon.co.uk/s/ref=nb_sb_noss?url=search-alias%3Daps&field-keywords=tipping%20point%20for%20planet%20earth
3. http://www.socialgoals.com/buy-in-1.html
4. http://www.socialgoals.com/environment.html
5. http://www.socialgoals.com/climate-change.html

2018

15.1 January

15.1.1 Experimenting with Social Policy Bonds (2018-01-07 20:13)

As far as I know, there's not been a single trial of the original Social Policy Bonds. [1]Social Impact Bonds, on the other hand, are being issued in about nineteen countries. The main difference is that SIBs aren't tradable and, as I argue [2]here and [3]here, this drastically diminishes the range and timescale of the social problems that they can set out to solve. It also, again in my view, opens them up to exactly the sort of gaming and manipulation that feature so prominently in our current policymaking environment, and from which we are trying to escape.

That said, there are genuine difficulties in getting people interested in the Social Policy Bond concept. Principal amongst these is that it's never been tried. The difficulty is that Social Policy Bonds are at their best, in that they show their most marked advantage over current policies, when the problems they target are likely to require trialling and adapting many diverse approaches to their solution.

If we already know the best approach, there's no need real need for Social Policy Bonds, and if we know the people best placed to solve the problem, then SIBs, essentially functioning as a performance-based incentive, are adequate. My contention is that, for many of our biggest and most urgent challenges, neither of these conditions apply. We don't know how, for instance, to end war, nor which combination of people and organisations are best placed to do so.

All this implies large-scale goals with a relatively long time frame. So I've found it easy to write about applying the Social Policy Bond principle to goals like [4]world peace, universal [5]literacy, and [6]climate change. It's more difficult to think of less grandiose goals, immune from the possibility of gaming, that could serve as experimental examples to prove the validity of the concept. Perhaps SIBs, despite my concerns, could serve as a stepping stone

toward the issuing of a Social Policy Bond, and the subsequent refinement, development and implementation of the concept, so that it can meet our large-scale challenges.

1. http://en.wikipedia.org/wiki/Social_impact_bond
2. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
3. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
4. http://www.socialgoals.com/world-peace.html
5. http://www.socialgoals.com/women-s-literacy.html
6. http://www.socialgoals.com/climate-change.html

15.1.2 The costs of bad policy (2018-01-16 23:08)

> The costs of bad policy are ... spread across the public at large, making it harder for them to organise. [1]Getting it back: how America's economy is rigged by special interests. 'The Economist', 30 November 2017, in a review of *[2]The Captured Economy: How the Powerful Enrich Themselves, Slow Down Growth, and Increase Inequality,* by Brink Lindsey and Steven Teles, December 2017

The book looks at areas of the US economy where barriers to competition, mandated by government, have led to excess income. In the words of the reviewer:

> Implicit and explicit government subsidies to the financial industry enrich bankers and sow the seeds of crisis, for example, but have done little to boost growth. Increasingly strong intellectual-property protections have not unleashed a torrent of new ideas, but have instead swelled the earnings of top firms, which wield their patents and copyrights menacingly at would-be innovators. ... Analyses of occupational licensing and land-use rules turn up similarly skewed policies: they benefit those already on top at the expense of society as a whole.

The book suggests 'a more deliberative politics' to loosen the grip of the powerful. It also proposes philanthropy and more government researchers. The reviewer, though, thinks that 'America's institutional rot' might be 'too far advanced for mere deliberation to help'.

I agree; I think the same diagnosis applies to most countries, and I have another suggestion, which might have a better chance of succeeding: focus on policy goals, rather than the means of supposed means of achieving them. Government, and perhaps only government, can do two things well: articulating our social goals, and raising the revenue for their achievement. Where it fails is in areas where policy is too complex for it to actually

achieve these goals. It sets up agencies that pay their employees according to activity, rather than outcomes, and are inherently inefficient in complex, changing environments. And policymaking itself, with its focus on organisations, their structures and funding, and on regulation, has been captured by exactly the interests outlined in the the *Captured Economy*: the already rich and powerful. Our policymaking processes are too arcane and long-winded for ordinary people to follow. Yet the results of these processes, and their failures, affect us all.

A government that issued [3]Social Policy Bonds would concentrate on what it can do well: raising revenue and using it to reward the achievement of society's social and environmental goals. Incentives would cascade down from bondholders to all those working to solve these problems. The bonds, being tradable, would stimulate long-term initiatives to achieve goals currently thought to be too remote or idealistic: the [4]ending of war, for instance, or [5]universal literacy. A bond regime would encourage the exploration of diverse, adaptive, approaches and - crucially - the termination of failing approaches. Powerful interests could, as they do now, take an interest in achieving our social goals but the difference between a bond regime and the current system is critical and stark: they would be rewarded only to the extent they achieve society's goals, not their own.

1. https://www.economist.com/news/books-and-arts/21731803-americas-government-should-invest-well-paid-qualified-civil-research-bureaucracy-how
2. https://www.amazon.co.uk/Captured-Economy-Powerful-Increase-Inequality/dp/019062776X/ref=sr_1_1?ie=UTF8&qid=1516137944&sr=8-1&keywords=the+captured+economy
3. http://www.socialgoals.com/
4. http://www.socialgoals.com/conflict-reduction-.html
5. http://www.socialgoals.com/women-s-literacy.html

15.1.3 Ends and means in energy policy (2018-01-22 18:43)

James Lovelock in 2006, in [1]*The Revenge of Gaia* :

> I find it sad, but all too human, that there are vast bureaucracies concerned about nuclear waste, huge organizations devoted to decommissioning nuclear power stations, but nothing comparable to deal with that truly malign waste, carbon dioxide.

Energy policy is largely politicised; which means that people are less likely to engage in rational argument. But Lovelock's case for going nuclear should be debated. Unfortunately, like so many other facets of life in a complex world, nuclear technology is highly technical, which probably explains why many of us react emotionally to it, or are content to leave it to the 'experts'.

Under a [2]Social Policy Bond regime society would have explicit goals for the environment. These would be long term goals so that, if carbon dioxide is indeed a malign by-product of energy production, then people would be motivated to reduce CO2 emissions. Environmental outcomes are much
easier for all of us to understand than highly specialised and politicised technical data, based on fixed science. Holders of
[3]bonds targeting environmental goals would have
incentives to achieve the specified goals, but it would be up to them to
decide how. They would have powerful incentives to meet the agreed
environmental criteria. And these criteria would be agreed by society in
general, rather than a handful of politicians taking advice from a few scientists and industry lobbyists, using ossified science.

Social Policy Bonds would bring about more public participation in the debate - essential if we are going to have the [4]buy-in that will become increasingly necessary in meeting our huge, urgent environmental challenges. The question should not be the divisive one of nuclear or non-nuclear. Agreeing upon and achieving environmental goals: that is what is important, and that is what an outcome-based policy approach, such as Social Policy Bonds, could deliver.

1. http://www.amazon.com/Revenge-Gaia-James-Lovelock/dp/046504168X
2. http://www.socialgoals.com/
3. http://www.socialgoals.com/environment.html
4. http://www.socialgoals.com/buy-in-1.html

15.1.4 Doomsday or dog-food? (2018-01-27 20:15)

> Even now America and North Korea are perilously close to a conflict that risks dragging in China or escalating into nuclear catastrophe. .... Conflict on a scale and intensity not seen since the second world war is once again plausible. The world is not prepared. *[1]The growing danger of great-power conflict*, 'The Economist', 27 January

There's a huge mismatch between the catastrophic consequences of a nuclear exchange and our relatively feeble efforts to avoid it. There is probably more human ingenuity going into devising new ways of [2]selling [3]dog-food than avoiding nuclear war. There's nothing wrong with people choosing to make a career of advertising dog-food. They're not greedy. They are simply reacting rationally to the incentives on offer. Meantime, almost everyone on the planet wants to avoid nuclear conflict. But that want isn't channelled into meaningful ways of doing so. So we have bureaucrats in the United Nations, and in numerous well-meaning think-tanks and charitable institutions who are doing what they can. But where are their effort's taking us? [4]Doomsday clock' ticks closer to apocalyptic midnights?

There has to be a better way. A means by which we can reward people for avoiding nuclear conflict, rather than merely turning up to work for a large international organisation that says that's what it's doing. An approach that encourages smart people who are currently developing new marketing strategies for pet-food to think instead about effective ways of achieving nuclear peace.

We don't know what those ways might be. But we do know that our current ways aren't working. What we need is a system that encourages people to research, experiment, and implement effective approaches to nuclear peace. Which is where [5]Nuclear Peace Bonds would enter the picture.

Nuclear Peace Bonds: these would be backed by funds contributed by governments, non-governmental organisations, philanthropists, perhaps swelled by contributions from ordinary people, none of whom wish to see nuclear conflict. The issuers of the bonds would define a nuclear peace targets, with rewards to be paid after a specified, sustained period (say, thirty years) during which a nuclear exchange does not occur. Bondholders would be motivated to bring about nuclear peace by whatever means they see as being efficient. They would not be limited to the solutions or activities that only government can implement. With a decent monetary incentive they could bring in our undoubted, boundless ingenuity to remove what is probably one of the greatest threats to our survival.

For more about applying the [6]Social Policy Bond principle to ending conflict, see [7]here.

1. https://www.economist.com/news/leaders/21735586-how-shifts-technology-and-geopolitics-are-renewing-threat-growing-danger
2. http://creativity-online.com/work/halo-pet-food-meet-poopsie/52710
3. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
4. https://edition.cnn.com/2018/01/25/politics/doomsday-clock-closer-nuclear-midnight/
5. http://www.socialgoals.com/nuclear-peace.html
6. http://www.socialgoals.com/
7. http://www.socialgoals.com/conflict-reduction-.html

15.2 February

15.2.1 Social Impact Bonds today (2018-02-11 22:50)

[1]Social Impact Bonds are the non-tradable version of the [2]Social Policy Bond idea. Around 108 SIBs have been [3]launched in 24 countries, with nine countries launching their first SIBs

in 2017. The [4]Social Finance Impact Bond Global Database provides information on all these projects, which have
collectively mobilised $392m in capital and touched more than 738 000 lives.

David Bank [5]writes that:

> Social impact bonds have been bedeviled by complex structures and measurement difficulties, not to mention the thorny social problems themselves.

It's much as I have written [6]here and [7]here: because the bonds aren't tradable, bondholders will focus on approaches that will reach their end-point some time in the near future. In order to benefit from the success of their bond-achieving projects, they will have to own the bonds from flotation to redemption. This greatly diminishes the scope of the projects, and also means that inherently long-term goals cannot be targeted. W hen we have such small objectives, the costs
of monitoring progress toward or away from their achievement is going
to be a higher proportion of the total administrative costs than they
would under a regime that could target broader goals. It's almost as
easy (or not much more difficult) to monitor national crime indicators,
say, as to look at the behaviour of group of a few hundred specific ex- prisoners in one part of the country over several years. These are the problems of SIBs to which Mr Bank alludes.

In the same piece, Mr Bank quotes

Tracy Palandjian, CEO of Social Finance US, a leading social impact bond developer:

> What has surpassed my expectations, and why the work is so hard and the impact so enduring, is we are changing mindsets. We are changing how government officials think about problems.

Contracting out the solution of social problems and payment for results are two essential elements of the Social Policy Bond idea as I envisaged it, and SIBs incorporate these. Where SIBs fall short, though, is that without tradability, not only is the range of solvable problems limited, but the market's efficiencies in resource allocation cannot be realised. Another possibility is that they can be more readily gamed and manipulated - especially likely, I believe, once their novelty has worn off and they disappear from public scrutiny. I'm therefore ambivalent about SIBs. They might be an essential stepping stone on the way to a pure Social Policy Bond regime. But their limitations and flaws might discredit the Social Policy Bond concept. For the record, I haven't been involved in any SIB projects.

1. http://en.wikipedia.org/wiki/Social_impact_bond
2. http://www.socialgoals.com/
3. http://socialfinance.org/news/social-impact-bonds-reach-global-mass-108-projects-launched-24-countries/

4. http://sibdatabase.socialfinance.org.uk/
5. https://news.impactalpha.com/is-the-social-impact-bond-market-half-billion-full-or-empty-9c3b7421c6a7
6. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
7. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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15.2.2 A step toward funding health outcomes (2018-02-19 00:57)

The *Economist* writes:

> When
> doctors reach for their prescription pad, most patients expect to
> receive a jar of pills or a bottle of ointment. Few think they will be
> referred to a gym or a volunteering scheme. But more and more doctors
> are dishing out these “social” prescriptions.... *[1]Tango classes, ukulele lessons: the rise of “social prescriptions”,* ’The Economist’, 15 February

Social-prescribing
schemes, in which doctors refer patients to non-medical treatments, are becoming more numerous in the UK. I think it’s an encouraging trend. Just as crime is not solely a matter for the police, nor education solely a matter for schools, so health is not solely a matter for the medical profession. I hope social prescribing presages a wider move from government funding of institutions to funding for outcomes. I’ve long argued that funding for outcomes is going to

encourage more imaginative solutions to our complex social and environmental problems than the current focus on the structures and funding of government agencies. And more efficiency:

> One review of studies on social prescribing showed that, on average, it was associated with a 28 % fall in GP visits and a 24 % drop in attendance at emergency wards.

For more on applying the Social Policy Bond principle to health, see [2]here. For more on applying the principle to crime see [3]here, and to education, see [4]here. The Social Policy Bonds home page is [5]here.

1. https://www.economist.com/news/britain/21737040-more-doctors-are-prescribing-pastimes-instead-pills-tango-classes-ukulele-lessons-rise
2. http://www.socialgoals.com/health.html
3. http://www.socialgoals.com/crime-.html
4. http://www.socialgoals.com/education.html
5. http://www.socialgoals.com/

15.3 March

15.3.1 Feeling good about ourselves (2018-03-02 19:01)

Much of the opposition to Social Policy Bonds comes from people who regard any sort of explicitly money-making activity as distasteful. It's understandable. Market forces have been undermined, corrupted and abused. They've been manipulated in ways that have led to staggering inequality and, worse, the entrenchment of that inequality.

But the opposition to the parody of market forces that pervades society misses the point. Competitive markets are still the most efficient way yet devised of allocating scarce resources. They are not a complete solution, and they create problems that government, and sometimes only government, has to solve by, most importantly, looking after the poor and disadvantaged, and the environment. But in theory and in practice the alternatives, when applied at an aggregated level, have proven to be worse. If market forces could be directed into achieving society's goals, rather than those of the already wealthy who have no shame in using their influence to stifle competition, then those goals could be achieved more readily than ever. Social Policy Bonds are intended to do this.

Unfortunately, people who otherwise do have a social conscience treat money-making in general, and markets in particular, with disdain. They look down on the Social Policy Bond idea because it generates wealth in the form of capital gains, via the increased value of people's bondholdings. And it's a fact that people have made enormous capital gains through activities that have zero or even negative social value. I think Social Policy Bonds are different, in that they inextricably link the capital gains from bondholding to the achievement of society's social and environmental goals. If people become wealthy through owning Social Policy Bonds, they would do so only because society's goals are being achieved.

Two further points. Most of us, when we see terms like 'profit' and 'capital gain', forget the time element: holdings of assets take time to appreciate. We also focus on the final amount of profit, and forget the risk involved in holding an asset.

Second: at a school morning assembly years ago, we were told that it's better to raise £1 million from 5000 people for charitable purposes than £5 million from 1000 people. Sounds lovely doesn't it? Who could deny that the more people who raise funds for the social good, the better? But I had my doubts then and now. We raise funds for the benefit of people who need them, not for ourselves. There are many desperate, impoverished people in all societies. Let's take the example given by my usually impressive schoolmaster: if £1000 would be a significant help to people in need, then £1 million will help one thousand people, while the £5 million would help five thousand. So how about we ask the four thousand people deprived of help under my old schoolmaster's preferred scenario which option they'd prefer?

What I conclude from all this is simple. There is a clear difference between projects like Social Policy Bonds and those who hold them in disdain, bordering on contempt. A Social Policy Bonds regime has as its over-arching objective the solution of society's social problems. Those opposed, who also view business and capitalism in general with distaste, have as their prime goal that of feeling good about themselves.

15.3.2 Subsidising the rich (2018-03-11 19:24)

Writing some years ago about the United States Government's perceived need to 'reframe pretexts not only for [military] intervention but also for militarized state capitalism at home', Noam Chomsky writes:

> It is sometimes argued that concealing the development of high tech industry under the cover of "defense" has been a valuable contribution to society. Those who do not share that contempt for democracy might ask what decisions the population would have made if they had been informed of the real options and allowed to choose among them. Perhaps they might have prefered more social spending for health, education, decent housing, a sustainable environment for future generations...as polls regularly show. *[1] Failed States* (page 127)

Quite. If people want to subsidise at vast expense high technology, non-stick saucepans, or the replacement of wildlife by oil-burning heavy machinery let us at least make those decisions for ourselves. Given the sums involved and the destruction and conflict such subsidies can create, they are hardly trivial. Any half-sensible outcome-based policymaking system would give a high priority to the polls to which Professor Chomsky refers, rather than the short-term interests of corporate or 'defence' lobbyists. And of course, it's not only the weapons manufacturers who benefit from this sort of effective voter disenfranchisement.

One of the benefits of an outcome-based regime would be transparency. People should have a rough idea of what their tax payments are supposed to achieve. Expressing policy goals in terms of outcomes would be a good start. Instead, policy is almost always a convoluted, arcane, protracted and therefore opaque process, followed closely only by those who can best manipulate it, their paid agents or those who are paid to formulate or comment on it. It's a corrupt process - not necessarily legally, but certainly ethically. The losers are ordinary people.

A Social Policy Bond regime would aim to achieve specified, agreed goals, and would inextricably link taxpayer funds to the achievement of those goals. Under a bond regime UK

citizens for instance could still vote to subsidise [2]wealthy landowners including the richest people in the country, but they would know exactly what they were doing and making a conscious choice to do so. The current policymaking system is so removed from the concerns of ordinary people that it is not fit for purpose. The gap between people's goals, and those of government and its big business pals is becoming ominously large.

1. http://www.amazon.com/Failed-States-Abuse-Assault-Democracy/dp/0805082840/ref=sr_1_1/002-8952061-0975263?ie=UTF8&s=books&qid=1181772458&sr=1-1

2. https://www.theguardian.com/environment/2016/sep/29/the-queen-aristocrats-and-saudi-prince-among-recipients-of-eu-farm-subsidies

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15.3.3 Killing through complexity: the US healthcare system (2018-03-19 23:56)

The *Economist* looks at healthcare in the US:

> Every year America spends about $5,000 more per person on health care than other rich countries do. Yet its people are not any healthier. *[1]Which firms profit most from America's health-care system,* 'The Economist', 17 March

> ... In crude terms, the health-care labyrinth comprises six layers, each involving the state, mutual organisations and private firms. People and employers pay insurance companies, which pay opaque
> aggregators known as pharmacy-benefit managers and preferred provider organisers. They in turn pay doctors, hospitals and pharmacies, which in turn pay wholesalers, who pay the manufacturers of equipment and drugs. Some conglomerates span several layers.

Understanding the US healthcare system is possible, but it might be conceptually simpler to solve the problem rather than explain it in detail. With the proliferation of [2]Social Impact Bonds (about which I [3]have [4]reservations) there has been a welcome shift in public policy toward focussing on outcomes.

I think that health policy, by targeting improved outcomes could go a long way toward making healthcare systems the world over more efficient. The outcomes I'd target would be ones that are meaningful to ordinary people. That is, they would *not* be about funding arrangements, institutional composition or structure, or irrelevant micro-targets. Instead we'd target measures of health such as: [5]Quality Adjusted Life Years, longevity, infant mortality.

We'd also reward people for achieving these outcomes, rather than for carrying out activities that may or may [6]not be helpful, or that might even conflict with our health goals.

The Social Policy Bond principle applied to health could be the answer. [7]Health Bonds would target meaningful outcomes, and they would reward their achievement. Being tradeable (unlike SIBs), investors would have incentives to carry out steps leading to long-term goals: goals that extend beyond any individual investor's time horizons. Bondholders could use the information generated by the market for the bonds to allocate funds to those initiatives that will bring about the biggest improvements in health per dollar spent. Such initiatives might well fall outside the traditional, antiquated purview of those currently responsible for health policy. One example: the most cost-effective way of saving young lives might be to lay on taxis for people leaving nightclubs in certain areas. Maybe. Maybe not. But under the current system there's no way of knowing, *and nobody with any incentive to see how such a project stacks up against others.*

The second para, above, excerpted from the *Economist* does help our understanding. They US healthcare system is ridden with so many vested interests, that any change in any direction will be seen as a threat and opposed. As in other sectors, it is precisely the profits these bodies gain from uncompetitive and manipulative practices that allow them to fund lobbyists to oppose any reform that might diminish them. I don't think the complexity of the system is an accident either. Indeed, policymaking itself is so complex that only powerful vested interests, or their paid agents, can follow and hope to influence it.

In this, again, US healthcare is quite typical. As the *Economist* article concludes:

> Wherever products are too complex for customers to understand, and where subsidies and complex regulation add to the muddle, huge profits can opaquely be made. Remember mortgage-backed securities?

1. https://www.economist.com/news/business/21738934-it-not-pharmaceutical-companies-which-firms-profit-most-americas-health-care-system
2. http://en.wikipedia.org/wiki/Social_impact_bond
3. http://www.socialgoals.com/why-the-bonds-must-be-tradeable.html

4. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
5. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
6. https://www.healthcarebusinessinternational.com/20-perverse-incentives-and-stupid-things-in-health-care-services-2/
7. http://www.socialgoals.com/health.html

15.3.4 Who speaks for the losers? (2018-03-29 00:22)

The *Economist*, accurately I think, says the explanation for today's political polarisation lies not so much between those who favour free trade, immigration and cultural openness and those against, but in:

> the gap between exam-passers and exam-flunkers. Qualifications grant access to a world that is protected from the downside of globalisation. You can get a job with a superstar company that has constructed moats and drawbridges to protect itself, or with a middle-class guild that provides job security, or with the state bureaucracy. Failing exams casts you down into an unpredictable world of cut-throat competition. Exam-passers combine a common ability to manage the downside of globalisation with a common outlook — call it narcissistic cosmopolitanism — that binds them together and legitimises their disdain for rival tribes. Exam-flunkers, meanwhile, are united by anger at the elitists who claim to be open as long as their jobs are protected. They are increasingly willing to bring the system crashing down. Talking about open v closed is a double error. It obscures the deeper forces dividing the world, and spares winners by playing down the legitimate concerns of losers. *[1]The trouble with open v closed,* the 'Economist', 22 March

I agree, though I would add that the exam-passers add to the problems of the exam-flunkers by formulating policies that favour economic openness. Simple economics, for instance, tells us that large-scale immigration (for instance) raises the cost of housing and reduces wages for those whom the exam-passers see as 'losers'. Similarly with free trade: such openness might be good for that abstraction called 'the economy', but the benefits go mainly to the exam-passers (the insiders) and often accentuate the losses of the flunkers. The cultural negatives of such policies are more subjective, but I'd argue that they are important too. It's especially unfortunate, to my mind, that not only is the formulation of economic policy conducted almost exclusively by the exam-passers, but so too are discussion and debate about such policy and its consequences.

1. https://www.economist.com/news/britain/21739152-division-said-have-replaced-left-v-right-too-self-serving-comfort

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15.4 April

15.4.1 Goals for health (2018-04-06 23:04)

Peter Jacobsen writes to the *New Scientist*:

> One factor
> may be missed when comparing war severity between 1823 and 2003 using fatalities.... Recent wars have had fewer fatalities, but perhaps not because they were less severe. Weapons are increasingly potent but trauma care has improved a lot, and hence the lethality of war has decreased over time. A similar bias can be seen with the murder rate. *[1]Medical care means more survive modern war*, Peter Jacobsen, 'New Scientist', 27 March

This points to the importance of choosing our social and environmental goals carefully. They need to be goals that are, or are inextricably linked to, what we actually want to achieve. Do we want to aim to reduce (for instance) deaths by violence, regardless of how much funding is to be spent on trauma care? Or would any additional funding be better spent on general health care with, perhaps, more lives saved per dollar spent? These questions need to be addressed for the operation of a Social Policy Bond regime, and they are not simple. But it's crucial to remember that they need to be asked too in our current policy regimes. They rarely are. Instead funding for healthcare is typically decided by people with little incentive or capacity to maximise improvements in health per dollar spent. Funding is often a function of history, or the charisma of medical specialists, or how newsworthy is a particular health problem. (See for instance this [2]report from Australia: *Men die earlier but women's health gets four times more funding*.)

My suggestion is that we issue [3]Health Bonds, which would explicitly and *impartially* target improvements in longevity, [4]Quality Adjusted Life Years, infant mortality rates and other general population health indicators. Resources are always going to be limited but decisions our healthcare goals and - and the basis on which they are made - should be made clear to ordinary people, so that we can participate, if we want, in their formulation.

1. https://www.newscientist.com/letter/mg23731711-000-medical-care-means-more-survive-modern-wars/
2. https://prostate.org.nz/2014/01/men-die-earlier-womens-health-gets-four-times-funding/
3. http://socialgoals.com/health.html
4. https://en.wikipedia.org/wiki/Quality-adjusted_life_year

15.4.2 Killing for profit (2018-04-12 22:22)

Dr Jason Fung concludes his concise post about the corruption of Evidence Based Medicine thus:

> So here's a damning list of all the problems of EBM
>
> 1. Selective Publication
> 2. Rigged outcomes
> 3. Advertorials
> 4. Reprint Revenues
> 5. Bribery of Journal Editors
> 6. Publication Bias
> 7. Financial Conflicts of Interests
>
> *[1]Killing for profit*, Jason Fung, 12 April

My comment, after thanking Dr Fung for his post, was short: I think we need to re-orientate the incentives away from activities,
publications, and other surrogate indicators, and focus entirely on outcomes that are meaningful to ordinary people: longevity, infant mortality, [2]Disability Adjusted Life Years etc. In the abstract, this sounds difficult, but my suggestion of a [3]new financial instrument could help.

1. https://idmprogram.com/the-corruption-of-evidence-based-medicine-killing-for-profit/
2. https://en.wikipedia.org/wiki/Disability-adjusted_life_year
3. http://socialgoals.com/health.html

15.4.3 The EU: punishing the poor (2018-04-16 17:44)

I set out my main reason for voting for the UK to leave the European Union [1]here. It is not simply that the EU has corrupt, stupid, wasteful policies - most countries have those. It's

that the EU has no mechanism by which these policies can be terminated. The EU's Common Agricultural Policy has done much to [2]destroy Europe's environment, raise food prices for all Europeans while transferring taxpayer funds to Europe's wealthiest people and agribusinesses ('[3]One in five [of the CAP's] biggest recipients are billionaires and millionaires'), and it has been doing all this for more than forty years. It [4]swallows up 40 percent of the EU's budget and imposes further costs on ordinary consumers by putting up tariff barriers.

> High import tariffs (estimated at 18–28 %) have the effect of keeping prices high by restricting competition by non-EU producers. It is estimated that public support for farmers in OECD countries costs a family of four on average nearly 1,000 USD per year in higher prices and taxes. [5]Source

These barriers have helped impoverish Africans by limiting their exports to Europe, and now, equally tragically, the EU is subsidising milk, which gets exported to Africa, and helps destroy the livelihoods of African dairy farmers.

> European milk is pouring into Africa, with disastrous effects for local herders and farmers. ...Multibillion-euro dairy multinationals are exploiting rock-bottom European milk prices to expand aggressively into West Africa. Over five years, they have nearly tripled their exports to the region, shipping milk powder produced by heavily subsidized European farmers to be transformed into liquid milk for the region's booming middle class. This milk rush is ratcheting up long-standing accusations that poor countries pay the price for EU farm policies crafted in Brussels. *[6]How EU milk is sinking Africa's farmers,* Louis Nelson, Politico, 8 April

The consequences can be seen in the Mediterranean: desperate Africans sacrificing their life-savings and often their lives, in an attempt to get to Europe.

How do our politicians get away with it? One answer is that nobody, except those with vested interests or their paid agents, can understand the Common Agricultural Policy or, indeed, any other policy throughout the protracted, arcane, corrupt and legalistic processes that lead to their enactment or modification. It's a good bet that if ordinary citizens knew that the CAP means they pay more for their food so as to enrich millionaires, devastate the environment and destroy the livelihoods of millions of Africans, then we'd vote against anyone advocating it. But policymaking is so obscure - deliberately so, perhaps - that apathy rules.

Social Policy Bonds could be the answer: under a bond regime, we'd target explicit goals that are meaningful to ordinary people. There would be many ramifications of such an approach; one happy one would be that corrupt and insane policies, such as the EU's Common Agricultural Policy, would fall at that first hurdle.

1. http://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html
2. http://www.monbiot.com/2017/01/04/the-hills-are-dead/
3. https://www.independent.co.uk/news/uk/home-news/eu-farming-subsidies-billionaires-high-uk-rich-list-recipients-brexit-james-dyson-earl-rosebery-cap-a7815871.htm
4. http://www.politics.co.uk/reference/common-agricultural-policy
5. https://en.wikipedia.org/wiki/Common_Agricultural_Policy#cite_note-autogenerated1-60
6. https://www.politico.eu/article/eus-milk-scramble-for-africa/

15.4.4 A crass attempt at transparency (2018-04-22 18:27)

Targets and indicators are essential if we're looking at improving well-being in our large, complex societies. Currently, though, our targets are chosen unsystematically and incoherently. So we see results like this:

> [1]One in three heart surgeons refuse difficult operations to avoid poor mortality ratings, survey shows.... [S]urgeons would look at a patient and think, 'I know what's best for you', it's this operation. Now a surgeon looks at a patient and says, 'I know what's best for you but is this going to be good for my figures?' ...Since 2014 the [UK's national Health Service] has published the individual mortality rates for consultant surgeons on the publicly available website 'MyNHS', which was supposed to represent a milestone in transparency. ' Daily Telegraph', accessed 22 April

It's pitiful. A national health service will always need numerical indicators, but we should be making sure that achieving them is *inextricably linked to improvements in people's health* and well-being. Mickey Mouse micro-targets, like an heart surgeons' 'success' rates are, as we see, worse than useless. They are as crassly thought out as certain other targets, such as:

> A notorious example was that some hospitals kept patients waiting in ambulances outside the hospital until the hospital could be confident that the patient could be seen in its accident and emergency department within the 4-hour target. [2]Source

I suggest that instead of these idiotic micro-targets or idiotic attempts at 'transparency', we look at we target measures that are important to ordinary people: the users of health care

services. My suggestion is that we issue [3]Health Bonds, which would explicitly and *impartially* target improvements in longevity, [4]Quality Adjusted Life Years, infant mortality rates and other general population health indicators. Resources are always going to be limited but decisions our healthcare goals and - and the basis on which they are made - should be made clear to ordinary people, so that we can participate, if we want, in their formulation.

1. https://www.telegraph.co.uk/science/2016/06/03/one-in-three-heart-surgeons-refuse-difficult-operations-to-avoid/
2. http://europepmc.org/articles/pmc2667302#b39
3. http://socialgoals.com/health.html
4. https://en.wikipedia.org/wiki/Quality-adjusted_life_year

15.5 May

15.5.1 Skin in the game (2018-05-02 18:12)

David Bahnsen reviews [1]Skin in the game, by Nassim Nicholas Taleb:

> When operators are forced to adopt the negative implications of their decisions, poor decision-makers do not survive, asymmetries are eliminated, and the result is a system that is devoid of poor decision-makers. In other words, skin in the game does not just cause better decision-making because of disincentives; its evolutionary forces eliminate those fools or shysters who are the source of great systemic damage. *[2]Risk and business*, David L Bahnsen, 'National Review', 26 April

The pity is that operators in the public sector are rarely 'forced to adopt the negative implications of their decisions'. This is partly because effect is genuinely difficult to trace back to cause when looking at the consequences of, say, this or that health intervention or infrastructure investment decision: there are too many confounding variables and time lags. But it's also because nobody within our policymaking system has any incentive to evaluate. That's no basis for an efficient bureaucracy.

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies. *[3]Why States Believe Foolish Ideas: Non-Self-Evaluation By States And Societies* (pdf), Stephen Van Evera, Massachusetts Institute of Technology Political Science Department and Security Studies Program, 2002

We need to be reminded that around 40 per cent of the rich world's income is spent by organisations that resist, almost to the death, the idea of examining their policy blunders and learning from them. I mean, of course, governments who, in Taleb's words, have no skin in the game.Van Evera says that even in the world wars of the 20th century, when policy mistakes could have grievous consequences: 'the belligerents made large errors without carefully assessing their options. Even rudimentary analysis often would have exposed these errors but was omitted.'

In my experience, it is often the smallest decisions in government that receive most scrutiny: whom to offer a three-month contract; which brand of computer printer to buy; that sort of thing. The larger decisions often escape detailed analysis. Sometimes this is unavoidable but what is inexcusable is that lessons from policymaking disasters are never learned. One grievous example: it's now estimated that the US intervention in in Iraq will cost about ten times more than the White House projected. This calculation was done by a non-governmental body and it's a safe bet that it will never be referred to when similar enterprises are considered in the future.

Social Policy Bonds would change this. They would give investors in the bonds incentives to look at which projects help achieve society's goals, and which are a waste of resources. They would do this on a continuous basis; that is, throughout the lifetime of the bond. Currently, the way governments tackle long-term goals is to build on existing ideas with, perhaps, some funding for research. Incremental improvements are possible, but there are few financial incentives to come up with innovative ideas that might undermine existing institutions. Social Policy Bonds, in contrast, would subordinate institutional survival, and all their activities, to the efficient achievement of transparent, meaningful outcomes. At every stage of every approach that will be needed to solve our most complex social problems, bondholders (and would-be bondholders) would have powerful incentives to explore, investigate and implement only the most promising projects and, crucially, to terminate those that are failing or inefficient. They will have so much 'skin in the game' that they would optimise returns on their investment to the benefit not only of themselves but of all members of society.

1. https://www.amazon.com/Skin-Game-Hidden-Asymmetries-Daily/dp/042528462X/ref=sr_1_1?ie=UTF8&qid=1525277194&sr=8-1&keywords=skin+in+the+game
2. https://www.nationalreview.com/magazine/2018/05/14/risk-and-business/
3. https://dspace.mit.edu/handle/1721.1/5533

15.5.2 Subsidising planetary destruction or: Another reason to leave the EU (2018-05-03 18:37)

If you are serious about tackling climate change, the best approach, and the one I've [1]advocated for years - decades - is to reward people for tackling climate change. Not to reduce greenhouse gas emissions, and certainly not to subsidise the production or use of biofuels. So, of course, subsidising biofuels, which means cutting down rainforests, is what the European Union, with its corrupt, psychotic subsidy regime, is paying people to do:

> Half of all the palm oil imported by Europe is turned into biodiesel and blended into conventional fuel to power cars and trucks. This misguided attempt to "green" fuels is actually tripling carbon emissions, not reducing them. What's more, the practice is subsidised by the European Union. In other words, taxpayers are paying to destroy rainforests and accelerate climate change. *[2]The real palm oil problem: it's not just in your food,* 'New Scientist', 2 May

The loopholes in the way international carbon accounts are calculated mean that emissions from biomass are never counted. The *New Scientist* article quotes Tim Searchinger of Princeton University: 'You could cut down the Amazon, ship the trees to Europe to replace coal and that would count as a 100 per cent greenhouse gas reduction.'

There are plenty of [3]suggestions in the UK media about how some of the people who voted for Brexit might have regrets. [4]I don't.

1. http://socialgoals.com/climate-change.html
2. https://www.newscientist.com/article/mg23831764-400-the-real-palm-oil-problem-its-not-just-in-your-food/?utm_campaign=RSS%7CNSNS#038;utm_source=NSNS&%23038;utm_
3. http://www.businessinsider.com/poll-majority-of-british-people-regret-voting-for-brexit-2018-4
4. https://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html

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15.5.3 Safety, going backwards (2018-05-12 17:53)

Charles Hugh Smith, writes about US attitudes to health and safety:

> If you've bought a new vehicle recently, you may have noticed some "safety features" that strike many as Nanny State over-reach. You can't change radio stations, for example, if the vehicle is in reverse. ... The

> narrowness of this obsession with safety comes into focus if we ask: how can a society so obsessed with safety have spawned an opioid addiction crisis that kills tens of thousands of people and ruins the lives of millions of Americans?
>
> *[1]How Safe Are We? Our Blindness to Systemic Dangers,* Charles Hugh Smith, 10 May

An excellent question. The safety bureaucracy has goals that differ markedly from those of the health care sector, and both have goals that have little to do with maximising the well-being of citizens per dollar spent. And that should be the guiding criterion for both health and safety: from the policy point of view, they shouldn't be distinct.

Policy decisions about health policy, broadly interpreted to include safety, are heavily influenced by the public profile of a disease or its victims, rather than on what would best meet the needs of society. It's also a question of diet, exercise, transport, and culture. Recent research shows, for instance, the beneficial effects on health of green spaces in our cities (see [2]here (pdf) for instance). The way government is structured, with its discrete bureaucracies and funding bodies, makes it unlikely that such benefits will influence funding decisions.

We cannot expect a government nor any single organisation to identify the huge numbers of variables, with all their time lags and interactions, that influence the nation's health - and to do so *dynamically*, taking into account our rapidly expanding scientific knowledge. We can, though, devise a system that rewards people who explore and implement the most cost-effective health solutions, even when circumstances and knowledge are changing continuously. I have tried to show how this can be done with my essay on [3]Health Bonds, which would aim to distribute scarce government funds to where they would do most good, as measured by such indicators as [4]Disability Adjusted Life Years. Under a Health Bond regime, investors in the bonds would have continuous incentives to maximise their returns on the bonds at all times: their objective, assuming we have carefully defined our targeted health goal, will be exactly congruent with those of society. Bondholders might well decide that, for instance, we should implement measures to switch off the ability to flip radio stations while a car is going backwards - but only if they think that to be one of the most cost-effective ways of reaching society's health goal. Indeed, Health Bonds would ensure that every decision, every activity, that bondholders contemplate or implement will be entirely subordinated to that objective. A stark contrast with the current system, under which officials have goals entirely distinct from, and sometimes in conflict with, the broader interests of society.

1. https://charleshughsmith.blogspot.fr/2018/05/how-safe-are-we-our-blindness-to.html
2. http://www.ehrf.info/wp-content/uploads/2011/09/BenefitsofGreenSpace.pdf
3. http://socialgoals.com/health.html

4. https://en.wikipedia.org/wiki/Disability-adjusted_life_year

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15.5.4 Government by intuition (2018-05-15 17:21)

In our complex, interlinked societies, it's increasingly difficult to identify cause and effect. This matters when making policy, because policy is supposed to have a beneficial effect. Linkages are sometimes easy to identify: that between, say, water quality and infectious disease rates, for instance. Others are much more difficult and, with our scientific knowledge rapidly growing, often impossible: So, facing problems such as crime or war or nuclear proliferation, where there are huge numbers of contributing variables, and our knowledge of relationships is both imperfect and expanding, should government do nothing, waiting for certainty?

What governments actually do is create bureaucracies, or shovel funds into bodies that might once have been successful (when society was simpler) but have become useless or, worse, obstacles in the way of achieving our goals.

A much better approach, in my view, is to target long-term outcomes, and let investors decide, continuously, what are the best approaches to solving our problems. Especially for longer-term goals, the optimal mix of approaches will vary with time in ways that nobody, including governments, can foresee. We need to reward people for coming up with new, efficient, solutions to our problems, many of which are so complex that only diverse, adaptive approaches will work. These are precisely the sorts of solutions that governments cannot identify. That, in essence is the Social Policy Bond approach.

Alternatively, we could opt for an easy life:

> Peter Navarro, the head of the White House National Trade Council, told an interviewer, "My function, really, as an economist is to try to provide the underlying analytics that confirm [President Trump's] intuition. ..." *[1]Trump vs. the 'Deep State',* Evan Osnos, 'New Yorker', dated 21 May

Unfortunately, Mr Navarro's way of doing things predominates.

1. https://www.newyorker.com/magazine/2018/05/21/trump-vs-the-deep-state

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15.5.5 Heart disease: too complicated for government (2018-05-25 17:43)

When the cause of a social problem cannot - yet - clearly be identified then targeting the outcome we wish to achieve, and rewarding people for achieving it, could be the way to go. This is the Social Policy Bond approach. Many social and environmental problems fall into that category, including climate change, crime, poor health and war. We need long-term, diverse, adaptive approaches to the solutions of these problems - unfortunately these are exactly the sort of approaches that government is ill-equipped to discover.

The same limitations apply in microcosm in some areas of medicine; those such as cardio-vascular disease (CVD), for instance, where the relationship between high LDL and CVD appears to be too complex to form a basis for sound policy. Unfortunately, once a hypothesis is widely accepted, it becomes difficult to dislodge. Dr Malcolm Kendrick writes:

> If your hypothesis is that a raised LDL causes CVD, then finding someone with extremely high LDL, and no CVD, refutes your hypothesis. Unfortunately, but predictably, the authors of the paper have not questioned the LDL approach. Instead, they fully accept that LDL does cause CVD. So, this man must represent 'a paradox'. They have phrased it thus:
>
> *Further efforts are underway to interrogate why our patient has* ***escaped the damaging consequences of familial hypercholesterolemia*** [FM] *and could inform future efforts in drug discovery and therapy development.'*
>
> To rephrase their statement. We know that high LDL causes CVD. This man has extremely high LDL, with no CVD, so something *must be protecting him*. I have an alternative, and much simpler explanation: ***LDL does not cause CVD***. My explanation has the advantage that it fits the facts of this case perfectly, with no need to start looking for any alternative explanation. *[1]Very high LDL and no cardiovascular disease – at all!*, Dr Malcolm Kendrick, 12 May

Dr Kendrick goes on to to cite the longest and one of the world's largest studies of people diagnosed with familial hypercholesterolaemia (FH). Contrary to current popular thinking it shows that 'people

with FH have a lower than expected overall mortality rate – in comparison to the 'normal' population. Or, to put this another way. If you have FH, you live longer than the average person.'

This to me means that government policymakers should be more humble: when it comes to complex problems outside their expertise, they should admit to themselves that they don't know the best solutions. That doesn't mean they should do nothing: government can, and should, identify our social problems and raise the revenue to help solve them. It can actually do those quite well. But when it comes to solving our complex problems, it should consider issuing Social Policy Bonds, which do not presuppose how our problems shall be solved, nor who is best placed to solve them.

For more about Social Policy Bonds see [2]here. For application of the Social Policy Bond principle to [3]health, see here.

1. https://drmalcolmkendrick.org/2018/05/12/very-high-ldl-and-no-cardiovascular-disease-at-all/
2. https://socialgoals.com/
3. https://socialgoals.com/health.html

15.5.6 (2018-05-29 05:04)

Huh? Yeah, that was my reaction when I was told you can get paid good money to use Facebook. But I checked it out and I loved what I found.

If you know how to use Facebook then you can generate a serious income doing this, too. Click below to get all the details:

https://socialsalerep.com?hyden5496

15.5.7 (2018-05-29 05:07)

Huh? Yeah, that was my reaction when I was told you can get paid good money to use Facebook. But I checked it out and I loved what I found.

If you know how to use Facebook then you can generate a serious income doing this, too. Click below to get all the details:

https://socialsalerep.com?hyden5496

15.5.8 (2018-05-29 05:28)

Huh? Yeah, that was my reaction when I was told you can get paid good money to use Facebook. But I checked it out and I loved what I found.

If you know how to use Facebook then you can generate a serious income doing this, too. Click below to get all the details:

https://socialsalerep.com?hyden5496

15.6 June

15.6.1 Outcome-based policy and buy-in (2018-06-10 19:09)

In my efforts to promulgate Social Policy Bonds I've usually emphasised their efficiency, which arises from a number of sources, including their harnessing of market forces, their encouragement of diverse, long-term approaches, and their capacity to adapt to changing circumstances. I've also stressed their transparency: because the bonds target broad, meaningful outcomes, ordinary people will understand them more.

This, in turn, means another hugely important benefit: buy-in. When we understand what a policy is all about, we can participate more in its development, refinement and implementation. This would apply even if our views are over-ridden by others: at least, we'd have been consulted. A Social Policy Bond regime would express its goals as outcomes that are meaningful to real people. Such outcomes would be more comprehensible to more people than the current unstated or unconsidered, vague, or platitudinous goals that characterise current policymaking all over the western democracies. Discussion about outcomes, rather than the alleged means of achieving them, would be more accessible than current policymakers' emphasis on legal pathways, funding arrangements, institutional structures and composition, and other arcana. You might even think the system has been specifically designed to keep ordinary citizens out of it.

If people have the chance of participating in such discussion, we shall come to understand the limitations and trade-offs that are intrinsic to public policymaking. This means quite a few things, but to my mind buy-in is the most important. It's likely this would reconnect citizens with our policymakers; it would entail the sharing of responsibility and concern for policy initiatives.

This matters hugely when government has to do things that hurt people's narrow, short- or medium-term interests. Dealing with environmental depredations for instance; or raising taxes for a multitude of purposes. The current system discourages buy-in because it's difficult to follow. As such, it's easily influenced by the wealthy or powerful, be they in the private- or public sector. This does much to widen the gap between politicians and the people they are

supposed to represent. Social Policy Bonds, because of their focus on outcomes, would help close that gap.

15.6.2 Superbugs: disastrously misaligned incentives: (2018-06-13 16:50)

William Hall and others write:

> When asked what she would do with a useful new antibiotic, the chief medical officer for England, Sally Davis, said that the drug "would need a stewardship program"—that is, that systems would have to be in place to make sure that the antibiotic was only prescribed when absolutely necessary. Indeed, limiting unnecessary use is essential to keep bacteria from becoming resistant to new antibiotics, and thus essential for our continued health.

> While this is a cogent strategy, it doesn't coincide with the marketing goals of the drug industry: "When a really useful new antibiotic is found, the company that invests in it cannot rely on high sales for return on investment." William Hall et al, *[1]Superbugs: an arms race against bacteria*, quoted by Jerome Groopman, *[2]The bugs are winning*, 'New York Review of Books', dated 28 June

The interests of the drug companies - and of those who target, implictly or explicitly GDP - don't merely fail to coincide: they are in conflict with each other. Discovering and manufacturing a new antibiotic is expensive so, when a pharmaceutical company succeeds, it has every incentive to maximise sales in the relatively short period before its patent runs out. With such misaligned objectives, you'd hope government would take the long view and give the health of its citizens (and, incidentally, the welfare of farm animals fed prodigious quantities of antibiotics so that they'll grow more rapidly) a higher priority than the short-term interests of pharmaceutical companies. But no: it's the farmers and the pharmas who override the interests of ordinary people. You know, those of us who can't afford to follow and manipulate an absurdly complex policymaking process, nor pay others to do so.

The authors of *Superbugs* estimate that the total number of people dying annually from resistant microbes is at least 1.5 million and, extrapolating from US estimates, they estimate the costs to health services at about $57 billion and the loss in world productivity at $174 billion. There are currently no financial incentives for anyone to take the long-term view, though it's in almost everybody's interests for somebody - most likely government - actually to do so. As individuals, we know what needs to be done: ensure that doses of antibiotics are carefully regulated and that research into new antibiotics continues. Developing effective antibiotics, Hall et al write, should be recognised as a public good, which would justify government intervention. They blame short-term thinking for the absence of such intervention.

Applying the Social Policy Bond principle to the health field could be one way of meeting the challenge, and might be easier and less contentious for government to do than more direct intervention. Government could issue [3]Health Bonds aiming for improvements in the general health of the population over a period of decades. One necessary approach would then be to optimise the use of, and research into antibiotics. Doing this would generate rises in the value of the bonds, and so reward investors. Government would have to do little more than raise the funds for the bonds' redemption and articulate, with the help of experts and input from the public, health goals for the population. After that, it would be up to bondholders to pursue these goals. The overarching objective of investors in the bonds would then coincide with those broad, long-term goals. The investors, and the people they contract, would have incentives to bring about society's health goals as efficiently as possible - a stark contrast with the current system.

1. https://www.amazon.com/gp/product/0674975987?ie=UTF8&tag=thneyoreofbo-20&linkCode=as2&camp=1789&creative=9325&creativeASIN=0674975987
2. http://www.nybooks.com/articles/2018/06/28/superbugs-are-winning-antibiotics/
3. https://socialgoals.com/health.html

15.6.3 The environment: it's complicated (2018-06-16 17:41)

From the current *New Scientist*:

> It turns out that vegan-friendly alternatives to fur and leather, as seen on display at Australia's recent Fashion Week (above), can harm sea creatures, because they are made of that other pervasive ecovillain: plastic (see *[1]Vegan-friendly fashion is actually bad for the environment*). The evidence is not yet clear, but some animal fabrics may be the least harmful choice overall. Such unintuitive outcomes crop up again and again when we try to make ethical lifestyle choices. As *New Scientist*

> has reported, ditching disposable plastic bags for a fetching cotton tote only pays off after you have used it 131 times, due to the large environmental burden of cotton – which is also an issue for clothes. *[2]Beware the bandwagon*, 'New Scientist', 13 June

The sort of life-cycle analyses (LCAs) required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties and the difficulty of weighting one type of environmental impact against another. They *might* be better than blandly assuming that vegan clothes are 'better' than animal fabrics, rail is better than air travel, solar power is better than coal-fired power stations, etc, but for the making of robust policy LCAs would need to be continually reassessed in the light of our ever-expanding knowledge of the environment and our ever-changing environmental priorities.

Government policy cannot be so responsive nor, probably, can any single organisation - at least not as currently structured. If government did use life-cycle analysis with the aim of altering our behaviour, it would necessarily do so on the basis of a one-time, limited, and possibly subjective assessment of environmental costs and benefits. It's not good enough, but even worse would be what we largely have now: environmental policy based on corporate interests, 'what feels right', media stories and the launching of visually appealing initiatives that attract air time but are otherwise useless.

Social Policy Bonds would take a different approach. They would subordinate environmental policy to targeted environmental outcomes, which could be national or global. Say, for instance, that we wish to preserve the Earth's marine environment. A Social Policy Bond issue that rewarded the sustained achievement of such a goal would generate incentives for bondholders to bring it about at least cost. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government, or any supra-government body would do so: bondholders have continuous long-term incentives to achieve our goal efficiently. This is likely to mean responding to and stimulating increased knowledge of scientific relationships, and technical advances. Investors might conduct LCAs, but they would do so in ways that optimise the benefit to the marine environment per dollar spent.

Effective environmental policy must take a long-term view and for national or global goals, will need to encourage diverse, adaptive approaches. The environment and our knowledge about it are just too complex for an 'it feels good', command-and-control approach that, for instance, brands animal-derived clothing, or plastic shopping bags as bad. Diverse, adaptive approaches to addressing complex problems are precisely the sort of responses that government does very badly. However, government does have crucial roles in articulating society's environmental goals and in raising the revenue to

pay for their achievement: in the democratic countries government performs these functions quite well. But actually *achieving* society's social and environmental goals is a different

matter. Such achievement requires continuous, well-informed and impartial decisions to be made about the allocation of scarce resources. For that purpose, Social Policy Bonds, with their incentives to achieve targeted outcomes efficiently would, I believe, be far better than the current ways in which environmental policy is formulated.

For more about application of the Social Policy Bond principle to the environment see [3]here.

1. https://www.newscientist.com/article/mg23831820-100-vegan-friendly-fashion-is-actually-bad-for-the-environment/
2. https://www.newscientist.com/article/mg23831823-000-following-trends-and-easy-answers-isnt-the-way-to-a-good-life/?utm_campaign=RSS%7CNSNS#038;utm_source=NSNS&%
3. https://socialgoals.com/environment.html

15.6.4 Make Social Impact Bonds tradeable (2018-06-22 18:46)

It's
now thirty years since I first floated the idea Social Policy Bonds at a meeting of the Australian Agricultural Economics Society in Blenheim, New Zealand. My aim was to inject the market's incentives and efficiencies into the achievement of social and environmental outcomes. Under a Social Policy Bond regime, bonds are issued on the free market for whatever price they will fetch.

The bonds would be backed by either government or the private sector. They would not bear interest and would be redeemable for a fixed sum only when a targeted social or environmental objective has been achieved and sustained. The idea is that the holders of the bonds would form a coalition whose over-arching goal is exactly that of society: to achieve the targeted goal as quickly as possible.

If this sounds familiar, it’s because my work led to the creation of Social Impact Bonds of which about 60,

involving investments of more than $200m,
have been launched in 15 countries, aimed at meeting various social challenges. There are 32 in the UK alone, with such goals as reducing recidivism rates and housing rough sleepers in London.

There’s one important feature, though, about my original idea that differentiates it from Social Impact Bonds: my intention has always been that the bonds be tradeable, whereas SIBs, also known as ‘

Pay for Success’ bonds, are not. This is, in fact, a critical difference, and it is one that makes me ambivalent about SIBs (with which I’ve had no involvement). I believe their lack of tradeability limits the usefulness of SIBs in several ways.

Most
importantly, it means they can tackle only short-term problems. Investors will buy the bonds only if they expect to profit from them. Because SIBs are not tradeable, people will have to hold them to redemption to make a profit. That in turn means that would-be investors would want any targeted goal to have a realistic chance of being achieved within their time horizon, which might be quite short, and certainly within their lifetime. This narrows the scope of the goals we can target and, indeed, SIBs have invariably narrow goals. Because their goals are so limited, so too are the opportunities for shifting resources

to and from different approaches to solving a particular problem, and varying them as circumstances change. With a short payback period, investors in SIBs have no incentive to research and experiment with innovative approaches that have anything other the shortest lead time or are otherwise almost risk free.

Another important reason why the bonds should be tradeable, is because the identity and composition of the groups best placed to achieve a targeted objective will change over time. Our most urgent and challenging social and environmental problems will require multiple steps before they are solved. The people who are best at step one will not necessarily be those who are best at step two and all subsequent steps. We cannot even specify in advance what step one, or indeed any step, will entail; still less can we identify those best placed to take these steps. Tradeability means there be a market for Social Policy Bonds, which will ensure that the bonds will find their way into the hands of the highest bidders for them – who will be the best-placed to advance progress towards society's targeted goal most efficiently. When the bonds are not tradeable, then we have something similar to the the way social policy is currently implemented: government identifies some organisation (most likely an existing body, often one of its myriad own agencies), and pumps money into it. If this agency is paid for performance (as in Social Impact Bonds), it has an incentive to perform well. This might be an improvement on the way things are usually done. But if, as so often, one or all of the steps necessary to resolve the targeted problem optimally lie beyond the imagination or competence of such a designated agency, then we are going to be stuck with current (woeful) levels of under-achievement in social and environmental policy.

Social Policy Bonds have the advantage in that they not only do not stipulate *how* society's goals are to be achieved, nor

who shall achieve them. They will
leave those decisions to the market, which will favour the most cost-effective coalition of operators at every stage on the way to achieving social goals.

Another
advantage of the bonds being tradeable is that a market for the bonds would generate extremely useful information both for would-be investors and for policymakers. The value of the bonds will rise and fall depending on whether the market thinks the targeted goal will be achieved more or less quickly. These prices, and their changes, will be immensely valuable to those having to decide where to allocate society's scarce resources, be they in the public or private sector.

One
of the problems with SIBs is that, because their goals are relatively narrow, the costs of monitoring progress toward or away from their achievement will always be a higher proportion of the total administrative costs than they would under a regime that could target broader goals. It's almost as easy (or not much more difficult) to monitor national crime indicators, say, as to look at the behaviour of group of a few hundred specific ex-prisoners in one part of the country over several years.

And
it is to achieve these broader goals that my original idea was intended. Goals such as improving the health of a population, eliminating poverty or achieving universal literacy. Social Policy Bonds could target global goals too: the ending of war, civil war, terrorism; the mitigation of climate change (or its negative impacts) or any global environmental problem, such as loss of biodiversity and preservation of the marine environment. These broad problems require a long-term outlook well beyond the purview of investors in Social Impact Bonds. To solve such problems, we shall need Social Policy Bonds which, because of their tradeability, will encourage the exploration, refinement and implementation of diverse, adaptive approaches.

Most
people would agree that humankind faces huge and urgent challenges, including war, nuclear proliferation, climate change and poverty. Yet, while there is almost universal consensus that these challenges need to be met, our politics is crippled by venomous, divisive tribalism, obsessed by ideology and personality. The gaps between policy and goals, and between people and politicians grow ever wider. Social Policy Bonds, by injecting the market's incentives into achieving humanity's long-term ideals could help close these gaps.

A shorter [1]version of this post appeared recently on the [2]Alliance Magazine *website.*

1. http://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/
2. http://www.alliancemagazine.org/

15.7 July

15.7.1 Target world peace actively, explicitly (2018-07-02 21:17)

John Lanchester quotes Adam Smith:

> ‘Commerce and manufactures gradually introduced order and good government, and with them, the liberty and security of individuals, among the inhabitants of the country, who had before lived almost in a continual state of war with their neighbours and of servile dependency on their superiors. This, though that has been the least observed, is by far the most important of all their effects.’ *[1]After the Fall*, John Lanchester, ’London Review of Books’, dated 5 July

Mr Lanchester doubts that this still applies: ’elites seem to have moved from defending capitalism on moral grounds to
defending it on the grounds of realism. They say: this is just the way
the world works,’ and then writes cogently and readably about the crash of 2008, subsequent policy changes, and inequality. My focus here though is on the Adam Smith’s point: "So according to the godfather of economics, ‘by far the most important
of all the effects’ of commerce is its benign impact on wider society."

Francis Fukuyama [2]pointed out that, once you have a common agreement to engage in voluntary, good-faith transactions, people engaging in market transactions can be highly individualistic and do not even need to like each other. It’s hard to disagree, but trade, and especially international trade, can be disrupted by politics, with rancorous results. So here’s my question: instead of relying on a highly politicised world trading system to achieve peace between countries, why not reward people directly for achieving peace? Perhaps it’s because we believe at some level, like the ancient Greeks, that war is part of the natural order of things, so there’s no point trying to do anything about it. Or perhaps it’s because we think that bodies like the United Nations will succeed in bringing about world peace. Or it could be because our politicians and bureaucrats, and many of the rest of us, don’t think there’s much point looking too far ahead; and achieving a sustained period of world peace, by any definition, is going to be a long-term undertaking.

Which is where the Social Policy Bond principle applied to violent political conflict, can play a role. No single way of stopping war will work. We therefore need to encourage diverse, adaptive solutions, including feedback mechanisms that ensure that promising approaches are encouraged and, crucially, that failing approaches are terminated. It’s unlikely that existing organisations, however well resourced, however well meaning, could do this, even if they had proper incentives. Organisations have their own objectives, of which the over-riding one is self-perpetuation; they have few incentives to be imaginative in their approaches to social

problems. What is needed are highly motivated [3]new organisations, whose goals are exactly congruent with society's. Under a [4]Conflict Reduction Bond regime these organisations might not have a stable structure, nor a stable composition, but their societally defined goal would be stable: a sustained period of peace would be the *raison d'etre* of such organisations. Their rewards would be inextricably tied to their achieving it. Conflict Reduction Bonds would be redeemable only when absence of conflict had been sustained for a defined period. These bonds would contract the achievement of peace to the market, instead of to the inevitably poorly-resourced, distracted or corrupted bureaucracies that are currently charged with the task. Peace, then, would not be an incidental side-effect of commerce and an ever more rickety world trading system, but the direct, targeted, explicitly rewarded a goal for highly motivated coalitions and their agents.

1. https://www.lrb.co.uk/v40/n13/john-lanchester/after-the-fall
2. https://www.amazon.co.uk/Great-Disruption-Francis-Fukuyama-ebook/dp/B0711M5BWW/ref=sr_1_2?s=digital-text&ie=UTF8&qid=1530551159&sr=1-2&keywords=the+great+disrup
3. https://socialgoals.com/new-type-of-organization.html
4. https://socialgoals.com/conflict-reduction-.html

15.7.2 Solitudinem fecerunt consilium canis cibum* (2018-07-10 22:54)

Douglas Rushkoff, after chatting to 'five super-wealthy guys—yes, all men—from the upper echelon of the hedge fund world', fills us in on their priorities:

> they were preparing for a digital future that had a whole lot less to do with making the world a better place than it did with transcending the human condition altogether and insulating themselves from a very real and present danger of climate change, rising sea levels, mass migrations, global pandemics, nativist panic, and resource depletion. For them, the future of technology is really about just one thing: escape. *[1]Survival of the Richest*, Douglas Rushkoff, 5 July

It's an unedifying picture. Would it look any different if a coalition of governments, non-governmental organisations, philanthropists, and the public backed [2]Social Policy Bonds, aimed at solving our global problems? It might just be that our current policymaking systems are so obviously inadequate that even those of us not wealthy enough to contemplate escape are so resigned or distracted that we remain passive when confronted by an array of potentially calamitous social and environmental problems. Perhaps a more coherent, well-financed, range of policy goals would encourage the super-rich to solve our problems rather than attempt to escape them, and enable more of the rest of us to be employed in such solutions, rather than in devising ingenious ways of [3]advertising dog food. Possibly not, but isn't it worth a try?

*The Latin, according to [4]Google Translate, for *They make a desert and advertise dog food*

1. https://medium.com/s/futurehuman/survival-of-the-phukkest-9ef6cddd0cc1
2. http://socialgoals.com/
3. http://creativity-online.com/work/james-wellbeloved-mega-city/51249
4. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0ahUKEwiTw5i9wZXcAhXjHpoKHd14AsAQFgg-MAE&url=https%3A%2F%2Ftranslate.google.c

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15.7.3 Wanted: humble billionaires (2018-07-19 21:58)

Most of our chronic social and environmental problems don't have simple solutions. Governments, though, are reluctant to relinquish power and therefore keen to control the funds and institutions whose ostensible purpose is to solve our problems - even when these bodies are manifestly overwhelmed, incompetent, or corrupt. It shouldn't be surprising that politicians, whose lifetime ambition has been to accumulate power, behave like this. It's a bit more surprising that billionaires are subject to the same conceit:

> Tech billionaires from Mark Zuckerberg to Bill Gates have done impressive philanthropic work, but they have both applied their hubris and their cash to failed efforts to try to reform education in America. It turns out that being great at computer software doesn't necessarily make you great in other areas. ...

> Memo to tech billionaires: Just because you solved one problem with a simple solution doesn't mean all problems have simple solutions. Let's continue to register our displeasure with tech titans when they show their arrogance, and let's be a little more skeptical when they want to reinvent everything from food to space travel. [1] *Stop worshipping guys like Elon Musk*, David R Wheeler, CNN, 17 July

So it seems that those who have power *or* money, having achieved their personal goals, think they are the people best placed to achieve society's goals. Social Policy Bonds are a means by which government or billionaires could both articulate society's wishes and channel funds into satisfying those wishes, without actually doing the work themselves. They could, instead, reward the *achievement* of our goals, without dictating who shall achieve them nor how they shall be achieved. They would still have the power to articulate these goals and to raise, or spend, the revenue required for their achievement - things that they are good at. But, under a bond regime, they would relinquish the control over *how* these goals are to be achieved. That would be difficult for politicians or billionaires to accept. But the stakes are high: our social and environmental challenges are too big and too urgent to be left to to those whose expertise lies solely, it seems, in the accumulation of power or money.

We need diverse, adaptive solutions, with time horizons longer than those of individual lifetimes. As a species, we now have massive potential to solve those problems that have bedevilled mankind for millennia: war, for instance, poverty, illiteracy, disease. Social Policy Bonds are a means by which we could motivate people toward solving these problems. Governments aren't likely to be the first to issue them. They owe too much to existing career paths, methods, and institutions. But billionaires? They could be more amenable to persuasion. They want to see the right thing done. All it would take is a bit of humility on their part so that they don't feel they have to be the ones doing it.

1. https://edition.cnn.com/2018/07/16/opinions/elon-musk-tweet-tech-billionaire-hubris-wheeler-opinion/index.html?no-st=1531849301

15.7.4 Environmental goals need diverse, adaptive approaches (2018-07-27 18:52)

David Lauterwasser writes:

> Free energy is nowhere around the corner, neither is truly sustainable energy. Solar panels are made from sand, which is running out. The production of photovoltaic plates for solar panels requires tremendous amounts of energy, involves the excessive use of highly toxic chemicals and creates vast amounts of waste products such as silicon tetrachloride (three to four tons of which are produced for every ton of the desired polysilicon), which forms hydrochloric acid upon contact with water, is often casually dumped somewhere and already devastated landscapes in China. *[1]The Collapse of Global Civilization Has Begun*, David B Lauterwasser, 'Medium', 14 November 2017

The [2]life-cycle assessments required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties, and the difficulty of weighing one type of environmental impact against another. They are better than blandly assuming that rail is 'better' than air travel, that solar power is better than coal-fired power stations but, for the making of robust policy, they would need to be continually reassessed in the light of our ever-expanding knowledge of the environment and our ever-changing environmental priorities. Government policy cannot be so responsive: if government did use life-cycle analyses with the aim of altering our behaviour, it would probably do so on the basis of one-time, necessarily limited, and possibly quite subjective assessments of environmental costs and benefits. It wouldn't be good enough, but even worse would be what we have now: environmental policy largely dicated by corporate interests, with attempts to mitigate disasters that are fast-moving and visual enough to make the television

news.

Social Policy Bonds would take a different approach. They would subordinate environmental policy to targeted environmental outcomes. It might be, for instance, that society wishes to reduce its use of fossil fuels. A Social Policy Bond issue that rewarded achievement of such a reduction would generate incentives for bondholders to bring it about at least cost. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government would do so: bondholders have incentives to achieve their goal efficiently. This is likely to mean responding to and stimulating: increased knowledge of scientific relationships, and technical advances.

A single environmental goal, such as reduction in fossil fuel use, entails diverse, adaptive responses. These are precisely the sort of responses that government does very badly. Government can and should articulate society's environmental goals, and can raise the revenue required to pay for their achievement: in the democratic countries it performs these functions quite well. But actually achieving these goals requires continuous, well-informed and impartial decisions to be made about the allocation of scarce resources. These, government does badly. For that purpose, the Social Policy Bond principle as [3]applied to the environment, with their incentives to achieve targeted outcomes efficiently would, I believe, be far better than the current haphazard, one-size-fits-all approach.

1. https://medium.com/@FeunFooPermaKra/the-collapse-of-global-civilization-has-begun-b527c649754c
2. https://en.wikipedia.org/wiki/Life-cycle_assessment
3. http://socialgoals.com/environment.html

15.8 August

15.8.1 Climate change: we're not really doing anything (2018-08-03 18:19)

David Roberts asks:

> Are any of the countries that signed the Paris agreement taking the actions necessary to achieve that target? No. The [1]US is not. Nor is the [2]world as a whole. Source:

[3]No country on Earth is taking the 2 degree climate target seriously, David Roberts, 'Vox', 29 April 2017

Disappointing, but hardly surprising. The two degree climate target is too abstract, too remote for most of us, who have far more (apparently) urgent, short-term priorities. As individuals, we might be lucky to receive subsidies for driving electric cars. But what good do they really do:

"...China's 1m-plus electric cars draw their oomph from an electricity grid that draws two-thirds of its power from coal, so they produce more carbon dioxide than some fuel-efficient petrol-driven models. *[4]The world is losing the war against climate change*, the 'Economist', dated 4 August.)

In essence, the incentives are all wrong. A broad definition of subsidy that includes tax write-offs can generate this headline, which tells us all we really need to know:

[5]America spends over $20bn per year on fossil fuel subsidies,

Dana Nuccitelli, the 'Guardian', 30 July

Even ignoring subsidies, if the incentives are there for us to extract and burn fossil fuels, then that is what we shall do. Similarly, if the incentives are there for landowners, car manufacturers, politicians and officials to engage in bickering, lobbying in defence of their own interests, and competing with
other interest groups for subsidies - then that is what they will do. Much serious brainpower is being spent on resisting change or extracting privileges from government.

We need to target meaningful goals, and we need to motivate people to achieve them. The outcome we should be targeting must be a composite definition of climate stability, which should include indicators of plant, animal and human well-being as well as climatic variables and the rate of change of those variables. This targeted outcome would include reductions in the negative impacts of climate change. Targeting climate like this means that we don't prejudge the best way of achieving it, which might well be reducing greenhouse gas emissions as the main approach, but would motivate people to look at all other potential approaches, including ones we cannot anticipate. We are learning more and more about the links between greenhouse gas emissions and the climate, and about ways in which we can prevent or mitigate climate change.

We also need to enlarge and *motivate* the pool of people prepared to do something to tackle climate change. The fact is that the rewards to a successful pet food campaign manager can be in the millions of dollars, while someone trying to generate new ideas for tackling climate change that don't fit in with Kyoto will have difficulty getting attention, let alone adequate funding. This points to the need to divert some private sector resources away from trivia and towards solving our most urgent environmental problem.

There's more. We also need people to buy in to solving the climate change problem. Paris type agreements (or 'agreements') don't do this. Just the opposite in fact: most people-instinctively resent imposed pseudo-solutions originating in remote bureaucracies.Climate change has become politicised.

It is for all these reasons that I believe [6]Climate Stability Bonds would be an improvement over current policy. Climate Stability Bonds would be backed by the world's governments. They would be redeemable once a specified climate stability goal had been achieved and sustained. They would be freely tradeable and their value would rise or fall as the targeted goal become more or less likely to be achieved. The goal could be specified as a combination of climate and other indicators. The bonds would not prejudge the best ways of achieving their goal. They would reward the achievement of climate stability, *however it is achieved*.
Investors in the bonds would have incentives to respond quickly and appropriately to new knowledge about what is causing climate change and to new ways of dealing with it. Governments would be the ultimate source of finance for achieving climate stability, but the private sector would allocate society's scarce resources.

A Climate Stability Bond regime would express its aims in terms that people can understand. Its explicit goal would be climate stability. If people understand what a policy is all about, they can participate more in its development, refinement and implementation. This matters hugely when, as with climate change, government will probably have to rein in activities to which we have become accustomed. Current policy discourages buy-in to the extent that it is focused on the cutting back of net anthropogenic greenhouse gas emissions, which will impose heavy, and up-front, financial costs in pursuit of nebulous, much-delayed benefits.

Climate Stability Bonds, on the other hand, have a comprehensible, meaningful goal: the achievement of broadly- meaninfully-defined, climate stability. They would channel the market's incentives and efficiencies into the solution of our most urgent environmental problem. But with their focus on a set of meaningful goals, rather than a supposed means of achieving them, they would also encourage greater public participation and buy-in to the solutions they generate. We need a widely supported, coherent, and efficient response to climate change. Climate Stability Bonds have all those features. Paris and its predecessor, Kyoto, have none.

1. https://go.redirectingat.com/?id=66960X1516588&xs=1&url=http%3A%2F%2Fwww.nature.com%2Fnclimate%2Fjournal%2Fvaop%2Fncurrent%2Ffull%2Fnclimate3125.html
2. http://climateactiontracker.org/news/253/Climate-pledges-will-bring-2.7C-of-warming-potential-for-more-ac

tion.html

3. https://www.vox.com/2016/10/4/13118594/2-degrees-no-more-fossil-fuels

4. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjasofNqdHcAhUCCsAKHc6yDBIQFjAAegQIChAB&url=https%3A%2F%2Fwww.economist

5. https://www.theguardian.com/environment/climate-consensus-97-per-cent/2018/jul/30/america-spends-over-20bn-per-year-on-fossil-fuel-subsidies-abolish-them

6. http://socialgoals.com/ieakyototext.html

15.8.2 How to avoid a nuclear war (2018-08-05 18:12)

Andrew Cockburn quotes a four-star general, Lee Butler, former head of the US Strategic Air Command, and who wrote recently:

> Arms control is now relegated to the back burner with hardly a flicker of heat, while current agreements are violated helter-skelter. ...Sad, sad times of the nation and the world, as the bar of civilization is ratcheted back to the perilous era we just escaped by some combination of skill, luck, and divine intervention. *[1]How to start a nuclear war*, Andrew Cockburn, 'Harper's Magazine', August

Eric Schlosser's *[2]Command and Control,* bears this out, with its alarming tales of accidents and blunders that came close to
bringing about catastrophe during the Cold War. It's quite disturbing how little incentive the people in control, *at all levels,* have to think about the
potential impacts on society rather than on themselves or the
organisation of which they were part.

The goal of sustained nuclear peace makes an ideal target for the Social Policy Bond idea. It's a complex, long-term goal that will require diverse, adaptive solutions. It's a goal that, from all indications, is unlikely to be reached under current policy. And it's an easy goal to verify.

My proposal would be to issue bonds that reward a sustained period of nuclear peace. This could be defined, as, say the non-detonation of a nuclear device that kills more than 50 people for 30 years. They could be backed by a combination of governments, non-governmental organisations, philanthropists and members of the public. With sufficient backing the bonds would help offset and (one hopes) outweigh the the incentives currently on offer, which essentially are those of the military and weapons manufacturers to maintain a nuclear posture.

Those billions of us who would benefit from nuclear peace are presumably a massive numerical majority, but we have few means of expressing our wishes in a way that is likely to bring it about. The tendency is to assume that governments will do what's necessary, with the support of hard-working, well-intentioned people in the private sector.

But these people are not rewarded for success, which is not only problematic in itself, but also discourages people from investing in their efforts. More cogently, it's not working.

We need to reward those who achieve nuclear peace at least as much as those working to undermine it. We don't know exactly how to reduce the chances of a nuclear exchange, nor who will be best placed to do so, over the long period during which our goal is to be achieved, but we have no excuse for not encouraging people to find out. Nuclear Peace Bonds would apply the [3]Social Policy Bond principle to this goal. Investors in the bonds would form a [4]protean coalition of people dedicated to achieving it as efficiently as possible. Their goal would be exactly the same as society's. Human ingenuity knows no limits. Currently, too much of it is devoted to relatively [5]unimportant or socially [6]questionable. Nuclear Peace Bonds would encourage some of that ingenuity into helping avoid a global catastrophe.

My short piece on Nuclear Peace Bonds is [7]here. The links in the right-hand column of that page point to papers on similar themes: [8]Conflict Reduction, [9]Disaster Prevention, and [10]Middle East Peace

1. https://harpers.org/archive/2018/08/how-to-start-a-nuclear-war/
2. http://www.amazon.co.uk/gp/product/1846141486?*Version*=1&*entries*=0
3. http://socialgoals.com/
4. http://socialgoals.com/new-type-of-organization.html
5. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=12&cad=rja&uact=8&ved=2ahUKEwiu8bilsdbcAhVGIlAKHaafDSwQFjALegQIHBAB&url=https%3A%2F%2Fwww.adweek.c
6. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKEwjole2AsdbcAhXHJVAKHRaMDBsQFjADegQIGxAB&url=https%3A%2F%2Fwww.euractiv.
7. http://socialgoals.com/nuclear-peace.html
8. http://socialgoals.com/conflict-reduction-.html
9. http://socialgoals.com/disaster-prevention.html
10. http://socialgoals.com/middle-east-peace.html

15.8.3 One size never fits all (2018-08-19 17:17)

Much of the world's strife originates in the emotional insecurities of the people in power. Piling up weaponry, seeing hostility when it's not there, stamping out any quibbles and dissent about the way things are done: these are not admirable traits, but they are widespread and

destructive. Perhaps only the most psychologically secure leaders can allow a mixed economy with a healthy business sector to flourish, or question the accepted ways of doing things: the ways that created the hierarchy that gives them the power they enjoy.

> A revealing joke in Beijing elite circles describes how Deng Xiaoping, father of the past 40 years of reform and economic opening, assembled two teams, one comprising the country's best technocrats, and the other China's most ingenious Marxist theoreticians. Deng asked the first team what policies the economy needed, and commanded the second team to define those policies as socialist. Reform-minded elites fear Mr Xi has reversed that process. [1]How to read summer grumbles about China's swaggering leader, the 'Economist', 11 August

Deng was pragmatic, and his reforms remarkable, and they helped lift hundreds of millions of Chinese out of poverty. The current regime seems to be less secure:

> [L]ocal experiments with reform have been cited by some Western scholars as examples of China's "adaptive authoritarianism". This is a way of describing the party's ability to avoid the fate of its counterparts in other communist-ruled countries by flexibly adjusting policy in order to satisfy public demands for greater prosperity. The pilot system has been an important means of achieving this. There are signs, however, that it is losing steam. [2]Local experiments with reform are becoming rarer under Xi Jinping, the 'Economist', 18 August

If this is accurate, then I think it's unfortunate. Society is so complex and our social and physical environments are changing so quickly, that old ways of doing things need to be questioned. One approach will rarely work effectively over a wide geographical area, or for extended periods of time. Unfortunately, people in the grip of an ideology - who may, indeed, owe their livelihoods or lives to their belief in an ideology - rarely consider approaches that conflict with their conditioning.

I'm all for ritual, belief and ideology when practised by consenting adults. Less so, when they dicatate policy that denies our diversity and humanity. How often do we speak with good, well-meaning people who are committed to a particular political party, or who identify themselves with a particular political grouping? Then you come across their blind spot, where application of their ideology led to undeniably unfortunate results…but they can't see that. We probably all have such blind spots. The richness and complexity of history, and the application

of selective memory mean that most of us can plausibly attribute all the bad things that happen to the beliefs, politicians, countries or cultures that we don't like, and all the good things to the successes of the ideology that we favour.

It won't work any longer, if it ever did. In an increasingly complex world, relationships between policy programmes and their outcomes are ever more difficult to identify and the consequences of failure ever more disastrous. Our lazy tendency to impose a binary worldview on such potential crises as climate change, ownership and control of resources could prove disastrous. It would be a tragedy if the excerpt above, about China's stifling of experimental approaches is accurate. The Chinese people in particular have seen where a top-down, monolithic approach leads.

It's time to quit looking for an all-embracing ideology that tells us whom we can rely on, or how best to approach every political, social or environmental problem. We must accept that cannot rely on any god, religion, political approach or economic belief system - not when it comes to policymaking that affects people. We need diverse, adaptive approaches that transcend ideology.

My suggestion is that instead we subordinate policy to outcomes. It's much easier to get consensus on what we as a society want to achieve than on the ways to achieve it or on who shall be paid for achieving it. [3]Social Policy Bonds would allow this: governments would still get to raise revenue for achieving our social and environmental goals and still articulate society's goals. But under a bond regime they would relinquish control over how our goals shall be achieved and who shall achieve them. In this way, they could target long-term problems whose solutions have so far eluded us and for which there is no obvious single pathway. National problems such as poor [4]health, [5]crime, [6]unemployment. And global problems such [7]war, [8]climate change, or [9]nuclear catastrophe.

1. https://www.economist.com/china/2018/08/11/how-to-read-summer-grumbles-about-chinas-swaggering-leader
2. https://www.economist.com/china/2018/08/18/local-experiments-with-reform-are-becoming-rarer-under-xi-jinping
3. http://socialgoals.com/
4. http://socialgoals.com/health.html
5. http://socialgoals.com/crime-.html
6. http://socialgoals.com/employment.html
7. http://socialgoals.com/conflict-reduction-.html
8. http://socialgoals.com/climate-change.html
9. http://socialgoals.com/nuclear-peace.html

15.8.4 Incentives to avoid long-term disasters (2018-08-27 19:36)

Someone by the name of Amaxen comments on a recent [1]story about cybersecurity:

> [T]o managers, security is not something you can point to as an achievement, isn't

> something you can really 'measure', doesn't make a contribution to the bottom line of whatever organizational goal you have, and ultimately you could spend infinite money on security and still not guarantee it, while on the other hand a system in development slipping schedule is very visible to managers, so there's always a tendency throughout the organization to push the priority for security down when it comes to making tradeoffs, and this despite the full knowledge by IT managers that this is a thing they should account for. [2]Source

We overuse narrow, short-term, readily available numerical indicators, often to the exclusion of the bigger picture. Managers do it with cybersecurity but it happens universally; for instance when it comes to valuing equities or, more critically, when we target, implicitly or explicitly macro-economic variables such as Gross Domestic Product. We focus on aspects of reality that can be captured by numbers even when any correlation between those numbers and the well-being of a society or ecology is incidental or even negative.

This tendency works against our best interests, because those things that we can't accurately monitor can be crucial. An organisation cannot measure the probability of a cyberdisaster, but it can measure the money it spends on cybersecurity. We can't accurately measure societal well-being but we can measure economic growth. We can't measure the probability of a nuclear war, but we can measure the funding of bodies ostensibly aimed at reducing it.

So where do [3]Social Policy Bonds come in? They would change the identity of the people doing the measuring and they reward success and, just as crucially, terminate failures. An organisation wanting to reduce the threat of cyberdisaster could take out some form of broadly defined insurance against that sort of disaster: one that would apply beyond the career horizons of the security officers in that organisation. But, unlike a conventional insurance policy, the issuers of the policy would take an active role in monitoring the organisation's systems. It would be highly motivated to do so effectively, because its contract with the organisation would penalise any failure.

At the policy level, instead of (or as well as), for example, paying bodies of the United Nations or non-governmental organisations to turn up for work and write papers, we could issue [4]Nuclear Peace Bonds that would reward people for achieving a sustained period of nuclear peace, *whoever they are and however they do so*.

What about societal well-being? Trickier. Thinking aloud: We could stop assuming it's correlated with Gross Domestic Product (or GDP per capita) and put more effort into measuring it and its components. We could stop ignoring things like inequality and levels of trust that are (currently) not that easy to measure but that, on all the evidence, are crucial components of social well-being. We could compile something like the [5]Human Development Index with

objective measures that correlate strongly with well-being. Government could target improvements in this and other objective indicators, rather than blindly aim for economic growth at all costs, which seems to be the default activity. Alternatively it could also concentrate solely on such undisputed components of well-being ([6]health, for instance or, at a global level, [7]absence of conflict) and, as in the previous examples, issue bonds that reward the absence of large falls in those components.

The important points are that the people doing the achieving of our goals should have incentives to be efficient and to take a long-term view. Social Policy Bonds, being [8]tradeable, allow us to target remote goals, because the composition and structure of our motivated coalition of goal-achievers can change in response to changing events and circumstances. We need diverse, adaptive solutions to our problems, which are exactly the sort of solutions that government at any above the least aggregated level, can't provide. Social Policy Bonds would give people incentives to find those solutions and implement them.

1. https://www.wired.com/story/notpetya-cyberattack-ukraine-russia-code-crashed-the-world/
2. https://www.reddit.com/r/TrueReddit/comments/99eg4i/what_happens_when_every_computer_in_your_company/e4n8gvi/
3. https://socialgoals.com/
4. https://socialgoals.com/nuclear-peace.html
5. https://en.wikipedia.org/wiki/Human_Development_Index
6. https://socialgoals.com/health.html
7. https://socialgoals.com/conflict-reduction-.html
8. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

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15.9 September

15.9.1 Armed conflict and astrology: root causes distract (2018-09-03 19:56)

Just because we don't know everything about cause and effect, that doesn't mean we throw up our hands in frustration and decide to do nothing. Or, the more common reaction when a social problem becomes inescapably visible: or create ineffectual bureaucracies ostensibly aimed at solving them (climate change, nuclear proliferation) but actually doing very little.

Take armed conflict: it's not difficult to reel off whole screeds of plausible reasons for its occurrence, or
even its inevitability. Poverty, ignorance, despair, and differences of wealth, ethnicity, religion, class, culture or ideology: all these are thought to be some of the 'root causes' of war and violence. As also are: inequalities in access to resources, scarcity and economic decline, insecurity, the violation of human rights, exclusion or persecution of sectoral groups, and state failures including declining institutional and political legitimacy and capacity. Other key foundations for

conflict could be historical legacies, regional threats, the availability of weapons, economic shocks, and the extension or withdrawal of external support. Demography is also significant: large numbers of unemployed males can catalyse conflict.

Sometimes inward factors are cited; such as individual pathologies; perhaps a history of being abused that predisposes someone to take up violence in later life. Often blamed too are the media, and the frequency with which our children are exposed to images of violence - especially when violence is presented as an acceptable and effective way of solving problems.

No doubt all these factors can and do play a part in fomenting and fanning the flames of conflict. But (1) every 'root cause' will have its own root cause and (2) even aside from the impossibility of eliminating every potential cause of conflict, there is no inevitability that these causes will lead to armed conflict. Selective memory has strengthened these linkages in the collective mind, but for each of these 'root causes' there are examples that disprove any simple cause-and-effect relationship. There are, for example, dozens of countries in which people of different ethnicity and religion live happily side-by-side.

Perhaps Tolstoy summed it up best:

> The deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event. [1]War and Peace, page 85, Leo Tolstoy, 1867

Searching for alleged root causes, then, might not be the best way of trying to solve a problem. Applying the [2]Social Policy Bond principle could be the answer.For instance, instead of policymakers' trying to look for and deal with root causes of armed conflict, they could raise the revenue to back [3]Conflict Reduction Bonds. Then it would be up to bondholders to identify the most cost-effective ways of reducing conflict. That might involve looking for root causes, but *only if doing so will be the most efficient way of achieving the outcome we seek.*

As an aside, I'll quote the former Grand Archdruid, John Michael Greer on the subject of

astrology :

> Why do the
> positions of the planets relative to the 30° wedges of the ecliptic that astrologers call the zodiacal signs, and the position of these relative to another set of wedges of space, the mundane houses, which are calculated from the point of view of the observer, predict the future? Why do those 30° wedges have the effects they do, even though the stars that occupied those wedges in Babylonian times have moved on due to the precession of the equinoxes? And why should the chart cast at the moment of the spring equinox of 2019 in London provide insight into how Britain will fare through Brexit? There's a simple answer to this, which is that *nobody knows*.
> Astrology didn't come into being because somebody decided to cook up an elaborate theory about planetary influence. It came into being because people who watched the skies in various parts of the world in ancient times noticed that certain relationships among those little bright dots in the night sky provided reliable advance warning of certain events down here on Earth. [4]An astrological interlude, John Michael Greer, 29 August (my emphasis)

My point: the important thing is to solve problems, not try to work out why they have arisen. It might be a good idea to look for root causes, but it might be more efficient instead to aim for the outcome that we want without doing so. Trying to understand fully the relationships between cause and effect may be a waste of time, or actually delay and impede the achievement of our social and environmental goals. Outcomes are more important than theory, whether we are talking about ending war or predicting the future.

1. http://www.amazon.com/exec/obidos/external-search?tag=starlingtechnolo&keyword=War%20and%20Peace%20Leo%20Tolstoy&mode=books
2. https://socialgoals.com/
3. https://socialgoals.com/conflict-reduction-.html
4. https://www.ecosophia.net/an-astrological-interlude-brexit/

15.9.2 Conflict Reduction Bonds ex machina* (2018-09-11 19:08)

The *Economist* foresees an imminent human catastrophe in the Syrian city of Idlib:

> In the battle last year for Mosul, an Iraqi city of [fewer] than 1m[illion], the American-led coalition killed at least 1,000 civilians despite using mainly precision-guided, or "smart", bombs. Idlib, whose population is three times larger, will face Russian

> bombs that are almost entirely unguided, or “dumb”, meaning they are quite likely to miss their targets and instead hit civilians. [1]The battle for Syria’s last rebel redoubt looms, the ’Economist’, 8 September

Meanwhile Katherine Bourzac writes about research into an innovative way of dealing with the brine generated by reverse osmosis, which would otherwise be dumped into the sea with possibly damaging effects on the marine environment:

> [A]llowing forward, not reverse, osmosis [makes] it possible to get more and more water to flow across a salt-excluding membrane into a container of brine, increasing the pressure. That pressurised water can be used to drive a turbine and generate electricity in a process called pressure-retarded forward osmosis. [2]Our thirst for water is turning the oceans saltier, Katherine Bourzac, ’New Scientist’, 8 September

The details aren’t important. My point is the contrast between the two visions for humanity. On the one hand, we face a human-induced scene of carnage, avoidance of which is assumed to be beyond our capabilities. On the other, we have scientists and engineers researching ingenious ways of improving the environmental consequences of extracting fresh- from sea-water.

Is it too simplistic and naive to think that the immense human costs of the forthcoming Idlib catastrophe outweigh any benefits that might accrue to the competing factions in the Syrian conflict? And, if we accept that, why do we assume that we can’t do anything about avoiding them?

The answer, I think, is that our multitudes of political systems aren’t fit for purpose. They are incapable of aggregating the wishes of ordinary human beings, and weighting them against the perceived, narrow, self-interest of (in this case) politicians, warlords and arms merchants in Syria and beyond; maybe a couple of hundred guys who could halt the catastrophe, but choose not to. The problem, as we see from *New Scientist*, is not a lack of human ingenuity. The problem is that, while some of it’s channelled into schemes that benefit humanity, far too much is channelled into endeavours you might think of as low priority or - much worse - into creating and prolonging human catastrophe.

We could, and many of us do, sneer at the profit motive as a solution to human problems. There are many, especially on the left, so blinded by ideology that they see monetary incentives as unacceptable ways of solving our human problems. Presumably these people are waiting for some sort of psychological revolution, or *deus ex machina** or maybe they feel it more important to belong to a tribe of believers in their bankrupt ideas than actually pay

people to solve problems that in their view, shouldn't exist and wouldn't exist if we were all nice to each other.

I don't think we can afford those views. The challenges we face on all fronts - environmental, as well as political and military - are too huge and too urgent. As well, just as teachers (these days) are paid, so too would providing incentives for people to, for instance, eliminate war, bring more people and more resources into that endeavour. Some might become rich by helping eliminate war (is that so terrible?); others might simply earn the same salary as they would say, by [3]advertising pet-food or working as a warehouse person in a plant that manufactures chemical weapons.

For centuries religious leaders, monarchs, ideologues, international organisations and politicians of all stripes have failed to end war. Even now, as with Idlib, we think we are powerless to prevent it. Why does violent political conflict continue to cause untold suffering, despite most people's deeply-felt wish to live in peace?

We cannot answer these questions now, but I don't think we need to. What we can do is reward peaceful outcomes, *however they are achieved and whoever does so.* Nobody can possibly identify and remove all the possible causes of violent political conflict. But what we can do is reward the sustained periods of peace and leave it to a motivated coalition to explore potential solutions and implement the most promising ones. Currently, instead of rewarding peace, governments finance activities, or institutions, or programmes, or policies that are supposed to work for peace, but have signally failed to achieve it. The answer, I think, is to make the rewards conditional on the ending of war.

Conflict Reduction Bonds would do this. Backed by governments, philanthropists, non-governmental organisations and the public, possibly under the auspices of the United Nations, they would be issued on the open market for whatever price they would fetch, and would be tradeable at all times. They would be redeemed for a fixed sum only when the number of people killed or injured by violent political conflict reached a very low level. Importantly, the bonds would make no assumptions as to how to bring about greater peace - that would be left to bondholders. Unlike normal bonds, Conflict Reduction Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly. The broad effect would be twofold:

- More resources would be devoted to achieving the outcome of peace
- Market incentives and efficiencies would be injected into every stage of peace building.

Many peace-building bodies, whether public- or private-sector, work in admirable and diverse

ways, but their efforts are relative to the size of the problem, small-scale and uncoordinated. For all such bodies, the financial rewards from building peace are not correlated with their effectiveness in actually doing so. This negatively affects not only, as some would have it, the salaries of employees, but their number, the resources they have at their disposal, and their incentives. Conflict Reduction Bonds, in contrast, would explicitly reward movement toward a targeted peace outcome. They would focus on an identifiable outcome and channel market efficiencies into exploring ways of achieving it. They could be the most effective means of achieving the peace that people all over the world yearn for and deserve.

For more on Conflict Reduction Bonds and variants see [4]here.

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*_Deus ex machina_ is a plot device whereby a seemingly unsolvable problem in a story is suddenly and abruptly resolved by an unexpected and seemingly unlikely occurrence...Its function can be to resolve an otherwise irresolvable plot situation [or]...to bring the tale to a happy ending.... [5]Source

1. https://www.economist.com/middle-east-and-africa/2018/09/08/the-battle-for-syrias-last-rebel-redoubt-looms
2. https://www.newscientist.com/article/mg23931940-200-our-thirst-for-water-is-turning-the-oceans-saltier/
3. https://www.boredpanda.com/funny-animal-print-ads/?utm_source=google&utm_medium=organic&utm_campaign=organic
4. https://socialgoals.com/conflict-reduction-.html
5. https://en.wikipedia.org/wiki/Deus_ex_machina

15.9.3 The importance and neglect of sustained personal care (2018-09-21 18:45)

Michael Hobbes writes:

> In 2017, the U.S. Preventive Services Task Force...found that the decisive factor in obesity care was not the diet patients went on, but how much attention and support they received while they were on it. Participants who got more than 12 sessions with a dietician saw significant reductions in their rates of prediabetes and cardiovascular risk. Those who got less personalized care showed almost no improvement at all. [1]Everything You Know About Obesity Is Wrong, Michael Hobbes, 'Huffpost', 19 September

Markets can't readily capture things like 'personalised care', so our political system gives them little weight. Yet they prove to be crucial in determining not only meaningful outcomes like physical and mental well-being, but also more measurable quantities, such as morbidity; elements of which *can* be monetarily valued. Just as reducing crime doesn't - or shouldn't - mean simply giving more cash to police forces, so improving a nation's health shouldn't just mean dispensing spending more on doctors, hospitals, dietary advice or encouraging more exercise. Unfortunately, institutions have their own goals, and that includes government itself (the bodies that dole out taxpayer funds) and the public- or private-sector agencies (that allocate these funds). These bodies have little incentive to do things that fall outside their purview, however beneficial or efficient they might be. So if more 'personalised care' is found to be the best way of tackling not only obesity but also, say [2]mild depression, or attention deficit disorder in children, then it's unlikely to be promoted over the diets or drugs that show an immediate, financial benefit to existing organisations.

Our large, complex societies need to take a broader approach; one that rewards social outcomes. Social goals should have primacy over institutional goals. We should reward approaches that solve our social problems, *even if there is currently no organisation following that approach*.

Enter [3]Social Policy Bonds. Under a bond regime, it is the social goal that's targeted, and we do not asssume that existing bodies can implement the best ways of achieving it. Non-market approaches - such as personalised care - often fall through the cracks. And finding the best approach for a particular problem at a particular time in a particular place needs a suppleness that large, top-down organisations usually lack. Our social and environmental problems need diverse, adaptive approaches. Social Policy Bonds would stimulate the research, experimentation and adoption of the best of these approaches. They would reward people for solving our problems, rather than for simply turning up to work and carrying out an approved activity. They would reward innovative approaches if they are the most efficient and, if current bodies can't implement them, they will give rise to a [4]new type of organisation: ones whose protean composition and structure would be entirely subordinate to their goals - which would be exactly those of society. It's unlikely that existing health bodies in most countries would find room for the sort of sustained, personalised diestary advice that Mr Hobbes mentions. Social Policy Bonds targeting [5]health, on the other hand, would encourage people to investigate such an approach and, if they find it as beneficial as it appears, see that it's adopted.

1. https://highline.huffingtonpost.com/articles/en/everything-you-know-about-obesity-is-wrong/
2. https://breggin.com/solutions-to-madness-and-personal-crises/
3. http://socialgoals.com/
4. https://socialgoals.com/new-type-of-organization.html
5. https://socialgoals.com/health.html

15.9.4 Giving greed a chance (2018-09-29 19:11)

Looking at the scale of social and environmental problems that mankind faces, you might think that we don't have the resources necessary to make fundamental changes in the way we operate. Changes such as eliminating extreme poverty, improving health outcomes, dealing with environmental problems, and reducing violent political conflict. The good news, though, is that we are not short of funds to address these, and other, challenges.

Brooke Harrington in *Capital without borders*, writes about people working in the wealth management industry:

> Their work radically undermines the economic basis and legal authority of the modern tax state.... Using trusts, offshore firms, and foundations, professionals can ensure that inequality endures and grows in a way that becomes difficult to reverse short of revolution. Brooke Harrington, *[1]Capital without borders*, September 2016

And then there is corporate welfare. Nathan Jensen writes, about the US:

> Every year, states and local governments give economic-development incentives to companies to the tune of between $45 billion and $80 billion. Why such a wide range? It's not sloppy research; it's because many of these subsidies are not public. *[2]Do Taxpayers Know They Are Handing Out Billions to Corporations?* 'New York Times', 24 April

People are behaving perfectly rationally given the incentives on offer. In most cases they are behaving perfectly legally too. But the result, from an ordinary person's point of view is a massive misdirection of resources into activities that are destroying our social and physical environment. We have [3]greed - otherwise known as self-interest - and we have untold wealth. It's my contention that we could solve the world's problems without having to rely on changing human nature, by redirecting our greed and that wealth into unambiguously useful activities.

The vehicle by which we could do this is the [4]Social Policy Bond. The idea is that Social Policy Bonds direct self-interest into achieving socially beneficial outcomes. Governments don't have to try to work out how to achieve these outcomes, nor who shall be charged with doing so. It is the self-interest of bondholders that ensures that resources flow only the most efficient ways of achieving our goals.With just a little bit (relative to the magnitude of the problems at hand) of tinkering, we can substitute 'our goals' meaning humanity's goals, for those individual and corporate goals, the pursuit of which is not only diverting resources from

more useful activities, but is actively undermining our chance of survival. Social Policy Bonds would channel our self-interest into the achievement of these goals. It would seem to be safer and more humane to do issue Social Policy Bonds and give greed the chance to solve our problems, than to carry on as we are and hope that the revolution Ms Harrington fears turn out not to be catastrophic.

1. https://www.amazon.co.uk/Capital-Without-Borders-Managers-Percent/dp/0674743806/ref=sr_1_1?ie=UTF8&qid=1538241537&sr=8-1&keywords=capital+without+borders
2. https://www.nytimes.com/2018/04/24/opinion/amazon-hq2-incentives-taxes.html
3. http://socialgoals.blogspot.com/2009/07/give-greed-chance.html
4. http://socialgoals.com/

15.10 October

15.10.1 Human nature is peaceful (2018-10-06 17:08)

People (like me) who believe world peace is possible are often put in a box labelled 'Idealists.' So weapons continue to pile up and when we see the horrors of war on our tv screens, we sigh as though violent human conflict were inevitable. The wealthiest amongst us plan escape routes or [1]prepare for war's aftermath. The rest of us dutifully contribute to peacekeeping efforts by such bodies as the United Nations, though with no expectation that they will actually achieve very much.

In *[2]War, Peace and Human Nature*, Douglas Fry et al argue that (1) the belief that war is part of human nature is itself destructive and (2) war is not part of human nature.

> A view, erroneous though it may be that war is ancient and presumably thus reflects some natural feature of humankind or human social life, feeds a suspicious and hostile view toward other peoples and countries, making the preparation for war and the practice of war that much easier. The reasoning, or in many cases "gut reaction," seems to be: if war is in human nature, then we'd better be prepared to fight and perhaps strike first. This implicit assumption, in great part simultaneously stemming from and reinforcing of the violent view of human nature, can be seen as contributing to arms races, preemptive strikes, excessive spending on weapons, hostility toward others, and inordinate fear of other nations or groups, who are by this thinking, naturally inclined to attack. I am suggesting, in other words, that in widespread assertions that war is ancient, we are seeing a cultural belief with very important real world ramifications. Such a view may be in the short-term self-interests of a minority (e.g., arms dealers), but it is not in the long-term interests of humanity overall.

It's an important point. And much of the rest of the book backs up the assertion, that over the whole period of human existence, war is not an intractable feature of humanity, Mr Fry has this to say, summing up the evidence gathered and written up by other contributors to the book:

> [Steven] Pinker's [3]thesis that chronic war stretches back over the far-reaching millennia before the agricultural revolution is not substantiated by the actual data. ... The worldwide archaeological evidence shows that *war was simply absent over the vast majority of human existence* .... —the time period beginning far to the left side of [an n-shaped] curve. But with a gradual worldwide population increase ..., the shift from universal nomadic foraging to settled communities, the development of agriculture, a transition from egalitarianism to hierarchical societies—and, very significantly, the rise of state-level civilization five thousand to six thousand years ago—the archaeological record is clear and unambiguous: war developed, despots arose, violence proliferated, slavery flourished, and the social position of women deteriorated. This comparatively recent explosion in pre-state and then state-based violence is represented on the rising left side of the letter n in the curve, but taking place within the last 10,000 years. (My emphasis.)

Conclusions? People who believe world peace is possible are not being irrational or going against human nature. Violent political conflict is not inevitable.

Where does the [4]Social Policy Bond idea fit in? Simply: knowing that world peace is possible, we can issue [5]World Peace Bonds as a way of rewarding the people who help achieve it. There are reasons why such bonds have not been issued (they're untried, they threaten existing institutions ...etc) but a big one is that people think that world peace is some Edenic, idealistic vision, not for this world. What Mr Fry and the other contributors to his book show is that world peace is not only possible, but it was, for the greater part of man's existence, a reality.

1. https://survivalmagazine.org/
2. https://www.amazon.co.uk/War-Peace-Human-Nature-Evolutionary/dp/0190232463/ref=la_B001IQW6K2_1_1?s=books&ie=UTF8&qid=1538838978&sr=1-1
3. https://en.wikipedia.org/wiki/The_Better_Angels_of_Our_Nature
4. http://socialgoals.com/
5. https://socialgoals.com/world-peace.html

15.10.2 The finance curse (2018-10-12 19:15)

Nicholas Shaxson writes about the UK's 'finance curse':

> A [1]growing body
> of economic research confirms that once a financial sector grows above
> an optimal size and beyond its useful roles, it begins to harm the
> country that hosts it. The most obvious source of damage comes in the
> form of financial crises – including the one we are still recovering
> from a decade after the fact. But the problem is in fact older, and
> bigger. Long ago, our oversized financial sector began turning away from
> supporting the creation of wealth, and towards extracting it from other
> parts of the economy. To achieve this, it shapes laws, rules,
> think tanks and even our culture so that they support it. The outcomes
> include lower economic growth, steeper inequality, distorted markets,
> spreading crime, deeper corruption, the hollowing-out of alternative
> economic sectors and more. *[2]The finance curse: how the outsized power of the City of London makes Britain poorer*, Nicholas Shaxson, "The Guardian',5 October

It's not just the finance sector that works to influence policy in ways that drain resources away from ordinary people and small businesses: governments the world over are in thrall to big business. They act as though the interests of big corporations coincide with those of the citizens they are paid to represent. Our economies and societies are so complex that they can believe this, or act as though they believe it, with impunity. The Social Policy Bond idea is an attempt to re-orientate policymakers so that they again think in terms of the well-being of citizens, rather than the financial health of private- or public-sector bodies whose operations might, or might not, generate net welfare gains.

Almost all of us want to see a healthy business sector and an effective welfare system for the most disadvantaged. Government, and often, only government, can and should do the basics: infrastructure, education, health up to certain levels. But when things become complicated we should be targetting ends, rather than the supposed means of achieving them. The finance sector, which should be the financial *services* sector, has become grotesquely enlarged because of this confusion. So:

> Lending to businesses outside the financial world – which many people might think the principal activity of a bank – represents about 3pc of the activity of British banks.

[3]The City services only itself, John Kay, 'The Telegraph' (London), 9 September 2015

Fine if the bankers want to do other things, but they shouldn't siphon funds from the rest of the economy, nor manipulate the regulatory environment, to do them. A Social Policy Bond regime wouldn't confuse ends with means, and wouldn't subsidise big business at the expense of ordinary citizens and small businesses. As Mr Kay puts it: 'We do not need an army of the overpaid and overbonused buying and selling from each other.' We don't need it and we certainly shouldn't tax people to pay for it.

1. https://financecurse.net/research/academic-papers-too-much-finance/
2. https://www.theguardian.com/news/2018/oct/05/the-finance-curse-how-the-outsized-power-of-the-city-of-london-makes-britain-poorer
3. https://www.telegraph.co.uk/finance/personalfinance/investing/11852003/The-City-serves-only-itself.-This-is-how-it-could-serve-us-all.html

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15.10.3 They got away with it in agriculture, so why not everywhere else? (2018-10-14 19:09)

George Monbiot writes about the European Union's corrupt, insane Common Agricultural Policy:

I'm a Remainer, but there's one result of Brexit I can't wait to see: leaving the EU's Common Agricultural Policy. This is the farm subsidy system that spends [1]€50 billion a year on achieving none of its objectives. *[2]Farmed Out* , 12 October

(I would say "*stated* objectives".) I'm [3]not a remainer, and the CAP is one reason why. There's little to add to Mr Monbiot and others' litany of the CAP's disastrous effects on the [4]environment, [5]small farmers, [6]animal welfare, [7]Africa and human [8]health, but the persistence of the CAP is illustrative:

(1) It's been widely challenged for decades, yet its beneficiaries are wealthy and powerful enough to resist any meaningful reform.

(2) Agriculture in all the rich countries is a sector in which government involvement has been pervasive and long lasting.

The key question is: in whose interests are these agricultural policies? The answer is clear: agribusiness and landowners (especially the biggest). The losers? The rest of us: [9]people who eat, taxpayers, plus the farmed animal population, plus the physical environment. Even would-be farmers don't benefit: they have to buy land at prices inflated by government subsidies.

It's not just agriculture.

Increasingly, the complexity both of society and our policymaking process is being weaponised in favour of the people who own and run corporations, or the people they pay (in or out of government) to understand and influence policy. Government and their paymasters can get away with this because we accept a policymaking system that doesn't explicitly target outcomes that are meaningful to ordinary people. Currently policymakers can - indeed must - express their decisions as vague declarations of intent and changes in institutional funding and composition, or legislation. Their focus is on the supposed means of achieving vague outcomes, rather than on the outcomes themselves.

Issuers of Social Policy Bonds would in contrast have to be explicit about their objectives: transparency and accountability are built into a bond regime, as surely as they are excluded from the current policymaking apparatus. Insane, corrupt programmes, such as Europe's Common Agricultural Policy, have platitudinous, vague, mutually [10]conflicting goals, which sound lofty and high-principled but actually end up shovelling vast sums of taxpayers' and consumers' money into the bank accounts of agribusiness corporates and their lobbyists. If outcomes were built into policymaking, as they would be under a Social Policy Bond regime, such policies would get nowhere. Instead they have lasted for decades, at great cost to everybody except a few millionaire businessmen and landowners, a burgeoning, parasitical bureaucracy and lobbyists . [11]Oh, [12]and [13]fraudsters.

It's the persistence of such stupid policies as the CAP, which swallows up about the 40 percent of the EU budget, that makes imperative a systemic change in the way we formulate policy. Twenty-seven years ago, P J O'Rourke could write this, about the American political system in general, and that country's Farm Bill in particular:

> I spent two and a half years examining the American political process. All that time I was looking for a straightforward issue. But everything I investigated - election campaigns, the budget, lawmaking, the court system, bureaucracy, social policy - turned out to be more complicated than I had thought. There were always angles I hadn't considered, aspects I hadn't weighed, complexities I'd never dreamed of. Until I got to agriculture. Here at last is a simple problem with a simple solution. Drag the omnibus farm bill behind the barn, and kill it with an ax. *[14]Parliament of*

Whores,
P J O'Rourke, 1991

Since then, little has changed in agriculture, but the complexities in society and policymaking have proliferated and continue to perplex ordinary people. Consequentially, the gap between our corporate-political caste and the people they are supposed to represent has continued to widen. Clarity and transparency about policy objectives are essential if that gap is ever to close. Rewarding people who actually achieve these goals, rather than bodies who merely say they will, will also be necessary. Social Policy Bonds would fulfil both requirements.

1. https://ec.europa.eu/agriculture/sites/agriculture/files/cap-post-2013/graphs/graph1_en.pdf
2. https://www.monbiot.com/2018/10/12/farmed-out/
3. https://socialgoals.blogspot.com/2016/10/why-i-voted-for-brexit.html
4. https://www.theguardian.com/environment/2018/mar/23/eu-in-state-of-denial-over-destructive-impact-of-farming-on-wildlife
5. https://euobserver.com/economic/136716
6. https://www.living-land.org/blog/2017/4/28/europes-common-agricultural-policy-has-an-enormous-negative-impact-on-animal-welfare
7. https://www.politico.eu/article/eus-milk-scramble-for-africa/
8. https://www.who.int/hia/examples/agriculture/whohia035/en/
9. https://www.taxpayersalliance.com/food_would_be_cheaper_outside_the_customs_union
10. https://farming.co.uk/news/the-common-agricultural-policy-cap-is-not-fit-for-purpose
11. http://www.europarl.europa.eu/doceo/document/E-8-2015-003940_EN.html?redirect
12. https://www.dw.com/en/brussels-criticized-over-agriculture-fraud/a-1335538
13. https://bulgarianpresidency.eu/mafia-rules-bulgarian-agriculture-help-eu-subsidies/
14. https://www.amazon.co.uk/PARLIAMENT-WHORES-P-J-%60ROURKE/dp/B000HM2XG0/ref=sr_1_2?ie=UTF8&qid=1539537357&sr=8-2&keywords=parliament+of+whores

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15.10.4 Say no more (2018-10-25 20:03)

Excerpts from two sources show just how wide the gaps between our political systems and citizens have become. First, from the UK:

> I looked at the Bank of England data and it was 3.5 % of business lending went to manufacturing, a century or so ago that number would have been more like 80 % and that's a trend that has been going on for a long time. And you compare this 3.5 % going to manufacturing with 75 % going to either finance or real estate and you can see that something's wrong, finance has become kind of unmoored and disconnected from the real economy. *[1]How oversized finance sectors are making us poorer,* Nicholas Shaxson, September

And from the US, Jane Mayer writes about the role of the [2]Koch brothers in the presidential

election of 2016:

> In fact, amazingly, in 2016 the Kochs' private network of political groups had a bigger payroll than the Republican National Committee. The Koch network had 1,600 paid staffers in thirty-five states and boasted that its operation covered 80 percent of the population. ...[T]he Koch network was sponsored by just four hundred or so of the richest people in the country. *[3]Election Night 2016*, Jane Mayer, 2017

There's little more to be said, except that that within our current policymaking systems, there is no self-correcting mechanism. People become wealthy within the system, and use that wealth to manipulate the system to make themselves even more wealthy. Even if the gap between politicians and people were seen to be a problem, there's nothing within our current political systems to close it. It keeps growing wider. It's clear now that anything that, on the one side, billionaires big business and politicians can do to extract resources from ordinary people and small businesses, they will do. Our ruling caste gets away with it because policymaking, by accident and design, has become an arcane, protracted process, comprehensible only to those directly involved in it or paid to follow it.

That, and society's increasing complexity, is why I suggest politics be rejigged to focus on outcomes that are meaningful to ordinary people, and that market forces, currently subverted or gamed by the wealthy, be instead channelled into the public good. That's where Social Policy Bonds would enter the picture. It's true that, under a bond regime, many investors in the bonds would be rich and, if their bonds were redeemed early, they would become
richer. But this would be a socially beneficial way of acquiring
wealth. The value of their bonds would rise only if society's targeted outcome, as articulated by democratic governments, become more likely to be achieved quickly. The goals of investors in the bonds and society would be exactly congruent.

A less obvious benefit of a bond regime is that, being a socially beneficial way of acquiring wealth, it would divert human and other resources away from other less socially beneficial ways, like, for instance, much of banking or speculation in real estate.

1. https://www.taxjustice.net/2018/10/25/how-oversized-finance-sectors-are-making-us-poorer-in-the-tax-justice-networks-october-2018-podcast/
2. https://en.wikipedia.org/wiki/Political_activities_of_the_Koch_brothers
3. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwi-gqH6kqLeAhXpAcAKHWf3BccQFjAAegQIERAB&url=https%3A%2F%2Fwww.penguinra

15.11 November

15.11.1 Between gods and government (2018-11-03 19:44)

The Actuary interviews [1]Maurice Ewing, managing director of *Conquer Risk*:

> "I thought economics would be talking about 'big picture' issues, but realised that, over time, the profession had become focused on purely academic questions. What was noticeable was the inability of neo-classical economics to explain financial crises." Richard Purcell quotes [2]Maurice Ewing, 'The Actuary', October

I share Dr Ewing's disenchantment with the economics profession, and have written elsewhere ([3]here, for instance) about how all institutions, including not only universities, but also government agencies, religious bodies, trade unions, large corporations and the rest have as their over-arching goal that of self-perpetuation. Which is why I advocate instead a [4]new type of organisation; one whose structure and composition are adaptive and determined solely by their effectiveness in achieving society's goals. Mr Purcell's article continues:

> To help monitor risk culture and policies designed to nudge behaviour, Ewing thinks we also need to change key performance indicators so that they are not arbitrarily set and are designed with the people meeting the target in mind.

This makes sense if we take the 'people meeting the target' as a given - which presumably will be the guiding assumption for companies. Extrapolated to the achievement of broad social goals, however, it doesn't work. Our larger goals should not be limited by the capabilities of people currently charged with helping to achieve them. We can and should aim for ambitious targets: eliminating [5]poverty, universal [6]literacy, the [7]ending of war. These are long-term goals, but we can target them by issuing Social Policy Bonds. Under a bond regime, the coalition that works to achieve our goals would not take 'the people meeting the target' as a given. The coalition would be a protean body; its composition and structure changing adaptively, wholly determined by their efficiency in achieving its targeted goal.

Sadly, we all seem to share the limited purview of governments. The goals that I espouse, (world peace, universal literacy etc), we assume are beyond the reach of mortal man and delegate responsibility for achieving them to deities or their supposed representatives on Planet Earth. People do good work in making incremental gains in social and environmental well-being but, for the big picture goals, we need to do things differently. A Social Policy Bond regime need not be constrained by the unambitious and self-interested goals of existing

organisations. Rather than rely on divine intervention it could realistically target our most ambitious goals by deploying the best way of allocating society's scarce resources yet devised - market forces - in ways that encourage and reward only the most efficient and effective initiatives.

1. https://www.huffingtonpost.com/author/maurice-ewing-phd
2. http://www.theactuary.com/features/2018/10/interview-maurice-ewing/
3. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
4. https://socialgoals.com/new-type-of-organization.html
5. https://socialgoals.com/human-development.html
6. https://socialgoals.com/women-s-literacy.html
7. https://socialgoals.com/world-peace.html

15.11.2 Metrics and their limits (2018-11-11 19:45)

Stefan Collini summarises the most important weaknesses of using quantifiable data - metrics - as described in Jerry Z Muller's book *[1]The Tyranny of Metrics*:

> Misdescription of purpose is fundamental: in the attempt to find outcomes that are measurable, complex characterisations of purpose are replaced by quantifiable results. 'Goal displacement' is also a major problem: where a metric is used to judge performance, energy will be diverted to trying to improve the scores at the expense of the activities for which the metric is supposed to be a proxy. ... But there are less obvious effects too, such as discouraging risk-taking, undervaluing co-operation and common purpose, and the degradation of the experience of work. *[2] Kept alive for thirty days*, Stefan Collini, 'London Review of Books' (subscription), 8 November

I see the need to rely on metrics as a product of big government, itself a function of the highly complex, highly aggregated societies in which we live. What is termed multiculturalism doesn't help either. Lacking a common history and common values, our needs are less readily appreciated by any large centralised body. So our politicians have to rely on quantifiable data. In this, our national governments have more in common with other big organisations (corporations, trade unions, other governments) than with the people it's supposed to represent. All these institutions have two main things in common: first, that their over-arching objective is that of self-perpetuation, about which I've writen [3]before. Second, that they rely heavily on easily quantifiable data.

Things were simpler in earlier days:

> [W]e prefer to take our chance of cholera and the rest than be bullied into health. A leading article from the [London] *Times*, 1 August 1854, in response to government measures to provide basic sanitation.

Problems themselves were more obvious; the causes of problems could be more readily identified, and so could solutions to some of them. Governments were largely successful in their policy interventions on behalf of the disadvantaged: they instituted basic health and education for their own populations. They provided other public goods, such as law and order, and sanitation. And they did so with great success and sometimes, as the quote shows, against strident opposition.

In our industrial societies, with their large, complex economies, government bodies have far more complicated tasks, but they still believe that the best way solving problems is to look for causes and try to treat those. And they still believe that they are best placed to perform these tasks. Government has enlarged its role and largely supplanted families, extended families and local people in supplying a range of welfare services to those who need them. Increasingly government is turning to numerical indicators to manage its resource allocation.

But this use of indicators is relatively recent, unsystematic and unsophisticated, as Messrs Collini and Muller relate. Few indicators are targeted explicitly for a sustained period: the targeted range of inflation in, for instance, the UK, is a rare (and not especially helpful) exception. Other indicators, such as the size of hospital waiting lists, don't measure what matters to people, or are prone to manipulation. Even when numerical goals are clear and meaningful they are rarely costed, they are almost always too narrow and short term, and they are largely driven by existing institutional structures. Those broad targets that are targeted with some degree of consistency tend to be economic aggregates, such as the inflation rate, or the rate of growth of Gross Domestic Product — which appears to be the *de facto* measure of success of rich and poor countries alike.

But GDP's shortcomings as a single indicator of the health of an economy are well known: amongst other failings, GDP does not take into account changes in the quality of the environment, or the distribution of income, it ignores human capital (the education and skills that are embodied in the work force) and leisure time, and it ignores such social problems as crime and homelessness.

Much of what matters most to us - family, relationships, connection with nature, meaningful work etc - is impossible to quantify. Unfortunately, the underlying assumption, as Mr Collini tells us, is that:

> ...the right structure of incentives and penalties will ultimately improve the bottom line of any business. Organisations whose rationale is not the maximisation of profit, such as schools, hospitals, universities, museums and so on are a challenge to this idea because their 'product' does not take financial form. So some equivalent has to be found – the numbers passing certain exams or being treated within certain times – on the basis of which quantitative targets can be set and performance rewarded or punished accordingly.

What's to be done? My suggestion is that we target broad, long-term goals that are meaningful to ordinary people. They should be quantified by indicators or targets that are *inextricably* linked to people's well-being. Achievement of these goals must be exactly congruent with achievement of society's wishes, as articulated by democratic governments in consultation with its citizens. And the achievement of these goals should be contracted out in a way that lets market forces - the most efficient way yet devised of allocating our scarce resources - play their role in maximising efficiency.

I suggest that we issue Social Policy Bonds to target such goals as: stabilising the [4]climate, achieving universal [5]literacy, improving citizens' [6]health, and preventing [7]nuclear conflict. By issuing the bonds, a government, or coalition of governments and others, need not specify how such long-term goals are to be achieved, nor who shall achieve them. Broad national or global goals can be more reliably quantified and are much less costly to monitor than narrow, short-term goals which, amongst other deficiencies, allow problems to be shifted to non-targeted areas or time periods.

What about things that cannot be readily or reliably quantified? Family, mental health, some aspects of the Commons? Perhaps government's role here should be that of laying down minimum standards based on those criteria that can be measured, and then backing off: making sure it doesn't discourage diverse approaches, ensuring that its regulations do not favour the large at the expense of smaller concerns, be they voluntary, non-profit, co-operative or smaller businesses. Neither this approach, nor a Social Policy Bond regime, will come about easily. They would mean government relinquishing some of its power to create bodies, allocate funding, and have a large say in how to solve our social problems. But, in our ever more complex world, it's not particularly good at these things, and a bond regime would still need government to articulate society's wishes and to raise the revenue for their achievement. These necessary functions, democratic governments are actually quite good at. If all this sounds far fetched the question to ask is: in a world of increasing social and environmental complexity, facing urgent, huge challenges (climate change, nuclear proliferation etc), and rising political impotence and extremism... what is the alternative?

1. https://www.amazon.co.uk/Tyranny-Metrics-Jerry-Z-Muller/dp/0691174954/ref=sr_1_1?s=books&ie=UTF8&qid=15419

58514&sr=1-1&keywords=tyranny+of+metrics

2. https://www.lrb.co.uk/v40/n21/stefan-collini/kept-alive-for-thirty-days
3. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
4. https://socialgoals.com/climate-change.html
5. https://socialgoals.com/women-s-literacy.html
6. https://socialgoals.com/health.html
7. https://socialgoals.com/nuclear-peace.html

15.11.3 The jellyfish are taking over (2018-11-23 21:10)

Bill McKibben writes about the shrinking world:

> Until now, human beings have been spreading, from our beginnings in Africa, out across the globe—slowly at first, and then much faster. But a period of contraction is setting in as we lose parts of the habitable earth. Sometimes our retreat will be hasty and violent; the effort to evacuate the blazing California towns along narrow roads was so chaotic that many people died in their cars. But most of the pullback will be slower, starting along the world's coastlines. Each year, another twenty-four thousand people abandon Vietnam's sublimely fertile Mekong Delta as crop fields are polluted with salt. As sea ice melts along the Alaskan coast, there is nothing to protect towns, cities, and native villages from the waves. *[1]How extreme weather is shrinking the planet*, Bill McKibben, 'New Yorker', dated 26 November

Human, animal and plant life is under siege on many fronts. Any species closely attuned to its environment and incapable of moving to a different one is vulnerable. Loss and degradation of habitat, climate change: the human race is, in effect, prioritising current quality and quantity of (human) life at the expense of the long-term survival of the natural world, of which we are part. It's not been a deliberate choice, but it's what's happening.

The issues are too complex and slow moving for politicians to understand. Our policymaking systems are too cumbersome and corrupt to adopt policies that threaten the short-term interests of big corporations. Rather (or: as well as) despair at our collective fate, I suggest that we bypass our usual policymaking mechanisms and explicitly target the goal of long-term human survival.

The practical form of this could be the issuing of Social Policy Bonds that target an array of environmental indicators, including the well-being of human, animal and plant life. It's

practical, in the sense that it doesn't require detailed scientific surveys or guesses as to how our targets will be achieved. Only the outcome - in the form of an acceptable range for each indicator - need be targeted; each indicator remaining in that range for a sustained period of, say, thirty years. Politicians could still play a role in raising the revenue for the achievement of this goal, and in articulating our species' exact wishes.

But it's not going to be happen. Governments aren't going to relinquish their power to allocate resources to favoured bodies. True, there is a good number of [2]Social Impact Bonds around, but politics in general is ever less concerned with outcomes, and more with image, identity, personality and ideology. I don't think philanthropists either are going to fund anything that [3]threatens the status quo. But on the off chance that there is any interest in aiming for the long-term survival of humanity and our planet, these [4]two [5]papers suggest how it could be done.

And the jellyfish? As Mr McKibben writes: "we have found ourselves unable to swim off beaches, because jellyfish, which thrive as warming seas kill off other marine life, have taken over the water."

1. https://www.newyorker.com/magazine/2018/11/26/how-extreme-weather-is-shrinking-the-planet
2. https://en.wikipedia.org/wiki/Social_impact_bond
3. https://inthesetimes.com/article/21346/philanthropy-global-elite-neoliberal-marketworld-economy
4. https://socialgoals.com/environment.html
5. https://socialgoals.com/disaster-prevention.html

15.11.4 A new type of organisation (2018-11-29 18:44)

Jerry Z Muller writes about the use of metrics in medicine:

> But metrics tend to be most successful for those interventions and outcomes that are almost entirely controlled by and within the organization's medical system, as in the case of checklists of procedures to minimize central line–induced infections. When the outcomes are dependent upon more wide-ranging factors (such as patient behavior outside the doctor's office and the hospital), they become more difficult to attribute to the efforts or failures of the medical system. Jerry Z Muller, *[1]the Tyranny of Metrics*, February

One of the advantages of the Social Policy Bond idea, in my view, is that they could target things that are outside the remit of most existing institutions. So, for instance, holders of bonds targeting the [2]health of a population would have incentives to encourage non-medical health-improving practices. Not limited to the more obvious interventions - exercise and

diet, for instance - bondholders could, for instance, aim to lobby local authorities to make neighbourhoods more walkable, or to subsidise employment for people who would otherwise be at high risk of becoming depressed. And not only in medicine: *the most efficient ways of solving our social and environmental problems may currently lie outside the remit of any of our existing institutions.* Only a broad, long-term approach, as encouraged by Social Policy Bonds, would encourage people to investigate this possibility.

What Social Policy Bonds would do, in effect, is redraw the boundaries of the organisation to take in factors that are currently untargeted, or targeted only incoherently and unsystematically. By focusing on broad metrics, applying to large populations, the bonds would encourage investors to consider *all* the important potential influences on the value of their bonds. A [3]new type of organisation would come into being, composed of a protean coalition of bondholders, all of whose activities would be devoted to achieving our social goals as efficiently as possible. They would have powerful incentives to investigate and implement measures that achieve these goals regardless of whether or not they currently fall under the remit of existing bodies. Under a Social Policy Bond regime, efficiency and effectiveness in meeting our challenges would determine the structure and composition of our goal-achieving bodies.

1. https://www.amazon.co.uk/Tyranny-Metrics-Jerry-Z-Muller/dp/0691174954/ref=sr_1_1?ie=UTF8&qid=1543512537&sr=8-1&keywords=tyranny+of+metrics
2. http://socialgoals.com/health.html
3. http://socialgoals.com/new-type-of-organization.html

15.12 December

15.12.1 It's not just nappies (2018-12-03 18:38)

Nappies, cloth or disposable, just won't go away. I've blogged about nappies before ([1]here and [2]here). A recent article in *New Scientist* revisits the issue, citing an updated [3]report done in 2008: [4]

> ...if cloth nappies were washed in full loads, air-dried on a washing line and reused on a second child, they resulted in 40 per cent lower greenhouse gas emissions than using plastic disposable ones. These benefits are likely to be even greater today [ie 2018] now that half the UK's electricity comes from low-carbon sources. *[5]Are disposable nappies really so terrible for the environment?,* Alice Klein, 'New Scientist', 21 November

The question posed by the article raises a general question here as to policymakers go about

legislating or regulating in order to solve social and environmental problems. Most of these problems are complex: they have multiple causes whose significance changes radically over space and time. Our current policymaking system usually looks at a problem, or a symptom of a problem, tries to identify a cause, then goes about trying to legislate or regulate that cause so as to moderate its adverse effects. That works well when the relationship between cause and effect is easy to identify. But such is rarely the case today, as the nappies example shows.

It's not just nappies. Climate change is the same: we cannot rely on government to identify the causes of a complex problem, then do the right thing and, eventually, regulate it. There is too much scope for mis-steps along the way. The causes might be many and varied, with time lags and linkages impossible to verify. Legislating is nowadays a cumbersome and arcane process, and is often opposed or delayed by powerful interests that stand to lose if it goes forward. Results of policies are rarely monitored; still less are policies modified in the light of their impacts.

These flaws are inevitable in the way we make policy today. Fortunately, I believe there's an alternative. We need to focus on outcomes, and let the ways in which these outcomes be achieved be decided, on a continuous basis, by people rewarded only for achieving them. So: rather than government trying to deal with the problem of (say) landfill by commissioning a one-time study of the comparative benefits of cloth versus disposable nappies using fossilised data, it would instead target for reduction the volume of landfill. Rather than try to work out why there are more adverse climatic events, government should [6]reward reductions in the number and severity of such events. And rather than try to work out some alleged 'root causes' of violent political conflict, we could instead [7]reward the sustained absence of such conflict, *whoever achieves it and however they do so.*

Not only would this be intuitively more efficient than current the policymaking process, it would also be much quicker. It's taken decades to get to where we are now with regard to the causes of climate change and...adverse climatic impacts are [8]worsening. And we haven't even begun to identify root causes of war. We don't even know if there are any....

What I'm advocating is, of course, the Social Policy Bond idea, whereby we issue bonds that become redeemable only when a targeted social or environmental goal has been achieved. Investors in the bonds would themselves work out the best ways of achieving these goals, and they would be motivated to do so *efficiently and continuously*. It's a simple idea, but the ramifications are many and varied, and I've written about some of them in this blog and on the Social Policy Bonds [9]website. As I say: it's not just nappies. The traditional way of doing things just isn't working any more. It's time to focus on outcomes.

1. https://socialgoals.blogspot.com/2017/07/nappies-lcas-and-environment.html
2. https://socialgoals.blogspot.com/2007/07/nappies-latest-news.html

3. https://www.gov.uk/government/publications/an-updated-lifecycle-assessment-for-disposable-and-reusable-nappies
4. https://www.newscientist.com/article/mg24032054-300-are-disposable-nappies-really-so-terrible-for-the-environment/
5. https://www.newscientist.com/article/mg24032054-300-are-disposable-nappies-really-so-terrible-for-the-environment/
6. http://socialgoals.com/climate-change.html
7. http://socialgoals.com/conflict-reduction-.html
8. https://www.wired.com/story/guide-climate-change/
9. http://socialgoals.com/

15.12.2 Health: begin with our goal (2018-12-15 20:21)

Jerry Muller writes:

> If ...doctors are remunerated based on the procedures they perform, that creates an incentive for them to perform too many procedures that have high costs but produce low benefits. But pay doctors based on the number of patients they see, and they have an incentive to see as many patients as possible, and to skimp on procedures that are time-consuming but potentially useful. Compensate them based on successful patient outcomes, and they are more likely to cream, avoiding the most problematic patients. Jerry Z Muller, [1]*The Tyranny of Metrics*, February 2018

It's perfectly understandable. People react rationally to the incentives on offer. For reasons that might be politically incorrect to suggest, we live in societies where the incentives are increasingly [2]extrinsic - mainly financial - rather than intrinsic, which has to do with the satisfaction of doing a job well. It's a trend, rather than an absolute, but it leads to perverse incentives in many, perhaps most, professions including, as Mr Muller tells us, medicine.

What's to be done? How should healthcare professionals be paid? Leaving it to the market, as some might propose, is not a workable solution. One reason - there are [3]others - is that the information asymmetry is too great. So: let's start with our goal: we want to see improvements in the long-term health of a country's population, and we want such improvements to be made as cost-effectively as possible.

My suggestion is that we apply the [4]Social Policy Bond idea to health. This could be done at a national level. A government would issue [5]Health Bonds that would become redeemable for a large sum once national health levels reach a targeted level, sustained for a period of years or decades. 'Health' would be measured by objective criteria, such as

longevity, [6]Quality Adjusted Life Years, infant mortality rates etc. Each of these measures would have to fall into a targeted range before the bonds could be redeemed. Investors would buy the bonds and in doing so find themselves members of a protean coalition all with the same goal: to bring about improvements in the country's health. Having done their bit and (hopefully) having seen the value of their bonds rise, they'd sell their bonds to people willing to bring about further health improvements.

Bondholders' goals would therefore be exactly congruent with those of society: to improve the nation's health with maximum efficiency. Note that, while bondholders might hold the bonds only for short periods, the bonds could be in issue, depending on their redemption terms, for decades. Unlike current policy, they'd be long term in nature.

There are other advantages, one of which is that the government (or other issuing body) would not dictate how our health goals shall be achieved, nor who shall do so. Doctors and hospitals would certainly have some involvement. But bondholders, being motivated to find the most efficient pathways, might find that, for instance, subsidising youth clubs in certain areas, or providing cheap taxi services in others, or giving out free e-cigarettes, or paying doctors differently, would be the least costly ways of seeing results. The possibilities are endless and no government, nor any conventional organisation, can be relied on to investigate, experiment and implement the innovative, diverse, adaptive long-term solutions that will help achieve our goal. Health Bonds would see the creation of a [7]new type of organisation: one whose composition, structure and activities are entirely subordinate to society's goal: improving the nation's health as efficiently as possible.

1. https://www.amazon.co.uk/Tyranny-Metrics-Jerry-Z-Muller/dp/0691174954/ref=sr_1_1?s=books&ie=UTF8&qid=1541958514&sr=1-1&keywords=tyranny+of+metrics
2. https://www.verywellmind.com/differences-between-extrinsic-and-intrinsic-motivation-2795384
3. https://www.huffingtonpost.com/abdulrahman-m-elsayed/health-care-market_b_1405396.html
4. about:blank
5. https://socialgoals.com/health.html
6. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjcq_7HxqLfAhWMC-wKHVYvDjgQFjAAegQIHRAB&url=https%3A%2F%2Fen.wikipedia.
7. https://socialgoals.com/new-type-of-organization.html

15.12.3 Why I go on and on about nappies (2018-12-17 23:48)

Why do I keep [1]blogging [2]about [3]nappies? Because decrying the use of disposables rather than cloth (or vice versa), does not make for sensible policy. As such, the seemingly simple question of disposable versus cloth embodies in microcosm the inescapable difficulty of making policy about bigger concerns. There are always angles that we cannot foresee. Cleo Mussi, for instance, writes to the *New Scientist*:

> .... I wonder whether the research comparing [cloth] to disposables took into account the fact that babies using cloth nappies tend to be toilet-trained day and night at a much earlier age – there is little more uncomfortable than a wet cloth nappy. A difference of six months to a year would lead to a child using 1100 to 2200 extra disposable diapers or nappies – a lot of extra landfill. Cleo Mussi, [4]Letter to the editor of 'New Scientist', 12 December

Our environment and society are too complex and changing too rapidly for us to favour even one of two types of nappy. Our knowledge of existing and new scientific relationships is also rapidly expanding. Yet the way we make policy makes little allowance for such difficulties. Typically, a government (heavily influenced by corporate interests or ideological baggage) makes a top-down, one-size-fits-all decision, ostensibly based on fossilised science, and then moves onto something else, rarely revisiting or even [5]monitoring (pdf) its performance.

When bigger challenges than nappies loom, this way of doing things generates commensurately bigger problems. Whether it's climate change or health or global conflict, neither government nor any single conventional organisation can know all about the relevant human and scientific relationships, let alone keep up with them. Nor can they anticipate the diverse effects their policies will have over both time and space. The complexities are too great, and any single body is going to be too pre-occupied with its image, the latest events, or its members' individual goals to care much about outcomes.

Yes, outcomes. Even obscure wrinkles, of the sort about which Mussi tells us, can have big, unforeseeable impacts. Only people who are *continuously* motivated to achieve our goals, to look at the effects of their initiatives, and to adjust their ideas accordingly, can develop the diverse, adaptive approaches that we need to solve our social and environmental problems. Social Policy Bonds are one way in which we could stimulate such initiatives. They have other benefits: most significant here is that issuers of the bonds do not need to specify how a problem is to be solved in order to get people started on solving it. Our goals are stable: the optimal ways of achieving them, especially when complicated by time lags, feedback loops, a multitude of known, unknown and unknowable variables, are not. We can and, in my view, should, issue Social Policy Bonds targeting such goals as dealing huge, urgent problems such as climate change or global conflict even though the ways in which they are to be solved are beyond - well beyond - the purview of our current policymakers and their paymasters.

1. https://socialgoals.blogspot.com/2018/12/its-not-just-nappies.html
2. https://socialgoals.blogspot.com/2017/07/nappies-lcas-and-environment.html
3. https://socialgoals.blogspot.com/2007/07/nappies-latest-news.html

4. https://www.newscientist.com/letter/mg24032080-900-reusable-nappies-as-a-toilet-training-incentive/
5. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjpy4zcyaffAhUKfbwKHfvqB8AQFjAAegQIHRAC&url=https%3A%2F%2Fdspace.mit.ed

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15.12.4 Climate change: surrogate surrogate indicators (2018-12-26 21:55)

I've blogged [1]before about surrogate indicators, or surrogate markers:

> A surrogate marker is an event or a laboratory value that researchers hope can serve as a reliable substitute for an actual disease. A common example of this is blood cholesterol levels. [2]Evidence-based medicine in disguise: beware the surrogate, '[3]MD Whistleblower ' (blog by Michael Kirsch), 1 August 2010

And, more broadly, in economic policy:

> Instead of targeting anything as meaningful as human well-being, the *de facto* target of most governments is gross domestic product (or GDP per capita). [4]26 July 2015

But there are also surrogate surrogate indicators. In climate change, we have [5]agreements primarily aimed at limiting emissions of greenhouse gases:

> [6]Framework Convention on Climate Change (UNFCCC), New York, 1992, including the [7]Kyoto Protocol, 1997, and the [8]Paris Agreement, 2015

I submit that these agreements are surrogate surrogate indicators: they are not targeting climate change; they are not even targeting the many hundreds of hard-working people who strive to achieve consensus over these agreements understandably measure success by the number of signatories to their final agreement texts.They are not, though targeting climate change. And, even assuming that greenhouse gases, as identified by current science, are responsible for climate change, the politicians and bureaucrats who, through considerable effort, get an agreement signed, have done nothing to see that even their surrogate indicator, reductions in greenhouse gas emissions, take place. Michael Le Page tells us where we are at today:

> Early in the new year, if not sooner, the world will set a most unwelcome record. Global oil consumption [9]will pass 100 million barrels per day for the first time – and keep climbing. To have any chance of limiting warming to 1.5°C, greenhouse gas emissions need to start falling now, and fast, the latest UN climate report warned in October. **But emissions are still increasing**. They rose 3 per cent in 2018 and look set to keep rising in 2019. [10]Renewable energy race to ramp up as oil use skyrockets, Michael Le Page, New Scientist, 18 December (my emphasis)

And the climate itself?

[11]
Last four years are ’world’s hottest’

There’s a genuine problem here, despite the good intentions of the characters involved, be they scientists, politicians or bureaucrats. We have little chance of avoiding the climate disruption about which we are being warned while we are committed to the usual way in which policy is made. I don’t think it’s enough, when faced with a hugely complex and urgent problem, to use the science of 20 years ago as a base for a one-size-fits-all, top-down approach to its solution. We *are* undertaking multitudes of smaller initiatives to, for example, limit emissions and create carbon sinks. But our intense focus on greenhouse gas emissions is doing nothing to stop outrages like the destruction of the Brazilian rainforest:

> Between August 2017 and July 2018, 7,900sq kms were deforested, according to preliminary figures from the environment ministry based on satellite monitoring – a 13.7 % rise on the previous year and the biggest area of forest cleared since 2008. *[12]Brazil records worst annual deforestation for a decade*, Dom Phillips, The Guardian, 24 November

While the goal of limiting the rise in the Earth's temperature to 1.5 degrees C is sound, *there are no reasonably upfront financial incentives for people actually to achieve it*. There are some, as we have seen, ineffective agreements to try to limit greenhouse gas emissions, or fossil fuel exploitation and consumption. But people react to the incentives on offer, and there are no explicit rewards to anyone contingent on the climate stabilising for a sustained period. We can take expert advice about what sort of 'stabilising' we want to see, but the important thing is that we set in place a meaningful climate stability goal and reward people for achieving it. We are not doing that right now, with the disastrous consequences that we are already seeing and more, many more, to come.

Which is why I suggest adapting the Social Policy Bond idea to deal with climate change. The essentials of Climate Stability Bonds are (1) that they reward the achievement and sustaining of a more stable climate (however defined), and (2) they will encourage the use of market forces to allocate society's scarce resources to meet our goal most efficiently. I have written more about Climate Stability Bonds [13]here, on which page there are links to a range of my other writings on the subject.

1. https://socialgoals.blogspot.com/2010/08/surrogate-markers-in-medicine-and.html
2. http://mdwhistleblower.blogspot.com/2010/08/evidence-based-medicine-in-disguise.html
3. http://mdwhistleblower.blogspot.com/
4. https://socialgoals.blogspot.com/2015/07/targeting-surrogate-indicators.html
5. https://en.wikipedia.org/wiki/List_of_international_environmental_agreements#Atmosphere
6. https://en.wikipedia.org/wiki/Framework_Convention_on_Climate_Change
7. https://en.wikipedia.org/wiki/Kyoto_Protocol
8. https://en.wikipedia.org/wiki/Paris_Agreement
9. https://www.iea.org/oilmarketreport/omrpublic/
10. https://www.newscientist.com/article/mg24032092-600-2019-preview-renewable-energy-race-to-ramp-up-as-oil-use-skyrockets/
11. https://www.bbc.com/news/science-environment-46374141
12. https://www.theguardian.com/environment/2018/nov/24/brazil-records-worst-annual-deforestation-for-a-decade
13. https://socialgoals.com/climate-change.html

2019

16.1 January

16.1.1 Social Policy Bonds: the outlook for 2019 (2019-01-01 21:24)

After about thirty years in the public arena, how is the Social Policy Bond concept faring? Not that wondrously, to be frank. As far as I'm aware, no Social Policy Bonds as I conceived them have ever been issued. The *Financial Times*, though, does [1]tell us that more than 100 [2]Social *Impact* Bonds have been launched across 24 countries, raising $400m. SIBs are a 'lite' version of Social Policy Bonds. The main difference between them and Social Policy Bonds is that they are not tradeable which, in my view, greatly diminishes their scope and opens them up to favouritism, gaming and manipulation. I've had no involvement with SIBs and have written before in this blog ([3]here, for instance), and more definitively [4]here and [5]here, about why I am ambivalent about them.

Nevertheless, via SIBs, the idea of rewarding better performance is making tiny inroads into the public sector; that is, into the achievement of social goals. This feature, so long a feature of the private sector, is now being deployed to help solve social problems, though in very limited circumstances. I'd be more optimistic if this small change were being used to do something other than favour existing bodies in pursuit of narrow goals, but I suppose we should be grateful that there are some steps, however tentative, in the right direction.

Frankly, I don't see much else to be positive about where policymaking is concerned. There's little in the way of constructive dialogue, and much in the way of Manichaean name-calling. Take immigration: it's at least arguable that immigration reduces wages and raises housing costs. It has benefits of courrse, also, but too often people trying to discuss the downsides are dismissed as xenophobes or worse. There's a genuine question too, over whether national governments should put the interests of their own citizens over those of would-be immigrants. But these questions can hardly be raised, such are our rancorous politics. The broader problem is that the determinants of the policies we make are determined primarily by ideology, emotion, personality, televisual footage, and sound-bites.

Anything except outcomes, in short. And that gives me grounds for tentative optimism. Our current ways will self destruct. They are unsustainable. Out of the rubble, it's possible - just - that we shall target and reward the achievement of social and environmental outcomes. I mean long-term outcomes that are meaningful to ordinary people, rather than the narrow short-term goals that characterise corporations, financial traders, billionaires and, these days, politicians. Such a trend is unlikely to begin in the year 2019, but it's possible. If it *were* to occur, then we might also give priority to achieving our goals cost-effectively. At that point Social Policy Bonds, in their full tradeability, could step onto the stage and at last begin to play their role.

1. https://www.ft.com/content/ddf55a2e-7472-11e8-bab2-43bd4ae655dd
2. https://en.wikipedia.org/wiki/Social_impact_bond
3. https://socialgoals.blogspot.com/2018/02/social-impact-bonds-today.html
4. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
5. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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16.1.2 Climate change, war and celibacy (2019-01-08 18:46)

Why do wars happen? Why do crime rates go up and down? The answers to these and other complex social and environmental questions are many and varied. What about climate change? It appears that it is most probably caused by mankind's greenhouse gas emissions. But not definitely - and that uncertainty partly explains why, despite all the conferences, treaties, entreaties, agreements and commitments, our greenhouse gas emissions are at [1]record levels.

I think we face these challenges using outdated thinking. For historical reasons, policymaking is almost entirely a top-down activity. Politicians and public servants see a problem, try to identify its causes, then decide what needs to be done about them. If they aren't certain what needs to be done, either they guess at the causes or ignore the problem. 'Ignoring' takes the usual costly bureaucratic forms: setting up bodies, forming committees, holding meetings, and generating worthy but useless reports and agreements.

The problem is that no single body can identify the causes of such problems as war or crime or even climate change, and then work on them in the ways that used to work on more obvious social and environmental problems. Our biggest and most urgent problems are too diverse, and their causes change to rapidly, for the old ways of making policy to address them adequately.

The question then becomes: do we need to identify a problem's root causes before we try to solve it?

John Michael Greer asks why celibacy fosters the long-term survival of monastic systems:

> Perhaps celibacy
> works because it prevents sexual jealousies from spinning out of
> control, as they so often do in the hothouse environment of communal
> living. Perhaps celibacy works because pair bonds between lovers are the
> most potent source of the private loyalties that so often distract
> members of communal groups from their loyalty to the project as a whole.
> Perhaps celibacy works because all that creative energy has to go
> somewhere — the Shakers birthed an astonishing range of artistic and
> creative endeavors.... Perhaps it's some other reason entirely. The
> point that needs to be kept in mind, though, is that in a monastic
> setting, celibacy works, and many other ways of managing human sexuality
> in that setting pretty reliably don't. The question "does x happen?" is
> logically distinct from the question "why does x happen?" *It's possible*
> *to be utterly correct about the fact that something is the case while*
> *being just as utterly clueless about the reasons why it is the case.* (My italics.) *[2]After Progress* , John Michael Greer, 2015

So, do we really need to identify the causes of climate change or war or crime, before we try to eliminate them? I don't think we do (and, incidentally, I don't think we can, definitively).

I suggest that instead of opting, in effect, for inaction by sending people off on a fruitless, never-ending search for 'root causes', we take steps to reward the solution of these complex problems, and let a motivated coalition work out the most efficient ways of solving them, whether or not such ways have anything to do with root causes.

[3]

[4]Social Policy Bonds are a way in which we can do this. The bonds would target outcomes, rather than the alleged means of achieving them. Instead of targeting climate change, they would target for reduction the negative impacts of adverse climate events on human, animal and plant life. Instead of trying (or pretending to try) to prevent conflict in Africa or the Middle East, a Social Policy Bond regime would target for reduction the numbers of people killed and made homeless in those regions and reward whoever achieves and sustains such reductions. Complex social and environmental problems require diverse, adaptive approaches for their solution. They don't require that we identify their real or mythical 'root causes' before doing anything. By contracting out the achievement of solutions to a motivated coalition of holders of Social Policy Bonds, we could avoid endless searches for nebulous root causes and instead devote our energies to finding solutions to the problems they create.

For more about my approach to climate change see [5]other [6]posts [7]on [8]this [9]blog, or this [10]essay. For more about my approach to achieving peace, follow this [11]link.

1. https://www.theguardian.com/environment/2018/nov/22/climate-heating-greenhouse-gases-at-record-levels-says-un
2. https://www.amazon.co.uk/After-Progress-Reason-Religion-Industrial/dp/0865717915/ref=sr_1_1?ie=UTF8&qid=1546967359&sr=8-1&keywords=after+progress+greer
3. http://socialgoals.com/
4. http://socialgoals.com/
5. http://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
6. http://socialgoals.blogspot.com/2015/11/climate-change-again.html
7. http://socialgoals.blogspot.com/2015/12/but-who-allocates-funds.html
8. http://socialgoals.blogspot.com/2015/12/metrics-for-climate-change.html
9. http://socialgoals.blogspot.com/2015/12/paris-will-fail.html
10. http://socialgoals.com/ieakyototext.html
11. http://socialgoals.com/world-peace.html

16.1.3 Channelling viciousness (2019-01-17 19:15)

From a letter to the editor of today's *Financial Times*:

> Bernard Mandeville, the 18th century Dutchman who left Rotterdam to live in England, was not only an early modern crossover representative, he also understood the psychological roots of humankind. In his *Fable of the Bees* he asserts that rationality

> is not necessarily virtuous. In fact, individuals acting viciously can bring about positive aggregate results such as higher investment, employment and economic growth.
> Dr Jacob Borheim, Financial Times, 17 January 2019

For sure, the accidental
effects of human actions can be beneficial as well as disastrous. Adam
Smith's [1]Invisible Hand apodictically generates material wealth. But pursuit of our individual goals can and does create serious social and environmental problems too. A benign, quick-acting, and impartial government can regulate away the worst excesses arising from our pursuit of happiness. But governments aren't quick acting, and rarely are they benign and impartial. In fact, society is now so complex that even such an ideal government *couldn't* react quickly enough to the negative impacts of economic growth. As well, the world is too small now for the solution of social and environmental problems to be
left to chance: with a human population of more than 7 billion, and difficult-to-identify feedback loops and time lags, no single body can anticipate or successfully regulate the world economy's adverse impacts. Yes, 'positive aggregate results' can result from individuals acting in our own interest. They might even be *net* positive results. But (1) that still implies a lot of negative results and (2) we'd do better to minimise negative results before they occur.

This
is what Social Policy Bonds could do. One of the great advantages of
the bond approach is that we can encourage people to achieve social
goals without anyone knowing in advance how they will do so. A subset of such goals would be the targeting for reduction of the negative impacts of economic growth however they arise. Investors in the bonds would then have incentives to scrutinise current and proposed private- or public- sector projects with a view to minimising their negative impacts. Taking a broad, long-term, global approach, we could, for example, aim to [2]reduce disasters of any sort, *without having to specify how or where they occur.*

Under a Social Policy Bond regime, then, people would still be acting rationally and even viciously, but we'd be channelling such behaviour into the pursuit of society's well being. In short: [3]giving greed a chance.

[4]

1. https://www.investopedia.com/terms/i/invisiblehand.asp
2. http://socialgoals.com/disaster-prevention.html
3. https://socialgoals.blogspot.com/2018/09/giving-greed-chance.html
4. https://www.blogger.com/share-post.g?blogID=9695147&postID=4449048825646813017&target=email

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16.1.4 Hyper-manicured public spaces (2019-01-28 20:32)

Colin Tosh, lecturer in ecology, writes about hyper-manicured public spaces in the UK. He gives examples:

> The wildlife value of a particular tree species in cities is often disregarded when a decision is made to remove it. In parks, plant species which are exotic to the UK such as the New Zealand cabbage tree (*Cordyline australis*) are [1]intentionally planted because no native wildlife can use them, so they are low maintenance. ...
>
> Leaves are swept up immediately before their nutrients can return to the ground and the insects that lay their eggs on them are doomed to certain death. Road verges are cut back to the bone several times each year and the clippings are left lying, minimising their use as a habitat for wild flowers. *[2]How hyper-manicured public spaces hurt urban wildlife*, Colin Tosh, 'The Conversation', 22 January

Part of the reason is that the wishes of local people conflict with those of the bodies charged with maintaining these spaces:

> It doesn't help that grounds management is often subcontracted to private firms in

> the UK. In these cases, grounds management is more likely to be insensitive to expert advice as the function is out of the hands of the democratically controlled body and with a private company that needn't care what the public thinks.

We see this all the time: corporate bodies have goals that conflict with those of ordinary people. Often their goals are short term and narrow. Qualities important to the public fall through the cracks: in this instance, the local environment; more generally the global environment, social cohesion and other things that make up the [3]Commons.

Social Policy Bonds could work quite well in targeting broad, long-term goals, such as the dealing with [4]climate change or its impacts. For local goals, such as the well-being of public spaces, the remedy would appear to be, as indicated by Mr Tosh, ensuring that the bodies responsible are accountable to the people directly affected. Both approaches entail taking ordinary people's long-term goals seriously, and giving a lower priority to the short-term goals of corporate bodies, including government agencies.

Interestingly, even on their own terms, efforts made to satisfy the short-term accountancy-type goals local authorities, fail:

> The irony of it all is that measures to improve public areas for wildlife essentially involve less effort overall. All that really needs to be done is to allow public areas to be a little more unkempt, because unkempt areas are what nature likes.

Again, there is a larger-scale parallel:

> If shareholder primacy theory is correct [ie, that the over-arching goal of corporate managers is to maximise shareholder value] corporations that adopt such strategies should do better and produce higher investor returns than corporations that don't. Does the evidence confirm this? Surprisingly, the answer to this question is "no." *[5]The Shareholder Value Myth*, Lynne A Stout, 'European Financial Review', 30 April 2013

And the reasons are similar and include: the differing goals of the many stakeholders, not all of which are readily quantifiable; and, very often, conflict between long- and short-term objectives. Corporations, of course, are supposed to be in competition with each other, so should be penalised if they fail to meet consumer demand. But, as Jonathan Tepper [6]tells

us, competition is now an ever more rare feature of today's mixed economy. A [7]Social Policy Bond approach might be the answer, whereby investors form a [8]new sort of organisation and enrich themselves if and only if they help achieve the long-term goals of society as a whole.

1. https://www.sciencedirect.com/science/article/pii/S0169204611000752
2. https://theconversation.com/how-hyper-manicured-public-spaces-hurt-urban-wildlife-109449
3. http://www.onthecommons.org/
4. http://socialgoals.com/climate-change.html
5. http://www.europeanfinancialreview.com/?p=883
6. https://www.amazon.com/Myth-Capitalism-Monopolies-Death-Competition/dp/1119548195
7. http://socialgoals.com/
8. https://socialgoals.com/new-type-of-organization.html

16.2 February

16.2.1 Perceptions and reality: no easy answers (2019-02-05 21:19)

A retired MD writes to the American journal [1]*Consumer Reports*:

> AS A RETIRED M.D. (30 years in emergency medicine), I agreed with most of your article about too many tests. However, you forgot to point out one of the big reasons for overtesting: hospital, clinic, and provider "scorecards." Medicare providers are still being ranked by "patient satisfaction," which is often driven by whether patients get all the tests they want— even after you explain why they aren't necessary. Doing an X-ray on every sprained ankle is a classic example in emergency medicine. — Emma K Ledbetter, MD, 'Consumer Reports', March

There's s a genuine problem for policymakers: should we target for improvement only those goals that can be objectively measured, or should we also aim to improve something far more subjective: people's happiness or satisfaction? Ideally there wouldn't be a conflict, but in matters of health there is often a discrepancy between what's actually happening, and what people think or fear is happening. Crime too:

> One would imagine that if crime was high, fear of crime would be as well, and alternatively, if crime was low, fear of crime would follow this pattern. What has been found over the years, however, is that crime and fear of crime rarely match up. *[2]Fear of crime*, Nicole Rader, Oxford Research Encyclopedia, March 2017

In both health and crime, perception and reality aren't easily disentangled. In health, we all know about the [3]placebo effect,whereby an objectively useless pill or procedure does actually improve a patient's condition and his or her perception of that condition. Crime rates might be low, but perceived crime high for a valid reason: people are afraid of, for instance, venturing onto the streets after dark. To add to the confusion: people's perceptions are difficult to measure accurately.

How to deal with perceptions when they might conflict with reality is crucial when trying to formulate policy for anything other than a very small number of people. Take, for example, the question of whether we should incorporate perceptions of crime into an overall crime index that we target for reduction? I'm minded to say no because perceptions can easily be gamed at the expense of objective reality. In today's political climate, it's all too easy to imagine an interested body to work on perceptions - via a massive advertising campaign, perhaps - and doing nothing to reduce crime rates. Similarly with health: we could weight the physically verifiable results of testing, or a placebo, say, more highly than their psychological impacts. (The latter could perhaps be given zero weight, as over-testing and other unnecessary procedures can have negative physiological impacts.) In general, then, perhaps the best approach is to target objectively verifiable indicators and hope that perceptions begin to match them more closely. When it comes to something like our crime example, where people are afraid to walk in the streets because of the fear of being mugged then we'd need to be more creative in coming up with objective targets in addition to goals such as 'reduced number of assaults'.

No easy answers then, to this question that's relevant not only to a Social Policy Bond regime, which relies on targeting explicit, verifiable and meaningful goals, but to any body implementing social policy that uses aggregated data to help formulate policy.

1. https://www.consumerreports.org/cro/magazine/2019/03/index.htm
2. http://oxfordre.com/criminology/view/10.1093/acrefore/9780190264079.001.0001/acrefore-9780190264079-e-10
3. https://www.health.harvard.edu/mental-health/the-power-of-the-placebo-effect

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16.2.2 Humanity versus vested interests (2019-02-13 19:17)

A correspondent asks me why the Social Policy Bond concept hasn't yet been implemented. A good question, especially as the non-tradeable version ([1]Social Impact Bonds, also known as Pay for Success Bonds, etc) is becoming more [2]widely [3]deployed and much [4]discussed. So...why not Social Policy Bonds?

I suspect part of the answer is that Social Policy Bonds are a threat to existing institutions: politicians, because they would have to relinquish their control over who shall achieve social goals and how they shall be achieved; and government agencies, such as education, police, health departments, because investors in the bonds would subordinate all their funding decisions to efficiency and, in many cases, new organisations and new techniques will be more

efficient than existing bodies with their entrenched ways of doing things and fairly limited remits. Just one example: the best way of reducing crime rates in a disadvantaged area might be to subsidise employment there, rather than increase funding for the local police force. Or a cost-effective way of reducing the numbers of people killed or injured in car accidents might be to lay on free mini-cabs or taxis or have teams of dedicated, paid drivers whose sole job would be to ferry people from pubs, bars, nightclubs, home at night. That might be really cost effective but, under our current system, *there's nobody to speak up for such a policy,* and it would be opposed by vested interests. More dramatically: nobody really want to live under threat of nuclear war, but currently there are no bodies with sufficient influence and motivation to ensure that won't happen. Sure, there are teams of dedicated people in international bodies striving valiantly to reduce conflict but, the
resources, including brainpower, just aren't there. Big money has less interest in avoiding nuclear catastrophe than it does in devising imaginative ways of [5]selling [6]dog-food. And why not? It's reacting rationally to the incentives on offer - which (I think) are perverse in that they prioritise the narrow short-term interests of a few corporations (and, arguably, a few dogs) over the survival of millions of human beings.

Another reason for the absence of Social Policy Bonds from the scene could be the hysterical nature of today's politics, where shrieking abuse at the opposition has supplanted making policy to improve society's well-being as the prime activity. So solving social problems is seen as a 'left-wing' goal, and using markets is seen as 'right-wing'. In more enlightened times, you'd think a policy that uses markets to improve social well-being would unite both left and right; but that's not happening. So while I'm partly encouraged by the slow spread of Social Impact Bonds, I'm also concerned that - especially if they become so common as to escape public scrutiny - they will end up serving vested interests at the expense of society as a whole.

For more about Social Policy Bonds see my [7]home page. For my concerns about SIBs see [8]here and [9]here, as well as some [10]previous [11]blog [12]posts.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://www.fastcompany.com/40526705/more-governments-are-turning-to-impact-bonds-but-do-they-deliver
3. https://traverse.ltd/recent-work/blogs/japans-first-steps-developing-social-impact-bonds
4. https://impactinvestingconferences.com/
5. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
6. https://adage.com/creativity/work/meet-poopsie/52710
7. http://socialgoals.com/
8. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
9. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
10. https://socialgoals.blogspot.com/2018/06/make-social-impact-bonds-tradeable.html
11. https://socialgoals.blogspot.com/2018/02/social-impact-bonds-today.html
12. https://socialgoals.blogspot.com/2017/07/targeting-long-term-goals.html

16.2.3 (2019-02-13 22:57)

This post is very interesting. Thank you.

16.2.4 Why don't we target trust and empathy? (2019-02-16 17:48)

Dr Elliott Barker asks *How do we prevent crime?*:

> It seems incredible to me that as a society we don't publicly advocate those values upon which all harmonious social interaction depend - trust, empathy, and affection. Why shouldn't society - all of us collectively - reinforce our own latent awareness that these values are where it's at, and why shouldn't we do this at least as frequently and effectively as we allow ourselves to be reminded to drink Coca-Cola? *[1]How do we prevent crime?,* Dr Elliott Barker, 'The Natural Child Project', February

Dr Barker calls for scrutiny of policies affecting infants and toddlers and a recognition that capacities for trust, empathy, and affection are more important than superlative exam results or musical virtuosity. Indeed, achieving such goals can conflict with child rearing practices that produce an adult capable of harmonious, co-operative human existence.

What's this got to do with [2]Social Policy Bonds? Quite a lot, I think, and not just in respect of crime. Social and individual well-being are legitimate targets for government - at least as legitimate as educational achievement. It's entirely plausible that Dr Elliott is correct in that trust, empathy, and affection contribute mightily to well-being but my point is that, under our current system, *few of us are motivated to find out whether he is or not,* and that even if it could be shown that he is*, few are motivated to do anything about it*. At the individual level, sure, there are parents who have the time and energy to devote to child-rearing and who share Dr Elliott's insight. But they still have to contend with social forces, heavily influenced by government policy and its *de facto* [3]targeting of economic growth at the expense of our social and physical environment.

Social well-being, trust, empathy, affection: these are difficult qualities to measure. The effects of their absence, though, *are* measurable, and politicians try to deal with some of them - especially those that could be televised - with an array of short-term measures: more money for the police, more prescription drugs, decriminalising narcotics, and so on. But they have little inclination to think long term. A Social Policy Bond regime, because the bonds are [4]tradeable, could help in achieving such long term goals as social cohesion and the other

contributors to well-being described by Dr Elliott. It could, for instance, target for reduction such pathologies as crime, mental illness, and other effects of social alienation and lack of trust. Our current political systems are inescapably short term, though and they focus on more immediately and readily quantifiable indicators - such as GDP and academic achievement - regardless of the longer-term cost to individuals and society of doing so. As Dr Elliott says:

> It seems peculiar in a society in which schooling is mandatory from age 6 to 16 that we turn out graduates who have no preparation for the one job they are almost certain to have - raising children. Surely, before conception is a possibility, boys and girls should appreciate the permanent emotional damage that can result if the emotional needs of a young child are not met.

Dr Elliott is pessimistic about whether we will do anything to avoid such emotional damage. I will leave the last word to him:

> Why won't such preventive measures be taken? There are many factors. In part, it is because we are presently attuned to a shorter time frame politically and psychologically than prevention necessitates. In part we are misled by the excitement and drama of intervention after a problem has occurred. The cops and robbers game for example is the stuff of much of our entertainment. In part it is because today's casualties have greater motivation to lobby for their own immediate needs than for prevention of tomorrows' victims. In part it is because an impossible level of proof is demanded whenever we discuss changes that appear to tamper with our present values. But mostly we just know that such proposed solutions to crime prevention are "naively idealistic."

1. https://www.naturalchild.org/articles/elliott_barker/prevent_crime.html
2. https://socialgoals.com/
3. https://socialgoals.blogspot.com/2016/04/gdp-and-distribution.html
4. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

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16.2.5 Climate change: the people have spoken (2019-02-23 21:27)

Consider the destruction of a rainforest to make room for a palm oil plantation. Or some island jurisdiction changing its tax laws. Or catching a plane from London to New York. All have effects, some of which can be captured by a market, some of which cannot. If globalisation means anything, it means that these effects can have ramifications far beyond the territory in which they take place.

Many of our actions have impacts on the physical environment, and most of these aren't captured by the market. Economists call these externalities. The negative impacts of fossil fuel use include air pollution. Even limiting ourselves to the impacts of air pollution, we don't know all the long-term effects. We suspect that they are or will be deleterious to human, animal and plant life. (In net terms, that is: some populations will benefit.)

The problem policymakers face is that the positive externalities of, say, fossil fuel use are upfront and of similarly huge dimensions to the negative. Every plane flight hugely benefits the passengers on board, their pals, the crew, and the others employed by the airline industry ... and then there's the freight. A fraction of these positive impacts, but not all, is captured by the market. At least as compelling are the positive externalities resulting from fossil fuel use in general: the benefits of electricity, heat, air conditioning.

To summarise: the market captures and quantifies some but not all of the impacts of a transaction. It misses a lot of positive and negative impacts. It fails to capture any impacts of anything we do that is not a transaction. All this is to say that fossil fuel use has huge positive

impacts as well as negative, and we cannot say whether the negative effects outweigh the positive. The market does not, and cannot help us, because there's no way we can know and weight all the objective impacts accurately, but also because many impacts are subjective and unquantifiable.

Climate change: do we care?

Take climate change. The net negative impacts on human, animal and plant life of climate change – probably better termed [1]climate breakdown[2] – are incalculable and massive. Possibly catastrophic. We are pretty sure, but not certain, that greenhouse gas emissions cause some, maybe much, maybe all, of climate change.

We can, though, be more certain about whether we really care about the threat of climate change. And the answer is a resounding: not really. Lots of conferences, exhortations, subsidies for renewables (though not as many as for fossil fuels - see below), stirring rhetoric and doom-laden prognostications. Some change? Sure, at the margins. But meaningful results? [3]No, [4]no, [5]no.

It's true that our political systems are so corrupted by their proximity to the ultra-rich that the long-term interests of millions of ordinary people count for less than the short-term goals of billionaires. The ultra-rich and their lackeys in and out of government are responsible for some of this: fossil fuel subsidies are [6]estimated to be worth $160-200 billion per annum, and we are pretty indulgent in letting billionaires [7]dictate policy. But that cannot be the complete answer. It's more like a cop-out.

The billionaires people have spoken

The fact is that we have collectively chosen not to do anything significant about climate change. We've chosen quality and quantity of life in the short run, over quantity and quality of life in the longer term. We find it easy to do this, in my view, because:

- ’Climate change’ is too abstract. and
- We focus too intensely on greenhouse gas emissions, whose effects aren’t fully known, and whose reduction might or might not do anything significant to bring about a more benign climate at some indefinite future time.

My suggestion is that rather than address or pretend to address what we suspect, but don’t know for certain, and cannot prove, is the principal cause of climate change (greenhouse gases emissions), we should try to deal with environmental depredations, *whether or not they they are caused by climate change*.

Limiting greenhouse gas emissions isn’t happening and isn’t going to happen. Even if the billionaires were to switch sides, [8]most of us don’t really want it to happen. The costs are upfront, the benefits nebulous and long term. What we want, what we can understand, relate to, and identify with, are reductions in the more tangible environmental pathologies: flood, wildfire and other adverse climatic events, loss of biodiversity, loss of wilderness, pollution of the air and seas. It’s not solely an issue of presentation. We are more ready to pay taxes to help human, animals and plant life than we are to do something that *might* reduce the increase of some measure of global temperature some decades hence.

So I suggest that we divert resources from trying to reduce greenhouse gas emissions to solving other environmental problems, *including those caused by climate change*.

One way we could do this is by massively backing global [9]Environmental Policy Bonds. These could target our biggest environmental challenges, regardless of their supposed source. The bonds would reward the achievement of verifiable, meaningful environmental outcomes. Examples: cleaner air, cleaner seas, reduced losses of biodiversity and habitat. We could target for reduction those environmental ravages that we now attribute to climate change including species loss and the impacts of adverse climatic events. The way the bonds would work means that investors would work out for themselves at all times, whether or not the best way of dealing with our environmental challenges is to tackle what we think are their root causes.

We need diverse, adaptive approaches. No single, top-down, one-size-fits-all policy will work. Environmental Policy Bonds can encourage the array of diverse, adaptive approaches that we need to begin to solve our environmental problems.

1. https://www.theguardian.com/environment/georgemonbiot/2013/sep/27/ipcc-climate-change-report-global-warming

2. https://www.blogger.com/blogger.g?blogID=9695147#_edn1

3. https://www.project-syndicate.org/commentary/climate-change-undeliverable-emissions-targets-by-bjorn-lomborg-2019-02
4. https://www.newscientist.com/article/2194422-uk-is-failing-to-meet-almost-all-of-its-climate-action-targets/
5. https://thespinoff.co.nz/politics/11-10-2018/step-one-accept-people-dont-and-may-never-give-a-toss-about-climate-change/
6. https://www.carbonbrief.org/oecd-fossil-fuel-subsidies-373-billion-2015
7. https://www.nytimes.com/2018/06/19/climate/koch-brothers-public-transit.html
8. https://en.wikipedia.org/wiki/Yellow_vests_movement
9. http://socialgoals.com/environment.html

16.3 March

16.3.1 The metrics of tyranny (2019-03-05 19:40)

In our complex, populous societies we're not going to escape the use of metrics as indicators of
social well-being. Social Policy Bonds aim to target targets that are meaningful to ordinary people. They therefore need metrics that are carefully devised, robust, verifiable and, preferably, easy and cheap to monitor. A Social Policy Bond regime, ideally, would use reliable metrics in a considered, coherent manner. There are dangers in taking metrics as ends in themselves, in using them incoherently, and in ways that conflict with people's well-being. Unfortunately, that's the direction in which we're moving. Having read *[1]The tyranny of metrics* by Jerry Muller I've written about the [2]limitations of metrics. I've also mentioned [3]Campbell's Law. An article in the *Economist* does much to justify Mr Muller's and my skepticism:

> Take the World Bank's annual comparison of business regulations around the world. One country stood out in its latest ranking: China, which had languished in 78th place the previous year, jumped to 46th. India seemed to have improved, too, rising 23 spots, to 77th. Those remarkable ascents have less to do with the ease of doing business in those places than with their governments' determination to achieve good grades. **Some 40 people work in a Chinese government unit dedicated to improving its World Bank score; perhaps 200 toil in India's. At least 60 countries have teams that focus on the index.** (My emphasis) *[4]Life and society are increasingly governed by numbers*, 'The Economist', 23 February

Our societies aren't going to return to the times when policy is made for groups of 150 (see [5]Dunbar's number). It follows that metrics will be the means to determining how well society is doing. Currently our governments rely on a motley array of narrow, short-term, [6]Mickey Mouse micro-targets, including the *de facto* target of [7]Gross Domestic Product, with their many flaws, some of great consequence. A Social Policy Bond regime, by contrast, would

channel people's goals and expertise into answering fundamental questions: what should we target? What are the essential elements of social and environmental well-being? Where do we, as a society, want to be heading? Our obscurantist political systems allow our rulers to duck these questions and distract us all with spurious arguments about ideology, personality, image and sound bites.

The tyranny of metrics metrics of tyranny

It gets worse. In some societies metrics are already explicitly weaponised (from the same article):

> In China, for example, Zhima Credit, a popular private service, measures "personal characteristics", "online behaviour" and "interpersonal relationships", among other things. A high rating entitles people to a fast-track visa for Singapore.

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2. https://socialgoals.blogspot.com/2018/11/metrics-and-their-limits.html
3. https://socialgoals.blogspot.com/2012/08/campbells-law.html
4. https://www.economist.com/books-and-arts/2019/02/23/life-and-society-are-increasingly-governed-by-numbers
5. https://en.wikipedia.org/wiki/Dunbar%27s_number
6. https://socialgoals.blogspot.com/2017/05/new-concepts-in-mickey-mouse-micro.html
7. https://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html

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16.3.2 Climate change and the environment (2019-03-08 21:40)

Climate change could be tackled in various ways. We could aim to throttle its causes. We could aim to keep the climate, as measured by a wide range of physical, biological and financial indicators stable. Or we could aim instead to target for improvement all aspects of the environment, whether or not their degradation has been caused by climate change.

Policymakers have mostly gone for the first option: to try to reduce greenhouse gas

emissions, believing that they are the main driver of climate change. Myself, I've advocated in the past the targeting of an array of indicators, including the impacts of adverse climatic events, but also physical, social and financial measures of climate change.

I'm now more inclined to the third option, and think we should try to solve our environmental problems however they are caused, rather than focus on trying to prevent climate change. My thinking is partly a result of humanity's having done almost nothing actually to stop the climate changing.

For buy-in we need meaningful outcomes

What's wrong with targeting greenhouse gas emissions?

- We don't really know what's happening to the climate;
- We don't really know why it's happening;
- We don't know whether trying to reduce greenhouse gas emissions will solve whatever the problem might be;
- We do know that targeting greenhouse gas emissions will have large upfront costs, and that any benefits will be way into the future, uncertain and, even on the best advice of the experts, tiny.

Admittedly the science appears to say that greenhouse gas emissions are changing the climate in ways that adversely affect human, plant and animal life, though it's less convincing about the effects of reducing these emissions. But that's not really relevant. There'll be no action taken, and indeed there have been no significant actions taken (see here, here and here), because, in my view, the relationship between greenhouse gas emissions and adverse impacts is too tenuous and abstract to generate buy-in. And buy-in is what we urgently need.

Note that I am not suggesting we don't target greenhouse gas emissions: only that any decision to do so needs to be made on the basis of whether it's the most efficient way of achieving our environmental goals. Professor Jem Bendell paints a cataclysmic picture:

> The evidence before us suggests that we are set for disruptive and uncontrollable levels of climate change, bringing starvation, destruction, migration, disease, and war…

>My suggestion is that planetary well-being would be better enhanced by aiming explicitly to reduce such scourges - starvation, destruction, disease and war, than by targeting, or pretending to target, greenhouse gas emissions. Reduced starvation, disease and war are goals that are less abstract and more meaningful to ordinary people than climate change. By targeting them we're more likely to generate the buy-in that is essential to bring about changes that will create, at least in the short term, losers. All the evidence tells us that, after many years of exhortation, dire warnings, and extreme climatic events, there's very little buy-in to the goal of reducing greenhouse gas emissions.

As well as aiming to reduce starvation, disease and war, we could explicitly target also environmental goals that mean something to the non-experts whose buy-in is necessary. These could include reduced air and water pollution, less noise, reduced impacts of adverse climatic events, and reduced loss of biodiversity.

It's not so difficult: we re-frame and, if necessary, re-orientate policy to meet these goals, rather than a target level of greenhouse gas emissions which is, at best, only a putative means of achieving some of them.

Environmental Policy Bonds

I propose that we reward the sustained achievement of our environmental goals. Further, I propose that we do so in ways that channel market forces – the most efficient way we yet know of allocating society's scarce resources – into the achievement of our environmental goals. I further suggest that we do this is by nationally or globally backed Environmental Policy Bonds. These could target our biggest environmental challenges, regardless of their supposed source. A bond regime would allow us to target long-term goals, and stimulate research into diverse approaches to solving our problems.

Importantly, the bonds wouldn't dictate how our environmental goals shall be reached. It's quite possible that investors in the bonds will find that targeting greenhouse gas emissions for reduction is the most cost-effective way of solving some of our environmental problems. The crucial distinction between such targeting, and the way emissions are being targeted today, is that bondholders will target emissions only if doing so - at the time and in the areas

they decide to do so - is the best way of achieving our goals. They will be making their decisions on the basis of the science (and economics) of the relevant time and place, rather on the fossilised science of today. Their solutions, unlike today's non-solution, will be diverse and adaptive. And - another important difference - the people who look for and implement them will be rewarded only if they are actually successful in improving our environment.

16.3.3 Link to essay on Environmental Policy Bonds and climate change (2019-03-16 19:20)

My previous post described how we might fold the effects of climate change into goals for Environmental Policy Bonds, so that we could tackle all our urgent, big, environmental challenges, *regardless of their cause,* in ways that are more likely to generate buy-in than the current intense focus mainly on greenhouse gas emissions. I've written a longer essay on that theme, which is more suitable for people unfamiliar with the Social Policy Bond principle, [1]here.

1. http://socialgoals.com/climate-change-and-the-environment.html

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16.3.4 Perverse incentives in healthcare (2019-03-22 21:01)

The perverse incentives in healthcare are pervasive, worrying and unsustainable. Joseph Jarvis speaks eloquently about those that afflict the American healthcare system [1]here. One example: he points out that investment in urgently needed new antibiotics is too low because the pharmaceutical industry prefers to develop drugs that will be taken for a lifetime, rather than a couple of weeks.

What the US and many countries have is a market not for health, but for treatment. It's nothing like a free, competitive market, being subject to the usual distortions and inefficiencies that ensue when big business manipulates the government and regulators. It's called a market, because much of it's run, nominally, by the private sector. But we are seeing worldwide a convergence of the interests of the public sector and big business, which often takes the form of policies that conflict with the goals of ordinary people.

The 'market' is often evoked rhetorically, and that unfortunately discredits the whole notion of the market as the most efficient way we have of allocating society's scarce resources. There *is* a market in the US for healthcare, in the sense that the industry reacts rationally to the incentives on offer. But the incentives have little to do with the well-being of citizens, and a lot more to do with the short-term, narrowly measured, goals of doctors, insurance companies, hospitals and pharmaceutical companies. The perversity is that the healthier the citizenry, the more parlous the state of the medical industry.

Where does the [2]Social Policy Bond idea come in? My starting point would be to define and reward the achievement of society's health goal, so that the structures and activities of the sectors that support that goal would be entirely subordinated to that goal rather than, as now, the other way round.

On a national level, physical health could be defined as a range of targets, all of which would have to be reached and sustained before we can say we have achieved our goal, at which point Social Policy Bonds targeting health could be redeemed. My suggestion is that our goal would include such targets as: longevity, [3]Quality Adjusted Life Years, and infant mortality. There would be others, to be decided by experts in consultation with ordinary citizens.

Where does this get us? It puts in place a system whereby people are rewarded for bringing about actual improvements in health. Not for screening, or curing or treating disease, nor for selling drugs or health insurance. Those are indirect means to an end, rather than ends in themselves and the results are lamentable: pills that are no better than placebo (see [4]here and [5]here). Or incentives to [6]over-diagnose and [7]over-treat. Or to falsify or otherwise [8]manipulate the results of drug trials.

[9]Health Bonds would change all that. All the activity they stimulate and reward would be entirely subordinate to society's health goal. There would be a market - for the bonds - but it would be society's servant, not its master. The Social Policy Bond principle uses the market as a means to
society's goals. It doesn't view the market as an end in itself. Under a Health Bond regime, the the end that the market serves under a
bond regime will be society's health, as defined and targeted by society itself. The goals of those working in any field impinging on society's health would be exactly congruent with those of ordinary citizens: to improve society's health as quickly and efficiently as possible.

1. https://newbooksnetwork.com/joseph-jarvis-the-purple-world-healing-the-harm-in-american-health-care-scrivener-books-2018/
2. http://socialgoals.com/
3. https://www.wikiwand.com/en/QALYs
4. https://www.amazon.com/Cracked-Unhappy-Truth-about-Psychiatry/dp/1605986127/ref=sr_1_fkmrnull_1?keywords=cracked+james+davies&qid=1553283656&s=gateway&sr=8-1-fk
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6. https://ebm.bmj.com/content/23/1/1
7. https://www.bmj.com/content/345/bmj.e6684
8. https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.0020138#s3
9. http://socialgoals.com/health.html

16.4 April

16.4.1 What should we target? (2019-04-09 19:00)

Policymakers rarely use explicit targets and still more rarely do they use them in a coherent manner. Take two high-level targets: the inflation rate, targeted by the [1]UK, and the less-than-two degrees Celsius warming targeted by the [2]Paris Agreement. Near explicit and implicit targets – *de facto* targets – are more common. National governments routinely target economic growth. As well as these macro-targets, there is a proliferation of

micro-targets: in the UK, [3]waiting times at hospital Accident and Emergency departments, for instance.

What do all these targets have in common? One is that they are set by people who are not charged with achieving them, and will be little affected whether they are achieved or not. Another is that they have little *directly* to do with social or environmental well-being. There *might* be a strong correlation between, for instance, GDP and material prosperity; there is likely to be a strong correlation between the two-degrees Celsius target and plant, animal and human well-being. But it's my view that, because there is no direct link, these targets fail to achieve societal [4]buy-in. The two degrees target is [5]too abstract. If more than two degrees leads to unacceptable depredations, why not aim directly to reduce the severity of those depredations? That would be a goal with which people other than scientists and policymakers could identify.

The implicit GDP target is also rapidly becoming discredited. It says nothing about the distribution of the gains from economic growth, and with the dramatic divergence between incomes of those at the top of the scale from all others, risks becoming as detached from social well-being as are indices of share prices – and for much the same reason.

If anything, the micro-targets are worse. Again, they are set by people who have little direct interest in seeing them achieved. As well, they are very easily manipulated or gamed, leading to [6]perverse outcomes, none of which benefit people, and some of which worsen well-being.

Where does that lead us? Most components of social well-being are not explicily targeted. Sadly, as society grows more complex and diverse, unless things are explicitly targeted they tend to fall through the cracks. The environment has throughout recent history has suffered this fate, as have other essential, but similarly unquantifiable determinants of well-being such as social cohesion. In smaller societies, these elements of [7]The Commons would be the subject of informal arrangements, often arrived at after a long evolutionary process.

That won't work in today's highly aggregated and increasingly diverse societies. People in positions of power are increasingly detached from everyday concerns – the things that microtargets or, more importantly, the market, fail to capture. Unlike in traditional societies, when things are neglected by the people who lead today's societies they are ignored. Political discourse and resources get channelled into the few things that are targeted, including economic growth, and away from those elements that escape the market or some other form of quantification. As well as the environment, and these include some important components of mental and physical health. They aren't targeted directly, so attract fewer resources than they should.

But, given
that a return to traditional societies is not going to happen, targets based on aggregate numbers are essential. So: what should we target? My thinking is that we need to
target *broad social and environmental goals whose achievement would be inextricably linked to*
improved social well-being and generate buy-in. Economic growth doesn't cut it;
nor does the two degrees target. So what would qualify? Alleviation of poverty, improved physical and mental health, reduced impact of adverse climatic events on human,
animal and plant life: these are all broad, meaningful goals, whose achievement
would be both meaningful to all, and generate the buy-in sadly lacking when we
target GDP, two degrees, or hospital waiting times. I am more ambitious even than such targets would indicate though. If, as I hope, we begin to target genuine, verifiable, meaningful outcomes, why stop at national goals? A Social Policy Bond regime, not having to specify how our goals shall be achieved, or who shall achieve them, could and should aim for global goals. I suggest that we explicitly target for reduction the adverse effects of both [8]natural disasters and [9]violent political conflict.

1. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=16&cad=rja&uact=8&ved=2ahUKEwiZ7s_-v8PhAhVFxoMKHUCiCP4QFjAPegQIDBAB&url=https%3A%2F%2Fwww.bankofen
2. https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement
3. https://www.wikiwand.com/en/NHS_targets
4. http://socialgoals.com/buy-in-1.html
5. http://socialgoals.com/climate-change-and-the-environment.html
6. https://www.bma.org.uk/news/2013/december/perverse-outcomes-prompt-nhs-targets-rethink
7. http://www.onthecommons.org/
8. http://socialgoals.com/disaster-prevention.html
9. http://socialgoals.com/conflict-reduction.html

16.4.2 Make votes matter (2019-04-16 19:36)

Make Votes Matter, is the title of a leaflet being distributed in the streets of the UK. It is the name of a 'cross-party [1]campaign to introduce Proportional Representation to the House of Commons'. Currently, UK General Elections use the First Past the Post voting system, which has the merit of being immediately comprehensible, but the apparent disadvantage of under-representing small parties whose votes are widely distributed, and wasting the votes of people who oppose the occupiers of 'safe' constituencies. There's a lot more to be said for and against PR and FPTP. I suppose it's understandable, though regrettable that, in today's politics, people think their Member of Parliament cannot be expected to represent them if s/he is from a party they oppose. There's little magnanimity in party politics these days.

I actually don't think the differences between PR and FPTP are worth bothering about. We'd still be voting about things that don't really matter: for Members for Parliament, for their

party, for what they say in their manifesto. For people, parties, promises, image, ideology, sound-bites and slogans, rather than meaningful goals. About those goals, I believe, there's far more scope for consensus than about all the paraphernalia that characterise current election campaigns. Politicians rarely do what they say they will do; still more rarely can they be held to account for what transpires to our economy, society or environment. But their campaigning and subsequent activities, as well as consuming great gouts of brainpower, sow the seeds of division: the '[2]narcissism of small differences'.

I advocate refocusing our attention on goals, and the inevitable trade-offs between them, rather than political parties or the voting systems. I think we should be choosing between outcomes that are verifiable and meaningful to all of us, rather than allow our policymaking to be steered by interest groups - be they billionaires, corporations or government agencies - which are the only bodies that have the resources and motivation to understand our arcane, protracted, policymaking mechanisms. You might almost think that the obscurantism of our political systems is a ploy to keep ordinary people away from positions of power. A political system focused on social and environmental outcomes would represent a threat to the political hierarchy but, I believe, it's necessary for reasons of both efficiency and [3]buy-in.

What would such a system look like? A [4]Social Policy Bond regime would be one such system. It would set broad, long-range targets about which there is almost universal agreement. At the national level it could target better [5]health, universal [6]literacy, a cleaner [7]environment. At the global level it could target [8]conflict reduction, and the prevention and alleviation of [9]disasters, whether natural or man made. Political debate would be about the exact definition of these goals rather than, as now, the supposed means of achieving them or peripheral issues such as institutional structures and funding arrangements. There would be healthy debate, under a bond regime, about priorities and time frames, but the way the bonds work would mean that there need be little discussion of who shall achieve society's goals or how those goals shall be achieved. The market for the bonds would ensure that they are always be held by the most efficient operators. And efficiency is a moving target: what is efficient today or in one part of the world today might be highly inefficient in future years or in a different region. Long-term goals will most probably require an array of diverse, adaptive approaches for their achievement - exactly the sort of approaches that government, or any single ordinary organisation, is incapable of encouraging, but that a Social Policy Bonds regime would stimulate. The bonds would lead to the creation of a [10]new type of organisation, whose structure, composition and activities would be entirely subordinate to its goal, which would be exactly the same as that of the society that set it; a stark contrast with today's organisations, which have their own goals, independent of, and sometimes in direct conflict with, those of ordinary citizens.

1. https://www.makevotesmatter.org.uk/
2. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=3&cad=rja&uact=8&ved=2ahUKEwiQ59m-jNPhAhU8ShUIHaUdDGAQFjACegQIHxAK&url=https%3A%2F%2Fen.wikipedia.
3. http://socialgoals.com/buy-in-1.html
4. http://socialgoals.com/
5. http://socialgoals.com/health.html
6. http://socialgoals.com/women-s-literacy.html

7. http://socialgoals.com/environment.html
8. http://socialgoals.com/conflict-reduction.html
9. http://socialgoals.com/disaster-prevention.html
10. http://socialgoals.com/new-type-of-organization.html

16.4.3 Disaster in the antiobiotics market (2019-04-22 18:00)

Jeremy Farrar writes:

> There is no viable route to market for new antibiotics, however valuable they may be to society. [1]*A disaster is unfolding in the antibiotics market*, Jeremy Farrar, 'Financial Times, 21 April

Incentives matter, which is why we urgently need to overhaul the ways in which healthcare is currently managed. Typically, the rewards to companies developing a drug are directly proportional to sales of that drug. Antibiotics are typically prescribed only for short periods: days and weeks,

> Private investors backing such [drug development] companies counted on revenues being buoyed either by growing need for their products or by governments responding to calls to fix the market.

What would it take to 'fix the market'? My suggestion, more radical than it should be, is that we reward anybody who improves society's health, including drug companies, in ways that correlate to their success in improving society's well-being. This could be done by (1) explicitly targeting 'improved societal well-being', and (2) setting up a system that supplies incentives for people and companies to do just that. We are getting to the stage where step 1 is a possibility. [2]Quality Adjusted Life Years are one attempt to measure well-being. Step 2 is more difficult. My suggestion is that we apply the [3]Social Policy Bond concept to health and that, at a national level, governments issue [4]Health Bonds, which would reward those who bring about improvements in the long-term health of a country's citizens. For less developed countries, funds for the backing of Health Bonds could come from philanthropists, NGOs or rich countries.

'Anybody who improves society's health', I say above, because worthwhile improvements can originate in people and companies whose remit does not explicitly extend to health. A

factory opening in a region of high unemployment, for example, might do a lot to improve the well-being of people living nearby. Under our current system, the factory would reap little reward for such a positive externality. Under a Health Bond regime, though, investors in the bonds would have an incentive to help an otherwise hesitant company to get their factory up and running. At all times, Health Bonds would encourage people to focus on the outcome we want to achieve - improved health - rather than the fortunes of drug companies, doctors, hospitals or other [5]surrogate endpoints.

1. https://www.ft.com/content/4da1c6e4-603d-11e9-9300-0becfc937c37
2. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=2ahUKEwjR_eLJlOThAhXMKFAKHSrLAncQFjABegQIBBAB&url=https%3A%2F%2Fen.wikipedia.
3. http://socialgoals.com/
4. http://socialgoals.com/health.html
5. https://www.wikiwand.com/en/Surrogate_endpoint

16.5 May

16.5.1 A Mickey Mouse micro-objective from Mexico (2019-05-01 21:29)

Why we need to target broad indicators that either actually are, or are inextricably linked to, the goals we actually want to achieve:

> A 2014 law compelling parties to nominate equal numbers of men and women for elections has led to a phenomenon known as *Juanitas*—women who participate as candidates, only to resign after their election to give way to men. *[1]The Mexico tragedy*, Shephard Barbash, 'City Journal', Spring 2019

I don't myself think that diversity is necessarily a helpful goal but, if people genuinely value it, they need to be explicit about what their diversity goal actually is. This emphatically applies to a Social Policy Bond regime, where there would be direct financial rewards to people who successfully manipulate or game targeted indicators. But it also applies to our current policymaking systems in which where the relationship between a policy and the beneficiaries of its perverse effects can be more readily obfuscated.

To be useful then, indicators and targets should be inextricably correlated with well-being – and it is the well-being of natural persons that we should be targeting, not that of corporations or institutions, which have entirely different goals; nor that of abstract entities like 'the economy'. With national governments being the size they are, and with global social and environmental depredations bound to assume greater importance, poorly thought out global policies could be a lot more serious than Mexico's *Juanita* phenomenon. Some years ago, George Monbiot wrote about the rush to subsidise biofuel production:

> It used to be a matter of good intentions gone awry. Now it is plain fraud. … The reason governments are so enthusiastic about biofuels is that they don't upset drivers. They appear to reduce the amount of carbon from our cars, without requiring new taxes. It's an illusion sustained by the fact that only the emissions produced at home count towards our national total. The forest clearance in Malaysia doesn't increase our official impact by a gram. *[2]If we want to save the planet, we need a five-year freeze on biofuels,* George Monbiot, 'The Guardian', 27 March 2007

I was inclined to think insanity rather than dishonesty but Mr Monbiot may well be right. The implications for the planet are the same either way. Unfortunately, big government is far more concerned with adhering to its own agenda than it is about actually achieving worthwhile outcomes. And what is this agenda? What animates all this perverse policymaking, the targeting of meaningless micro-objectives, of means rather than ends, and the persistent, destructive subsidies to vested interests? Confusion, certainly, but there is also what I consider to be the ultimate goal of government, or indeed that of any big organisation, private- or public-sector, once they are old enough for their founding principles to be forgotten: self-perpetuation. Policymakers and their paymasters can get away with ineffective or - let's be frank - corrupt policies (see for instance, [3]this more recent Monbiot piece) because ordinary people haven't the time, energy, resources or legal expertise to master the arcane and protracted policymaking process.

A Social Policy Bond regime would change that. Policymaking would focus on meaningful outcomes, rather than the supposed means of achieving them. We can all understand outcomes, so we can all take an interest, if we want to, in which ones should be given priority. A policymaking process centred on outcomes would, in my view, be far more enlightening and generate far more - essential - [4]buy-in, than the current political circus, which is failing the non-millionaires amongst use quite spectacularly.

1. https://www.city-journal.org/mexico-corruption-violence
2. https://www.theguardian.com/commentisfree/2007/mar/27/comment.food
3. https://www.theguardian.com/commentisfree/2018/oct/10/brexit-leaving-eu-farming-agriculture
4. http://socialgoals.com/buy-in.html

16.5.2 Make them tradeable (2019-05-06 16:29)

I've explained [1]why I don't like Social Impact Bonds and it turns out that, ten years after the issue of the first SIB - Peterborough Social Impact Bond - others don't either.

Professor James W Williams, in a report he summarises [2]here, looks at the record of SIBs in Canada, the UK, and the US.

> [A]lthough SIBs promise a win-win-win scenario in which providers, government, and investors all benefit, in practice the circumstances in which this alignment of interests is possible (what respondents described as the “SIB sweet spot”) are much more limited than is often acknowledged. In practice, the interests of these groups have been difficult to align with many prospective projects foundering between feasibility and execution. *[3]From visions of promise to signs of struggle: social impact bonds in Canada, the US, and UK,* James W Williams, 2 May

The key, I think, is that the issuers of SIBs nominate the providers, who are generally the current providers, and whose identity will not change during the lifetime of the bonds. Crucially, SIBs aren’t tradeable, so the set goals are short term, and providers can profit only if they become more efficient during the short time period before the bonds’ term expires. They cannot profit by realising any appreciation in the value of their SIBs before the bonds expire. Making the bonds tradeable, as I have argued [4]here, would greatly enhance the range of social problems that we can solve, and would do so partly because it would allow new providers, who think they will be more efficient than current providers, to buy the bonds and benefit from their greater efficiency. Competition for the bonds in an open market would ensure that all providers would be kept on their toes: would-be investors in the bonds who think they can be more efficient would bid more for the bonds than they are worth to current holders, and get a chance to prove, and benefit from, their greater efficiency.

Social Policy Bonds are, essentially, tradeable SIBs. A Social Policy Bond regime would not assume that the best achievers of social goals are the current providers - a fatal assumption, in my view and one that, as well as restricting the value of the bonds, makes them liable to gaming and manipulation.

Professor Williams allows that "SIBs could be reserved for testing programs that are truly innovative
and preventative in nature with an emphasis on systems-level change." They could, in other words, be a way of rewarding successful innovative approaches that can scale up. I would say, though, that the scope for innovation would still be constrained by the short time horizons built into the SIB mechanism. So I agree with Professor Williams’ conclusion that "SIBs are, and are likely to remain, a relatively small, niche market."

Another recent paper for, as far as I can tell, different reasons, is even less enthusiastic. It concludes:

> We do not think that [SIBs] can facilitate the maintenance and development of public services that meet society's needs, particularly the needs of its vulnerable members. In *[5]Finance and the Good Society,* Nobel laureate Robert Shiller (2012) argues that "we need more financial innovation not less." We disagree. We have had quite enough financial innovation. Nor do we agree with [his] contention that we can "reclaim finance for the common good." A quarter-century after first making its appearance, the Private Finance Initiative, a previous example of financial innovation—once popular among policymakers but derided by critics—has at last fallen from favor.... We do not want to wait a similar period to witness the popular discrediting of SIBs: our policy recommendation is that the experiment ends now. S Lilley et al, *[6]Using derivative logic to speculate on the future of the social investment market*, Journal of Urban Affairs, 18 April

Despite my reservations, I do see pluses in the Social Impact Bond experiment. The first is that they compel us to think in terms of outcomes; the second, that they reward more efficient achievement of these outcomes. These qualities, a commonplace in the private sector, are revolutionary when applied to our social and environmental goals, where 'more efficient' applies to the improved well-being for ordinary citizens, rather than the narrow, short-term, accountancy goals of corporations.

The danger, from my point of view, is that SIBs' failings will discredit, in the public eye, all approaches that reward efficiency in the public sector. But it could go the other way, and I hope that it will: policymakers might come to see SIBs as a step towards Social Policy Bonds and, though it would involve ceding their power to choose service providers, [7]make them tradeable.

1. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
2. https://golab.bsg.ox.ac.uk/news-events/blogs/visions-promise-signs-struggle-social-impact-bonds-canada-us-and-uk/
3. https://golab.bsg.ox.ac.uk/news-events/blogs/visions-promise-signs-struggle-social-impact-bonds-canada-us-and-uk/
4. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
5. https://www.amazon.com/Finance-Good-Society-Robert-Shiller/dp/0691158096/ref=sr_1_fkmrnull_1?keywords=shiller+finance+and+the+good+society&qid=1557151888&s=gate
6. https://www.tandfonline.com/doi/abs/10.1080/07352166.2019.1584529
7. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/

16.5.3 Transcending narrative (2019-05-15 18:03)

We waste a lot of energy trying to identify the root causes of social and environmental problems; energy that would be better spent trying to solve those problems. With climate change we think we know that greenhouse gas emissions are the culprit: it's scientifically plausible, but not certain. It is even less certain that we have correctly identified all the greenhouse gases, and correctly weighted them according to their long-term impact on the climate. And it's even less certain that reducing these emissions will stop climate change or reduce its negative impacts. (And which of [1]those options do we actually want?) This uncertainty, or the appearance of uncertainty, is probably the reason that, despite years of apocalyptic rhetoric, high-profile conferences, celebrity calls to action and all the rest, nothing has been done to curb greenhouse gas emissions. I quote [2]myself:

> We can, though, be more certain about whether we really care about the threat of climate change. And the answer is a resounding: not really. Lots of conferences, exhortations, subsidies for renewables (though not as many as for fossil fuels - see below), stirring rhetoric and doom-laden prognostications. Some change? Sure, at the margins. But meaningful results? [3]No, [4]no, [5]no.

We'd get more traction, I believe if, instead of focusing on what probably are, but might not be the causes of climate change, we clarify exactly what we want to achieve in regards to the climate and its effects, and then reward people who achieve it.

Trying to identify root causes is at least as dangerous when we're talking about human conflict. After a several chapters on the structure of the mammalian brain, Professor Alex Rosenberg sums up:

> If the historical record is anything more than a chronology, it's not verifiable. It's wrong. And wrong in the most dangerous way, the way pretty much guaranteed to ensure that the mayhem of the last 5,000 years of recorded history will continue into the future. Narrative history is not verifiable because it attributes causal responsibility for the historical record to factors inaccessible to the historian. And they're inaccessible because they don't exist. The causal factors narrative history invokes—the contentful beliefs and desires that are supposed to drive human actions—have all the reality of phlogiston or epicycles. So narrative history, even at its best, is just wrong about almost everything besides the chronologies it reports. *[6]How History Gets Things Wrong,* Alex Rosenberg, October 2018

More succinctly:

> By and large, the historian will get the kind of facts he wants. History means interpretation. EH Carr, quoted in *[7]History according to EH Carr*, Helen Carr, 'New Statesman', 8 May

So what does all this mean? This: *trying to identify the root causes of a social or environmental problem might not be helpful.* With climate change, it's (currently) impossible to identify the root causes sufficiently to convince enough people to solve the problem. The lack of obvious root causes serves as an excuse for inaction. It's possible also that even if we can correctly and apodictically remove root causes, doing so might not be the best way of solving a problem.

In the social sphere the real or spurious identification of root causes is even more dangerous. The debates never end. Clair Wills writes about Northern Ireland:

> Who began the killing? At root,
> arguments about the genesis of the Troubles are arguments about
> responsibility for murder, and that's one reason it has proved so hard
> to disentangle history from blame in accounts of Northern Ireland since
> the late 1960s. *[8]No Waverers Allowed*, Clair Wills, 'London Review of Books', dated 23 May

How about we take another seemingly intractable goal - Middle East Peace - and let a coalition of motivated investors decide whether or not trying to identify root causes is the most efficient way of achieving it. Our current political systems fail to do that, but [9]Social Policy Bonds could succeed where they fail

Issuers of Social Policy Bonds targeting [10]peace in the Middle East would first have to define what they mean by peace. They could do this in consultation with politicians, technical experts and, crucially, ordinary people. Once achieved, peace should be sustained for a period of, say thirty years. Because Social Policy Bonds are [11]tradeable, holders would benefit by doing what they can to achieve such a long-term goal, then selling their bonds once they have seen their value rise as a result of their efforts. The investors in the bonds would all be animated by the fact that the important thing is to solve the problem of conflict in the Middle East - and not to try to work out how it started.

In general, it *might* be a good idea to look for root causes of social or environmental problems, but it might be more efficient - and generate more [12]buy-in - instead to aim directly for the outcome. Trying to understand fully the relationships between cause and effect may be a waste of time, or actually delay and impede the achievement of our social and environmental goals. Outcomes are more important and less inflammatory than history, whether we are talking about dealing with climate change or ending war. Social Policy Bonds would focus all of our attention and ingenuity on achieving our goals and less on what policymaking today seems to be all about: blaming the other side.

1. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
2. https://socialgoals.blogspot.com/2019/02/climate-change-people-have-spoken.html
3. https://www.project-syndicate.org/commentary/climate-change-undeliverable-emissions-targets-by-bjorn-lomborg-2019-02
4. https://www.newscientist.com/article/2194422-uk-is-failing-to-meet-almost-all-of-its-climate-action-targets/
5. https://thespinoff.co.nz/politics/11-10-2018/step-one-accept-people-dont-and-may-never-give-a-toss-about-climate-change/
6. https://www.amazon.co.uk/How-History-Gets-Things-Wrong/dp/0262038579/ref=sr_1_fkmrnull_1?keywords=rosenberg+how+history+gets&qid=1557939394&s=gateway&sr=8-1-fkm
7. https://www.newstatesman.com/culture/books/2019/05/eh-carr-what-is-history-truth-subjectivity-facts
8. https://www.lrb.co.uk/v41/n10/clair-wills/no-waverers-allowed
9. http://socialgoals.com/
10. http://socialgoals.com/middle-east-peace.html
11. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
12. http://socialgoals.com/buy-in.html

16.5.4 (2019-05-20 01:14)

Hello,
Kindly could you explain what do you mean exactly by saying Social Policy Bonds? Especially bonds of course.

Thank you.

16.5.5 (2019-05-20 21:12)

Hi Aze and thank you for your comment. Social Policy Bonds are a financial instrument, which I first talked about in 1988. You can find a short introduction here: http://socialgoals.com/overview,-600-words.html. Other overviews and most of my articles and papers on Social Policy Bonds can all be read for no charge through my the same website http://SocialGoals.com. If you have any queries or comments you can always contact me directly, through the "Contact me" link at that site.

16.5.6 Buy-in vs big government (2019-05-27 17:02)

Making
policy is very much like thinking, in that it's limited by the way it abstracts from reality the finite range of facts available to it. For makers of policy whose remit covers more than a family, clan, tribe or village, this should be a lesson in humility, because policymaking for large numbers of people inevitably entails the use of quantifiable data. Such data are equivalent, at the level of the individual, to our thoughts. Either way, they are extremely limited; what our minds can grasp, articulate and work on do not describe reality. They are individual facts, selectively taken from memory or, when making policy, aggregated, quantifiable information. Unfortunately, as the saying has it, 'if the only tool you've got is a hammer, you're going to see every problem as a nail'. And the only policymaking tool we have is our intellect backed up, sometimes, by statistics, themselves often contentious.

In
the individual our thoughts have not (yet) completely crowded out our insight. We know, most of us, at some level, that our well-being is not defined by a set of discrete quantifiable circumstances, but is rather a state of mind, which we'd find very difficult to describe using the limited vocabulary of whatever language we speak.

Policymaking
though is in a more parlous state; at the national and super-national levels anyway. For a start, it cannot interpret unprecedented threats, such as climate change or nuclear proliferation, in any but its own terms: that is, things to be negotiated, dealt with through the political process by existing institutional structures or new ones modelled on them. It cannot see social well-being as anything other than aggregated targets, with maximum Gross Domestic Product (or GDP per capita) as the target above all others. But GDP is grotesquely [1]flawed for that purpose, and most other numerical goals are hardly more reliable indicators of social welfare. There *are* quantifiable measures that do correlate fairly strongly with meaningful social goals, but these tend to be at the lower levels of wealth, income, nutrition or education. At these levels, quantifiable increases *do* generate real, meaningful rises in opportunity and welfare.

But
government has expanded far beyond helping the disadvantaged. It's expanded into areas where its reliance on aggregated data is not only leading it awry, but into activities that crowd out the more adaptive, responsive and responsible instincts of real people. At the same time, the planet is confronted with challenges, such as climate change and nuclear proliferation, that government cannot meet. Most of the population is now so used to handing over responsibility to a large and remote public sector that we think that government will solve such problems. Or we think that if government cannot solve them, they cannot be solved. The remarkable ability of humans to adapt and survive, our prodigious energy and ingenuity, is stunted, or channelled into cynicism, despair or such flippant, but lucrative, pursuits such as the marketing of dog food, where the goals are immediate, identifiable and no threat to the existing order.

There
is a widening gap between government and the people it's supposed to represent. It wouldn't matter very much of the public sector were small, and satisfied to remain so, and if real people controlled their own destiny. But the public sector is none of those things. It's big, remote and intrusive, and it's failing to meet our most urgent challenges. This combination could mean calamity, not just for millions, or hundreds of millions of human beings, but for the entire planet.

[2]Social Policy Bonds could help close the ever widening gap between politicians and people. By targeting social and environmental goals, rather than the supposed means of achieving them, they could bring ordinary people into the policymaking process. Ends are meaningful; means are not, especially when they are (deliberately?) obscured by complex, arcane and protracted policymaking processes. By focusing on ends we should be clarifying exactly what we want to achieves. But perhaps more important than clarity and even their advantages of greater efficiency, transparency and policy stability over time, Social Policy Bonds would generate [3]buy-in. By participating in making policy, people would be more readily accepting of the trade-offs that are inescapable when choosing which social and environmental goals should have priority.

1. https://www.ft.com/content/5e21b8e6-c482-11e3-8dd4-00144feabdc0
2. http://socialgoals.com/
3. http://socialgoals.com/buy-in.html

16.5.7 (2019-05-31 22:02)

I'll check it. Thank you very much. If I have any further questions I wanna ask again. Have a nice day.

16.6 June

16.6.1 Kicking the (nuclear) can down the road (2019-06-03 19:54)

Sometimes we can achieve a short-term goal only by worsening prospects for the long term. Kicking the can down the road, in other words. It's something we may be doing when it comes to peace:

> [I]t's the same with [Steven] Pinker and war. 2011's *Better Angels of Our Nature* argued that violence had been in decline steadily and we are now living in an unprecedented era of peace and prosperity. It was an absurd book, because it required readers to treat our own era, when thousands of nuclear weapons are stationed around the world ready to be fired, as "peaceful." This is like saying that if somebody puts a gun to your head, they are being "nonviolent" until they actually fire it.
>
> A "Mexican standoff" is "peace" in the Pinker sense. *[1]The world's most annoying man*, Nathan J Robinson, 'Current Affairs', 29 May

We can't say whether the nuclear weapons deployed over recent decades have increased or decreased the probability of a catastrophic nuclear exchange. But for me the more important question is how do we best ensure nuclear peace now and in the future? At first glance, current trends are encouraging:

> The good news is that, as poverty has receded worldwide, the proportion of humankind who die in wars and civil strife has fallen sharply, from nearly four per 100,000 each year in the 1980s to less than one in the past decade. [2]*How to think about global warming and war*, the 'Economist', 23 May

I wouldn't link poverty with war so unambiguously: there's no proof that poverty leads to war,

and we don't really know why war and civil
strife have declined, nor anything about whether it will continue to
decline, whatever happens to poverty. Again, though, the question is how to ensure that the benign trend continues. It's quite possible that some proportion of the world's nuclear weapons stockpile will be used any time now, and the *potential* for catastrophic war [3]doesn't seem to have diminished. It's quite possible, as many believe, that piling up nuclear weapons did ensure the peace (for a while). It's also quite possible that these weapons will be used, to catastrophic effect, some time soon. Indeed, the period of 'peace' might in future be seen as nothing more than a period of re-armanent or proliferation: a period during which a future war became more likely and more deadly. We simply don't know.

Conflict reduction makes an ideal application for the [4]Social Policy Bond idea because ending war is one of those complex social goals whose causes (1) cannot be reliably identified, (2) vary considerably according to region, and (3) change with time. But the holders of [5]Conflict Reduction Bonds wouldn't need to go about trying to find and address war's supposed root causes. Their goal would be to keep the peace, by whatever means are most cost-effective. Sometimes, in some places, it might be most efficient to try to identify root causes. Sometimes, in some places, it might be best to reduce the number of weapons in the protagonists' arsenals; in other circumstances it might be better to increase the number of weapons. As with many of our social and environmental ills, we need a mix of diverse, adaptive solutions: exactly the sort of solutions that don't come easily to governments or supra-national bodies like the United Nations. It doesn't help that the employees of these bodies aren't rewarded in ways that encourage long-term success in their peace-keeping mission. We need to be rewarding a *sustained* period of peace, so that short-term peace is not achieved by kicking the can down the road.

The past few decades have seen a heartening reduction in conflict. But have they merely been the prelude to a catastrophic global conflict? Conflict Reduction Bonds that reward a period of [6]nuclear peace sustained for several decades would put in place a system of incentives that would channel our resources and ingenuity into achieving what must surely be one of our most important goals: the removal of the threat of nuclear catastrophe.

1. https://www.currentaffairs.org/2019/05/the-worlds-most-annoying-man
2. https://www.economist.com/leaders/2019/05/25/how-to-think-about-global-warming-and-war
3. https://thebulletin.org/doomsday-clock/past-announcements/
4. http://socialgoals.com/
5. http://socialgoals.com/conflict-reduction.html
6. http://socialgoals.com/nuclear-peace.html

16.6.2 Climate change: do we care? (2019-06-13 17:17)

Do we care about climate change? We know that some do, passionately, and most of us, if asked, will say we do. But the evidence is clear that our collective, honest,
answer to the question *Do we care about the threat of climate change*? is

a resounding *no, not really*. Despite innumerable high-level conferences, apocalyptic rhetoric, doom-laden prognostications and worthy-sounding declarations, what have we actually achieved?

David Wallace-Wells [1]tells it like it is:

The Kyoto Protocol achieved, practically, nothing; in the twenty years since, despite all of our climate advocacy and legislation and progress on green energy, we have produced more emissions than in the twenty years before.

Recent headlines confirm this:

· [2]Faking
it on climate change;

· UK is [3]failing
to meet almost all of its climate action targets;

· [4]Accept
people don’t, and may never, give a toss about climate change.

Why, if climate change is likely to be as catastrophic as
the scientific consensus paints it, are we so reluctant to do anything about
it?

One answer is that the issue is so politicised that changing your mind on the issue is seen as a sign of weakness.

The other answer, though, is a bit more subtle. Science appears to tell us that it’s our emissions of carbon dioxide and other greenhouse gases that are causing changes in the climate, and accompanying changes like rising sea levels. Accordingly, these emissions have been the focus of our climate change policy, to minimal effect.

It’s not working, because:

1. the science is not convincing,

2. our goal
is not really to stop the climate changing, so we have very little buy-in, and

3. focusing
on the alleged root cause might not be the best way of achieving what we actually want to achieve.

Not convincing

When I say the science isn't convincing, that's not my
personal opinion. I mean that the science is literally unconvincing. It's not convincing most of us to allocate our scarce resources into solving a problem that could well be catastrophic but, the way it's formulated, requires big upfront costs for uncertain gains that that will probably be nugatory, slow to materialise, and whose provenance will never be able to be confidently attributed to past sacrifices.

No buy-in

The way it's formulated. To solve this potentially calamitous problem, requiring spending huge sums now, we need buy-in. Saying that the problem is to do with the composition of the atmosphere might be accurate, but neither the proportion of greenhouse gases in the atmosphere, nor the average rise in our planet's temperature have meaning for ordinary people; you know, the vast majority of the human population who have more pressing concerns, but whose backing for the huge task ahead is critical. Limiting the Earth's rise in temperature to two degrees Celsius, or reducing the level of carbon dioxide to 350 parts per million: these are not goals with which ordinary people can identify. They are abstractions. They are means to ends, and we'd do better to decide exactly what ends we want to achieve and aim to achieve *them*.

Our problem is not the composition of the atmosphere nor the planetary temperature: it's adverse climatic events, *however they are caused*, and their impact on human, animal and plant life. That is how the problem should be formulated to generate popular support for policies addressing climate change. There's no good scientific or moral reason for a policy that prioritises the adverse impacts possibly attributable to man over those caused by nature. It doesn't matter whether the floods, hurricanes or rising sea levels that kill people or make them homeless are caused by man-made contributions to carbon dioxide levels in the atmosphere or anything else. We should aim to reduce the impacts of adverse climatic events on ourselves and our environment rather than what current - or rather, 1990s - science tells us is its most likely cause.

Tackle the symptoms as well as the cause

We waste a lot of energy trying to identify the root causes of social and environmental problems when it might be more efficient to address the symptoms. Even when we do know the root cause of a problem, getting rid of it isn't always the best way to go. Take a weather-related example: people with vitamin D deficiency in northern latitudes. The root cause is readily identifiable: lack of exposure to the sun's rays. But the solution isn't to shoot laser beams upwards on overcast days to vaporise the cloud layer. In this instance, at least, we do the sensible thing and dispense vitamin D tablets. Often it's best to tackle symptoms and causes simultaneously, which is how we approach most serious health problems. With climate change we think we know that greenhouse gas emissions are the culprit. It is scientifically plausible, but not certain. It is even less certain that we have correctly identified all the greenhouse gases, and correctly weighted the ones we can directly control according to their long-term impact on the climate. And it's not at all certain that reducing these emissions will stop the climate changing. We've staked so much on trying to identify and deal with greenhouse gas emissions that we have lost sight of what should be our priority, which is to look after our environment, rather than try to stop the climate changing. It's a serious distraction. Our almost obsessional focus on greenhouse gases led the UK to cut the duty on diesel fuel, which emits less CO_2 than petrol but more nitrogen oxides and particulates. This switch contributed to 12 000 premature deaths in the UK attributable to nitrogen dioxide emissions. We seem now to be considering a similarly indirect and demented approach – this time on a global scale – by taking geoengineering seriously.

Outcomes versus root causes

In summary: *trying to identify and eradicate the root causes of adverse environmental impacts might not be the best way of preventing them.* With climate change, it's (currently) impossible to persuade enough people that cutting back greenhouse gas emissions is going to make an appreciable difference to their quality of life or that of the environment. Focusing on the supposed root causes serves, at best, as an excuse for inaction; at worst, as a distraction from, or cause of, serious environmental problems. And we need to be clear that even if we can show that greenhouse gases are the root cause of adverse climatic events, cutting emissions might not be the best way of solving that problem. Scientists, politicians and bureaucrats talk endlessly about degrees Celsius, parts per million, climate models and scenarios. They should be talking instead about the actual, current impacts of adverse climatic events on human, animal and plant life.

1. https://www.amazon.co.uk/Uninhabitable-Earth-Story-Future/dp/0241355214/ref=sr_1_fkmrnull_1?keywords=david+wallace-wells+uninhabitable+earth&qid=1552238252&s=ga
2. https://www.blogger.com/null
3. https://www.blogger.com/null
4. https://thespinoff.co.nz/politics/11-10-2018/step-one-accept-people-dont-and-may-never-give-a-toss-about-climate-change/

16.6.3 Metrics in mental health (2019-06-21 23:40)

An interesting article from two years ago looks at the use of simple questionnaires, metrics and big data in psychotherapy. It's a field that is in need of objective data:

> Risk alerts [derived from clients' feedback] allow therapists to adjust treatment, and can help them
> compensate for natural overconfidence and clinical blind spots. In one study, 48 therapists, seeing several hundred clients at a single clinic, were asked to predict which of their patients would "get worse." Only one of the therapists accurately identified a client at risk. *[1]What your therapist doesn't know*, Tony Rousmaniere, 'The Atlantic', April 2017

Dr Rousmaniere points out that for the therapist merely to ask clients how they think they're doing doesn't work. Clients aren't willing to tell therapists face-to-face that their treatment isn't working, but they are more honest when completing a questionnaire before appointments. Metrics derived from these performance feedback questionnaires 'significantly improve the effectiveness of psychotherapy, reducing dropout rates and shortening the length of treatment.'

In our large and complex societies metrics, with all their potential [2]flaws, are the only really robust way in which we can measure outcomes and progress toward them. I've wondered about the use of metrics in mental health, but this article points to the ways in which carefully crafted and aggregated metrics and their aggregation (big data) can be used not only to measure outcomes objectively, in what one would think would be an inescapably subjective field, but also to help improve those outcomes.

1. https://www.theatlantic.com/magazine/archive/2017/04/what-your-therapist-doesnt-know/517797/
2. https://socialgoals.blogspot.com/2019/03/the-metrics-of-tyranny.html

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16.6.4 'Recruit to deny' (2019-06-27 16:28)

This is what happens when we blindly use badly-thought out metrics:

> [M]any of our [ie, the US'] greatest universities have lately adopted an even more egregious new practice—"recruit to deny," a policy in which schools actively encourage students whom they know will be turned down to apply

> anyway, despite the waste of time and money and effort and the disappointment that such a process must entail. This seems to be done mostly in order to increase each school's rejection rate, a figure that plays a key role in where they end up in *U.S. News & World Report*'s annual rankings of American colleges and universities. *[1]What we do in the shadows*, Kevin Baker, 'Harper's Magazine', 27 June

I write quite a bit about metrics here, but how are the blog's own metrics doing? Not very well, is the answer. The number of readers looking at this blog daily has dwindled into the single figures. Not many more look at my [2]home page, or access any of the essays, papers, book chapters, linked to thereon. That's according to the (free) analytic tools that I use.

Nevertheless, the non-tradeable [3]version of Social Policy Bonds, about which I've [4]expressed [5]ambivalence, is in the policy mainstream and, largely because of that, I'm hopeful that, in time, the much greater possibilities that the tradeable bonds offer will be discussed and implemented. Until that hope is realised, mainly for my own edification and as a discipline, I will continue to post here and to maintain the SocialGoals.com site.

1. https://harpers.org/archive/2019/07/what-we-do-in-the-shadows-operation-varsity-blues/
2. http://socialgoals.com/
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
5. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

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16.7 July

16.7.1 The JAMES Bond (2019-07-06 18:43)

Cao Honghui writes about a new type of bond that may be about to be issued in Hong Kong. The original Chinese is [1]here; this is from the Google

[2]translation

:

> Inspired by socially functional bonds, the concept of Justice Achievable Market Enabler Savings Bond (JAMES BOND) can be used as a starting point for the financing of infrastructure companies.
>
> The justice market savings bond is inspired by the [[3]Social Impact Bond] SIB and can be said to be SIB 2.0. The

> justice market savings bonds are different from the social function bonds. The justice market savings bonds will have a larger amount of funds, but the expected social benefits will be greater. Justice Market Savings Bond: JAMES BOND, Cao Honghui, Master-Insight.com, 3 July

I can't tell from the translation whether these bonds are actually being issued, nor whether they would be tradeable. Would any reader who understands the Chinese be able to comment? Tradeability is the crucial distinction between the (non-tradeable) Social Impact Bonds currently in issue in about fifteen countries, and the original [4]Social Policy Bond idea. I write about the importance of tradeability [5]here and [6]here.

1. https://www.master-insight.com/%E5%85%AC%E7%BE%A9%E5%B8%82%E5%A0%B4%E5%84%B2%E8%93%84%E5%82%B5%E5%88%B8james-bond/
2. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&ved=2ahUKEwjc58WB56DjAhXrmOAKHR3EAiMQ7gEwBXoECAIQBg&url=https%3A%2F%2Ftranslate.google.com%2Ftra
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. http://socialgoals.com/
5. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
6. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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16.7.2 Targeting economic indicators is a cop-out (2019-07-12 20:29)

Vassilis Serafimakis writes to the *London Review of Books*, telling us why focusing on one particular economic variable - the fiscal deficit - is misguided:

> ...Diana Stone [1]notes that 'Zimbabwe's fiscal deficit is around 12 per cent of GDP' and that a country 'can't run a deficit that size without stealing from the future' ... Deficits cannot be assessed in isolation. We need to examine the whole economy, especially productivity, whose prime indicator is the level of employment. And we need to focus on the real aspects of the economy rather than worrying about economic conventions. The whole concept of 'sound finance', with its corollaries of 'fiscal discipline' and 'prudent finance,' all code words for austerity, must be discarded and replaced with functional finance. Japan is the outstanding example of a state that has done this, albeit inconsistently. It has continuously low interest rates, low unemployment, low yet steady growth, and most important, an unmatched standard of living. All this despite the fact that every year the budget hits deficits in excess of 15 per cent of GDP, while Japan's Treasury has amassed a debt of some 230 per cent. Yet if, geography aside, Japan were to apply for Eurozone membership its application would be rejected outright because the country is in violation of the Eurozone's deficit and debt limits. This is evidence enough of the folly behind the Eurozone set-up.... Vassilis Serafimakis, *[2]Letters*, 'London Review of Books', 4 July

There's a large and, I think, growing gap, between such measures as fiscal deficits, debt levels, GDP; and social well-being. An increasingly out-of-touch political caste has little knowledge or experience of the world in which live the people they are supposed to represent. So they rely on these economic aggregates for information about how society is doing. Along with many others I've [3]inveighed against GDP or GDP per capita and its *de facto* targeting by politicians. As well as their inherent deficiencies, such measures as GDP and the fiscal deficit are subjects to [4]Campbell's Law, which tells us that:

> The more any quantitative social indicator
> is used for social decision-making, the more subject it will be to
> corruption pressures and the more apt it will be to distort and corrupt
> the social processes it is intended to monitor.

Which is why I believe we should target outcomes that are meaningful to ordinary people: goals that are inextricably bound up with social and environmental well-being. Goals such as better health, universal literacy or, at the global level, regional or world peace. We should be targeting and rewarding the achievement of such goals, rather than abstract entities like deficit reduction or GDP growth. Economic variables are, at best, means to ends. They are increasingly inadequate as such but worse is that they enable politicians to distract us by deflecting our attention to those measures that have improved under their governance, or deteriorated under the governance of the other side.

[5]Social Policy Bonds are a way of channelling the market's incentives and efficiencies into the achievement of our social and environmental goals. That's one of their big advantages. But the other is more fundamental: the bonds require us, as a society, to clarify what are our goals and to come up with some sense of their priority. You would think this would be an essential feature of any democratic political system but no: what we experience today are sound bites, character assassination, personality cults or, as a very poor best: the targeting and manipulation of economic variables that don't really matter and about which none of us really care.

1. https://www.lrb.co.uk/v41/n05/diana-stone/diary
2. http://letters,/
3. https://socialgoals.blogspot.com/2018/11/metrics-and-their-limits.html
4. https://www.wikiwand.com/en/Campbell%27s_law
5. http://socialgoals.com/

16.7.3 The status quo is a tragedy (2019-07-15 20:06)

Tim Harford writes about healthcare in the US:

> The US healthcare system is a monument to perverse incentives, unintended consequences and political inertia. It is astonishingly bad — indeed, it's so astonishingly bad that even people who believe it's bad don't appreciate quite how bad it is. ... Reforming American healthcare will require an almighty effort. With politics gridlocked and soaking in lobbyist money, it's not obvious that the US government is [1]capable of running the kind of healthcare system that works elsewhere — even if Congress decides to try. But try it must, because the status quo is a tragedy. *[2]US healthcare is literally killing people*, Tim Harford, Financial Times, 13 July

It's not just healthcare. Our political systems are comprised of, and help to sustain, institutions of all kinds that start out as well intended but, almost inevitably, become fossilised. They invest too much, emotionally and financially, in ways of doing things that might have been efficient at one point, but then become outdated as society and technology change. Eventually their overarching raison d'etre becomes that of self perpetuation. They become adept at resisting threats to their survival. In the private sector competition is supposed to keep businesses on their toes, but too often the smaller enterprises are smothered by big business which, with its pals in government, regulates them out of existence. Nevertheless, there are still parts of the private sector where competition does its work, and creative destruction goes on.

It's much worse in the public sector or, rather, in the provision of social and environmental services, where people have much less information and power than service providers (healthcare) or where competition otherwise cannot operate effectively. The vested interests are government bodies, trade unions, big companies or, more and more these days, NGOs and charities. All have entrenched hierarchies and ways of doing things, and tend to resist changes that threaten their existence. So we get monstrosities like US healthcare, or the EU's Common Agricultural Policy, both of whose corrupt [3]lunacies have been well documented for decades but about which little of significance has been done.

[4]Social Policy Bonds might be the answer. They would inject competition into the solution of our social and environmental problems. They would lead to the creation of [5]new sorts of organisation, comprising protean coalitions whose every activity would be aimed at achieving society's goals with maximum efficiency. They would have incentives to ensure inefficient approaches would be terminated - not, as nowadays, bailed out with eye-watering sums of taxpayers' money in order to save the face of their instigators.

To focus on health specifically: we need to reward the achievement of successful health outcomes, which, for a country, sh ould be a combination of variables, each of which will have to fall into a specified range before the targeted outcome can be deemed achieved. The variables would be likely to include: longevity, [6]Quality Adjusted Life Years, infant mortality and other

objective data. Consider how far removed are the incentives in current healthcare systems - not only in the US - from rewarding good health. Today's incentives are, essentially, to screen, test and intervene - whether or not the intervening does any good at all. There's more about the application of the Social Policy Bond concept to health [7]here.

More generally, a bond regime would undermine the powerful institutions in the public- or private sector, whose existence is predicated on blocking reform. To give these bodies time to reform, and to shift their goal from self-perpetuation to serving the public, the bonds could be phased in over time, as I describe in chapter 4 of my book (all chapters downloadable free of charge [8]here). Social Policy Bonds, at first sight, seem a radical, even zany, approach to the solution of the problems that we face. The question, though, is whether there's anything better. In health, the environment, nuclear proliferation, violence in poor countries, to take obvious examples, the challenges are huge and urgent, and it would doubtless be difficult to overcome the obstacles to progress. But, as Mr Harford would say: try we must, because the status quo is a tragedy.

1. https://www.vox.com/policy-and-politics/2019/7/8/20683368/democrats-2020-medicare-private-insurance-single-payer-debate
2. https://www.ft.com/content/05f7fa82-a315-11e9-a282-2df48f366f7d
3. https://www.theguardian.com/commentisfree/2018/oct/10/brexit-leaving-eu-farming-agriculture
4. http://socialgoals.com/
5. http://socialgoals.com/new-type-of-organisation.html
6. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjp0by6yLfjAhU1onEKHRbkBawQFjAAegQIBRAB&url=https%3A%2F%2Fen.wikipedia.
7. http://socialgoals.com/health.html
8. http://socialgoals.com/links-to-all-chapters.html

16.8 August

16.8.1 Re-jigging the incentives (2019-08-01 18:05)

George Monbiot writes:

> The
> largest fortunes are now made not through entrepreneurial brilliance but through inheritance, monopoly and rent-seeking: securing exclusive control of crucial assets, such as [1]land and buildings,
> privatised utilities and intellectual property, and assembling [2]service monopolies such as
> trading hubs, software and social media platforms, then charging user fees far

> higher than the costs of production and delivery. In Russia, people who enrich themselves this way are called oligarchs. But this is not a Russian phenomenon, it is a global one. Corporate power still exists, but today it is overlain by –
> and is mutating into – oligarchic power. *[3]Killer clowns*, George Monbiot, 'The Guardian', 26 July

Imagine a political system in which people became wealthy by helping to solve society's problems rather than by the anti-social activities about which Mr Monbiot writes. Human ingenuity and entrepreneurial skills, currently channelled into self-enrichment via destructive or [4]frivolous activities, would be channelled instead into achieving society's goals.

[5]Social Policy Bonds could usher in such a system. The bonds would reward the achievement of targeted goals that are inextricably linked to improved social and environmental well-being.There are many benefits to a Social Policy Bond regime. **Efficiency** is the main one, as the market for the bonds would ensure that the people who can do most to achieve society's goals do so at the lowest cost. The bonds will always be in the hands of the most cost-effective operators who can out-bid the less efficient investors. Another advantage of the bonds is **stability**: whereas the best ways of achieving our goals vary over time and according to geography, the goals themselves are consistent, and there is far more consensus about our goals than about the supposed means of achieving them. The bonds would create a stable policy environment, in which long-term goals, including very remote goals such as [6]world peace, could be targeted. Another advantage of the bonds is **transparency**: clarity of goals should be a first, essential step in policymaking, but too often it's, perhaps deliberately, obscured by the arcane, legalistic tactics beloved by today's policymakers.

These are all valuable benefits. But there's another one, less obvious. Social Policy Bonds would constitute a way of making money that is inextricably bound up with achieving society's goals. A government could therefore choose to tax any gains from holding Social Policy Bonds more lightly than other, similarly lucrative but less socially beneficial, operations. It would then be explicitly recognising that not all profit-making ventures are equal. Some, though they might raise that very [7]flawed indicator and *de facto* target - GDP - contribute very little to social or environmental well-being, while others are [8]destructive of both. This advantage of Social Policy Bonds might not seem important compared to the bonds' other pluses, but it could become increasingly significant as society grows more complex, resources more limited and we perforce become more concerned about meaningful outcomes than the short-term goals of big business and politicians.

1. https://www.theguardian.com/commentisfree/2019/jul/17/housing-britain-landlord-tenants
2. https://www.theguardian.com/commentisfree/2019/mar/09/elizabeth-warren-break-up-facebook-google-amazon
3. https://www.monbiot.com/2019/07/30/killer-clowns/
4. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
5. http://socialgoals.com/
6. http://socialgoals.com/conflict-reduction.html
7. https://www.weforum.org/agenda/2018/01/gdp-frog-matchbox-david-pilling-growth-delusion/
8. https://www.citymetric.com/horizons/destroying-forest-can-actually-increase-gdp-why-it-s-time-rethink-measures-poverty-and-well

16.8.2 How to make capital gains ethical (2019-08-07 21:45)

A conference nearly three years ago looked at the ethics and morality of Social Impact Bonds. A concise summary of some of the issues discussed raised the question of:

> ...moral
> dilemmas that can arise when we place a financial value on social
> outcomes, and begin to see interventions in the light of the money they
> can save rather than on their inherent public value. Will it lead to us prioritising certain policy areas simply because
> they can save us money? Are we giving away too many decisions to
> unaccountable consultants and investors – and do the service users
> themselves get a say in any of this? Is it right that investors can
> gamble on the fortunes, or misfortunes, of others? [1]*Social Impact Bonds: are they ethical?*,
> James Ronicle, 28th September 2016

Social Impact Bonds (SIBs) are a non-tradeable version of my original conception: Social Policy Bonds. Tradeability matters more than you might think. As I've explained [2]here and [3]here, when the bonds become tradeable the range of goals that we can target expands greatly, and our time horizons stretch much further into the future. The qualitative effect of a bigger range means that our social and environmental targets can embrace outcomes that a narrower, shorter-term target will exclude. Take for example recidivism rates, targeted by SIBs in the UK and elsewhere. Whereas a SIB regime will reward their reduction, even a large number of such SIBs would do nothing for the long-term health of society as a whole. For a start, narrow, short-term goals increase the likelihood of effective manipulation - a simple example springs to mind: investors in the bonds could subsidise superior legal representation to an offender accused of a new crime. But, more importantly, when we embrace broad, long-term goals, there is *no need* to prioritise 'certain policy areas simply because
they can save us money'. *Under a Social Policy Regime there need be no conflict.* The policy 'areas' we can prioritise are large enough to include everybody.

It's not so different in other policy areas. SIBs currently [4]target, for instance, academic performance among at-risk three- and four-year olds in Utah, or the number of housing units for the homeless in Massachusetts. Very laudable but, again, apart from these narrow goals being susceptible to crude manipulation (by [5]fiddling test results for instance), they also reward the shifting of resources from untargeted goals to those that will generate short-term gains for bondholders.

This is the key. Social Impact Bonds have to focus on narrow short-term goals that are easily measured. Social Policy Bonds, in contrast, can take a broader, long-term view. They can encompass the goals of society as a whole. Rewards to holders of carefully crafted Social Policy Bonds might still benefit wealthy investors, but *only as a by-product of benefiting all of society*.

There are bigger possibilities: one of the participants at the above conference asked:

> ...whether development bonds, where
> investment is made in developing countries, create a new form of
> colonialism, as the West profits from interventions in developing
> countries.

Again, there need be no conflict. Social Policy Bonds targeting, for instance, regional or global [6]conflict, or [7]disaster prevention could benefit both western investors *and* developing countries. Large capital gains, though widely and understandably viewed with disdain in today's society, don't have to be unethical.

For more on this last topic see my [8]previous post. For more on the topic of rewarding people for performing the socially useful function of, for instance, teaching see my blog post [9]here. All my essays on the bonds are accessible from the main [10]Social Policy Bonds site.

1. https://www.pioneerspost.com/news-views/20160928/social-impact-bonds-are-they-ethical
2. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
3. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. https://www.wikiwand.com/en/Social_impact_bond#/Rough_sleeping_and_chronic_homelessness
5. https://www.theguardian.com/education/2019/jan/16/ofsted-to-reform-school-inspections-in-bid-to-tackle-off-rolling
6. http://socialgoals.com/conflict-reduction.html
7. http://socialgoals.com/disaster-prevention.html
8. https://socialgoals.blogspot.com/2019/08/re-jigging-incentives.html
9. https://socialgoals.blogspot.com/2016/12/working-for-living.html
10. http://socialgoals.com/

16.8.3 Who thinks long term these days? (2019-08-19 17:16)

Social Policy Bonds haven't gone very far. It's true that their non-tradeable variant, [1]Social Impact Bonds are being issued around the world and are the subject of much academic outpouring. ([2]Academia.edu tells us that there are more than *190*

000 papers mentioning 'Social Impact Bonds'.) But Social Policy Bonds? None have been issued that I'm aware of, and they generate little in the way of literature - apart from my own [3]work, of course.

There are several reasons. One is that, while the tradeability of Social Policy Bonds sounds like a technical issue, in political terms it's a bit of a time-bomb. It means that whoever issues the bonds doesn't get to choose who will be rewarded for achieving the targeted goals. In this, Social Policy Bonds are quite different from the SIB model, under which only chosen service providers will benefit from investing in the bonds. These are generally existing service providers. This obviously limits the scope for innovation and the efficiencies it would bring about. Existing service providers have a vested interest in maintaining current ways of doing things. (Indeed, combined with the inherently short-term nature of SIBs, lack of tradeability creates a perverse incentive not to be too efficient, lest issuers of future SIBs targeting the same social problem consequently tighten their efficiency criteria.) In our current political systems there are few incentives to allow new, potentially much more efficient, operators into solving our social and environmental problems. The inherently short-term nature of SIBs mirrors too neatly the short-term goals of politicians and current service providers.

Other reasons for the absence of Social Policy Bonds? One that I've experienced is the disdain of those on the political left for anything that smacks of profit or capital gains, especially in the provision of benefits to the disadvantaged. A sentence from a recent [4]post by Charles Hugh Smith sums it up: *we substitute self-righteousness for problem-solving*. The thinking is as simplistic as it is injurious to the disadvantaged: 'markets are right wing and therefore bad'. I am still hopeful though that there will come, in time, a government, a non-governmental organisation, or a group of philanthropists who will take a long-term view, forgo the pats on the back by established bodies in the public and private sectors, and put the interests of their country, our environment, or the world above their own.

For more about why I am skeptical of Social Impact Bonds see [5]here and [6]here.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://www.academia.edu/people/search?q=Social+Impact+Bonds
3. http://socialgoals.com/
4. https://charleshughsmith.blogspot.com/2019/08/the-road-to-hell-is-paved-with-virtue.html
5. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
6. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

16.8.4 How to prevent crime (2019-08-25 17:16)

Dr Elliott Barker asks how we can prevent crime:

> There should be a clear recognition that the only meaningful measure of success in child rearing is an adult with highly developed capacities for trust, empathy, and affection. It follows that the current worship of child rearing practices that evoke the highest possible I.Q., or the child with the greatest possible number of factual crumbs by the lowest age, or the child who can play the cello best at the earliest age should be suspect. *[1]How Do We Prevent Crime?*, Dr Elliott Barker, the Natural Child Project

The question is not whether we believe (as I do) that we can reduce crime and other social pathologies by taking Dr Barker seriously but *whether people have sufficient incentive* to investigate how valid his argument is and then to act on their research. I don't think they do. Crime is today largely seen as a matter for policing and punishment. There may or may not be academic research pointing the validity of Dr Barker's arguments. But even if there is, who has the incentive to examine this research, check its validity and act on the results? Very few, and almost nobody with the financial clout to influence the way we bring up our children. Of course, there is good work being done by people such as Dr Barker, and eventually some of their findings do percolate through to a few dedicated researchers and parents. But work on the scale necessary to see widespread changes? The bodies, including government, that could fund such work are far too focused on the short term. And [2]who thinks long term these days?

[3]Social Policy Bonds targeting [4]crime could be one answer. Under a bond regime, we could target a long-term halving of crime rates, sustained for a period of, say, thirty years. A combination of government, NGOs and philanthropists could back these bonds, which could be swelled by public contributions. Once issued, bondholders would form a *de facto* coalition, whose composition would most probably change over time, but all of whose activities would be aimed at achieving the targeted reduction in crime rates at lowest cost to society.

Long-term thinking and the notion of a coherent society that persists over decades: any attempt to improve social welfare and the environment requires both these qualities. They're not at all prevalent but policies like Social Policy Bonds that need them to work can also create and encourage their proliferation.

1. https://www.naturalchild.org/articles/elliott_barker/prevent_crime.html
2. https://socialgoals.blogspot.com/2019/08/who-thinks-long-term-these-days.html
3. http://socialgoals.com/
4. https://socialgoals.com/crime-.html

16.9 September

16.9.1 It's not just dog-food (2019-09-02 18:24)

There is probably more human ingenuity going into devising new ways of [1]selling [2]dog-food than avoiding nuclear war or eradicating poverty or achieving universal literacy. But it's not just dog-food:

> For decades, increasingly large numbers of America's smartest and hardest-working businesspeople have toiled in extractive pursuits, and the result is an economy that benefits an increasingly smaller percentage of its participants. Many structural reforms are necessary to change this. With regard to education, it is time to reform the top MBA programs. These schools shape our business culture, and, in so doing, exert an outsized influence on the business practices and the career pursuits of some of our most talented young people. The schools should begin with an explicit renunciation of shareholder capitalism. *[3]The Financialization of the American Elite*, Sam Long, 'American Affairs', Fall 2019

By 'extractive pursuits' Mr Long means 'value extraction and short-term financial speculation'. There's nothing wrong with people choosing
to make a career of financial shenanigans (see [4]here for another example) or advertising dog-food. They're not greedy. They have children to bring up, elderly parents to look after.... These intellectual giants are
simply reacting rationally to the incentives on offer. But it's a shame for the society that a high proportion of the smartest people on the planet their goals cannot meet their individual goals by helping to solve our huge, urgent social and environmental problems.

Social Policy Bonds are a way of aligning the incentives smart individuals face with those of society. They work by channelling our self-interest into the solution of our social problems. They do so by injecting market incentives into the solution of these problems. In economic theory, and on all the evidence, markets are the best way of allocating society's scarce resources. So it is unfortunate that, largely for historical reasons, we leave the achievement of national and global social and environmental goals to a command-and-control mechanism that is often inefficient and open to abuse.

Sure, a Social Policy Bond regime would probably see some enrichment of wealthy corporations or individuals, *but only as a side-effect of their achieving society's agreed social and environmental goals*. The incentives of the people owning Social Policy Bonds and the people they employ would exactly align with those of society. All their activities would be aimed at achieving society's goals as efficiently as possible.

A Social Policy Bond regime represents a new departure. It would not reward people merely for undertaking activities that *sound* worthy, nor for belonging to organisations whose ostensible aims are to help people but are, in reality, less edifying. Rather, a bond regime would reward the achievement of society's goals. Yes, it would divert some of society's scarce resources, including brainpower, away from marketing pet-food or maximising short-term share prices or other super-sophisticated, zero-sum financial manipulation. But we are talking about the potential solution to some of mankind's biggest and most urgent problems: [5]poverty, [6]climate change; even the [7]ending of war. I think it's a worthwhile trade-off.

1. http://creativity-online.com/work/halo-pet-food-meet-poopsie/52710
2. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
3. https://americanaffairsjournal.org/2019/08/the-financialization-of-the-american-elite/
4. https://socialgoals.blogspot.com/2013/11/a-world-with-high-frequency-trading.html
5. http://socialgoals.com/human-development.html
6. http://socialgoals.com/climate-change.html
7. http://socialgoals.com/conflict-reduction.html

16.9.2 Government+big business+judges vs. the people (2019-09-10 18:41)

Christopher Caldwell writes:

> Once the judiciary rules politics, all politicians are just talkers....The transfer of competences from legislatures to courts is a superb thing for the rich, because of the way the [British] constitution interacts with occupational sociology. Where the judiciary is drawn from the legal profession, and where the legal profession is credentialed by expensive and elite professional schools, judicialization always means a transfer of power from the country at large to the richest sliver of it. [1]*Why hasn't Brexit happened?*, Christopher Caldwell, claremont.org, 15 August

Mr Caldwell is writing in the context of Brexit, but this insight applies more broadly. I've often railed against the widening gap between politicians and the people they are supposed to represent. The gap between ordinary citizens and the judiciary is at least as wide. We, the public, have even less buy-in when decisions are made by judges rather than politicians. What happens with contentious issues on which ordinary people have no say? Here, the *Economist* writes about the abortion debate in the US:

> Why did the two sides become so polarised? The main reason is the way abortion was legalised. In many countries, abortion laws were voted for by elected politicians or in referendums. In America, a seven-to-two majority of justices declared abortion a constitutional right.
> Anti-abortionists question the interpretation of the constitution that produced that ruling and are furious their voices were not heard.
> Abortion advocates remain fired up by the knowledge that *Roe* could yet be overturned. *What explains [2]Donald Trump's war on late-term abortions?,* the 'Economist', 24 August

Buy-in is important and, with big government, complex societies, and our emphasis on how policy is made and who makes it rather than outcomes, there's very little buy-in remaining at the national level. Corporations, politicians and, increasingly, the judiciary define the economic and social environment in which we live.

Social Policy Bonds, by targeting outcomes with which people can identify could bring about more public participation in the policymaking process. That is an end in itself (see [3]here (pdf) for example), as well as a means by which decisions become acceptable even to those who opposed them. Importantly too, there's more consensus about outcomes than about the supposed means of achieving them. A bond regime would focus policy debate on our social and environmental goals, and which ones shall be prioritised. The process itself would generate more mutual understanding and less of the anger and contempt that are such a feature of today's policymaking.

As well, a bond regime would encourage us to think long term: our goals are far more stable than the ways in which we think we can best achieve them. They are also more transparent as, with Social Policy Bonds, would be their funding. Corporations, their lobbyists and the people in power whom they influence all have an interest in obscuring how funds are allocated, and in failing to monitor whether policies succeed or fail (see *[4]Why States Believe Foolish Ideas: Non-Self Evaluation by States and Societies,* by Stephen Van Evera (pdf)). It's even more difficult to believe that our new policymakers - the judiciary - will be any more responsive to the needs and wishes of ordinary citizens. With government, big business and now the judiciary determining our economic and social environment, what hope is there for the rest of us? The gap between ruler and ruled is becoming ever wider. Social Policy Bonds

could help close it.

For general information about Social Policy Bonds see [5]here. For more about Social Policy Bonds and buy-in see [6]here.

1. https://www.claremont.org/crb/article/why-hasnt-brexit-happened-yet/
2. https://www.economist.com/united-states/2019/08/24/what-explains-donald-trumps-war-on-late-term-abortions
3. http://www.bsfrey.ch/articles/_438_2006.pdf
4. https://dspace.mit.edu/handle/1721.1/5533
5. https://socialgoals.com/
6. https://socialgoals.com/buy-in.html

16.9.3 It's too dam complicated (2019-09-23 19:46)

Some things are too complicated to understand, even for experts, let alone policymakers.

Dams have been thought a good way of reducing greenhouse gas emissions while satisfying our ever-increasing demand for electricity. Indeed, dams built in cool, dry places probably do reduce emissions per watt compared to fossil fuel generation. So, in 2012 the Intergovernmental Panel on Climate Change (IPCC) said that, taking into account construction and operation, hydroelectric power produces less than 3 percent of the warming of fossil-fuel power plants that burn coal, oil or natural gas. But, as Daniel Grossman writes:

> That is true for some dams, such as those built in relatively cool, dry places with relatively little vegetation, which rots and turns into greenhouse gases. But the IPCC report ignored dams built in lowland tropical forests, where luxuriant jungle produces an unusually large amount of emissions. Daniel Grossman, *[1]the Sunken Rainforest*, 'New Scientist', 21 September

In tropical dams, microbes digesting submerged trees produce methane as well as CO 2 . An expert based in Brazil says that "hydroelectric dams in
tropical lowlands are a climate disaster."

Why do we continue to make policy about systems that are too complex for us to understand? Partly

it's historical. A century or two ago the link between the cause of a social or environmental problem and its effect would be more obvious. Effective policy could be made accordingly. But today the complexities have grown so profoundly that even the direction of causation isn't always clear. Policymakers, though, still make policy based on hunches or scientific knowledge that necessarily becomes out of date.

My suggestions is that, instead of making policy about complex but important issues as if we know what's going on, we should target outcomes, rather than the ways in which most experts currently think is the best way of achieving them. So, instead of targeting, say, 'proportion of electricity generated by renewable resources', we target for reduction the negative impacts of adverse climatic events. A [2]Climate Stability Bond regime would leave it up to motivated bondholders to work out the most efficient ways of achieving our climate goal; and they would do so in ways that both generate and act on the basis of rapidly expanding scientific knowledge. They would have incentives to look more closely and on a continuing basis at, for example, where dams can help achievement of our goal and where they would hinder it.

The [3]Social Policy Bond principle would stimulate, diverse, adaptive iniatives: projects that would take into account the differing and changing circumstances that any single conventional body, such as government at any level, just cannot.

Overwhelming complexity doesn't just affect big global problems. Here, Dr Malcolm Kendrick writes:

> [I]n truth, almost all diets are perfectly healthy. Vegetarian, paleo, keto, vegan (with a few essentially nutrients thrown in, so you don't die), HFLC [High Fat Low Carb], etc. In fact, the only non-healthy diet would be the one recommended by all the experts around the world.Namely, High carb, low fat (HCLF). The 'eat well plate', 'the food pyramid' – whatever it is now called. Stay away from that, and you will be fine. *[4]What causes heart disease (blog) part 65*, Dr Malcolm Kendrick, 23 September

Government and their scientist advisors, would serve us better by showing a bit of humility. Targeting outcomes, rather than the ways they currently think we'll achieve them, would be a good start.

1. https://www.newscientist.com/article/mg24332480-200-deliberate-drowning-of-brazils-rainforest-is-worsening-climate-change/
2. http://socialgoals.com/climate-change.html
3. https://socialgoals.com/
4. https://drmalcolmkendrick.org/2019/09/23/what-causes-heart-disease-part-65-lead-again/

16.10 October

16.10.1 Harlem trendsetters (2019-10-02 17:27)

Years ago John Fund asked:

> "If you had a financial windfall and wanted to help the poor, would you even think about giving time or a check to the government?" [1]Source

A story from the current *Economist* reinforces the sentiment behind that question:

> Harlem is a neighbourhood in upper Manhattan that was once a byword for poverty, crime and urban failure. It was a place where, as recently as 1980, black men had a lower life expectancy than in Bangladesh. Large parts of it look different today. Life expectancy has soared, and the neighbourhood has improved dramatically. Although a considerable share of children there—35 %—remain poor, their life chances still look much better than a generation earlier.

> That is in no small part because of the efforts of the Harlem Children's Zone (HCZ), a non-profit group which has "adopted 100 blocks" and set itself the goal of breaking the intergenerational chain of poverty by providing good parenting advice, healthy food and education. New parents who attend the zone's Baby College learn about

> proper nutrition and reading habits for their infants. Older children can attend free, full-day pre-kindergarten and some go on to attend the HCZ network of charter schools. Their impressive initial results are seen as a national model. The zone serves 14,000 children and 14,000 adults at a cost of just $4,600 per person per year (raised from a mix of public and private sources). That is not a large sum of money, points out Anne Williams-Isom, the zone's boss. "We spend $167,000 on an inmate in Rikers [jail]. *[2]How much can enterprise and philanthropy help alleviate American poverty?,* 'Economist', 26 September

When I first came up with Social Policy Bonds I thought that government bodies, at any level, would be the issuers. They have far more resources than private charities, non-governmental organisations and philanthropists.

It's true that they, along with other donors, back most of the [3]Social Impact Bonds currently being issued in about 25 countries. But they have shied away from issuing SIBs that target long-term, large-scale goals like raising life expectancy or universal literacy. Imagine the possibilities if government funded such bodies as the Harlem Children's Zone, with their ambitious goals that can be reached only after many years.

I think the main reason Social Policy Bonds haven't been issued is that, unlike SIBs, they are tradeable. This means that the bodies that would receive funding for their projects need not be the same throughout the lifetime of the bond, which could be decades for remote goals such as the elimination of poverty or the achievement of universal literacy. A *government that issued Social Policy Bonds would therefore be relinquishing its power to choose the recipients of funds*. Under a bond regime the allocation of funds would be up to the market, which would have incentives to choose only the most efficient operators and to terminate failed projects. Bodies currently favoured by government would, if they were inefficient and incapable of adapting, lose their funding under a Social Policy Bond regime. That is a contrast today's funding arrangements. In conventional policy, outstanding failure is rarely penalised (and often rewarded). Even under a SIB regime, inefficient operators, while they wouldn't maximise their returns, wouldn't see their existence be threatened.

Under both conventional policy and SIBs there is the possibility that even bodies as the HCZ well-meaning, hard-working and idealistic as they are at the beginning of their mission, become inefficient. The tendency is for any organisation, be it a trade union, religious body, university, public sector body or monopolistic private sector corporation, to become inefficient or corrupt; forgetting its ideals and devoting most of its energies to [4]self-perpetuation. Examples abound: only today for instance, we read of the huge salaries being paid to top charity employees. Just one recent example:

> Former Labour Foreign Secretary David Miliband is being paid almost $1 million a year to run a humanitarian charity that receives massive sums from British taxpayers. His astonishing pay package as chief executive of International Rescue Committee has soared to $911,796 (£741,883) ... according to the US-based organisation's latest tax return. [5]*Million-dollar Miliband!*, mailonline, 1 October

Social Policy Bonds would eliminate that risk. They would generate a [6]new type of organisation - one whose survival would depend absolutely on its efficiency, and whose composition and structure would adapt to changing circumstances. This organisation would be a formal or informal coalition of bondholders, whose every activity would be devoted to achieving society's targeted goal with maximum efficiency. It's unlikely that governments will take the lead here; they are far more comfortable dealing with established players. What about philanthropists? I haven't made much headway there - they probably filter out messages from unconnected members of the public. However, I did publish this [7]article in one of their journals last year. I'm not aware of any follow-up....

For more about Social Policy Bonds see my main page [8]here. For why I am ambivalent about Social Impact Bonds see [9]here and [10]here .

1. https://fee.org/articles/public-money-for-private-charity/
2. https://www.economist.com/special-report/2019/09/26/how-much-can-enterprise-and-philanthropy-help-alleviate-american-poverty
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://socialgoals.blogspot.com/2019/07/the-status-quo-is-tragedy.html
5. https://www.dailymail.co.uk/news/article-7516155/Million-dollar-Miliband-Former-Labour-Ministers-pay-soars-911-000-refugee-charity.html
6. http://socialgoals.com/new-type-of-organization.html
7. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/
8. http://socialgoals.com/
9. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
10. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

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16.10.2 They've weaponised complexity (2019-10-08 20:19)

When people's wishes clash with vested interests it's the vested interests (aka 'the deep state') that win every time. Our political systems are too complex, arcane or corrupt for ordinary people to stand a chance. One result is obvious: ever-rising income and wealth

inequality. It's been seen as a problem for years, but where are we now? From yesterday's *New York Times*:

> [T]he 400 wealthiest Americans last year paid a lower total tax rate — spanning federal, state and local taxes — than any other income group, according to newly released data. *[1]The Rich Really Do Pay Lower Taxes Than You*, David Leonhardt, 'New York Times',
> 6 October

It's not only the US. Here Martin Lukacs writes about Canadian Prime Minister Justin Trudeau:

> In late 2018, this avowed friend of labor legislated away the right to strike of a postal union that wanted safer working conditions; this champion of equality gave profitable multinational corporations giant hand-outs, maintaining multibillion-dollar subsidies to oil companies and granting $10.5 billion in tax breaks on the heels of similar measures by Trump; and this advocate of women's rights set a record selling weapons to the theocratic, patriarchal Kingdom of Saudi Arabia, even as their war on Yemen escalated. Private wealth continued to soar, without any discernible benefit to the public good. Much-needed universal social programs like childcare or the extension of healthcare to cover the costs of medicines in Canada—which are the second highest of any country—never materialized.
>
> *[2]Justin Trudeau, Liberal Let-Down*, Martin Lukacs, NYR daily, 7 October

Voting makes little difference. And, while we don't really know the intentions of the people in power, I suspect that whoever they are doesn't make much difference either. The vested interests are too powerful. They have perpetuated a policymaking process that effectively excludes influence from people outside their exalted circle. They have weaponised the complexity and obscurity of our systems of government for selfish ends.

They can get away with this because our political discourse centres on sound-bites, personality, and image. Actual policymaking is an entirely distinct process: much of it focuses on the structures and funding of government bodies, law and regulation; all of which are opaque to non-professionals - which is to say, ordinary people. The public. The rest of us. The only people who now really understand policymaking are those who are paid to do so, and the only people who influence it are those who have the millions of dollars necessary to pay them.You

might even think the system has been specifically designed to keep ordinary citizens out of it.

So I suggest that policymaking instead focus on outcomes, rather than the alleged means of achieving them. Outcomes that are meaningful to ordinary people, so that we can engage with discussion about them, their funding, their relative importance. Such discussion would be more accessible than current policymakers' emphasis on legal pathways, funding arrangements, institutional structures and composition, and other arcana.

Meaningful outcomes: they form one essential element of the Social Policy Bond idea. The other is the injection of market incentives into their achievement: rewarding those who achieve our goals according to their efficiency in actually achieving them. The idea might sound outlandish at first hearing: handing over the solution of our social and environmental problems to investors. But our goals would be discussed and articulated by government - something that democratic governments are quite good at doing. Only their achievement would be subject to the market, which economic theory and all the evidence suggest is the most efficient way of allocating society's scarce resources. No doubt the Social Policy Bond idea could do with some discussion and refinement. But the real question is: what is the alternative? To continue as we are doing, where the gap between vested interests and ordinary people grows ever wider, risks, in my view, social collapse.

For more about Social Policy Bonds see the Social Policy Bonds [3]homepage

.

1. https://www.nytimes.com/interactive/2019/10/06/opinion/income-tax-rate-wealthy.html
2. https://www.nybooks.com/daily/2019/10/07/justin-trudeau-liberal-let-down/
3. http://socialgoals.com/

16.10.3 We don't like being held in contempt (2019-10-16 17:23)

Concluding their study of daily life in colonial Latin America, Ann Jefferson and Paul Lokken write of the conflict between the Roman Catholic Church and those advocates of political and economic liberalism associated with Enlightenment thinking:

> Conservative leaders often succeeded in rallying support for their program from native peoples and other marginalized members of society because liberal advocates of “progress,” much like Spain’s “enlightened” Bourbon reformers in the late 18th century, generally made clear their disdain for the supposedly backward aspects of popular culture. *[1]Daily Life in Colonial Latin America,* Ann Jefferson and Paul Lokken, August 2011

I think the authors are onto something here; something that applies as much to today’s politics in western democracies as those of 200 years ago in the newly independent countries of Latin America. In the absence of a policymaking system that engages ordinary people, we react emotionally to the candidates and parties on offer. When we sense disdain from a political party, we vote for the other lot. The smugness of elites can be seen across the entire range of the spectrum, and our reaction to that combination of condescension and contempt explains much of contemporary politics.

We need a policymaking system that encourages us to further our understanding of the policy choices on offer - not the personalities, the sound-bites, the images or the rhetoric. We can do this by formulating those choices in terms of outcomes: outcomes that are meaningful to all of us; outcomes that we can understand and put into some order or priority.

Social Policy Bonds are one way in which we can specify such outcomes, and have people vote for those they support. A bond regime would be a way of bypassing the neuroses and insecurities of the people in power and those who manipulate them. By targeting outcomes with which people can identify Social Policy Bonds could bring about more public participation in the policymaking process. That is an end in itself (see [2]here (pdf) for example), as well as a means by which decisions become acceptable even to those who opposed them. Importantly too, there’s more consensus about outcomes than about the supposed means of achieving them. A bond regime would focus policy debate on our social and environmental goals, and which ones shall be prioritised. The process itself would generate more mutual understanding and less of the anger and contempt that are such a feature of today’s policymaking

As well, a bond regime would encourage us to think long term: our goals are far more stable than the ways in which we think we can best achieve them. They are also more transparent as would be their funding. Corporations, their lobbyists and the people in power whom they influence all have an interest in obscuring how funds are allocated, and in failing to monitor whether policies succeed or fail (see *[3]Why States Believe Foolish Ideas: Non-Self Evaluation by States and Societies,* by Stephen Van Evera (pdf)). With government, big business and now, increasingly, the judiciary determining our economic and social environment, what hope is there for the rest of us? The gap between ruler and ruled is becoming ever wider. Social Policy Bonds could help close it.

For general information about Social Policy Bonds see [4]here. For more about Social Policy Bonds and buy-in see [5]here.

1. https://www.amazon.com/Daily-Life-Colonial-Latin-America-ebook/dp/B005KJH400/ref=sr_1_2?keywords=daily+life+in+colonial+latin+america&qid=1571242018&sr=8-2
2. http://www.bsfrey.ch/articles/_438_2006.pdf
3. https://dspace.mit.edu/handle/1721.1/5533
4. https://socialgoals.com/
5. https://socialgoals.com/buy-in.html

16.10.4 The new caste system (2019-10-26 19:02)

Michael Hobbes writes:

> "The sense that there's a self-sustaining and self-dealing group at the top isn't wrong," Reeves said. "When you create a 'meritocratic' selection process where the production of merit is increasingly skewed by parental income, you end up with a hereditary meritocracy." *[1]The 'Glass Floor' Is Keeping America's Richest Idiots At The Top*, Michael Hobbes, 'Huffington Post', 13 October

True, but what is a meritocracy in one set of circumstances becomes something different when history moves on. What happens to what was (perhaps) a meritocracy is exactly what happens to any other organisation when faced with significantly changing circumstances: it begins to devote its time and energy to self-perpetuation rather than its stated, original, goals. Every organisation does it: be it a government body, a trade union, church or university. In the private sector too, large corporations, especially monopolies, find it more expedient to spend their time stifling competition and manipulating the regulatory environment to favour big, established firms like themselves. So I would not use the phrase 'hereditary meritocracy' to describe our ruling class: rather 'hereditary elite'. A caste, in fact.

We are beginning to see the result: a self-entrenching elite. In the English-speaking world (and perhaps beyond) we have a bifurcated society, in which those whose parents own property can aspire to own property, and those whose parents don't own property have very little chance of ever being able to buy a house, however hard working they might be.

> Inequality in Britain is "now entrenched from birth to work", according to a damning

> report by the government's social mobility commission[.] *[2]Social mobility in UK 'virtually stagnant' since 2014*, Richard Adams, the 'Guardian', 30 April

Part of the problem is that we [3]have government of the people, by the people rich, and for the people rich. And one reason for that is that our policymaking processes are so obscure and protracted that only the rich (or their employees) have the means or capacity to follow it closely and thereby influence it. Ordinary people are alienated from the decisions that affect our lives.

One of the two underlying principles of the [4]Social Policy Bond idea is that we - that is, society - should target goals that are meaningful to ordinary people; goals that we can understand and with which we can identify. So instead of politicians making themselves feel important by spending hours tinkering with various bodies' funding and regulatory arrangements, they would concentrate on articulating society's goals and raising the revenue for their achievement: things that government is actually quite good at. The *achievement* of these goals, on the other hand, is best done via a market. In economic theory, and on all the evidence, markets are the most efficient way of allocating society's scarce resources. By issuing Social Policy Bonds, government could target long-term, ambitious goals, without having to think about how to achieve them. That means, of course, that it would relinquish its power to decide who receives funding, and that is the sticking point. People rarely surrender power voluntarily.

So perhaps the more likely vehicle for the Social Policy Bond idea will be driven by philanthropists. I've [5]tried to reach them, but so far without success.

1. https://www.huffingtonpost.ca/entry/the-glass-floor-is-keeping-americas-richest-idiots-at-the-top_n_5d9fb1c9e4b06ddfc516e076?ri18n=true&guccounter=1
2. https://www.theguardian.com/society/2019/apr/30/social-mobility-in-uk-virtually-stagnant-since-2014
3. https://socialgoals.blogspot.com/2016/08/government-of-people-by-rich-for-rich.html
4. http://socialgoals.com/
5. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/

16.11 November

16.11.1 It's all about outcomes (2019-11-06 18:34)

From *Harper's Magazine*:

Percentage of [US] Democratic voters who cite a personal characteristic as the most important factor in selecting a president : 28

Who cite a policy consideration : 27

Harper's Index, *Harper's Magazine*, November, derived from Pew Research Center (Washington).

What could we expect? Policymaking is so removed from ordinary people that we have little else to go on, other than what can be seen in the media. We choose our politicians according to their perceived personality. Promises, rhetoric come into it but outcomes? Not at all. This isn't specific to the US. The gap between policymakers and the public grows ever wider. We focus on crises in the same way as we choose our politicians: according to their profile in the media. Slow-moving, complex crises, like climate change or the ballooning of public and private debt, deteriorate over the years, until they manifest themselves unequivocally forms that can be covered in a short news bulletin. There's an inevitability about this, and it's perfectly explicable in a world in which we are bombarded by information. But it is not efficient, because resources are devoted to avoiding images of failure, rather than actual failure. Serious but non-visual crises, as we have seen in finance and the environment, slowly and undramatically gather pace until their effects become unavoidable. By that time, of course, it might be too late to do much about them, even with enormous quantities of spending.

A [1]Social Policy Bond regime could be different. It would target society's social and environmental goals, such as dealing with [2]climate change, extending [3]nuclear peace, the mitigation of any sort of human [4]catastrophe, however caused. We need to be given the chance to express our political views in the form of desirable outcomes, rather than in terms of personality.

1. https://socialgoals.com/
2. https://socialgoals.com/climate-change.html
3. http://socialgoals.com/nuclear-peace.html
4. https://socialgoals.com/disaster-prevention.html

16.11.2 Effective policy needs experiments (2019-11-09 18:12)

Long-term, remote goals, such as universal literacy, the ending of war, or the elimination of poverty in developing countries, will require a range of solutions, varying over time and space, for their achievement. Conventional approaches to large-scale, complex problems rarely rely on hard evidence. Too often we read about the supposed 'root causes' of, for instance, violence being poverty and violence, with little supporting evidence. Sure, in some circumstances, tackling such alleged root causes might be the most efficient way of solving a problem. But in others such faith might be misplaced, or even counterproductive. Even [1]Social Impact Bonds are limited when it comes to large-scale, remote goals, because they are inherently short term in nature, and don't allow for new entrants into the problem-solving services. (See [2]here and [3]here for why I am ambivalent about SIBs.)

[4]Social Policy Bonds are different. Because they're tradeable, they can target long-term goals whose achievement might take years beyond the planning horizon of investors. This allows bondholders to benefit from copious research aimed at finding, and funding, only the most efficient initiatives.

This sort of research and experimentation in matters of policy is rarely encouraged or rewarded, so I'm pleased that this year's Nobel prize for economics was awarded to three economists, Abhijit
Banerjee, Esther Duflo and Michael Kremer, who used experiments to look at approaches to health care, education and entrepreneurship.

> In
> the mid-1990s Mr Kremer ...began studying poverty
> with methods more commonly associated with chemists and biologists:
> randomised trials. If human capital—health, education, skills and so
> forth—is essential for development, then economists had better make sure
> they understand where it comes from. In Kenya he conducted field
> experiments in which schools were randomly divided into groups, some
> subject to a policy intervention and others not. He tested, among other
> things, additional textbooks, deworming treatments and financial
> incentives for teachers linked to their pupils' progress. .... Educational resources—
> textbooks, say—turned out to do little
> for learning outcomes. Making pupils healthier improved their
> attendance, but did not necessarily mean they learned more. The
> experiments had a larger result, however: they taught the economics
> profession that randomised trials could work in the field. *[5]A Nobel economics prize goes to pioneers in understanding poverty*, the 'Economist', 17 October

Right: they can work if the incentives are there to conduct them. The governments of all too many countries seldom think of offering such incentives. Philanthropists sometimes do, though (see [6]here for example). They could take the lead in issuing Social Policy Bonds for the big, urgent goals that existing bodies are too small, too selfish or too incompetent to

target effectively. See [7]here for my piece on Social Policy Bonds published by a journal for philanthropists.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
3. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
4. https://socialgoals.com/
5. https://www.economist.com/finance-and-economics/2019/10/17/a-nobel-economics-prize-goes-to-pioneers-in-understanding-poverty
6. https://www.geekwire.com/2019/gates-foundation-nih-commit-200m-make-gene-therapies-cheaper/
7. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKEwiFoue6z931AhWGI1AKHXkUB6sQFjADegQIAxAB&url=https%3A%2F%2Fwww.alliancem

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16.11.3 It's worth investing in nuclear peace (2019-11-24 00:16)

There's very little to cheer about here:

> As China makes its nuclear forces more credible—less vulnerable to pre-emption, and more likely to get through missile defences—America grows nervous, argues Caitlin Talmadge of Georgetown University. If America cannot hope to destroy most of China's missiles, then it cannot easily threaten China with a nuclear strike without putting its own cities at risk. American policymakers worry this will embolden China and unnerve American allies like Taiwan and Japan....
> Chinese officials are overconfident about their ability to prevent a conventional war from turning nuclear, they argue, while American ones are overconfident about their subsequent ability to keep a nuclear war limited in scope. Making things worse, the two countries lack a dedicated nuclear dialogue, largely because China is wary of giving away too much information. [1]*China's nuclear arsenal was strikingly modest, but that is changing*, the 'Economist', 23 November

The stakes here are enormous, but we are proceeding haphazardly toward an unknown, perhaps catastrophic, destination. There *are* people and resources aimed at minimising the risk of nuclear conflict but I think there are too few, given the potential for calamity. Unfortunately, we have no way, under our current national and supranational political systems, to channel more resources - more *effective* resources, that is - into minimising the risk of nuclear conflict.

Actually, the goal of sustained nuclear peace makes an ideal target for the Social Policy Bond idea. One, because it's a complex, long-term goal that will require diverse, adaptive solutions. Two, it's an easy goal to verify. And lastly, it's a goal that, on all the evidence, including that of the *Economist* article,

is
unlikely to be reached under current policy.

My proposal would be to issue bonds that reward a sustained period of nuclear peace. This could be defined, as, say the non-detonation of a nuclear device that kills more than 50 people for 30 years. They could be backed by a combination of governments, non-governmental organisations, philanthropists and members of the public. With sufficient backing the bonds would help offset and (one hopes) outweigh the the incentives currently on offer, which essentially are those of the military and weapons manufacturers to maintain a nuclear posture.

Those billions of us who would benefit from nuclear peace are presumably a massive numerical majority, but we have few means of channel our wishes effectively. The tendency is to
assume that governments will do what's necessary, with the support of hard-working, well-intentioned people in the private sector. But the rewards to all these people are not linked to their success. This is unhelpful in itself but, more importantly, it discourages investors who, seeing little opportunity to benefit from working to reduce nuclear conflict, will focus instead of less edifying enterprises. Most important of all is that our current strategy is just not working.

We need to reward those who achieve nuclear peace at least as much as those working to undermine it. We don't know exactly how to reduce the chances of a nuclear exchange, nor who will be best placed to do so, over the long period during which our goal is to be achieved, but we have no excuse for not encouraging people to find out. Nuclear Peace Bonds would apply the [2]Social Policy Bond principle to this goal. Investors in the bonds would form a [3]protean coalition
of people dedicated to achieving it as efficiently as possible. Their goal would be exactly the same as society's. Human ingenuity knows no limits. Currently, too much of it is devoted to relatively [4]unimportant or socially [5]questionable goals. Nuclear Peace Bonds would channel our ingenuity, and stimulate more of it, into minimising the risk of a global catastrophe.

My short piece on Nuclear Peace Bonds is [6]here. The links in the right-hand column of that page point to papers on similar themes: [7]Conflict Reduction, [8]Disaster Prevention, and [9]Middle East Peace

1. https://www.economist.com/china/2019/11/21/chinas-nuclear-arsenal-was-strikingly-modest-but-that-is-changing

2. http://socialgoals.com/
3. http://socialgoals.com/new-type-of-organization.html
4. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=12&cad=rja&uact=8&ved=2ahUKEwiu8bilsdbcAhVGIlAKHaafDSwQFjALegQIHBAB&url=https%3A%2F%2Fwww.adweek.c
5. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKEwjole2AsdbcAhXHJVAKHRaMDBsQFjADegQIGxAB&url=https%3A%2F%2Fwww.euractiv.
6. http://socialgoals.com/nuclear-peace.html
7. http://socialgoals.com/conflict-reduction-.html
8. http://socialgoals.com/disaster-prevention.html
9. http://socialgoals.com/middle-east-peace.html

16.12 December

16.12.1 Improve healh by spending less on health care (2019-12-10 20:23)

Richard Smith, the former editor of the *British Medical Journal* gets it:

> Another common mistake is to confuse health care and health. Health care accounts for perhaps 10 % of health. Income is the main determinant of health. Spending more on health care crowds out spending on things like housing, education, the environment and benefits, which are more important for health. The NHS doesn't need more money, it needs a radical rethink. Richard Smith, *[1]Letters to the editor*, the 'Economist', 7 December

Exactly. The best, most efficient way, of achieving our health goals is not necessarily to spend more on healthcare, just as the best way of reducing crime might not be to spend more on policing. In health, as in other policy areas, suffers from its inherently uniform, top-down approach, heavily influenced by large corporations. Government can also be short term in its thinking, reactive rather than proactive, and disdainful of innovation while favouring tried, tested but failed approaches. It has to make its resource allocation decisions on the basis of data that are necessarily incomplete. How can it know in detail the effect that spending on, say, sophisticated ultrasonic diagnostics will have on the overall health of the nation, as compared with nudging us to floss our teeth daily?

Health expenditure is influenced by groups of medical specialists with little incentive or capacity to see improvements in the *overall* health of a large population as an objective. Funding decisions are also heavily influenced by the public profile of a disease or its victims, rather than on what would best meet the needs of society. As Dr Smith says, health is also a function of housing, income, education and the environment, as well as more factors such as diet, and exercise. Research shows the beneficial effects on health of green spaces in our

cities (see [2]here (pdf) for instance). The way government is currently structured, with its discrete funding bodies all being lobbied by the medical industry, makes it unlikely that such difficult-to-quantify benefits will influence funding decisions.

We cannot expect a government nor any single organisation to identify the huge numbers of variables, with all their time lags and interactions, that influence the nation's health. We can, though, devise a system that rewards people who explore and implement the most cost-effective health solutions, even when circumstances and knowledge are changing continuously. I have tried to do this with my essay on [3]Health Bonds, which would aim to distribute scarce government funds to where they would do most good, as measured by such indicators as [4]Quality Adjusted Life Years.

By issuing Health Bonds, government would reward successful initiatives for improving health *regardless of how these initiatives work or who implements them*. Government would still articulate society's broad desired health outcomes, and still raise the revenue for their achievement. But it would contract out the achievement to motivated investors in a way that rewards success, and only success. Health Bonds, would stimulate diverse, adaptive ways of achieving goals, in ways that we cannot anticipate, and that could well entail dealing with problems such as those identified by Dr Smith.

[5]

1. https://www.economist.com/letters/2019/12/07/letters-to-the-editor
2. http://www.ehrf.info/wp-content/uploads/2011/09/BenefitsofGreenSpace.pdf
3. http://socialgoals.com/health.html
4. https://www.wikiwand.com/en/QALYs
5. https://www.blogger.com/share-post.g?blogID=9695147&postID=3153208176258529270&target=blog

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16.12.2 Give up control over the 'how' (2019-12-15 18:04)

Joseph O'Neill looks at US politics and how wealthy left/'liberal' donors' support differs from their conservative counterparts' in the US:

> [T]he liberal political apparatus is “largely guided by the moral whims of rich people.” ...Liberal megadonors with private foundations are reluctant to invest in uncharismatic, long-haul grassroots projects. They are typically afraid of appearing “political.” Instead, they favor ameliorating the plight of the visibly needy ... [whereas] right-wing donors have spent their money more productively. They have created and supported entities (the American Legislative Exchange Council, ... the State Policy Network, Americans for Prosperity, the Federalist Society, etc.) dedicated to developing durable structures of power and fanaticism. *[1]No More Nice Dems*, Joseph O’Neill, ’The New York Review of Books’, dated 19 December

I’m not sure about either strategy. Well, I *am* sure they work for the donors, and there’s an argument that the left already has much of the media, schools and universities in their grip anyway, and not only in the US: it doesn’t have to create new ones. To quote Thomas Sowell:

> The most fundamental fact about the ideas of the political left is that they do not work. Therefore we should not be surprised to find the left concentrated in institutions where ideas do not have to work in order to survive. Thomas Sowell, ’The Survival of the Left’, in *[2]The Thomas Sowell Reader*, 2011

But the point is that the wealthy donors of neither the left nor right seem to care about outcomes. They fund glamorous, high-profile projects or buildings, foundations, think-tanks. They lobby government. They have in common that, even if they genuinely wish to improve the well-being of certain groups, they won’t target the *outcomes* that those people most care about. Why not? Because, I think, in this respect donors resemble politicians and bureaucrats: *they will not willingly relinquish control*. They think they know how best to achieve results, or they want everyone to associate them with identifiable buildings, institutions or ideas - whether they do any long term good or not.

Social Policy Bonds are a means by which the wealthy could both articulate society’s wishes and channel funds into satisfying those wishes, without actually doing the work themselves. Rich philanthropists could, instead, reward the *achievement* of our goals, without dictating who shall achieve them nor how they shall be achieved. They would still have the power to articulate these goals but, under a bond regime, they would have to relinquish the control over *how* these goals are to be achieved. That would be probably be difficult for billionaires to

accept. But to address our most serious problems we need diverse, adaptive solutions, with time horizons longer than those of individual lifetimes.

As a species, we now have massive potential to solve those problems that have bedevilled mankind for millennia: war, for instance, poverty, illiteracy, disease. Social Policy Bonds are a means by which we could motivate people toward solving these problems. Governments, unfortunately, aren't likely to be the first to issue them. They owe too much to existing career paths, methods, and institutions. But billionaires? They could be more amenable to persuasion. They want to see the right thing done. All it would take is a bit of humility on their part so that they don't feel they have to be the ones doing it. 'Letting go' of the need for acknowledgement and short-term results, could be as helpful to society as letting go of emotional hurts can be to the individual.

1. https://www.nybooks.com/articles/2019/12/19/no-more-nice-democrats
2. http://books.google.com/books?id=Nfd2KKqZbNYC&printsec=frontcover&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false.

16.12.3 Politics as career drama (2019-12-27 17:11)

There's much that's worthy of quote in Greg Jackson's latest article in *Harper's Magazine*, but I will limit myself to this for now:

> As things are, the job of politicians is to feed the emotional-entertainment industry that we call "news," which is accomplished by grandstanding and self-promotion. Reporters and pundits cover politics by analyzing how politicians succeed and fail *as spokespeople and media figures*. Interest shifts, by turns, to how the game is played, how the media fits into this game, and, eventually, how journalists do their jobs. The news today, properly understood, is about the careers of politicians and journalists. It is career drama. (My italics) *[1]Vicious Cycles*, Greg Jackson, 'Harper's Magazine', dated January 2020

In the absence of any more meaningful measure of politicians' competence, we focus on how they appear in the media. But what else can we do? The links between what politicians say, what they mean, and what actually happens are tenuous, obscure or non-existent. Only rarely can we say that this politician did something that led to that outcome. Society is just too complex to identify cause and effect with certainty. There are exceptions: decisions to go to war, for instance. But for the most part, when wondering whom to vote for we depend on the news or, as Mr Jackson accurately puts it, "news".

When seeing the wide, and widening, gap between politicians and ordinary citizens, we are right to draw attention to the baleful influence of the wealthy organisations - public- and private-sector - who, along with their lobbyists, are the only people that have the time and motivation to understand how policy is made and how they can manipulate it for their own benefit. If only there were a means by which we could make politicians enact policies that benefit the people they are supposed to represent.

[2]Social Policy Bonds are one such means. You might have heard of [3]Social *Impact* Bonds, which are the non-tradeable version of my [4]original (long pdf, scroll to page 266) idea. There are several reasons why I think we need the bonds to be tradeable if they are going to make significant gains in policy effectiveness and efficiency. I write about those reasons [5]here and [6]here. The important point is that the bonds reward outcomes: outcomes, moreover, that are meaningful to ordinary people and which, in fact, ordinary people can help identify and prioritise. Because Social Policy Bonds are tradeable they can target long-term goals, whose pathway to achievement is unclear. We can therefore target remote goals, such as universal literacy or [7]world peace, because we do not have to specify in advance how those goals shall be best achieved, nor whom we shall charge with achieving them. The market for the bonds would ensure that only the most efficient projects will be rewarded. The long-term nature of the bonds means that investors will have incentives to research a wide range or initiatives, and persist only with the most efficient.

Our biggest, most urgent challenges - such as climate change or conflict reduction - will require a mosaic of diverse, adaptive projects. These are exactly the sorts of projects that government at any level implement. The top-down approach is good for articulating society's wishes, and for raising the revenue for their achievement, but when it comes to actually achieving any but the most obvious goals - the ones with the clearest link between cause and effect - it fails. A Social Policy Bond regime would see politicians doing what they do well: helping society define its goals and raising taxes. But it would contract out the achievement of these goals to more motivated investors, who have a sustained interest in achieving their goals - which are exactly the same as those of society. Economic theory and all the evidence tell us that competitive markets are the most efficient way of allocating scarce resources to achieve prescribed ends. Under a Social Policy Bond regime it is society that would determine these ends, and market forces would channel the market's incentives and efficiencies into achieving them.

1. https://harpers.org/archive/2020/01/vicious-cycles-theses-on-a-philosophy-of-news/
2. http://socialgoals.com/
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/848/aeru_dp_121_vol2.pdf;sequence=2
5. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
6. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
7. http://socialgoals.com/conflict-reduction.html

2020

17.1 January

17.1.1 Input legitimacy: the Swiss approach (2020-01-04 23:10)

The *Economist* writes:

> One of the great arguments for democracy is what Fritz Schapf, a German scholar of politics, calls “input legitimacy”. Even if a system does not give people what they want, the fact that those running it reflect a democratic choice is legitimising. *[1]Can technology plan economies and destroy democracy?*, the ’Economist’, 18 December 2019

This chimes with some decades-old research done in Switzerland. It is a shame that the Swiss model of ‘direct democracy’ is something of an outlier. Switzerland has a federal structure whose 26 cantons have use assorted instruments of direct democracy, notably initiatives to change the canton’s constitution, and referendums to stop new laws, change existing ones, or prevent new public spending. Cantons vary in the ease with which these instruments can be used. Research by Bruno Frey and Alois Stutzer of the University of Zurich showed that, even after allowing for other variables, the more democratic the canton, the more people living there reported being happy. The effect is significant:

> [T]he marginal effect of direct democracy on happiness [was found to be] nearly half as big as the effect of moving from the lowest monthly income band (SFr980-1,285, or $660-865) to the highest (SFr4,501 and above).
>
> *[2]Happiness is a warm vote*, the ’Economist’, 15 April 1999

By looking at the reported happiness of foreigners (that is, people who cannot vote in the referendums) living in the Swiss cantons, the researchers found that it wasn’t just the effect

of the decisions made by direct democracy that led to greater well-being. The *participation in the process itself accounted for most of the increased happiness*.

This is a position I have long advocated. Social Policy Bonds would target outcomes: transparent, verifiable outcomes that are meaningful to ordinary people. Discussion and debate about these outcomes and their priority is inherently more accessible to ordinary people. The current political systems in most democracies rarely declares their goals (if they have any) in terms that mean anything to natural persons. Their goals have more to do with retaining power, and usually mean favourable treatment for the most powerful, especially government agencies and big business, at the expense of small businesses and ordinary citizens. The system gets away with this, because its goals are expressed vaguely if at all, and policymaking takes the form of recondite, legalistic discussion about institutional structures and funding. Social Policy Bonds in contrast would subordinate all such processes to meaningful, explicit goals. This would draw more people into the political process. As the long-standing research into Swiss direct democracy shows, *this is an end in itself*, as well as a means to greater well-being.

1. https://www.economist.com/christmas-specials/2019/12/18/can-technology-plan-economies-and-destroy-democracy
2. https://www.economist.com/finance-and-economics/1999/04/15/happiness-is-a-warm-vote

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17.1.2 Mickey Mouse micro-objectives: rape statistics (2020-01-13 22:06)

In our complex societies, the alternative to coherent, meaningful, goals expressed in numbers are incoherent, meaningless goals expressed in numbers. That's bad enough, but there are times when numerical targets are devised such that they are not just devoid of meaning, but work in ways contrary to their ostensible intention. Here is one recently reported example:

[1]Pinellas Sheriff's Office boosts its rape stats without solving cases, Allison Ross, 'Tampa Bay Times', 5 January

[2]

The details aren't important: it's a familiar story. The problem with this, and other Mickey Mouse micro-objectives, is that the numerical target is uncorrelated to any aspect of societal well-being. They sound good, these targets, and they might have started out as well intentioned. But they are too easily devised or perverted by people with an interest in avoiding effort. People can get away with this because few of us will challenge such high-sounding goals as 'reducing rapes', or 'dealing with crime', or 'reducing climate change'. Only in retrospect do we see how the targets and indicators associated with such ideals are so poorly

or cynically designed that they have the effect of nullifying their stated goals.

The case for Social Policy Bonds rest on two pillars. One is the channelling of market forces into the achievement of our goals. The other, though, is the precise definition of these goals. For any quantitative measures of progress, our goals should not only be meaningful to ordinary people. They should be *ends in themselves or inextricably linked to those ends*. They need to be broad and long term, so that solving one problem can't occur simply by creating others, or shifting the problem into another region, or kicking the can down the road.

So how would Social Policy Bonds deal with rape? One way forward could be to target for reduction - nationally - the numbers of people in anonymous surveys who respond 'yes' when asked whether they have been raped. That could form one of an array of indicators, which could include some that are currently used. All such indicators would have to fall within a prescribed range for a sustained period before the bonds would be redeemed. Choosing these indicators wouldn't be simple. But what is the alternative?

For more about Social Policy Bonds see [3]SocialGoals.com

1. https://www.tampabay.com/florida-politics/buzz/2020/01/05/how-the-pinellas-sheriffs-office-boosts-its-rape-stats-without-solving-cases/
2. about:invalid#zClosurez
3. http://socialgoals.com/

17.1.3 The sad, infuriating, truth about our climate target (2020-01-25 18:02)

David Roberts writes:

> Humanity has put more CO 2 in the atmosphere since 1988, when climate scientist James Hansen first testified to Congress about the danger of climate change, than it did in all of history prior.... No country has implemented anything close to the policies necessary to establish an emissions trajectory toward 1.5˚C; many, including the US and Brazil, are hurtling in the other direction. *[1]The sad truth about our boldest climate target*, vox.com, 3 January

What can I say without repeating myself? Six years ago I wrote that [2]Kyoto is doomed. and that Kyoto is a [3]dog's breakfast. Four years ago I repeated myself, saying wrote that current climate policy is [4]doomed to fail.

Less irritatingly, I've [5]asked whether we should be more concerned about the effects of climate change than on climate change itself. One of the advantages, as I see it, of a [6]Social Policy Bond regime is that it perforce, and *at the outset*, specify very clearly what we want to achieve. As applied to the climate change problem we would express our policy goal as a combination of physical, social, biological and financial measures that must fall within specified ranges for a sustained period. Only then would holders of [7]Climate Stability Bonds be paid out. These bonds would, in effect, contract out the achievement of our multiple climate goals to the private sector, leaving it to respond to our ever-expanding scientific and technical knowledge. Current policy is rigid and arrogant, in that it is based entirely on current science and assumptions about future trends. It cannot adapt to new knowledge. These are other reasons why it's failed to capture the public imagination and hasn't, in fact, achieved anything. We need a multitude of diverse, adaptive approaches to achieving our goals relating to climate change and its impacts - many of which will have nothing to do with greenhouse gas emissions. Climate Stability Bonds would encourage them. Current policy, as well as being politically divisive, imposing extremely high upfront costs, and achieving nothing, will not.

1. https://www.vox.com/energy-and-environment/2020/1/3/21045263/climate-change-1-5-degrees-celsius-target-ipcc
2. https://socialgoals.blogspot.com/2013/01/kyoto-is-doomed.html
3. https://socialgoals.blogspot.com/2013/05/the-dogs-breakfast-that-is-kyoto.html
4. https://socialgoals.blogspot.com/2015/09/climate-change-current-policy-is-doomed.html
5. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
6. http://socialgoals.com/
7. http://socialgoals.com/climate-change.html

17.2 February

17.2.1 Locusts, potato crisps, and nuclear catastrophe (2020-02-01 18:23)

The Economist writes:

> The last big locust crisis, in north-west Africa, lasted from 2003 to 2005 and caused an estimated $2.5bn worth of damage to harvests. Getting it under control cost almost $600m, with donors footing much of the bill. That is enough to cover preventive measures in the same region for 170 years, say experts. But prevention does not attract much funding. "This is a Catch-22," says Keith Cressman, the Senior Locust Forecasting Officer at the FAO. "Donors are interested in funding big emergencies, big problems." And governments, unlike locusts, move slowly. *[1]East Africa is reeling from an invasion of locusts*, the Economist, 1 February

So it goes. We pay attention to fast-moving problems that make a vivid visual impact. Slow-moving, unglamorous problems that cry out for policy initiatives go neglected. Prevention of emergencies, like locusts, are one example; climate change, and loss of habitat for the world's animal and plant life are others. By the time their worst effects are known and we belatedly respond, the problems have taken on overwhelming dimensions.

We respond to events if they are fast moving enough. That is a failure, in that early response to less obvious problems would be more efficient. But it's a failure too in that we are wedded to responding to noticeable events. We do not have policies that to deal with unknowable disasters whose provenance and scale we cannot foresee. We need to recognise that the maintenance of the status quo is worth targeting, even if we cannot foresee how it is threatened and especially if we cannot think about how best to go about dealing with those threats.

This is where Social Policy Bonds can play a role. They can motivate people not only to solve visible but slow-moving problems, but also to work so as to prevent those unforeseeable problems. Take, for instance, the threat of nuclear conflict. We know one would be catastrophic but we have so few ideas about how to lower the threat level that we devote far more ingenuity (and quite possibly, funding) into digital marketing strategies for [2]dog-food, or into developing [3]new flavours for potato crisps. There *are* well-intentioned, hard-working people working to reduce threats like nuclear conflict, but their resources are limited by our historic and inefficient practice of responding only to events that are actually occurring. And we have no mechanism for rewarding the institutions that are working for peace in ways according to how well they do so. This means they are not as motivated as they otherwise might be, but more importantly that these bodies *do not receive funding commensurate with the importance of their goal*. Everybody in the world would suffer grievously from a nuclear exchange, but there is no means by which we can currently channel our well-founded fears into ways that will help avoid one. We have to rely on bodies such as the United Nations, non-governmental organisations, and philanthropists, most of which are - inevitably, and in common with all organisations - pre-occupied with self-perpetuation.

The answer could be [4]Nuclear Peace Bonds. Targeting nuclear catastrophe they would be backed by governments, NGOs, philanthropists and anybody with a strong interest in human well-being. Floated on the open market they would become redeemable for, say, $1m each only after a thirty-year period during which no (lethal) nuclear explosion takes place. Floated on the open market, they might initially fetch just $10000 each, if the market thinks the probability of thirty years' nuclear peace is low. But these bonds would be tradeable: their value

would rise and fall according to how likely people think the peace target will be reached.

Initial investors would buy the bonds and do whatever they can to increase that probability. Even helping existing ways of monitoring nuclear material might see the value of their bonds double. Others, with expertise in different areas, would buy their bonds and do what they can to raise the value of the bonds still further. At every stage, the bonds would be in the hands of those most able to bring about nuclear peace. The bondholders' goal is exactly congruent with society's: *they make money only by achieving society's goal*. At every stage of every process required to achieve that goal, incentives will motivate people to be as efficient as possible.

Rather than encourage endless speculation about what projects will make the world more peaceful the bonds would, in effect, contract out the achievement of world peace to the market. They would encourage a wide range of *adaptive* projects, whose sole criterion for funding would be that they would raise the probability of world peace being achieved. In this way, the governments and others who back the bonds would do what they are best at: articulating society's goals and raising the revenue for their achievement. At the same time, the market would be doing what it is best at: allocating resources as efficiently as possible.

If nuclear peace sounds too lofty a goal, then we could start by aiming for something like peace in the Middle East. The same principle

would work for natural disasters or climate change. In every case, we'd be rewarding the successful achievement of a sustained, desirable outcome, even if it's as unglamorous as maintaining the status quo in the shape of nuclear peace. It is a shame that few people seem to think along these lines.

My short piece on Nuclear Peace Bonds is [5]here. The links in the right-hand column of that page point to papers on similar themes: [6]Conflict Reduction, [7]Disaster Prevention, and [8]Middle East Peace

1. https://www.economist.com/middle-east-and-africa/2020/01/30/east-africa-is-reeling-from-an-invasion-of-locusts
2. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
3. https://www.theguardian.com/food/2020/jan/14/so-long-salt-and-vinegar-how-crisp-flavours-went-from-simple-to-sensational
4. http://socialgoals.com/nuclear-peace.html
5. http://socialgoals.com/nuclear-peace.html
6. http://socialgoals.com/conflict-reduction-.html
7. http://socialgoals.com/disaster-prevention.html
8. http://socialgoals.com/middle-east-peace.html

17.2.2 It's too complicated for current politics (2020-02-08 23:35)

James Fenton writes to the *New Scientist*, questioning whether planting trees will mitigate climate change:

> It may not always work. Planting trees on open ground may change the reflectivity, or albedo, of land. At higher latitudes this can cause a warming effect, as three-dimensional woodland absorbs more radiation than the essentially two-dimensional open ground that it replaces. In many places new planting is likely to be targeted at upland areas, which generally possess stratified soils with a high organic carbon content. In the UK there is an order of magnitude more carbon stored in soil carbon than plant biomass. Tree planting on such soils can oxidise this carbon, potentially releasing more than the amount taken up by the trees. And practices such as ploughing land before planting can dry out

> the soil, causing carbon release. At the other end of the forestry cycle, modern tree extracting machines can similarly churn up the soil. So it isn't clear to me whether tree planting will benefit the climate. *[1]Can planting trees combat climate change very much?,* James Fenton, letter published in New Scientist, 8 February

When scientists can't be certain about relationship between tree planting and atmospheric levels of carbon dioxide, we need a climate change policy that allows for such uncertainty. For many years I've been advocating that we need clarity over what we are trying to achieve. Let's assume that we are trying now to slow down and stop the climate changing by reducing the level of greenhouse gases in the atmosphere. (That sidesteps the question of whether we should be concentrating on reducing climate change, or reducing the negative impacts of climate change - see [2]here.) Planting trees might have an important, even crucial role, in determining climate outcomes. But *we don't have a policymaking system that allows for the uncertainties* that Mr Fenton cites, nor for any other massive uncertainties such as the effects of certain sorts of cloud - see my post [3]here.

Our policymaking system relies on our being able to identify with reasonable certainty the relationship between cause and effect. But our society and environment are now too complex for that blithe assumption to work. We just don't know whether planting trees will mitigate or accelerate climate change, but we cannot currently make policy in any other way. I.

Which is why I suggest we target the goal we want to achieve, and reward the people who find the best ways of achieving them: ways that we cannot now identify with any certainty. Any efforts, then, must be long-term in nature, and they must encourage research, experimentation and, finally, implementation, all of which means that policy must be consistent over time. We cannot at this point convincingly advocate, say, tree planting, but what we can do is provide a system of incentives that will reward tree planting (more accurately: the right sort of tree planting) to the degree that it helps achieve society's climate change goal. We reward the outcome, and let investors work out the best ways of achieving it, giving assurances that their successful long-term efforts, which will doubtless entail many failed experiments, will be rewarded.

Long time readers will know that, of course, I'm advocating the application of the Social Policy Bond concept to climate change. We urgently need to reward people who (1) are investigating exactly the sort of relationships about which Mr Fenton writes and (2) are implementing the most successful of their activities and terminating those that are less promising. We need to encourage a wide range of diverse, adaptive approaches and we need to reward the most useful of these. Our current policymaking system is too sclerotic to contemplate such a flexible approach.

It's not just climate change, where at least we *think* we can identify many of the likeliest explanatory variables. There are just as urgent, big issues, such as nuclear peace, or disaster reduction, where the complexities are so obvious even to policymakers that any activities now being undertaken to address them are half hearted, scattered, incoherent, and too poorly-financed to achieve anything useful. The Social Policy Bond concept can be applied to those issues too.

Climate change, conflict reduction, nuclear peace: these are huge, urgent problems whose causes we cannot identify with any certainty, and vary with time and geographic area. Conventional policy cannot cope with the diverse, dynamic nature of these problems, which are going to be solved only with an array of diverse, adaptive approaches. Social Policy Bonds, by targeting outcomes rather than the supposed ways of achieving them, can deal with uncertain, complex relationships between cause and effect. Current politics can't.

See [4]here for links to my papers on Climate Stability Bonds, and [5]here for my work on conflict reduction.

1. https://www.newscientist.com/letter/mg24532680-100-can-planting-trees-combat-climate-change-very-much/
2. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
3. https://socialgoals.blogspot.com/2015/09/climate-change-current-policy-is-doomed.html
4. http://socialgoals.com/climate-change.html
5. http://socialgoals.com/conflict-reduction.html

17.2.3 Enough with the dog-food (2020-02-19 22:19)

[1]Qatar has a population of about 2.6 million. Amongst other facts and figures about weapons sales to the Middle East, the Economist this week tells us that:

> Qatar already has Chinese-made ballistic missiles. *[2]From muskets to missiles*, the Economist, 15 February

Not, thankfully, nuclear. Not yet anyway - nuclear is available only to larger, responsible players on the world stage. Like Pakistan and North Korea. What are the odds, I wonder, against a nuclear attack in the near future? Luisa Rodriguez summarises her findings:

> ...I get a rough sense of how probable a nuclear war might be by looking at historical evidence, the views of experts, and predictions made by forecasters. I find that, if we aggregate those perspectives, there's about a 1.1 % chance of nuclear war each year, and that the chances of a nuclear war between the US and Russia, in particular, are around 0.38 % per year. [3]*How likely is a nuclear exchange between the US and Russia?*, Luisa Rodriguez, Effective Altruism Forum, 20 January

You'd think that we'd put a bit more effort into avoiding a nuclear attack and its dire consequences than we do. But much of our ingenuity is instead devoted to activities of comparatively little social merit: financial trading, property speculation or (one of my hobby horses) clever advertising campaigns aimed at [4]selling more [5]dog-food.

This is not just a question of efficiency. It's quite possible that the activities of peace-making organisations (like [6]this one) are as cost-effective as they can be, given their limited resources. The question is more one of human priorities and translating what I (presumptuously) see as the likely wishes of most of the world's population for nuclear peace into funding for those bodies working to achieve it. The disconnect here between ordinary people and the politicians supposed to represent us is near total.

The answer could be [7]Nuclear Peace Bonds. Targeting a sustained period of nuclear peace, they could be backed initially by a combination of governments, NGOs, philanthropists, and subsequently members of the public. Floated on the open market they would become redeemable for, say, $1m each only after a thirty-year period during which no nuclear detonation killing more than fifty people takes place. They might initially fetch say just $10000 each, if the market thinks the probability of thirty years' nuclear peace is low. But these bonds would be tradeable: their value would rise and fall according to how likely people think the peace target will be reached.

Initial investors would buy the bonds and do whatever they

can to increase that probability. Even helping existing ways of monitoring nuclear material might see the value of their bonds double. Others, with expertise in different areas, would buy their bonds and do what they can to raise the value of the bonds still further. At every stage, the bonds would be in the hands of those most able to bring about nuclear peace. The bondholders' goal is exactly congruent with society's: *they make money only by achieving society's goal*. And at every stage of every process required to achieve that goal, incentives will motivate people to be as efficient as possible.

Rather than encourage endless speculation about what projects will make the world more peaceful the bonds would, in effect, contract out the achievement of world peace to the market. They would encourage a wide range of *adaptive* projects, whose sole criterion for funding would be that they would raise the probability of world peace being achieved. In this way, the governments and others who back the bonds would do what they are best at: articulating society's goals and raising the revenue for their achievement. At the same time, the market would be doing what it is best at: allocating resources as efficiently as possible.

1. https://en.wikipedia.org/wiki/Qatar
2. https://www.economist.com/business/2020/02/13/the-battle-for-the-middle-eastern-arms-market-is-heating-up
3. https://forum.effectivealtruism.org/posts/PAYa6on5gJKwAywrF/how-likely-is-a-nuclear-exchange-between-the-us-and-russia-1
4. http://creativity-online.com/work/halo-pet-food-meet-poopsie/52710
5. https://www.thoughtshift.co.uk/pet-food-and-supplies-ecommerce-digital-marketing-strategies/
6. https://www.interpeace.org/
7. http://socialgoals.com/nuclear-peace.html

17.2.4 It's not just agriculture (2020-02-28 21:59)

They're still doing it! After at least forty years of being universally seen as corrupt, wasteful and stupid, the European Union's Common Agricultural Policy continues to subsidise aristocrats and wealthy landowners:

An analysis by Greenpeace in 2016 revealed that the Queen was one of the top recipients of EU money, with her Sandringham farmland alone coining in £557,707 that year, with a similar sum every year. [1]... *And What Do You Do*?, Norman Baker, October 2019

Prince Khalid Abdullah al Saud, who owns champion racehorse Frankel, has reportedly described his farming interest as a hobby. Juddmonte Farms, which he owns through an offshore holding company in Guernsey, received £406,826 in farm subsidies [in 2015]. *[2]Source*

The CAP's disastrous effects on the [3]environment, [4]small farmers, [5]animal welfare, [6]Africa and human [7]health, have been well documented, but it is the *persistence* of the CAP, after years of its obvious failings, that should astonish us. It happens, in my view, because big government is remote government. It doesn't concern itself with the needs of ordinary people, because it's beholden to powerful vested interests: not just big business, but its own government agencies.

And it's not just agriculture.
Increasingly, the complexity both of society and our policymaking process is being weaponised in favour of the people who own and run corporations, or the people they pay (in or out of government) to understand and influence policy. Government and their paymasters can get away with this because we accept a policymaking system that doesn't explicitly target outcomes that are meaningful to ordinary people. Currently policymakers can - indeed must - express their decisions as vague declarations of intent and changes in institutional funding and composition, or legislation. Their focus is on the supposed means of achieving vague outcomes, rather than on the outcomes themselves.

A Social Policy Bond regime would, in contrast, have to be explicit about its objectives: transparency and accountability are built into a bond regime, as surely as they are excluded from the current policymaking apparatus. Insane, corrupt programmes, such as the EU's Common Agricultural Policy (now accounting for 35 percent of the EU's budget), have platitudinous, vague, mutually [8]conflicting goals that *sound* high-minded but actually end up shovelling vast sums of taxpayers' and consumers' money into the bank accounts of agribusiness corporates and their lobbyists. If outcomes

were built into policymaking, as they would be under a Social Policy Bond regime, such policies would get nowhere. Instead they have lasted for decades, at great cost to everybody except a few millionaire businessmen and landowners, a burgeoning, parasitical bureaucracy and lobbyists. [9]Oh, [10]and [11]fraudsters.

The CAP's continued existence is a clear signal that we need to make systemic changes in the way we formulate policy. Instead of allowing overworked or corruptible officials and politicians to guess how we can best solve our complex and dynamic social and environmental problems we would do better to target the outcomes themselves and reward the people who help achieve them. The goals of a Social Policy Bond regime would be clear and stable: the ways of achieving them would be up to bondholders who would at all times be motivated to be efficient in the pursuit of society's goals. Transparent, comprehensible, *meaningful* goals, and investors motivated to achieve them: that would be the most effective way of closing the gap between politicians and the people they are supposed to represent.

1. https://www.amazon.co.uk/What-Do-You-Royal-Family/dp/1785904914/ref=sr_1_1?keywords=and+what+do+you+do+baker+norman&qid=1582907556&sr=8-1
2. http://tlio.org.uk/common-agricultural-policy-rich-list-receive-millions-in-eu-subsidies-greenpeace-report/
3. https://www.theguardian.com/environment/2018/mar/23/eu-in-state-of-denial-over-destructive-impact-of-farming-on-wildlife
4. https://euobserver.com/economic/136716
5. https://www.living-land.org/blog/2017/4/28/europes-common-agricultural-policy-has-an-enormous-negative-impact-on-animal-welfare
6. https://www.politico.eu/article/eus-milk-scramble-for-africa/
7. https://www.who.int/hia/examples/agriculture/whohia035/en/
8. https://farming.co.uk/news/the-common-agricultural-policy-cap-is-not-fit-for-purpose
9. http://www.europarl.europa.eu/doceo/document/E-8-2015-003940_EN.html?redirect
10. https://www.dw.com/en/brussels-criticized-over-agriculture-fraud/a-1335538
11. https://bulgarianpresidency.eu/mafia-rules-bulgarian-agriculture-help-eu-subsidies/

17.3 March

17.3.1 Tyres kill (2020-03-07 16:06)

For [1]decades now I've been saying that, when looking at complex social and environmental problems, we should reward solutions rather than try to guess the source of the problem then tax or regulate that. Current news gives another example as to why we might do better to act on my suggestion. By focusing exclusively on exhaust emissions, we are ignoring what is quite likely to be a much more dangerous source of vehicular pollution:

> Emissions Analytics theorised that, based on 1.5kgs of mass being lost per tyre over a 30,000-mile life, a car emits 200 milligrams of tyre particulate matter every kilometre. At that level, tyre emissions would be 22 times higher than the permitted levels in current exhaust gas regulations, which are 4.5mg/km.
>
> In testing, it stacked the odds up in case practice yielded immeasurably low results. Low quality tyres, high speeds, intense cornering, high load in the car and a poor surface quality, were intended to help produce a measurable result. The results were shocking – 5.8 grams per kilometre lost. That's 29 times the hypothesised result, and more than 1,000-times the allowed particulate emissions from an exhaust pipe. *[2]Tyre emissions 1,000 times WORSE than exhausts*, Ethan Jupp, 1 February (or 2 January)

Governments have [3]form with this: their singular obsession with greenhouse gas emissions led them to encourage diesel engines, which emit higher levels than petrol of pollutants other than CO 2 that probably cause [4]more illness and death.

So what am I suggesting? That governments, instead of trying to identify causes of complex problems (a moving target anyway), target favourable outcomes and reward the people who reach them. When it comes to air pollution, then, rather than try (and fail) to identify the worst culprits, and regulate those, government should have targeted an air pollution goal, and motivated people to achieve it. Government would then have stepped out of the tricky, divisive and futile role of trying to stipulate how that goal could be best achieved, and who is best placed to achieve it. Government is too monolithic, too unwieldy and too fixed in its ways to come up with the diverse, adaptive approaches that we need to solve complex social and environmental problems.

A Social Policy Bond regime aiming at reducing air pollution, or environmental depredations in general, could be the answer. Such a regime would reward the achievement of our environmental goals, without specifying how those goals shall be achieved nor who shall achieve them. To see how the Social Policy Bond concept can be applied to environmental problems see [5]here.

Targeting air pollution as a whole, rather than its more visible but less lethal components, would be an improvement over current policy. But perhaps an even better approach would be to target a range of broad indicators of health: see my essay [6]here.

1. https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/848/aeru_dp_121_vol2.pdf;sequence=2
2. https://www.msn.com/en-au/motoring/research/tyre-emissions-1000-times-worse-than-exhausts/ar-BBZvfoU?li=AAgfYrD
3. https://socialgoals.blogspot.com/2016/12/fossilised-science-is-no-basis-for.html
4. https://www.thejournal.ie/diesel-worse-for-environment-than-petrol-3611217-Sep2017/
5. http://socialgoals.com/environment.html
6. http://socialgoals.com/health.html

17.3.2 Not only pandemics (2020-03-23 22:11)

You
might think that we'd be well advised, as a species, to prepare for global disasters. And it's true that many people are working, sometimes
heroically, at ways of doing so. There are quite a few organisations,
for instance, that seek to reduce conflict or eliminate diseases, such as malaria. The difficulty I have is that their work is
unsystematic, unco ordinated,
and is rewarded in ways that bear no relationship to their success or
efficiency. As well, and perhaps more dangerously, there are policies in
play that can only accelerate disaster, such as: subsidies to fossil

fuel extraction and consumption, the accumulation of weapons of all kinds; and the failure seriously to pursue one of the [1]main goals of the [2]Cairo Population Summit, where 179 signatory countries agreed to provide access to family planning services to all the women who want them. And last, there are ways in which the survival of millions is threatened by entirely new phenomena, such as COVID-19, whose full implications cannot be foreseen.

We need therefore to re-orient the incentives, and to do so in a coherent manner that rewards the survival of our species against calamities of all kinds. This is where the Social Policy Bond principle can help. The issuers of [3]Disaster Prevention Bonds need have no knowledge of the relative likelihoods of known or unforeseeable catastrophic events. Neither would they have to pre judge, with our current limited scientific knowledge, the most efficient ways of ensuring our survival. Instead, the bond mechanism could target the sustained avoidance of any - unspecified - catastrophe. It would do so in a way that encourages the exploration and investigation of all threats, known and new, impartially . Policymakers would not (and anyway could not) have to decide on how dangerous each threat is. That would be left to bondholders, who would have powerful incentives to do so continuously . Investors in the bonds would be rewarded only if they can adapt to rapidly changing events and to our ever-expanding scientific knowledge.

This is a stark contrast to the current approach; the one that has led to highly intelligent people giving our survival a baleful [4]prognosis. The people who are currently working in favour of humanity do so in ways that, while worthy of great respect, are within a system that is heavily weighted to favour the short-term goals of large organisations, including governments, that have little incentive or capacity to care about our future in the long term. Disaster Prevention Bonds, issued with sufficient backing, could change all that.

1. http://www.unfpa.org/public/home/sitemap/icpd/International-Conference-on-Population-and-Development/ICPD5-key-actions
2. http://en.wikipedia.org/wiki/International_Conference_on_Population_and_Development
3. http://socialgoals.com/dpbs.html
4. https://www.amazon.com/Future-Prospects-Humanity-Martin-Rees/dp/069118044X

17.4 April

17.4.1 Preparing for disaster (2020-04-02 17:05)

This is a topical introduction to my paper on [1]Disaster Prevention Bonds.

It's easy to criticize governments for not being prepared for the coronavirus pandemic. But consider what preparing for a pandemic actually means. Thousands of hospital beds lying empty for most of the year, nurses and doctors on standby waiting for a crisis that might never happen. Testing kits, protective clothing, vaccine manufacturing capabilities unused in a sterile storage facility, and deteriorating with time….
And what's so special about a pandemic? Why should we not prepare against other disasters that might arise with equal or greater probability?

An [2]electromagnetic pulse, an asteroid hitting earth, a volcanic [3]supereruption?
The truth is that the best our governments do is react to something that actually happens. Our problem is not that governments are slow, reactive, blundering, doing too little—or too much—too late. It is that governments or supranational bodies like the World Health Organization are not necessarily the best bodies to trust with disaster preparedness. (Indeed, once this crisis is over, the WHO's role in [4]refusing to consider lessons from Taiwan needs to be looked at very carefully. It's clear already, though, that in common with most other organisations of any kind, the WHO is at least as interested in [5]self-perpetuation as in the health of the world's population.)
So what is the problem with government, especially government at levels high enough to deal effectively with national or global disasters?

- It has few incentives to watch out for disasters and react quickly and preemptively.
- It's is slow to react to crises, it prefers top-down, one-size-fits-all solutions, and is very slow to adapt its policies to changing circumstances.
- It has short time horizons, and though its individual members will be hard-working and well intentioned, it has no no incentive to correct its deficiencies.
- It is often concerned to prioritise actions that deal with visible problems at the expense of those that are too slow moving or unglamorous for television. Better solutions would not focus on appearances at the expense of societal well-being.
- Related to the previous point—and of particular relevance to the current pandemic—a government will over-react to problems that have an immediate, visible impact. Such an over-reaction might be more detrimental to societal well-being than the crisis.

In relation to this last point, a government over-reaction—the cure being worse than the disease—might have a baleful impact in the longer term too if, when faced with another serious threat, government, remembering previous over-reaction and the consequent public backlash, *under*-reacts.
[6]Disaster Prevention Bonds, in my view, would deal with all these weaknesses of humanity's current approach to disaster preparation.

1. http://socialgoals.com/disaster-prevention.html
2. https://en.wikipedia.org/wiki/Electromagnetic_pulse
3. https://en.wikipedia.org/wiki/Supervolcano
4. https://www.bbc.com/news/world-asia-52088167
5. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
6. http://socialgoals.com/disaster-prevention.html

17.4.2 SocialGoals.com: housekeeping (2020-04-13 16:57)

I have repaired the broken links at the [1]Social Policy Bonds main website including, most importantly, the [2]links to pdfs of the chapters in the definitive [3]book.

1. http://socialgoals.com/
2. http://socialgoals.com/links-to-all-chapters.html
3. http://socialgoals.com/the-book.html

17.4.3 Le risque, ce n'est pas la mort de Schengen (2020-04-14 10:39)

The confusion between ends and means lies at the heart of our political systems. Here, the French President tells us what matters to him:

'Le risque, c'est la mort de Schengen'

> The risk is the death of Schengen.
>
> Emmanuel Macron is certain: the foundations of the European Union (EU) are in danger owing to the epidemic of new coronavirus which strikes the Old Continent.
>
> *[1]l'Opinion*, 27 March

Actually I think most of us would rate the risk of thousands of people dying as more significant than that of having to impose national border controls. I am sure Mr Macron means well. But the EU project is a means to certain ends; peace and prosperity, most importantly. It is not an end in itself. Nor is 'proportion of energy derived from [2]renewables' a valid, meaningful end. Nor, more fundamentally, is [3]Gross Domestic Product.

Social Policy Bonds have several advantages over our current ways of making policy. One is the way they would channel society's scarce resources into the most efficient ways of achieving social and environmental goals. But another is that they compel us to think about what those goals really are. If the goal, for instance, is to maintain a borderless European Union, or to keep the Euro going, then those are entirely different goals from improving the health and well-being of EU citizens. To an alarming degree, they are in conflict. There are plenty of other examples: school attendance, for instance, however measured, is not a social goal: better educational outcomes are. Shorter [4]hospital waiting lists, or more [5]mammography screenings, are not a social goal: better [6]health outcomes are.

The failure of our leaders to distinguish between means and ends is disastrous. It has led to a widening gap between government and the people whom is supposed to serve. The results, throughout the democratic countries, are becoming all too clear: a widespread disenchantment with conventional politics, a growing cynicism and despair over government ever being able to deliver what ordinary people want and need. Social Policy Bonds, by channelling society's resources into the achievement of agreed, verifiable, meaningful social goals are one way in which we might begin to close that gap.

—

I have repaired the broken links at the [7]Social Policy Bonds main website including, most importantly, the [8]links to pdfs of the chapters in the definitive [9]book.

1. https://www.lopinion.fr/edition/international/coronavirus-survie-projet-europeen-est-en-jeu-previent-emmanuel-macron-215208
2. https://socialgoals.blogspot.com/2017/07/climate-change-means-and-ends.html
3. https://socialgoals.blogspot.com/2014/10/gdp-versus-mental-well-being.html
4. https://socialgoals.blogspot.com/2006/12/meaningless-mickey-mouse-micro-targets.html
5. https://socialgoals.blogspot.com/2012/11/in-absence-of-broad-clear-coherent.html
6. http://socialgoals.com/health.html

7. http://socialgoals.com/
8. http://socialgoals.com/links-to-all-chapters.html
9. http://socialgoals.com/the-book.html

17.4.4 Why no Social Policy Bonds? (2020-04-27 22:07)

Why have Social Policy Bonds not been issued?

Contrast Social Policy Bonds with [1]Social Impact Bonds, now being issued in about 25 countries. SIBs are the non-tradeable version of Social Policy Bonds. While tradeability sounds like a technical detail, it actually has a few critical implications about which I have written [2]here and [3]here.

A major difficulty with issuing Social Policy Bonds is that they don't readily lend themselves to experimentation; small-scale trials over a limited geographic area, which are short term in nature. Neither do they show much advantage over conventional policy when we already (roughly)
know how to achieve a specified social goal. For instance: take the goal of improving a lake's water quality. We could issue Social Policy aiming to reduce the levels of pollutants in the water. But, if the main sources of pollution are easy to identify, then there is no need to introduce middlemen, in the form of bond traders and investors in the bonds, to achieve that which regulation or taxes on polluters could do more simply.

No, where Social Policy Bonds work best is when
we don't know how to achieve the goal, and where there is time for
different approaches to be tried, the failures terminated, and the more
promising ones implemented: goals that will require diverse (over different
areas) and adaptive (varying with time) approaches, and a mix of them. That's what
governments find difficult, but it's what is necessary to achieve broad,
long-term, complex goals, such as ending war, or achieving universal literacy.

But when we basically know how to achieve a goal, Social Policy Bonds aren't necessary. In the lake example, and assuming we are talking of a time frame of no more than a few years, regulation or polluter-pays taxation would achieve our goal without the need for an untried, controversial, and somewhat unconventional financial instrument. With a broader goal—
something like improving an entire country's inland water quality—
and over a longer time period then a bond regime could play a useful role. There would be time for motivated bondholders to research, experiment and continuously refine an array of approaches, optimised for time and space, to achieve the goal as cost-effectively as possible.

The danger is that applying Social Policy Bonds in ways that don't show their advantages over other, simpler, approaches will taint the
concept. People would then see the bonds
as a fancy means of enriching intermediaries (bondholders, financial
market players), rather than a solution to social problems. (This might be happening with SIBs.) If there is anything society doesn't need, it's a financial services sector enriching itself still further by sucking the best mathematical brainpower out of the real economy, and contributing nothing of social value.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
3. https://socialgoals.com/why-the-bonds-must-be-tradeable.html

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17.5 May

17.5.1 (2020-05-06 10:58)

I'm from USA i want to testify of a great and powerful spell caster my husband left me and the kids for 2 weeks when i called him he did not pick up when he came back home the 3rd week he told me he wanted a divorce i was so sad i cried all night he left again i was so lonely the next day i was searching for something online when i found a spell caster called Dr Oselumen who have helped so many people with their problems so i contacted him with my problems he told me it will take 24hrs and my husband will be back to me i did every thing he told me to do and the next day my husband came back home kneeling and begging to forgive he canceled the divorce we are now happy together Dr Oselumen can help you too email: droselumen@gmail.com or call or add him on whatsapp +2348054265852

17.5.2 The Coronavirus Bailout - an alternative suggestion (2020-05-10 11:55)

[This was [1]published as a letter to the Editor of the Financial Times on 12 May, 2020. It has nothing to do with Social Policy Bonds!]

Already, it looks big businesses are are preparing their appeals for bailouts from governments all over the world, to compensate for income lost because of COVID-19. And, most likely, they'll get them. These titans of industry and their pals in government everywhere are probably already drafting the terms. I think we can foresee the result: more industry concentration, and a further widening of the gap between the rich and well connected on one side, and small businesses and ordinary people on the other.

Here's another idea. If we want to keep competitive markets going, give people rather than politicians the opportunity to choose who stays in business. Instead of lavishing enormous sums on favoured giants, let people have some say as to where taxpayers' cash should go. Take the total national expenditure on things like aviation, hospitality, and personal services, divide it by the number of people in the country, and issue coupons worth that much to each adult, to be spent on that service or product. So, if the average sum spent by an adult on air travel in the UK, say, was £200 last year, give each adult a coupon worth that sum, with the stipulation that it be spent on air travel over the next two years. Make the coupons tradeable, so that those of us who don't want to fly can exchange them for cash or swap them for a couple of sessions at a body piercing salon, or a few weeks' high street cappuccinos.

The alternative and, unfortunately, the more likely scenario, will be a form of central planning, in which government lavishes taxpayer funds on its favourites in exchange for some degree of control. We know what that will mean: inefficient, bloated and corrupt industries– and yet more cynicism. Instead, tradeable coupons for purchases of designated coronavirus-hit services would restore some much-needed competition and consumer power.

My [2]next post goes into a bit more detail about this suggestion.

1. http://socialgoals.com/FTLetter.png
2. https://socialgoals.blogspot.com/2020/05/the-coronovirus-bailout-alternative-how.html

17.5.3 The Coronovirus Bailout alternative: how it might work (2020-05-17 17:31)

My [1]previous post was a letter [2]published in the Financial Times, which suggested that instead of disbursing covid-19 bailout funds to businesses, the UK Government could instead issue coupons to people entitling them to spend the equivalent per capita sum in particular expenditure categories. Here I will sketch out some broad outlines as to how this scheme might work.

Guiding principles

- Aim for what's best for the country.
- Aim to compensate sectors for losses incurred.
- Aim to give consumers choice about which businesses to support within each expenditure category.

The starting point is the sums that Government would otherwise spend on bailing out businesses hit my covid-19.

Categories are broad, partly for
simplicity, partly because coupon-holders should be able to choose between providers of services. Coupon-holders can choose within categories. All coupons are tradeable and exchangable.

I would assume that all businesses have barcode or QR scanners but that many consumers don't.

- I suggest as examples of categories:
- Air travel
- Surface travel
- Personal services (hair, nails, massage, body-piercing, tattoos, any similar one-to-one service)
- Hospitality
- Private healthcare, including dentistry

Expenditure statistics per UK household for 2019 are given [3]here. To some extent categories will be decided by the statistics available.

Example: The ONS says each UK household spends £51.30* per week on restaurants and hotels. Rather than try to assess and then compensate each business for any lost income, I suggest giving each household coupons worth 104 times £51.30* = £5335 to be spent on restaurants and hotels, within the UK, within the next two years.

* Bear in mind that the UK Government's aim is to compensate UK business, so a sum representing expenditure on overseas hospitality would have to be subtracted from the £51.30

There are other aspects that would need discussion. In particular, the entitlements of each household should be broken down to adults and children.

The scheme would be more complex and more contentious than the likely government plan of direct compensation to big business. But, in my view, if properly done, its advantages could outweigh the disadvantages. The advantages, as outline in my previous post, are mainly that it would stimlate competition, and help small businesses. It would also benefit consumers who aren't interested in, for example, air travel who could swap their coupons for a smaller amount of cash or for other services that they want or need. Under this scheme, an adult could exchange their air travel coupon for a coupon for childcare or private dentistry.

1. https://socialgoals.blogspot.com/2020/05/the-coronavirus-bailout-alternative.html
2. http://socialgoals.com/FTLetter.png
3. https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/april2018tomarch2019#glossary

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17.5.4 An honest politician (2020-05-26 21:16)

An honest politician *or* Why we need to target outcomes

Michael Lind quotes Jean-Claude Juncker.

> Jean-Claude Juncker, the prime minister of the tax haven Luxembourg who became the president of the European Commission from 2014 to 2019, described how the European Council systematically expanded its authority by stealth: *We decree something, then float it and wait some time to see what happens. If no clamor occurs . . . because most people do not grasp what had been decided, we continue—step by step, until the point of no return is reached.* Michael Lind, in an excerpt from his book [1]The New Class War, quoted [2]here.

The quote goes a long way to explaining the wide, and widening, gap between politicians and the people they are supposed to represent. Our policymaking system is just too complex, protracted and boring for anyone other than powerful people, or their paid lobbyists, to follow and influence. That means, on the one side of the gap: politicians, bureaucrats and big business. And on the other, ordinary people and small businesses.

We are not heading toward a more simplified policymaking system. Society and the environment are not becoming easier for the public to comprehend. The trend is toward more complexity and, therefore, more opportunity for powerful interests to influence policy in their favour. The world economy might shrink as a result of, say, the pandemic, or climate change, or some other disaster. But there no indication that the rich and powerful will voluntarily relinquish any of their share. The future, then, might seem to be bleak: even greater inequality and, quite possibly, [3]mass impoverishment.

I suggest that one way of avoiding such a miserable scenario is to re-orientate policymaking in such a way that most of us can understand it. Our current systems emphasise personality, image, spending pledges, legislation and organisational structures.These have in common one thing: they have nothing to do with outcomes that are meaningful to ordinary people.

Social Policy Bonds are a possible way in which we can express our policy goals in ways that people can understand and, in so doing, participate in their formulation and setting their relative priorities. So, for instance, rather than look at the sums spent on a health service, or at the numbers of people tested (or 'tested' - some of the results are spurious) for covid-19, or the quantity of protective (or 'protective'...) equipment acquired by a country, or other micro-targets, we would focus on the health of citizens, and target that for improvement. Social Policy Bonds would work by contracting out the achievement of our health goals to the market - which would include government bodies, so long as they are efficient. But the important first step would be to define our health goals, and let investment flow according to our health targets. My piece [4]here gives more detail.

The great advantages of Social Policy Bonds are twofold. One, the market will reward

only the most efficient approaches to achieving society's health goals. Two, a bond regime would require that we have explicit, transparent, broad, long-term goals that would be understood, and contributed to, by any members of the public who wish to get involved. That, perhaps even more than greater efficiency, would be a worthwhile benefit. It would certainly help avoid the cynicism of a Juncker, and the outrage that his world view—widespread I am sure among our leaders—ought to elicit.

1. https://www.goodreads.com/book/show/43982768-the-new-class-war
2. https://www.goodreads.com/work/quotes/74692179-the-new-class-war-saving-democracy-from-the-managerial-elite
3. https://www.economist.com/international/2020/05/23/covid-19-is-undoing-years-of-progress-in-curbing-global-poverty
4. http://socialgoals.com/health.html

17.6 June

17.6.1 Crime and alternatives to Punishment (2020-06-12 10:28)

The *Economist* writes:

> Although the general call for "defunding" risks a backlash, the details of redirecting part of the police budget to arms of local government, such as housing or mental health, may make sense. *[1]The power of protest and the legacy of George Floyd*, the 'Economist' dated 13 June

Right. The best way of dealing with crime, is not necessarily to give more money to the police, or to imprison more people, or to impose more drastic punishments. By 'to deal with crime' I mean: to reduce the crime rate. That is a goal that, I think, most of us can agree on. Other supposed goals are nothing more than [2]surrogate indicators, or the product of sorrow, or anger, or revenge psychology. But if we accept that our goal is to reduce the crime rate, and admit the truth: that we don't have a clue how best to do so...well that is a good starting point.

We don't have a clue because the causes of crime vary from place to place, from person to person, from time to time. The best way of reducing crime in some small town might be to subsidise small businesses - which might be a lot cheaper and less divisive than beefing up the local police force. In another area, at a different time, the most efficient way of reducing crime might be to install surveillance cameras, or lay on free taxis for youths leaving nightclubs, or provide talking therapies rather than antipsychotic medication.... The problem we have is not only that the causes of crime are too complex and dynamic for any single organisation to address. It's that there is no incentive for anybody to take such a

broad approach. Everybody—politicians, the police, psychiatrists—has their own agenda. Well meaning, hard working these people may be, but they are not rewarded for their success in dealing with a major social problem. It's far too complicated for any single organisation to deal with. We need diverse, adaptive approaches.

My suggestion is that we apply the Social Policy Bond concept to crime. A short essay on how to do this appears [3]here. The paradigm fits other social and environmental problems. The first task is to clarify and articulate exactly what outcome we are looking to achieve. Because we are not concerned with *how* our goals shall be achieved, nor with *who* shall achieve them, we can target long-term goals that have eluded past efforts at achieving them, such as world peace or universal literacy or, indeed, reduced crime rates. The role of government would be to articulate society's goals and raise the revenue to achieve them. But the actual achievement of complex social goals should be done by a coalition of people who are motivated to find the most efficient solution, regardless of how many vested interests they have to undermine to do so. And that is where Social Policy Bonds enter the picture.

To read more, please go to the [4]Social Policy Bonds site. All my papers and book chapters are available there and can be downloaded for no charge.

1. http://ThepowerofprotestandthelegacyofGeorgeFloyd/
2. https://socialgoals.blogspot.com/2015/07/targeting-surrogate-indicators.html
3. http://socialgoals.com/crime-.html
4. http://socialgoals.com/

17.6.2 Who really cares? (2020-06-14 15:51)

The problem with the worldwide protests is simple to state, difficult to solve: giving power to the people who say they'll help groups X and Y doesn't actually help people in groups X and Y. This is one of the few constants of history.

And that is even with the assumption that the leaders or spokespeople for these groups actually mean what they say, and care about the people they purport to represent. I have my doubts about the leaders of the current protests but, even if we assume their good intentions, the probability that they, or the people who shove them aside once their bid for power succeeds, can or will do anything to help their constituency is low. This is not a party political view: just a statement of fact. From the current US President's base to the idealists who fomented revolution in France or Russia...the gap between hopes and reality is wide and deep. There is very little correlation between the stated goals of people wanting power and the post-election or post-revolutionary facts.

Social Policy Bonds, at first sight, might seem a wacky solution to the problems we are *all* facing. I mean not only such global problems as climate change and threats of nuclear catastrophe, but also problems such as the systemic, self-reinforcing inequalities, between and within countries that should be unacceptable in their own right, as well as posing a threat to democratic political and economic systems that are the least worst in human history, when it comes to maximising the chances of a decent life for the largest number of people.

Social Policy Bonds? A new financial instrument? As if there aren't already enough ways in which the financial sector has invented new ways of obscuring the ways in which it syphons off resources - including some of the world's best mathematical brains - from the rest of society, for its own selfish purposes.

But Social Policy Bonds would be different. Yes, they would use the market's incentives and efficiencies, but they would be doing so to achieve society's goals. Their use of markets is secondary to their first essential element: that of clarifying and targeting our social and environmental goals.A Social Policy Bond regime doesn't need to take an opinion on the more controversial and divisive aspects of policy: how our goals shall be achieved or who shall achieve them. That would be left to investors in the bonds who would be rewarded exactly according to how successful they are in achieving our goals. Under a Social Policy Bond regime, politicians wouldn't be able to obscure the workings of government by making arcane, protracted,self-serving decisions about regulation, or institutional structures and funding—procedures that, you might think, are specifically designed to deter anyone other than powerful interests and their paid agents from following. On the contrary, Social Policy Bonds would target outcomes that are meaningful to ordinary people. On the national level these would include improved health, reduced crime rates, universal literacy. On the global level, the bonds could target nuclear peace, the prevention and mitigation of all kinds of disaster including adverse climatic events or, again universal literacy. The point is that these would be society's goals. Goals that are comprehensible and meaningful; goals that all can help in formulating and prioritising.

It is this aspect of Social Policy Bonds—the articulation and prioritising of our social and environmental goals—that needs to be emphasised if they are going to become acceptable, just as much as their use of markets which, rightly in many cases, have been discredited by their manipulation and subversion to the benefit of the already powerful. After thirty-plus years of advocating Social Policy Bonds, I remain hopeful. Well, put it this way: I certainly can't be hopeful about any of the other policymaking systems currently on offer.

anising society currently on offer.

17.6.3 (2020-06-14 20:06)

This is a fantastic idea. Have you thought about drafting how this might work? It could be a useful thing for small businesses to get behind if there's another round of bailouts.

17.6.4 (2020-06-15 11:25)

Thanks for your comment. Though the *Financial Times* is an influential, international paper I haven't had any response to the idea, nor does any government anywhere seem to be contemplating it, though I might have missed something. My [1]blog post subsequent to this one, goes into a bit more detail as to how I think it could work. Frankly, I don't think the political will is there.

1. https://socialgoals.blogspot.com/2020/05/the-coronovirus-bailout-alternative-how.html

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17.6.5 Sociopathic metrics (2020-06-18 16:55)

It still amazes me how badly metrics are thought out and used. I have railed for [1]years [2]against [3]Mickey [4]Mouse [5]micro-objectives. The problem is that the metrics our governments use are invariably too narrow and short term. It seems that they are chosen because:

- they sound good,
- they are easy to collect,
- they take, as given, current ways of doing things, and
- they take, as given, current institutional structures and responsibilities.

The result though, is even more concisely stated:

- they are useless, or worse.

Useless, in the sense that they do not target outcomes that are meaningful to ordinary people. Worse in that...well, let US writer Matt Taibbi give examples from policing:

> In the same way our army in Vietnam got in trouble when it started searching for ways to quantify the success of its occupation, choosing sociopathic metrics like "body counts" and "truck kills," modern big-city policing has been corrupted by its lust for summonses, stops, and arrests. It's made monsters where none needed to exist. *[6]Where did policing go wrong?,* Matt Taibbi, 2 June

There's no coherence about the construction of such metrics because I suspect, little thought goes into them. Government has become adept at obscuring the policymaking process so that even its stated goals don't work, and its unstated goals go unexamined and unexaminable by anybody other than wealthy interests or the people they employ to follow and influence the process on their behalf.

[7]Social Policy Bonds might not seem the obvious solution to the serious problems this policymaking process has created: a widening gap between government and ordinary citizens, growing levels of inequality and growing cynicism. But, as I have said more fully [8]here, they would impose one discipline that is as essential as it's currently evaded, and that is to agree on broad, long-term, social and environmental goals. We are seeing the result of sociopathic metrics and the arcane policymaking process that has led to their creation; not just in riots and mayhem, but in heightened levels of cynicism and despair. Politics and policymaking have become the ultimate closed shop, closed to ordinary people because we just don't understand it. It's time to open it up and the first step is to ask, not tell, all of us *what are our policy priorities?*

1. https://socialgoals.blogspot.com/2012/01/mickey-mouse-micro-targets.html
2. https://socialgoals.blogspot.com/2017/05/new-concepts-in-mickey-mouse-micro.html
3. https://socialgoals.blogspot.com/2012/05/mickey-mouse-micro-targets-are.html
4. https://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
5. https://socialgoals.blogspot.com/2015/09/five-year-survival-rates-another-mickey.html
6. https://taibbi.substack.com/p/where-did-policing-go-wrong
7. http://socialgoals.com/
8. https://socialgoals.blogspot.com/2020/06/who-really-cares.html

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17.6.6 DIY biotech: something else to worry about (2020-06-24 16:38)

Biotech: DIY disaster zone...

...reads the header to an article in today's *Financial Times* (image at bottom of this page). It's a short article, but a frightening one:

> Biotech is now within the grasp of hobbyists who can experiment with home-brewed

> opiates, DIY biohacks and even a mail order gene-editing kit to double the size of a tree frog. ...Modified microbes could damage ecoystems or trigger antimicrobial resistance.... A 'genetic engineering home lab kit' is marketed for just $1845. Lex, Financial Times (subscription), 24 June

How should we deal the disasters that this, or any other technology, known or unknown, could unleash? We can't anticipate exactly where disasters will come from; our tendency is to let government take the lead. But government has little incentive or capacity to get it right - as we are seeing right now. Perhaps it's too much to expect government, an inherently big, cumbersome organisation, to deal efficiently with unforseeable catastrophes. It doesn't appear to be doing a great job managing even those that we know about but that are happening in ways that do not make television news: things like the always-present potential for a nuclear exchange; or climate change.

Yet there are things that only government can do, and things it does well. Managing disasters that are already happening, and have a readily identifiable cause and effect is one such. Raising the revenue (or, as now, borrowing) on a large enough scale to mitigate disasters is another. But what government cannot, and has no incentive to, do well is deal with complex problems that require diverse, adaptive solutions. Lex says that reinsurer Swiss Re 'reckons there is scope for havoc' arising from amateur biotech, and its dangers appear in the company's annual round-up of emerging risks. Right, and you'd think it would be in insurance companies' interests to do something to forestall such havoc. Maybe it is, in the short term, but if they did too much what would happen to insurance premiums and their revenue? Perhaps quelling brewing calamities wouldn't fit their business model. I don't really know.

But I can offer what I think is a less speculative solution: Disaster Prevention Bonds. These could be backed by government and swelled by contributions from philanthropists, NGOs and the public, and made redeemable only when no major disaster befalls human beings over a period of a decade or more. The type of disaster *doesn't have to be foreseen or foreseeable*. Backed by sufficiently large funds, the bonds would encourage investors to do whatever is possible to avert major disasters, including being alert to embryonic threats, such as those posed by DIY biotech. Incentives are important. Some people today benefit by doing things that reduce the likelihood of certain, specified disasters. But only specified disasters and, besides, there aren't that many such people, that's partly because the rewards on offer do not correlate with a successful, sustained, disaster-free outcome. That's where [1]Disaster Prevention Bonds could help.

I am grateful to Lex, not only for giving me something to blog about, and all of us something else to worry about, but also for this [2]quote from Eliezer Yudokovsky:

Every eighteen months, the minimum IQ necessary to destroy the world drops by one point.

[3]

economic support may be necessary. But it will contribute to an ever-growing horde of corporate zombies.

Biotech: DIY disaster zone

Biotech is now within the grasp of hobbyists who can experiment with home-brewed opiates, DIY biohacks and even a mail order gene-editing kit to double the size of a tree frog. The tools to dabble in synthetic biology — engineering of biological entities — have become accessible. Reinsurer Swiss Re reckons there is scope for havoc.

The dangers of amateur biotech — and the accidental or deliberate release of synthesised organisms — merited a slot in the Swiss company's last annual round-up of emerging risks. Such terrors and errors could have widespread consequences, including for insurers. Modified microbes could damage ecosystems or trigger antimicrobial resistance. The misuse of lab equipment and knowledge marketed by universities and other organisations could lead to big liability claims, warns Swiss Re.

That is not to gainsay synthetic biology's potential for good. Tailor-made microbes — typically made by inserting new DNA into a genome — could lead to new materials, advanced pharmaceuticals, including Covid-19 vaccines, and greener chemicals. The market is expected to grow to $19bn by 2024, says BCC Research.

But the tools are becoming more readily available to non-professionals less proficient in safety measures. A "genetic engineering home lab kit" is marketed for just $1,845.

Chaos could resemble *The Sorcerer's Apprentice*, yet there is no magic remedy here. US regulators insist the sale of "do it yourself" gene therapy kits for self-administration are against the law. That might not cut much ice in the biohacking world. Restricting the sale of certain reagents to institutions is an option, though not fail-safe.

AI wonk Eliezer Yudkowsky modified Moore's Law to claim that every 18 months, the minimum IQ necessary to destroy the world drops by one point. That dictum related to computer power. As synthetic biology tools become more accessible, it might apply to biotech too.

1. http://socialgoals.com/disaster-prevention.html
2. https://www.azquotes.com/quote/819025
3. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEgYyIzn9W22TRsJwAA24OoJvJOGOa7HUzgdJ57ocapc9tteG8FQW1ohFCL_0Fby1odHbBvQ3zwF3w3WslPSItZBmwfb6_egF3DKOjB

17.7 July

17.7.1 Panoptics and experiments (2020-07-11 19:04)

Tim Harford writes:

> From steroids to social policy, what works and what doesn't is often surprising. That is why rigorous experiments in real-world settings are invaluable. *[1]The risk of harm and the greater good*, Tim Harford, Financial Times (subscription), 27 June

Rigorous experiments are, as Mr Harford points out, more complicated and time consuming than just going with solutions that sound right, or seem obvious. With many of our goals requiring long-term research and experimentation, there are few incentives for people to do these things, and only a tenuous relationship between successful approaches and rewards. There are also few bodies of any kind that are motivated to take a panoptic view; looking, for instance, at efforts to reduce conflict worldwide, and adopt and adapt the more promising ones. There are some who do these things; charities, NGOs, United Nations agencies, perhaps. But they suffer from some or all of these deficiencies:

- they are poorly resourced
- they have their own agenda
- their rewards aren't correlated with their success at achieving meaningful outcomes.

This is not to say that these bodies aren't staffed by hard-working, well-meaning people. For the most part they are. But incentives matter. Take wars and civil wars: reducing such conflict is fine as a career option where job security and a steady income can give people a decent standard of living, regardless of what actually happens to the particular conflict within one's remit. But there is a glaring mismatch between the laudable efforts of these employees and the challenges that conflict, say, poses to human well-being. The potential for catastrophe requires that efforts be stepped up. More intellectual and financial resources are essential. We need the sort of brainpower that currently is devoted to lucrative but socially useless questionable activities such as [2]high-frequency trading or [3]advertising dog-food.

We need, therefore, a system that offers the possibility of worthwhile gain to people for whom that is a prime motivation. We need to channel their self-interest into solving our biggest problems. We need them to benefit from taking the panoptic view, investigating alternatives, conducting experiments, and implementing and refining potential solutions to our long-term social and environmental problems.

Social Policy Bonds would do this. A bond regime would address the three bullet points above. First, if there is more money to be made by solving our social problems, then more resources will be devoted to that end. Second, the agenda of investors in Social Policy Bonds that would be redeemed only when explicitly and transparently defined goals such as reducing conflict' (or similar) are achieved, would be exactly the same as those of society. Third, there

would be the opportunity to buy bonds when the prospects for achieving the targeted goal are gloomy, to do something to make the prospects brighter, and to sell the bonds at a higher price, *even before the goal has actually been achieved*. So we can target remote goals, such as the end of world conflict, and still have investors interested in achieving them.

Underlying the approach that investors in [4]Social Policy Bonds would be motivated follow, and one that isn't being done frequently enough today, is to take that panoptic view, and conduct the sorts of experiments that Mr Harford writes about - and that are essential if we are going to come up with the diverse, adaptive solutions to our urgent, long-range, social and environmental problems.

1. https://www.ft.com/content/20ee1e92-6136-4a45-b74c-3f928a8e15a6
2. https://socialgoals.blogspot.com/2013/11/a-world-with-high-frequency-trading.html
3. https://socialgoals.blogspot.com/2020/02/enough-with-dog-food.html
4. http://socialgoals.com/

17.7.2 Applying the concept to health (2020-07-18 17:56)

Emma Walmsley writes:

> [T]he world needs to be better prepared for global health threats. ... Antimicrobial resistance is just such a threat.... We risk returning to a time when a simple cut could have lethal consequences and common surgical procedures might be too risky to perform. ... The world needs commitment from pharmaceutical companies and new incentives to attract long-term R &D development. *[1]Antimicrobial resistance is the new battle for drug developers*, Emma Walmsley, Financial Times (subscription), 14 July

Ms Walmsley goes on to talk about a UK pilot plan to test a subscription model for new antibiotics, and to say that 'exploration of other incentives, such as an intellectual property-based extension voucher, or changes to health technology assessment methods for valuing antibiotics ...are promising options.....'.

This is true, so far as it goes. The problem is that it appears that not enough resources are being allocated to dealing with anti microbial resistance (AMR). Ms Walmsley suggests ways of addressing this. But what's missing is the broader context, with which I believe that the Social Policy Bond concept applied to health could deal with more efficiently.

Whether we are looking at global or national health, we need to know whether putting funds into reducing AMR is the best use of society's scarce health resources. Perhaps funds would be better spent on preparing for epidemics or pandemics. The word *better* is the key: we need to know where our health pounds or dollars will generate the biggest improvements in health. More precisely, we need people to have incentives to find out this sort of information and, because circumstances, including our scientific knowledge, change rapidly, this has to be done on a continuous basis.

Governments have to make their resource allocation decisions on the basis of data that are necessarily incomplete. How can they know the effect that spending to oppose AMR will have on the overall health of the nation, as compared with allocating the same spending to preparing for epidemics? So, by default, health expenditure is influenced by groups of medical specialists with little incentive or capacity to see improvements in the general health of the nation as an objective. As a result, funding of health depends to a great and varying extent, on the strength of their lobby groups or on their public profile, rather than on what would best meet the needs of society.

The Social Policy Bond concept, applied to health, would change that. I have described how they would work in more detail [2]here. Essentially, they would give a coalition of investors incentives to look for and exploit the most efficient approaches to dealing with society's long-term health problems - *on a continuing basis.* Health would be defined broadly, using some index of which one component could be [3]Quality Adjusted Life Years. And the goal would be long term. The coalition of investors would be a [4]new type of organisation; one whose structure and composition could change over time, but who could profit with the long (perhaps 50-year) lifetime of the bonds by buying bonds, doing whatever they can to advance toward the targeted goal, then selling their bonds at a higher price.

Especially with health, we need people and governments who can take a long-term view, and have incentives to do so.

1. https://www.ft.com/content/1f3aecbd-ca76-4bda-9c88-d631ea2c0e4a
2. http://socialgoals.com/health.html
3. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
4. http://socialgoals.com/new-type-of-organization.html

17.8 August

17.8.1 Nuclear peace: dogs and cats would also win (2020-08-05 16:46)

Nuclear war is as likely as ever, says former defense secretary William Perry

> America's nuclear weapons are thousands of times more powerful than the bombs that destroyed Hiroshima and Nagasaki 75 years ago. They're on hair-trigger alert: ready to be set off by a false alarm, computer malfunction, or by human error. President Trump has the sole authority to start a war that would end civilization as we know it. [1]KCRW, 31 July

That's really all we need to know, though the whole interview is worth a read. Nuclear proliferation demands a multiplicity of approaches. It's probably at least as great a threat to our survival as climate change, but there's no single, over-arching way of dealing with it. Government is especially bad at dealing with issues like this, where solutions are unlikely to come from the limited repertoire of command and control bureaucracy. Unless Government identifies solutions that it can implement, it's discouraged and tends not to follow through. It lacks the imagination to conceive of non-bureaucratic solutions, and it's not keen on relinquishing control. The result is our current perilous position.

Government cannot solve the problem, but it could set in place a system of incentives

that would encourage a solution - or rather, the necessarily diverse and adaptive array of partial solutions. Government could recognise that, while it doesn't have all the answers, it can at least mobilise the private sector to come up with solutions. Collectively, we have the brainpower and the desire: look at the ingenuity and resources that go into analysing the [2]pet food market, for instance. Or, worse, perhaps, see where even more of our best intellectual resources end up: in the, [3]arguably parasitic, financial services sector. To divert some of our talents away from almost-useless (or worse) activities into reducing the probability of a nuclear conflict would, you might think, be worthwhile. Government could do this by issuing something along the lines of [4]Nuclear Peace Bonds. It would define a set of nuclear peace targets, and back the bonds with rewards to be paid after specified periods during which a nuclear exchange does not occur. Bondholders would be motivated to bring about nuclear peace by whatever means they see as being efficient. They would not be limited to the solutions or activities that only government can implement. With a decent monetary incentive they could bring in our undoubted, boundless ingenuity to remove what is probably one of the greatest threats to our survival. If we're misanthropes, with a gloomy view our own species, its worth keeping in mind that nuclear peace would benefit our dogs and cats too.

1. https://www.kcrw.com/news/shows/to-the-point/william-perry-jerry-brown-nuclear-weapons
2. https://www.wattglobalmedia.com/publications/petfood-industry/
3. https://www.amazon.com/Finance-Curse-Nicholas-Shaxson/dp/0802128475
4. http://socialgoals.com/nuclear-peace.html

17.8.2 Outcomes, not algorithms, should define policy goals (2020-08-22 16:00)

There are sound reasons for being disdainful of quantitative targets in policymaking - something that forms the very basis of [1]Social Policy Bonds. But, perhaps unfortunately, in our highly aggregated, complex, societies, the alternative to targeting broad, explicit and, most important, *meaningful* goals is to target narrow, opaque goals that are devoid of meaning in that they do nothing to improve social well-being. The current *Economist* does a good job of illustrating the problems of consequences of using narrow, short-term, incoherent targets (what I have called [2]Mickey [3]Mouse [4]micro-targets):

> They produce perverse results when people focus excessively on them. They tempt managers to manipulate numbers. The obsession with measurement diverts people from useful activity to filling in forms. The [UK] department of health provided a fine example of the first when it penalised hospitals whose emergency departments took too long to treat patients after ambulances had dropped them off. Hospitals responded by keeping patients waiting in ambulances rather than in emergency departments. The [London] Metropolitan Police illustrated the second, after it linked pay and promotion to achieving a crime-reduction target. A police whistle-blower told a parliamentary committee that downgrading or underreporting crime had become "an ingrained part of police culture". The universities to which A-level students are struggling to get admitted provide an example of the third. Tenure and promotion

> are awarded on the basis of the production of articles (which can be measured) rather than teaching (which can't), so students suffer. *[5]How the British government rules by algorithm*, the 'Economist', 22 August

The most important quality of a target is that it should be in itself, or be inextricably linked to, things that we actually want to achieve. In other words, they should not merely have (perhaps) been associated with social well-being in the past. They should be outcomes that are meaningful to ordinary people, because that's what matters most and that is what will encourage people's engagement with policymaking and hence our buy-in to policies that affect us. They need to be broad, so that achieving one target does not come at the expense of other social goals. The alternative? Well, it is what we have now: indicators defined not by society, but by vested interests within organizations who suspect that broad, meaningful targets - indicators of actual, meaningful outcomes - would threaten their way of doing things, their status, or indeed their existence.

1. http://socialgoals.com/
2. https://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
3. http://socialgoals.blogspot.com/2012/01/mickey-mouse-micro-targets.html
4. http://socialgoals.blogspot.com/2009/03/targets.html
5. https://www.economist.com/britain/2020/08/20/how-the-british-government-rules-by-algorithm

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17.9 September

17.9.1 Where is this going? (2020-09-15 11:00)

Social Policy Bonds haven't exactly set the world on fire. Despite my high hopes, or naivety, when I first came up with the idea, back in the 1980s, they have not not been issued anywhere. Social Impact Bonds - the non-tradeable variant - have, however, been issued in around 25 countries, according to [1]Wikipedia. They appear in different guises: pay-for-success financing, pay-for-success bond, social benefit bonds, etc. I've had no involvement with SIBs, and have expressed my ambivalence about them [2]here and [3]here. I have been lucky to be able to spend so much time working on Social Policy Bonds, mainly writing about them here, or on my main [4]website, or in books and papers. I've also given presentations about them at the Universities of Cambridge and St Andrews, and at OECD and think-tanks and conferences in the UK, Australia, and New Zealand.

However, book sales are in the single digits per annum, and there is a near-universal lack of interest from those whom I thought would be keen to take up the idea: politicians, bureaucrats, academics, philanthropists ...the list goes on.... So I am having now to focus more on earning a living. No bad thing: it's a reminder of what it's like to work for slightly more than minimum wage doing something I do not enjoy, which has no prospects for advancement. That is what life is like for billions of people—if they're lucky! So this is just to serve notice that posting may continue to be thin for a while, though I will keep both this site and SocialGoals.com going. If you have questions, queries or comments on Social Policy Bonds I can always be reached my email, or you may find them addressed on this site or on SocialGoals.com. All my work is

downloadable from there, free of charge.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
3. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
4. http://socialgoals.com/

17.10 October

17.10.1 Philanthropists: step forward! (2020-10-01 17:05)

One reason why Social Policy Bonds haven't been implemented, in contrast to their [1]non-tradable variant, is that it's difficult to experiment with them. To stand a chance of being implemented in preference to more-conventional policies, Social Policy bonds have to be shown to have been successful where other policies have failed. But the criteria for bonds' being an improvement over policy alternatives militate against small-scale trials. Social Policy Bonds will work best when:

- We have no real idea how to solve the problem;
- One or a combination of diverse methods need to be tried, refined and implemented, with resources being transferred from failed or inefficient approaches to more promising ones;
- The bonds must not simply transfer problem from one area (geographic or otherwise) to another;
- Goals must be robustly and verifiably quantifiable at low cost; and
- The time-scale must be long enough to enable objective-achievers to enter and leave the coalition of bondholders.

Social Policy Bonds can work s for things like climate change, improving health, reducing crime (in a country or large region: we don't want crims simply to travel a few miles). But none of these objectives lends itself to experiment. Nevertheless, there *is* a class of projects that the bonds could target at no risk: achieving those goals that have eluded policymakers, or indeed anyone and that, partly for that reason, receives resources that are minute in comparison to the benefits that achievement would bring. Such goals could include the ending of all [2]violent political conflict, [3]nuclear peace, and [4]disaster prevention - which would include adequate protection against disasters that are foreseeable (like the current pandemic), and unforseeable. These are goals that humanity as a whole would like to see reached, but that do not attract the funding that their achievement requires. Apart from the inescapable inability to conduct trials, the benefits of achieving these goals are too diffuse and long term to influence politicians or corporations. We need sources of funds that are wealthy, willing to take a chance on a new financial instrument, and willing to relinquish the power to dictate exactly who benefits from their largesse. Step forward, public-spirited philanthropists: humanity is waiting for you.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. http://socialgoals.com/conflict-reduction.html
3. http://socialgoals.com/nuclear-peace.html
4. http://socialgoals.com/disaster-prevention.html

17.10.2 Buy-in, and that other global threat (2020-10-17 18:36)

From the current *New Scientist:*

> The world has now already warmed about 1°C since the pre-industrial age... "Even at 1°C warming, climate change is bringing us to the edge, or even over the edge, of what we are able to cope with." says Friederike Otto at the University of Oxford. *Climate's make or break year*, Adam Vaughan, 'New Scientist', 17 October

As the political caste all over the world floats ever higher away from the concerns of ordinary people, it's perhaps time to look at its consequences for the long-running, not very televisual, slow-moving disaster that is climate change. I've written many times here and on the [1]Social-Goals.com website about the importance of [2]buy-in. For dealing with climate change, which is going to require the expenditure of massive resources, upfront, for an uncertain and inherently long-term benefit, buy-in is as elusive as it is crucial, but there certainly isn't enough of it at the moment. There are many worthwhile efforts going on, mostly aimed at reducing greenhouse gas emissions, but they are clearly not enough. I think the reason for this is that the objectives that are cited by climate scientists and activists are too abstract to generate much buy-in. I suggest that, instead of targeting degrees Celsius, or greenhouse gas emissions, or the composition of the atmosphere, we target climate goals that are meaningful to ordinary people. By this I mean broad goals, such as reductions in the numbers of people killed or made homeless by adverse climatic events, *wherever in the world they occur*.

The [3]Climate Stability Bond approach might also have presentational advantages and more palatable money flows than such elegant solutions as a carbon tax. Any presentational advantages would be due to people's more readily identifying with the direct targeting for reduction of the impacts of adverse climatic events, whether they be short term - and televisual - such as hurricanes, or long term and drawn out, such as desertification. The money flows would be more palatable because, essentially, payment would be for results: Climate Stability Bonds would not be redeemed until all targeted goals had been achieved.

Goals that are meaningful to ordinary people, and more palatable money flows: with these two advantages, Climate Stability Bonds, would, I think, be better than the current, failing, approach.

1. http://SocialGoals.com/
2. https://socialgoals.com/buy-in.html
3. https://socialgoals.com/climate-change.html

17.10.3 Forget grand ideologies (2020-10-28 22:22)

Haonan Li and Victor Yaw write:

> If there is a lesson from Singapore's development it is this: forget grand ideologies and others' models. There is no replacement for experimentation, independent thought, and ruthless pragmatism. Haonan Li and Victor Yaw, *[1]The True Story of Lee Kuan Yew's Singapore ,* 'Palladium', 13 August

Social Policy Bonds have been in the public arena for something like 32 years now and their non-tradeable variant, [2]Social Impact Bonds, are now being issued in about 25 countries. In my naivety, I thought in the early years that my original concept, which, simplistically is a right wing method (markets) aimed at achieving left-wing (social) goals, would appeal to everyone, rather than...not many people.

Unsurprisingly, perhaps, it's been the ideologues on the left that are most opposed to the concept. Often implicit, sometimes explicit, is their feeling, or argument, that Social Policy Bonds are a means by which investors make money out of doing what they should be doing anyway. It is true that some wealthy bondholders, whether they be individuals, corporations of government or non-government bodies, could become even more wealthy by first buying Social Policy Bonds, then doing something to achieve the outcome that they target, then selling their bonds for a higher price. This is what some call "profiting from others' misery" and it offends their sensibilities.

But it can also be called "working for a living while doing something socially useful". In the long run it's quite probable that only a few people or organisations would amass huge fortunes under a bond regime, even if they do successfully achieve society's goals and profit from their bondholding. The way the market for Social Policy Bonds works would mean that excess profits could be bid away by would-be investors in a competitive market for the bonds. The market would openly transmit a huge amount of information about the constantly varying estimated costs of moving towards a targeted goal (see Chapter 5 of [3]my book for a full explanation). Barriers to entry into joining the coalition of bondholders and helping achieve the target could be low, especially if most bonds are held by investment companies who would contract out the many diverse approaches necessary to achieve most social and environmental goals.

The absolute sums of money at stake might be huge, particularly for Social Policy Bonds that target apparently remote, national or global goals, but there's no particular reason to assume that, in the long run, it would be shared out any less equitably than, say, teachers' salaries. Teachers? Yes, and nurses, doctors, nurses, and social workers, all of whom perform socially valuable services for which nobody begrudges payment—–not even those on the left

1. https://palladiummag.com/author/victoryaw/
2. https://en.wikipedia.org/wiki/Social_impact_bond
3. http://socialgoals.com/the-book.html

17.11 November

17.11.1 Defining peace, so that we can achieve it (2020-11-15 18:40)

They keep coming: Ethiopia, Azerbaijan/Armenia, Mali/Nigeria/Benin, etc.

It's too late to do anything much to stop the current conflicts or to avoid the imminent ones, but we can at least set in place mechanisms to prevent those wars and civil wars that are not yet inevitable.
There are links [1]here to my work on applying the Social Policy Bond concept to the elimination of war. An important question though, is what constitutes peace? This is not just an abstract point. A Social Policy Bond regime targeting peace would differ radically from the conventional, and not always successful, approaches. Most markedly it would not directly try to address war's alleged causes; or rather, *it would not prejudge what those causes are*.

Such an approach has (in my view) great merit. War is so complex that it is not always obvious, even after a long conflict has ended, what its supposed 'root causes' are, and perhaps the very notion of a 'root cause' needs questioning. It implies that factors such as 'poverty' or 'ethnicity' can be removed from their social context, and somehow dealt with, and that then a desired result will follow. But human societies are complex. Poverty can feed grievance, but grievance can be a result of poverty. No single formula, no single set of parameters will always lead to conflict, and guarantee freedom from conflict. Indeed, even the notion of 'causation' in this context is questionable. Perhaps [2]Tolstoy summed it up best:

> The deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event.

If we are going to issue Social Policy Bonds that target the elimination of violent conflict, how exactly would we define our goals? Peace - the absence of open war, the minimising of numerical casualties - would probably not suffice. Regimes can pile up armaments and blackmail neighbouring countries into making concessions or suffer the consequences. Under such circumstances, the open outbreak of military conflict would be unlikely, but it's hardly the sort of peace that we'd like to target.

I have no definitive answers, but I think that apart from the numbers of soldiers and civilians killed in armed conflicts, we could include elements such as the expenditure on armaments, numbers of full-time equivalents in the military, and mass media indicators of impending conflict. This last is interesting: there appears to be strong evidence that the underlying intentions of governments can be accurately gauged by a systematic analysis of opinion-leading articles in the mass media, regardless of the relative openness of the media in question. (See *Getting to war: predicting international conflict with mass media indicators*, W. Ben Hunt, University of Michigan Press, 1997.) Such analysis allows the prediction of both the likelihood of conflict and what form of conflict - military, diplomatic or economic - will occur. This sort of indicator could be useful as a target where military conflict has not begun, but appears possible, and where other data are scarce.

Once we have a set of indicators for peace, we could set about issuing Conflict Reduction Bonds, with national, regional or global objectives. We'd most probably have to refine the indicators over time, but the important point is that we'd be building a strong and highly motivated coalition for peace - in contrast to the current mess, under which the most dedicated individuals and groups seeking peace are the least rewarded, and the most highly rewarded are those who sell weapons of war.

1. https://www.socialgoals.com/conflict-reduction.html
2. https://scholar.google.com/scholar?hl=en&q=Tolstoy+L+%281996%29+War+and+Peace.+New+York+%3A+Norton+Critical+Editions.

17.11.2 How to minimise the risk of catastrophe (2020-11-20 17:14)

One typical manifestation of the 'New Optimism', is Steven Pinker's book [1] *The Better Angels of Our Nature* . According to the New Optimists, most of the indicators of human

health, freedom, and educational achievement are improving. This is undeniably good news, but

as Adam Salisbury writes:

> [W]e should not be complacent about our past trajectory, and not indulge in the New Optimist's flawed fixation on observed outcomes. Second, we should develop more holistic measures of human progress: ones that take into account our exposure to catastrophe. *[2]New Optimism Ignores Our Potential for Catastrophe,* Adam Salisbury, 'Paladium', 13 November

I agree that we underestimate the risk of catastrophe.

There are many people working hard to find vaccines, cures and treatments for disease, for example, or to prevent natural disasters or deal with their aftermath. There are peacekeepers, arms control talks, and other efforts to avoid human-made conflicts and disasters. But, in my view, this is not enough. The potential for catastrophe—the probability of a disaster of any sort, multiplied by its impact

— is high enough to warrant more resources devoted to reducing its likelihood. Efforts to contain nuclear weapons proliferation, for example, are minimal in relation to their potential for calamity.

Why is this? I think it's partly because the incentives aren't there for people to get involved. Much human ingenuity, and their attendant resources, go where people have the best chance of making a good living. Advertising [3]dog-food for instance, or the [4]useless (at best) financial services sector. It's only natural. But there is no correlation between where our best talents go, and the value to society of the activities they undertake when they get there.

[5]Social Policy Bonds would change that. Instead of the purely coincidental relationship between activity and social utility that we have nowadays, a bond regime would channel resources into *society*'s goals. These goals would be long-term, broad and meaningful to ordinary people, who could then participate in allocating them a priority. One such goal that would, in my view, receive far more funding under a bond regime than at present would be disaster prevention. You can read more about how the Social Policy Bond concept could address the minimisation of the risk of disaster [6]here. The bonds could even bring into our purview those goals long considered to be unrealistic or idealistic; not because they are unattainable, but because they are not rewarded in ways that attract sufficient human and material resources. I am thinking now of that most noble but, in my view quite achievable, goal of [7]world peace.

1. https://www.amazon.co.uk/Better-Angels-Our-Nature-Violence/dp/0141034645
2. https://palladiummag.com/2020/11/13/new-optimism-ignores-our-potential-for-catastrophe/
3. https://socialgoals.blogspot.com/2020/02/enough-with-dog-food.html
4. https://www.blogger.com/blog/post/edit/9695147/5338372927988290896
5. https://www.socialgoals.com/index.html
6. https://www.socialgoals.com/disaster-prevention.html
7. https://www.socialgoals.com/world-peace.html

17.11.3 Power and patronage (2020-11-30 12:17)

Elang Adhyaksa, in a letter to the editor of the 'Ec onomist' was writing about one particular country but, in truth, this could apply almost everywhere:

> In such a fractured country as [*see end of this post], leaders must contend with entrenched power bases, then cultivate patronage networks of their own if they are to govern at all. *[1]Elang Adhyaksa*, the 'Economist', 31 October

That's how things work. The power bases could be corporations or they could lie within government or the public service. I don't actually think things are drastically worse today in that respect than any other time. I do think, though, that we can do better. Power bases don't always share the same goals as ordinary people. The gap between power bases and the public may be widening. Often, the goals of the elite that constitute the power base (or are the

people the power base has to listen to) and ordinary people are in conflict. Overall, trust in government is declining; it's not a hopeful trend.

There might have been good reasons for why the our current political systems are weighted in favor of interest groups. Reasons to do with an uneducated population with not much free time to spend considering policy issues; the logistical difficulties of informing many people, and finding out what they think. The result is that government's goals depend on the bargaining power of special interests, whose influence is largely a function of how wealthy they are, but also such attributes as the personality of their spokespeople, and the emotions that can be generated from selective video footage.

I think we need policymaking systems now that prioritise the goals of ordinary citizens. These goals would be based not on emotion, but on the actual wishes and needs of the public.

[2]Social Policy Bonds could be the way forward. They target outcomes that are meaningful to ordinary people; outcomes such as [3]better health, [4]reduced crime rates, a [5]cleaner environment and, at a global level, [6]absence of war. There is more agreement about such outcomes than there is about how they shall be achieved, and which political party is best placed to achieve them. As well, these goals are more stable over time, so it is realistic to target them. A bond regime is well placed to target long-term goals, especially those that require research, experimentation, and refinement before they can be implemented. It would reward those who best advance these goals. Instead of self-entrenching power bases whose time, I believe, has passed, we'd have coalitions of bondholders; coalitions whose composition and structure would be subject to change, but that would always have as their goal, the maximising of their wealth. In that one respect, they would be similar to existing power bases. The crucial difference is that, under a Social Policy Bond regime, these [7]new types of organisation would become wealthy *only by achieving society's goals as efficiently as possible.* Their goals, in short, would be exactly the same as those of ordinary citizens.

*Which country was Elang Adhyaksa writing about? Indonesia.

1. https://www.economist.com/taxonomy/term/27/0?page=40
2. http://socialgoals.com/
3. https://www.socialgoals.com/health.html
4. https://www.socialgoals.com/crime-.html
5. https://www.socialgoals.com/environment.html
6. https://www.socialgoals.com/conflict-reduction.html
7. https://www.socialgoals.com/new-type-of-organisation.html

17.12 December

17.12.1 (2020-12-10 09:46)

I wanted to thank you for this excellent read!! I definitely loved every little bit of it. I have you bookmarked your site to check out the new stuff you post
https://www.lcrenovation.co.uk/house-extension-in-balham/
[1]House Renovations in Balham

1. https://www.lcrenovation.co.uk/house-extension-in-balham/

17.12.2 Make them tradeable (2020-12-16 19:38)

This is a brief article, unpublished, about making [1]Social Impact Bonds *tradeable.*

Make Social Impact Bonds tradeable

It’s fair to say that Social
Impact Bonds have failed to live up to expectations. I think this is because they are not tradeable. This sounds like a minor technical issue, but it is a crucial flaw. It means that, if people are going to profit from investing in the bonds, the goals they target must be achievable within the time horizons of the people who buy them—a few years, perhaps. So SIBs inevitably target narrow, short-term objectives. But our social and environmental problems are complex, difficult to solve, and require long-term investment. They require a range of diverse, adaptive approaches to be tried, with the most promising ones refined and implemented, and the ones that don’t work terminated (something that governments are reluctant to do). Creative destruction, allowed to operate in the private sector, has vastly improved the quality of life of a burgeoning world population. Making the bonds tradeable would allow it to work in the service of public goals too.

Because SIBs aren’t
tradeable, we’d expect to see what we do see: a lack of innovative approaches, the favouring of existing service providers, high transaction costs and not much in the way of increased efficiency. Yes, there has been some transfer of risk from taxpayers to the private sector, but the overall benefits are hardly enough to justify the high hopes they raised when they were first issued. And, as in other areas of the economy, the persistence of our social and environmental problems while the rich get richer is leading to increased cynicism about markets – the best way of allocating society’s scarce resources.

A market for the bonds
would mean people could buy bonds, do what they can to help achieve a targeted goal, see the market value of their bonds rise as a result, and sell their bonds at a profit to people who can take the next steps towards the achievement of the goal. Investors in the bonds would form a protean coalition, all interested in one thing: maximising the value of their bonds. With carefully specified social goals, investors’ goals would be exactly the same as those of society. As with the owners of a company’s shares, the membership of this coalition will change

over time but, importantly, the way the market works will mean that bonds are always owned by those who bid most for the bonds: these would be investors who think they will be the most efficient at solving the targeted social or environmental problem.

One big benefit of making the bonds tradeable is that we can target goals that currently we have no idea how to achieve, and let bondholders and the market work out who is best placed to achieve them, and which are the most efficient ways of doing so. When I first developed the original bond concept, their tradeability was integral, and I had goals such as reducing national crime levels in mind. Without tradeability, we see SIBs targeting such short-term, narrow goals as reduced local levels of recidivism. Tradeable SIBs wouldn't be so limited: they could target national, or even global problems, such as natural or human-made disasters, or climate change.

There is more consensus over these goals than the ways of achieving them. They are more stable, and being broad, are comprehensible to ordinary people, who could participate in their prioritisation, and thereby help close the ever-widening gap between our political caste and the rest of us.

Much human ingenuity, and their attendant resources, naturally go into activities in which people have the best chance of making a good living, but whose value to society is (to be polite) questionable, such as the financial services sector. There is no correlation between where our best talents go, and the value to society of the activities they undertake when they get there.

Making SIBs tradeable would change that. Instead of the purely coincidental relationship between activity and social utility that we see nowadays, a bond regime would channel resources into society's goals. These goals would be long-term, broad and meaningful to ordinary people, who could therefore participate in their prioritisation. Tradeability would extend the range of the goals we target to encompass those we now regard as unsolvable. It would attract resources into completely new areas, currently the responsibility of underpaid hard-working people who have few resources to play with, and are rewarded in ways that have nothing to do with their efficiency or success.

These elusive, yet urgent, goals have long been considered unrealistic or idealistic not, I contend, because they are unattainable, but because they are not rewarded in

ways that attract sufficient human and material resources. With tradeable SIBs we could target such noble and, in my view, quite achievable goals, such as minimising the impact of all kinds of disaster, and the ending of war.

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1. https://en.wikipedia.org/wiki/Social_impact_bond

2021

18.1 January

18.1.1 Centrally planned goals are fine (2021-01-04 11:17)

I haven't read *[1]Seeing Like a State:* [2]*How Certain Schemes to Improve the Human Condition Have Failed*, by James C Scott, published in 1999. (There is a good review of it [3]here.) The description on the Amazon page sums it up:

> Centrally managed social plans misfire, Scott argues, when they impose schematic visions that do violence to complex interdependencies that are not – and cannot – be fully understood. Further, the success of designs for social organization depends upon the recognition that local, practical knowledge is as important as formal, epistemic knowledge. The author builds a persuasive case against "development theory" and imperialistic state planning that disregards the values, desires, and objections of its subjects. He identifies and discusses four conditions common to all planning disasters: administrative ordering of nature and society by the state; a "high-modernist ideology" that places confidence in the ability of science to improve every aspect of human life; a willingness to use authoritarian state power to effect large-scale interventions; and a prostrate civil society that cannot effectively resist such plans.

While we're content to let the market's efficiencies work in the private sector, our current way of solving social and environmental problems is, in essence, centrally managed. The result is something like a [4]policy monoculture, and the results are predictably lamentable. But the important distinction to make is that between centrally planned outcomes and centrally managed ways of achieving them. We all want to see such *centrally planned goals* reduced poverty, the ending of violent political conflict, and universal literacy, for examples. Government does a good job at articulating our wishes in these and other areas. But *centrally planning the ways of achieving these goals* just does not work. We need diverse, adaptive solutions; ones that take into account circumstances that vary with time and space. Central planning can't do that and the results of its failure are widespread and tragic.

Which is why I advocate [5]Social Policy Bonds. Under a bond regime we would set goals and contract out their achievement to people motivated to investigate and implement the only the most efficient projects. These projects would adapt to changing circumstances, and be sensitive to local conditions. Under a bond regime, the complex interdependencies about which Scott writes, which cannot be understood by government, *need* not be understood by government. Instead, via an automatic system of cascading incentives, Social Policy Bonds would encourage diverse, adaptive initiatives that would contribute to achieving our large-scale - even global - goals.

1. http://www.blogger.com/goog_1037529520
2. http://www.amazon.com/gp/product/0300078153?ie=UTF8&tag=ribbonfarmcom-20&linkCode=as2&camp=1789&creative=390957&creativeASIN=0300078153
3. http://www.ribbonfarm.com/2010/07/26/a-big-little-idea-called-legibility/
4. http://socialgoals.blogspot.co.uk/2008/11/big-government-is-monoculture.html
5. http://socialgoals.com/

18.1.2 How better to solve our global problems? (2021-01-11 12:34)

At the very [1]outset (pdf), I envisaged that [2]Social Policy Bonds could be used to solve global problems, because that is where their advantages over other policy mixes would be most marked. These advantages arise because:

- Current global solutions are lacking. Take climate change, or the possibility of nuclear war. There are many initiatives being undertaken by well-meaning, hard-working people in many institutions worldwide. But measured in terms of outcomes - reduced probability of adverse climatic events, or nuclear war - the results of all this endeavour are unimpressive.
- Under a bond regime, resources can readily shift to where they will do most good. 'Good' being measured as objectively as possible, with such tools as [3]Quality Adjusted Life Years. Consider just two areas into which huge quantities of human ingenuity are concentrated: financial trading and marketing. The financial rewards from excelling in these activities far outweigh those who that accrue to people involved in efforts to diminish the prospects of, say, violent political conflict. The mismatch between what could be done,

and what is being done can be seen by considering the co-existence of both [4]neglected tropical diseases and [5]high-frequency trading.

- A mix of diverse solutions are required. No single solutions, of the type favoured by governments or supra-national bodies, are going to solve humanity's global problems. We need a mix of diverse, adaptive solutions, which vary continually with both space and time - always with the aim of being maximally efficient. Governments can specify, and raise funds for, the ends of such solutions, not their means.
- Most global problems require long-term solutions; they extend beyond the lifetime of individuals, corporations or government bodies. But people today receive their income from such organisations, and organisations have goals that differ from those of humanity. Their prime goal, after their idealistic beginnings, often becomes self-perpetuation, which can not only be inconsistent with humanity's goals - it can even conflict with them.

For all these reasons, I believe Social Policy Bonds offer the best hope for humanity. Our goals are more stable than those means of achieving them currently thought to be optimal. Our governments are good at raising revenue, and they can articulate society's goals, but they are not very good at solving complex problems or thinking for the long term good of society, even when that is their goal. There is no shortage of human ingenuity or other resources, but we do need incentives to divert such resources into areas where they can do most good. Social Policy Bonds, backed by national governments and issued by a global body (it could even be an private-sector organisation) are, in my view, the best way forward. I cannot think of a better alternative.

1. https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/848/aeru_dp_121_vol2.pdf;sequence=2
2. http://socialgoals.com/
3. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjI_oLh4ZPuAhVnx4UKHTE4BsIQFjAAegQIAhAC&url=https%3A%2F%2Fen.wikipedia.o
4. https://www.niaid.nih.gov/research/neglected-tropical-diseases
5. https://www.investopedia.com/terms/h/high-frequency-trading.asp

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18.1.3 We need to direct ends, not means (2021-01-19 12:30)

John Kay, reviewing *[1]Mission Economy*, discusses the author, Mariana Mazzucato's, contention that 'we need a "solutions based economy", driven and co-ordinated by more powerful governments engaged in every stage of the process of innovation' in order to solve urgent global problems as effectively as the Apollo space programme achieved its goal of landing men on the moon and returning them to Earth. But, Mr Kay writes:

> Apollo was a success because the objective was specific and limited; the basic science was well understood, even if many subsidiary technological developments were needed to make the mission feasible; and the political commitment to the project was sufficiently strong to make budget overruns almost irrelevant. Centrally directed missions have sometimes succeeded when these conditions are in place; Apollo was a response to the Soviet Union's pioneering launch of a human into

> space, and the greatest achievement of the USSR was the mobilisation of resources to defeat Nazi Germany. Nixon's war on cancer, explicitly modelled on the Apollo programme, was a failure because cancer is not a single illness and too little was then — or now — understood about the science of cell mutation. Mao's Great Leap Forward, a vain bid to create an industrial society within five years, proved to be one of the greatest economic and humanitarian disasters in human history. At least 30m people died.
>
> With political direction **of innovation** we regularly encounter grandiosity of ambition and scale; the belief that strength of commitment overcomes practical problems; an absence of honest feedback; the suppression of sceptical comment and marginalisation of sceptical commentators. [2]*Mission Economy by Mariana Mazzucato — could moonshot thinking help fix the planet*?, John Kay, 15 January (emphasis added)

I agree: political direction of innovation doesn't work. But political direction of the outcome, I believe, can work, if the necessary innovation is contracted out to motivated bodies, be they in the public or private sector. Governments are good at specifying goals, and democratic governments are good at specifying society's goals. They are also efficient at raising the revenue necessary for their achievement. Where they are not so effective is in dictating how that revenue shall be spent and who will do the spending. As Mr Kay continues:

> All these were seen in Britain's experience with Concorde, the Channel Tunnel and the AGR nuclear reactor programme, some of the worst commercial projects in history. More recently, there is the £12bn wasted on the NHS computerisation programme ....

This is why I continue to advocate the [3]Social Policy Bonds concept, which allows governments to do what they are best at: specifying a desirable outcomes, while letting motivated bodies compete for the right to join a protean coalition that will co-operate, continuously, until the outcome has been achieved. In that way, goals can be long term in nature - see my piece on [4]global goals, for example. The composition and structure of that coalition can and, most likely, will change, but at every point in time, its attributes will be subordinated to the over-arching goals specified by government, in consultation with the public. Whoever issues Social Policy Bonds - and it needn't be government - cannot specify the diverse, adaptive policies that will be necessary to solve our most urgent, big, complex problems. But they *can* specify the outcome, and in so doing ensure that the most efficient problem solvers are rewarded in ways that directly correlate with their contribution.

1. https://www.amazon.com/Mission-Economy-Moonshot-Changing-Capitalism/dp/0063046237/ref=sr_1_1?dchild=1&keywords=mission+economy&qid=1611004398&sr=8-1
2. https://www.johnkay.com/2021/01/15/mission-economy-by-mariana-mazzucato-could-moonshot-thinking-help-fix-the-planet/
3. http://socialgoals.com/
4. https://socialgoals.blogspot.com/2021/01/how-better-to-solve-our-global-problems.html

18.2 February

18.2.1 Nuclear peace: no time to lose (2021-02-01 23:05)

The *Economist* recognises the threat posed by nuclear proliferation:

> If the nuclear order starts to unravel, it will be almost impossible to stop. ...Stopping proliferation also requires spotting it. ...The International Atomic Energy Agency, the world's nuclear watchdog ... is **overburdened and under-funded**, and needs to keep up with technological change. The world ... cannot afford to downplay the dangers of nuclear proliferation. Today's nuclear diplomacy may seem a slog, but it is as nothing compared with the lethal instabilities that arise whenever regional nuclear-armed rivals confront each other. There is no time to lose. [1]*Who will go nuclear next*?, The 'Economist', 30 January (emphasis added)

My contention is that too much human ingenuity and attendant funding are channelled into activities of little, no, or negative social utility, such as advertising [2]dog-food, hedge funds or [3]high-frequency trading. People react rationally to the incentives on offer, and such activities, unfortunately attract some of the brightest minds on the planet.

The under-funding of the IAEA is not the only reason for the *Economist*'s (and my) alarm at the nuclear threat. The Agency is like any other organisation. Though its employees are no doubt hard working and well meaning they are not rewarded in ways that are linked to their success or otherwise in carrying out the Agency's ostensible goal. Like every organisation, it has its own incentives, and one of its most important is likely to be [4]self-perpetuation.

I think that the nuclear threat is too significant to be left to one under-funded organisation. I suggest instead that :

- We clearly define what we want to achieve: most obviously the continuation of nuclear peace, but we could also encompass other goals, such as reductions in the number of nuclear warheads, and the number of nuclear powers.
- We reward the sustained, simultaneous, achievement of all these objectives.
- We supply adequate funding that encourage such achievement - and are prepared to increase those rewards if necessary.
- We then contract out the achievement of this array of objectives by means of Nuclear Bonds, made available to everyone - public- or private-sector - on the open market.

What would happen? Most likely a [5]new sort of organisation would arise: one whose goals are exactly congruent with society's goals. Its structure and composition could vary over time, but at every point would be those that would best achieve and sustain nuclear peace. As project-initiators and implementers, they will do what they can to achieve nuclear peace, see the value of the bondholdings rise, realise their gains from holding the bonds (or receiving payments from bondholders), and sell their bonds to others who can better carry out the next steps towards achieving and sustaining the specified goal.

For more about applying the [6]Social Policy Bond concept to nuclear peace see [7]here.

1. https://www.economist.com/weeklyedition/2021-01-30
2. https://socialgoals.blogspot.com/2020/02/enough-with-dog-food.html
3. https://socialgoals.blogspot.com/2013/11/a-world-with-high-frequency-trading.html
4. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
5. https://www.socialgoals.com/new-type-of-organization.html
6. http://socialgoals.com/
7. https://www.socialgoals.com/nuclear-peace.html

18.2.2 'Sustainability' is a meaningless goal (2021-02-15 12:07)

The *New Scientist*, in a feature about fishing, quotes an expert:

> The word 'sustainability' doesn't mean anything. You can actually overfish sustainably - you can reduce the stock to a tiny fraction of is original abundance and fish the rest sustainably. It's like cutting an immense forest, but leaving a few trees standing, which you harvest sustainably. Daniel Pauly, quoted in *Plenty more fish in the sea?* by Graham Lawton, [1]'New Scientist', 13 February

One advantage of the Social Policy Bond concept is that it obliges policymakers to come up with clear, unambiguous, verifiable goals. 'Sustainability' just isn't good enough. You might almost think its elasticity and prevalence are designed to ensure that business can continue continue as usual, not only in fisheries but in forestry, climate change, or indeed any aspect of the environment. Unfortunately, setting verifiable goals is difficult for governments. There are genuine as well as spurious reasons at to why this should be. One is that there are too many unforeseeable variables that could affect movement towards targeted goals and that have little to do with government performance. We can hardly expect, therefore, government to do otherwise than promulgate vague, meaningless goals that have little to do with social well-being.

I advocate, instead, that government relinquish some of its goal setting role, and instead seek to articulate and refine society's goals. Such goals, I believe, would extend beyond the time horizons of particular government administrations. They would be broad and verifiable but, most importantly, they would be meaningful to ordinary people, in a way that such goals as 'sustainability' - or proportion of youngsters going to [2]university, or [3]waiting times in hospitals [4]etc - are not.

Discussing Social Policy Bonds I often emphasise the gains that could be made by injecting the market's incentives and efficiencies into the achievement of social and environmental outcomes. But perhaps even more important would be the bonds' role in obliging society as a whole to define clearly what those outcomes actually are. In such a policymaking environment goals as devoid of meaning as sustainability would not clear the first hurdle.

1. https://www.newscientist.com/
2. https://socialgoals.blogspot.com/2010/07/how-policy-is-made.html
3. https://socialgoals.blogspot.com/2006/03/another-mickey-mouse-micro-objective.html
4. https://socialgoals.blogspot.com/2020/01/mickey-mouse-micro-objectives-rape.html

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18.3 March

18.3.1 SocialGoals.com (2021-03-07 18:57)

I have updated the design and underlying software of the [1]Social Policy Bonds website, and have aimed to modify or eliminate dead links. Any comments on the upgrade would be gratefully received.

1. http://socialgoals.com/

18.3.2 Markets can actually serve the public (2021-03-14 12:43)

Social Policy Bonds are poorly received by some, partly because they depend absolutely on markets. Markets have a bad reputation, especially in left-leaning circles for one reason that's justified, in my view, and two that aren't.

Market forces have been invoked to justify subverted, manipulated, and gamed interventions. One example: leading corporations often seek to change the regulatory environment in ways that inhibit competition. They may have attained their dominance within a competitive market, but once there, they abuse their power to stifle would-be competitors. Very often, they find allies within government, including individuals whom they will reward handsomely with directorships or consultancies once their government careers end. Though the claim is that such behaviour is merely in accordance with free market principles, it is actually the antithesis of competitive behaviour in a free market. We see the results everywhere: grotesquely huge and powerful corporations, stifling or snapping up the competition, and abusing their dominance to influence government in ways that further concentrate their power and wealth. It's a valid reason for being sceptical when, say, a new financial instrument, such as Social Policy Bonds, enters the arena, claiming that the market's incentives and efficiencies can actually be channelled into the public good.

However, other reasons for people's disdain of markets are less valid. People see the rewards to those who succeed in a wide array of markets as almost as unjustified as lottery winnings. And there is some truth that those who do so succeed are those who are best placed to take risks. As in most human endeavour luck is important. But less appreciated is that there *are* risks, and also that profits take time to accumulate. We focus on the millions (or, now, billions) that accrue to the luckiest or most ruthless, or the most efficient operators, many of whom do provide goods and services that improve society's well-being - but we do not account for the time necessary to reap those rewards.

As well, people focus purely on the rewards, often inordinately huge, without seeing that these rewards don't merely enrich a few people at the top. They also increase the supply of the goods or services that generate those riches. Or, they should do, and would do, in competitive markets.

So while I understand people's doubts that markets can serve the needs of all in society, I'd ask them to be open-minded and look in detail at Social Policy Bonds, which, while they would probably make some already wealthy people or organisations even wealthier, at least in the short run, would do so only in strict proportion to their success in solving our social and environmental problems.

18.4 April

18.4.1 Electric cars: another misguided policy intervention (2021-04-06 19:45)

Basing policy on current science and technology is fraught with difficulties. I have [1]written about the problems of legislating to limit those gases currently thought to contribute to the greenhouse effect, and advocated instead rewarding people for achieving that which we actually want to achieve: a reduction in adverse climatic events. On a smaller scale, I am sceptical about governments promoting battery electric vehicles (BEVs). The reasoning is similar: our knowledge of the causes and the effects of our environmental depredations is incomplete and rapidly expanding. Take this excerpt from US research into a comparison of the environmental impacts of BEVs and internal combustion engine vehicles (ICEVs):

BEVs may be responsible for greater human toxicity and ecosystems effects than their ICEV equivalents, due to (1) the mining and processing of metals to produce batteries, and (2) the potential mining and combustion of coal to produce electricity. These results are global effects, based on the system boundaries and input assumptions of the respective studies. In addition to a review of the literature, CRS focused on the results of one study in order to present an internally consistent example of an LCA [Life Cycle Analysis]. This specific study finds that the life cycle of selected lithium-ion BEVs emits, on average, an estimated 33 % less GHGs [greenhouse gases], 61 % less volatile organic compounds, 93 % less carbon monoxide, 28 % less nitrogen oxides, and 32 % less black carbon than the life cycle of ICEVs in the United States. However, the life cycle of the selected lithium-ion BEVs emits, on average, an estimated 15 % more fine particulate matter and 273 % more sulfur oxides, largely due to battery production and the electricity generation source used to charge the vehicle batteries. Further, the life cycle of the selected lithium-ion BEVs consumes, on average, an estimated 29 % less total energy resources and 37 % less fossil fuel resources, but 56 % more water resources. [2]*Environmental Effects of Battery Electric and Internal Combustion Engine Vehicles* (pdf), [US] Congressional Research Service, 16 June 2020

This is not to say that BEVs are worse than ICEVs. It is clear that there is no single way of weighting and aggregating the adverse environmental impacts that points to a clear winner. And, even if there were, that could change, depending on either developments in technology, or improved knowledge about how the environmental depredations affect human, animal and plant life. On that basis then, I would argue that legislation to promote BEVs is misguided. Instead we'd do better, in my view, to stipulate those environmental outcomes that we want to achieve, and reward those who bring about those outcomes, *however they do so*.

1. https://www.socialgoals.com/climate-change.html
2. https://crsreports.congress.gov/search/#/?termsToSearch=r46420&orderBy=Relevance

18.4.2 The coolness factor (2021-04-27 10:05)

The 'coolness' factor: not the coolness that [1]describes 'an aesthetic of attitude, behavior, comportment, appearance and style which is generally admired' but rather the [2]coolness

'marked by steady dispassionate calmness and self-control' at times of high emotion. Currently I'm working on applying the Social Policy Bond concept to health, and one advantage of [3]Health Bonds is that they would target outcomes decided on an unemotional, impartial basis at a time when the interests of the entire population are being considered dispassionately. That we are in dire need of such coolness is clear from this review of Nuclear Folly, by Serhii Plokhy:

> ... [Khrushchev's] Oct. 23 [1962] Kremlin outburst—which appears midway through Serhii Plokhy's superb "Nuclear Folly: A History of the Cuban Missile Crisis"—would appear to mark a significant contribution: an eyewitness account of one of the saga's two key decision makers exhibiting not only uncontrolled anger but delirium. Khrushchev's threat to "nuke" the White House, his "avalanche of contradictory orders," constitute the most troubling behavior we could imagine in a leader "managing" such a crisis. *[4]'Nuclear Folly' Review: The Big Red Gamble*, James Rosen, 'Wall Street Journal', 19 April 2021

Indeed; it is striking how, at the highest level of national government, big decisions appear to be made on the basis of reactive, primal emotion. Rationality and the long-term interests of the people politicians are supposed to represent hardly figure at all:

> ...policies
> are often adopted on the basis of less careful analysis than their importance warrants, leaving wide room for mistakes and misperceptions . Forces of knowledge destruction are often stronger than those favoring knowledge creation. Hence states have an inherent tendency toward primitive thought, and the conduct of public affairs is often polluted by myth, misinformation, and flimsy analysis. [5]Source (pdf)

This type of thinking is particularly dangerous when military conflict looms. An article about Henry Kissinger's role in US foreign policy quotes him saying to US President George W Bush's speechwriter, about radical Islamic opponents: 'We need to humiliate them'. Comments like this abound in high politics. George W Bush himself cried 'bring 'em on' at an early point in the invasion of Iraq. These are not examples of high-level thinking. The benefits of a Social Policy Bond regime would include the setting of social goals in a rational way. It's unlikely that random emotional outbursts would crystallise into policy in such a policymaking environment, however high up the hierarchy are the people who make them.

1. https://en.wikipedia.org/wiki/Cool_(aesthetic)
2. https://www.merriam-webster.com/dictionary/cool
3. https://www.socialgoals.com/health.html
4. https://web.archive.org/web/20210426095234/https://www.wsj.com/articles/nuclear-folly-review-the-big-red-gamble-11618871259
5. http://web.mit.edu/polisci/research/.../why_states_believe_foolish_ideas.pdf%20

18.5 May

18.5.1 Winning elections is not the same as running the country (2021-05-12 22:26)

Henry Kissinger is supposed to have said:

One of the greatest dangers to democracy is the growing gap between those who can win elections and those who can run the state .

Quite so. I think there's also a growing gap between those who can win elections and those who *wish* to run the state, or have any interest in running the state *efficiently*. There are many reasons why people seek power, but running an efficient state doesn't seem to be an over-riding one. Power for its own sake, something that will bring future lucrative directorships or media appearances or promote sales of memoirs, or something to fill in those endless blank days after some other career- these seem to be more important as motivators for would-be politicians.

Part of the reason for this is that running a state is less fulfilling than it used to be. Our democratic societies are too complex for a single person's influence to count for much. There are always competing interest groups to consider and long time lags between cause and effect. So politics is increasingly driven by personalities, sound bites, and trivia. At the same time we are failing to address huge, urgent social and environmental challenges. Politicians and bureaucrats have little incentive to tackle these challenges until they become emergencies. Structural weaknesses are papered over until it's too late. It makes little difference who's in power, and ordinary people know that.

Here's another idea: instead of voting for political party, or for the politician who looks best in the media, or for the ones that avoid real issues in the most convincing manner, how about letting us vote for outcomes? Not for the politicians who say they'll deliver outcomes, or for the political party that, way back in history, did once deliver outcomes, but directly for outcomes. Take, for instance, the goal of avoiding catastrophic climate change. That option was not offered by any of the British political parties. It's not on offer, in fact, anywhere, as a policy for which people can vote. What is on offer are promises made by members of a political caste to do something that might do something to reduce greenhouse gas emissions, which in turn might, but probably will not, do anything significantly to stabilise the climate. Then these promises, however nugatory, are broken anyway.

That's where Social Policy Bonds can play a part. Under a bond regime, the currency of debate would be outcomes rather than political parties or well-meaning but hollow promises. Politicians then wouldn't have to run the state, though they would have to articulate society's targeted outcomes, and continue to raise the revenue for their achievement. Politicians can actually do those things quite well - in the democratic countries at least. Outcomes are inherently more amenable to the sort of consensus and buy-in that are essential if we are to avoid serious economic, social or environmental problems. And Social Policy Bonds, as well as increasing transparency and stability of targeted goals, would minimise the cost of achieving them. More could be done with society's scarce resources than under the current system. Efficiency, transparency and buy-in: exactly what are lacking in today's system. No wonder, then, that participation in a general election is so low.

18.5.2 Peace in the Middle East (2021-05-29 11:15)

Who wants it? Ordinary people, mostly. It's difficult, though, for them to express that preference. We're all susceptible to anger and impulse, to propaganda and, especially, emotional television pictures of conflict, and it doesn't help that the financial and status incentives are overwhelmingly on the side of conflict. The arms sellers, the men of (so-called) religion, the state and non-state militias: all have their own reasons for stoking conflict that follow logically from the premisses by which they live. What's missing are countervailing incentives: the unspoken and - in parts of the Middle East, unsayable, on pain of persecution - wishes of ordinary people to make something of the lives and those of their family members. That's where [1]Middle East Peace Bonds could enter the picture. Ordinary people in and outside the Middle East, perhaps following initial contributions from philanthropists, could set up a fund to be used for the redemption of the bonds. The bonds could aim to achieve a sustained period of peace, defined and verified objectively. It would be up to bondholders to devise and investigate the multitude of possible ways in which conflict can be avoided. They would have incentives to deploy only the most efficient of such initiatives.

People often write about 'intractable' ethnic, religious, or territorial conflicts. But these conflicts do fizzle out and then it's apparent that the conflicts were not so intractable after all. The borders between England and Scotland, or England and Wales, are pretty quiet these days. Historical grievances, and notions of fairness or justice, loom large and play a part in perpetuating conflict. But not inevitably. People get tired; the old paradigms die with the idealogues that kept them going; deals are done, compromises made, other events assume greater importance, while time heals. Middle East Peace Bonds could accelerate all these processes. They could channel the wishes of the majority of ordinary people in the Middle East and beyond into the attainment of peace in the region. Incentives matter.

1. http://socialgoals.com/mepeacebonds.html

18.6 June

18.6.1 Electric vehicles and nappies (2021-06-07 10:03)

Will replacing vehicles powered by internal combustion engines (ICEs) by those powered by renewable electricity reduce greenhouse gas emissions? It depends on too many variables to justify the actios taken by governments worldwide. A resear cher for Jefferies, an investment bank, pointed out that:

> To gain the environmental dividend that governments are looking for, users

> are going to have to keep them [ie EVs] longer, drive them further than they may have done with a conventional internal combustion energy vehicle.
>
> When they leave the factory, these [electric vehicles] are at a disadvantage. They contain more steel. The brakes are bigger. The battery packs are certainly heavier. [1]Source

Goehring & Rozencwajg, a research firm focusing on contrarian natural resource investments [2]posted a blog in which they call into question a comparison of ICEs and EVs conducted by the Wall Street Journal and, citing the work performed by Jefferies, argue that there could literally be ’no reduction in CO 2 output’ in some EV vs. ICE comparisons.

I have no opinion as to whether EVs are worse for the environment than ICEs. Even if they are, currently, technology is rapidly changing. As well, [3]brake dust and pollution from [4]tire wear are probably as toxic as engine emissions. These facts point to the need to stipulate the environmental outcomes that we want to achieve, rather than the supposed ways of achieving them. The next step would be to reward those who bring about those outcomes, *however they do so*.

T he problem, and [5]solution, are similar to those concerning [6]nappies. The seemingly simple question of disposable versus cloth embodies in microcosm the inescapable difficulty of making policy about bigger concerns. There are always angles that we cannot foresee. Cleo Mussi, for instance, writes to the *New Scientist*:

> .... I wonder whether the research comparing [cloth] to disposables took into account the fact that babies using cloth nappies tend to be toilet-trained day and night at a much earlier age – there is little more uncomfortable than a wet cloth nappy. A difference of six months to a year would lead to a child using 1100 to 2200 extra disposable diapers or nappies – a lot of extra landfill. Cleo Mussi, [7]Letter to the editor of ’New Scientist’, 12 December

Our environment and society are too complex and changing too rapidly for us to favour even one of two types of nappy, just as we cannot say whether EVs or ICEs are preferable. Yet the way

we make policy makes little allowance for such difficulties. Typically, a government (heavily influenced by corporate interests or ideological baggage) makes a top-down, one-size-fits-all decision, ostensibly based on fossilised science, and then moves onto something else, rarely revisiting or even [8]monitoring (pdf) its performance.

When bigger challenges than nappies loom, this way of doing things generates commensurately bigger problems. Whether it's climate change or health or global conflict, neither government nor any single conventional organisation can know all about the relevant human and scientific relationships, let alone keep up with them. Nor can they anticipate the diverse effects their policies will have over both time and space. The complexities are too great, and any single body is going to be too pre-occupied with its image, the latest events, or its members' individual goals to care much about outcomes.

Only people who are *continuously* motivated to achieve our goals, to look at the effects of their initiatives, and to adjust their ideas accordingly, can develop the diverse, adaptive approaches that we need to solve our social and environmental problems. Social Policy Bonds are one way in which we could stimulate such initiatives. They have other benefits: most significant here is that issuers of the bonds do not need to specify how a problem is to be solved in order to get people started on solving it. Our goals are stable: the optimal ways of achieving them, especially when complicated by time lags, feedback loops, a multitude of known, unknown and unknowable variables, are not. We can and, in my view, should, issue [9]Social Policy Bonds targeting such goals as solving huge, urgent problems such as [10]climate change even though the ways in which they are to be solved lie are beyond the purview and time horizons of policymakers.

1. https://jalopnik.com/electric-cars-need-to-be-driven-further-owned-longer-t-1846999634
2. http://blog.gorozen.com/blog/exploring-lithium-ion-electric-vehicles-carbon-footprint?utm_campaign=Weekly%20Blog%20Notification&utm_medium=email&_hsmi=131502455
3. https://www.motoringresearch.com/car-news/brake-dust-toxic-diesel-fumes/
4. https://www.greencarcongress.com/2020/03/20200308-emissionsanalytics.html
5. https://www.socialgoals.com/environment.html
6. https://socialgoals.blogspot.com/2007/07/nappies-latest-news.html
7. https://www.newscientist.com/letter/mg24032080-900-reusable-nappies-as-a-toilet-training-incentive/
8. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjpy4zcyaffAhUKfbwKHfvqB8AQFjAAegQIHRAC&url=https%3A%2F%2Fdspace.mit.ed
9. https://www.socialgoals.com/
10. https://www.socialgoals.com/climate-change.html

18.6.2 The evolutionary approach to policymaking (2021-06-20 16:31)

In today's polarised political climate [1]Social Policy Bonds suffer by being seen as a 'right-wing' way of achieving 'left-wing' goals, in that they use markets to achieve social and environmental objectives. Rather than appealing to both political ideologies, they appeal to neither. They are also quite unconventional in that they stipulate desirable outcomes and reward people for achieving them. This differs from the usual approach of governments - even those that care about their citizens - which is to take existing bodies (public- or private-sector) as a given, and try to negotiate their competing demands. I think Social Policy Bonds can improve on this approach for two main reasons:

Society is so complex, ever-changing and beset by time lags that it is more efficient to reward evolutionary solutions to our social problems than it is for any single body to try, using current knowledge, to develop solutions that will necessarily be top-down and once-size-fits-all. Just as evolution in nature leads to diverse, adaptive solutions to the problem of surviving in a complex, changing environment, so would an evolutionary approach lead to diverse, adaptive solutions to our social problems. Such approaches are unlikely to be conceived by any single conventional organisation, which is why I expect issuing Social Policy Bonds would generate a [2]new type of organisation, one whose structure, composition and activities would be solely dedicated to achieving society's social and environmental goals at least cost to the taxpayer.

A Social Policy Bond regime would encourage long-term thinking because (unlike Social Impact Bonds) they would be tradeable, so that the time-till-redemption of the bonds could be much longer than any investor's time horizon. There would be time for bondholders to try an array of innovative approaches, and the incentives would be there for them to refine and implement the most efficient of these approaches - and, importantly, to terminate those that are unpromising. Once the Social Policy Bond concept has been used at the national level, lessons learned could be applied to solution of global problems, including those often thought to be intractable, such as regional or global [3]conflict.

1. https://www.socialgoals.com/
2. https://www.socialgoals.com/new-type-of-organisation.html
3. https://www.socialgoals.com/conflict-reduction.html

18.7 July

18.7.1 Ending war: imagery or incentives? (2021-07-09 09:34)

We often hear war correspondents say that they undertake their gruelling assignments so that others will come to realize the horror of armed conflict. I don't doubt their sincerity, nor their bravery in embedding themselves in military campaigns and recording the carnage that is the outcome of man's inhumanity to man. I do, however, doubt whether widely disseminated graphic reports and pictures are the best way, or even an effective way, of bringing about an end to war. They may be the best we have come up with - but they patently haven't ended any form of violent political conflict.

Piling up weapons, unfalsifiable 'deterrence' doctrine, peace talks, talks about talks: these are roundabout methods of addressing our tendency to destroy others of our species and a big

chunk of the natural environment too. They lack even the grim entertainment value of the reporters' images and commentary. Here's a question: if we are truly serious about ending armed conflict, why don't we reward the ending of armed conflict rather than the failed means of preventing it? Incentives matter, and the current incentives are all for arms merchants to sell more arms, for bureaucrats to engage in endless talks, for fanatics and governments to inflame aggressive religious and nationalistic passions.

Humanity would benefit if there were countervailing incentives, by which I mean financial incentives. The wish that almost everyone has, when we are not reacting to propaganda or provocation, to live in peace, has not been monetised and so, sadly, counts for very little when set against the interests of the weapons manufacturers, bureaucrats and zealots.

Which is where the [1]Social Policy Bond concept, applied in the service of world peace, could make a contribution. Under a bond regime targeting a combination of such metrics for reduction as numbers of people killed and made homeless, people would be rewarded for the achievement of sustained periods during which wars are reduced or eliminated.

World Peace Bonds would channel the market's incentives and efficiencies into ending war. Governments, institutions and anyone else with a genuine interest in peace would contribute to a fund that would be used to redeem the bonds, which would create a coalition of interests with a powerful incentive to reduce the level of violent political conflict. For more about how the bond concept can be applied to conflict reduction, and links to short essays on the subject, see [2]here.

1. http://socialgoals.com/
2. https://www.socialgoals.com/conflict-reduction.html

18.7.2 Social Policy Bonds: an evolutionary approach to social policy (2021-07-28 18:47)

This post was intended for publication:

Social Policy Bonds: an evolutionary approach to social policy

Society is today is so complex and ever changing that it would be more efficient to reward evolutionary solutions to many of our social problems than it is for a government, or any single body to try to develop top-down solutions, which are necessarily be out of date, uniform and inflexible. Just as evolution in nature leads to diverse, adaptive solutions to the problem of surviving in a complex, changing environment, so would an evolutionary approach

– given the right incentives - lead to diverse, adaptive solutions to our social and environmental problems.

No conventional policy approaches, with their emphasis on fossilised science, self-interested institutions and insufficiently flexible funding arrangements can adapt in a timely way to changing circumstances including our expanding knowledge. Take health: our understanding of the scientific relationships and our technological capabilities are constantly expanding. Most of the interdependencies between intervention and outcome are impossible to identify. In former times links between cause and effect, while not always obvious, were at least discoverable by dedicated medical individuals, such as John Snow who could trace an outbreak of cholera in London in 1854 to one water pump. Today, no single conventional body, public- or private-sector, can effectively monitor all relevant new developments and react accordingly. But while our understanding of the determinants of our health is constantly changing, the *goal* of better health, as measured by an array of metrics including longevity, infant mortality and quality adjusted life years, is stable. It is some combination of these goals that I believe government should target, not the means by which current science thinks we can achieve them.

The same applies to other social and environmental problems, including those that are deemed intractable, such as eliminating crime, climate change and war. Our ingenuity is boundless: witness the superbly creative television adverts for dog-food, or the ballistic missiles whose nuclear warheads can accurately target and destroy thousands of members of our species on the other side of the planet. I have no doubt that, channelled into more edifying outcomes, our ingenuity could achieve what today seem like remote, impossible, goals.

In economic theory, and on all the evidence, market forces are the most efficient way of allocating our scarce resources. Sadly, markets have a bad press, having been undermined, abused and manipulated so that they now are seldom associated with the public interest.

To ensure that the market's efficiencies and incentives are directed into public benefit, I suggest that governments issue Social Policy Bonds: a new financial instrument that would inextricably link the rewards gained by efficient resource allocation to the achievement of our social goals. These non-interest bearing bonds would be redeemable for a fixed sum only when a specified social goal – such as improved health – had been achieved and sustained.

Whereas their non-tradeable variant, Social Impact
Bonds, favour existing institutions, are inherently narrow and short-term in scope, and impose relatively high monitoring costs, Social Policy Bonds' tradeability would allow the targeting of national, or even global, long-term goals, using approaches many of which will require years of research, trials and refinement before they can be successfully implemented. Investors could buy the bonds and make a profit on them within a limited time frame:

the time-till-redemption
of the bonds would be much longer than any investor's time horizon. This would encourage long-term planning: bondholders could try an array of innovative approaches, and the incentives would be there for them to refine and implement the most efficient of these and, importantly, to terminate those that are unpromising. This is how evolution selects those species that are best adapted to an ever-changing environment.

The optimal mix of approaches cannot be conceived by any
single conventional organisation, which is why I expect that issuing Social Policy Bonds would generate a

[1] new type of organisation

, whose protean structure,
composition and activities would at all times be solely dedicated to achieving society's social and environmental goals at least cost to the taxpayer.

Under a Social Policy Bond regime government would be doing
what it does best: articulating society's social and environmental goals and raising the revenue for their achievement. But the actual achievement of these would be contracted out to the market, which would continuously direct society's scarce resources into their most efficient use – all for the benefit of ordinary citizens and the environment.

1. https://www.socialgoals.com/new-type-of-organisation.html

18.8 August

18.8.1 Bees, war, and root causes (2021-08-03 10:49)

From the current issue of the Economist:

> Detecting covid with bees, meanwhile, involves a method that goes back to ivan Pavlov and his dogs. The insects are offered sugar-water alongside SARS-CoV-2-infected saliva samples, but not with uninfected samples. The thus learn to extend their probosces when they sniff covid. *[1]The nose knows: Flies, worms and bees could help detect illness*, the 'Economist', 31 July

What does this have to do with [2]Social Policy Bonds? It's often suggested that in order to tackle such social and environmental problems as crime, violence, war or climate we need to identify the 'root causes' before we can devise ways of solving them. I disagree. I think our first step should be to clarify exactly what we want to achieve, and then reward the achievement. Let investors in the bonds decide whether it's worth looking for root causes or whether it's more efficient, and quicker, to find different ways of solving our problems. We could (and, effectively, do) delay, say, reducing conflict, by postulating some ideal world in which there is no poverty and everyone is nice to each other. The implicit assumption is that war is an intractable part of human nature, as the ancient Greeks thought. It's a convenient excuse, especially as the search for root causes - usually the task of people whose lifetime earnings are correlated with the time taken to find them - need never end. As Tolstoy put it:

> The deeper we delve in search of these causes [of war] the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event. Leo Tolstoy, 'War and Peace', Norton Critical Editions, New York, 1996 (page 536)

Just as we can train bees to detect covid without knowing about the mechanisms underlying how they do so; so we can target such goals as [3]world peace, [4]reduced crime, or the [5]elimination of poverty without wasting time and energy on endless searches supposedly aimed at identifying their root causes.

1. https://www.economist.com/science-and-technology/2021/07/28/flies-worms-and-bees-could-help-detect-illness
2. https://www.socialgoals.com/
3. https://www.socialgoals.com/world-peace.html
4. https://www.socialgoals.com/crime-.html
5. https://www.socialgoals.com/human-development.html

18.8.2 (2021-08-05 19:18)

My experience with essay writing companies was good. Long story's short: My parents are getting married. I have literally no time to work on my research paper due to wedding preparation and rehearsals. I have no time at all to sit on a computer for an endless amount of time. Thankfully. I discovered this service [1]WritePaper.Info who enabled me to pass my academic ordeal to one of their writers. My grade was pretty good as a result of this action. I recommend [2]WritePaper.Info for any of you who are having the same troubles I am.

1. http://WritePaper.Info/
2. http://WritePaper.Info/

18.8.3 Make Xenophobia History: Introducing the Consortium of the Competent (2021-08-07 18:16)

A short, unpublished [1]article, suggesting that people in failed states and badly-run countries be allowed to vote for, or otherwise install, politicians and ex-politicians from different countries who have a record of competence and integrity. It has nothing to do with Social Policy Bonds.

1. http://socialgoals.com/xenophobia.html

18.8.4 Social goals and the Karpman Drama Triangle (2021-08-13 10:54)

I've written about the crippling limitations imposed on Social Policy Bonds by making them non-tradeable [1]here and [2]here. And I'm sometimes asked why Social Policy Bonds haven't yet been issued, either by government or the private sector, whereas their non-tradable variant (most often known as [3]Social Impact Bonds), are now issued in about 25 countries.

My thinking goes like this. Governments and non-governmental organisations including charities, do not want to relinquish their power to decide *who* shall supply the goal-achieving services (and so benefit from redeeming the bonds). Nor do they wish to lose complete oversight over *how* the targeted goals shall be achieved. Ultimately, in my view, it's about power and control, which to many of us are not key drivers, so we may find it difficult to understand their potency. This also, and more disappointingly, applies to philanthropists as well as politicians: it is gratifying to be seen to be granting funds directly to beneficiaries or to people who help those beneficiaries. It is not so appealing merely to contribute to a fund whose eventual beneficiaries cannot be identified. As well, Social Policy Bonds are best deployed when they aim to achieve long-term goals and on a large scale, where the beneficiaries are even less easy to identify and, indeed, might not yet be born.

Another explanation is that, at some level, governments, foundations and philanthropists might be playing the role of Rescuer in what is known as the "Karpman Drama Triangle", involving a Victim, Persecutor and Rescuer, as modelled in transactional analysis. Perhaps this paragraph, from [4]here is pertinent in some cases:

> **The Rescuer:** The rescuer's line is "Let me help you." A classic enabler, the Rescuer feels guilty if they don't go to the rescue. Yet their rescuing has negative effects: It keeps the Victim dependent and doesn't allow the Victim permission to fail and experience the consequences of their choices. The rewards derived from this rescue role are that the focus is taken off of the rescuer. When they focus their energy on someone else, it enables them to ignore their own anxiety and issues. This rescue role is also pivotal because their actual primary interest is really an avoidance of their own problems disguised as concern for the victim's needs.

I had hoped that SIBs would be stepping stone on the way to Social Policy Bonds. That is still possible, and new technologies are generating are encouraging more interest in my original concept. However, it is also possible that the [5]lack of evidence (pdf) justifying the SIBs that have been issued could discredit the whole bond concept. We shall see.

1. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
2. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://en.wikipedia.org/wiki/Karpman_drama_triangle
5. https://www.brookings.edu/multi-chapter-report/measuring-the-success-of-impact-bonds/

18.8.5 (2021-08-20 17:25)

I've been reading up on your concept of Social Policy Bonds and am very intrigued. I couldn't find another more appropriate way to reach you, so I will just ask this question here as it seems to be a fundamental blocker for me.

What happens in the event that the terms of the bond are not met. There is no redemption of the bond, I understand, but what happens to all that capital?

Thanks for sticking with this interesting idea all these years. It's very intriguing.

18.8.6 (2021-08-21 16:37)

Hi Gideon

Thanks for your message. I can be reached via the email address given on this page: https://www.socialgoals.com/blog-contact.html.

It will be interesting to see how successful will be the marriage of the bonds to the blockchain.

Now to your query. The backers of bonds that target goals that just aren't being achieved can (1) do nothing, and watch the value of the bonds fall to virtually zero, at which point someone might buy them and do some small thing that advances the goal, and so benefit from the value of their bonds multiplying. The issuers could also hope for improvements in technology or knowledge or both (depending on the goal) that would reduce the cost of achieving the goal, so making the bonds a more attractive investment. But what if the bonds are almost without any value, and still nothing happens? Then the issuers could (2) top up the redemption funds. They could either issue more bonds, or simply undertake to redeem the bonds already in circulation for (1 + x) times the redemption value quoted when they were issued. (I describe this in Chapter 3 of my book, and also here: https://www.socialgoals.com/world-peace.html - scroll down to the section headed 'Efficient costing'.) In all this time, the redemption funds could be in an escrow account. Note that the topping up of redemption funds, or the issuing of more bonds, could be done using sources other than, or in addition to, the original backers, who could, for instance appeal to the public to supplement the initial funds.

18.8.7 Social Policy Bonds and their variants (2021-08-23 11:34)

Partly to simplify the exposition of the bonds, I haven't delved into variants of the basic Social Policy Bond principle. These variants include such possibilities as:

- bonds that expire; ie, if the targeted social or environental goal isn't achieved by a certain date, they become worthless;
- bonds that yield a partial payout if the goal is only partially achieved;
- redemption funds that are not placed in escrow, but guaranteed, either by public- or private-sector bodies; and
- payouts indexed to some measure of inflation.

There are many other possible variations on the basic theme: the Social Policy Bond concept is a versatile one and, because it is best deployed on large scale and for long-term social problems, it would be worth exploring the potential of variants on a case-by-case basis.

On a related note, I have been asked what would happen to the funds intended to be paid out if the terms of a Social Policy Bond issue were not met. I would think that much would depend on who is undertaking to redeem the bonds. If it's a government body, or some supranational body (like the United Nations), I would imagine that any funds placed in escrow could be diverted to other uses within that body. More likely, though, such bodies, being credible, would merely guarantee payout, as in my third bullet point above. These bodies would want to minimise any perception that they will not pay out, partly to reduce their costs (ie, bolster the float value of the bonds) and partly to maintain faith that they will pay out in future bond issues.

What about smaller bodies, such as a group of philanthropists, with less credibility? In such an instance the funds could remain in escrow, hopefully earning interest, until the goal is actually achieved and sustained. It's likely that these smaller bodies would target goals with a shorter

overall time horizon. If, say the goal were the elimination of serious armed conflict: while a UN body, say, could target a sustained period of peace of, say 30 years, I could envisage that a group of philanthropists or non-governmental organisations would have a less ambitious target; perhaps peace in the Middle East sustained for a period of five years. Then, if a conflict were to erupt within that five-year period they need do nothing with the funds; they could patiently wait until a five-year period of peace arises. Or when issuing the bonds, they could have specified the time period during which the goal had to be achieved and, if the bonds fail to achieve the goal within that period, they could simply withdraw their funds from escrow.

For this and further queries see the bonds' [1]FAQ page.

1. https://www.socialgoals.com/faqs.html

18.8.8 Prioritising health rather than hospital design (2021-08-27 17:56)

Sadly, but not unexpectedly, my 9500-word essay submitted to a [1]competition concerned with hospital design failed to progress into the final stages of the competition. The question posed was: *How would you design and plan new hospitals to radically improve patient experiences, clinical outcomes, staff wellbeing, and integration with wider health and social care?* I gave an example, early on in the essay, showing how *what is good for the hospital can conflict with what is good for the patient*, and went on to explain how the Social Policy Bond concept could maximise what, in my view, we should be trying to achieve: improvements in health, rather than hospital design.The essay can be seen on my website [2]here, and a pdf downloaded from [3]here. A shorter treatment, also describing the application of the Social Policy Bond concept to health is [4]here.

1. https://policyexchange.org.uk/wolfsonprize/
2. https://www.socialgoals.com/tradeable-health-outcome-bonds.html
3. http://socialgoals.com/THOBs.pdf
4. http://socialgoals.com/health.html

18.9 September

18.9.1 Paying people not to shoot (2021-09-18 16:44)

Charles Fain Lehman writes:

> San Francisco [1]has a new plan to stem [2]a recent surge in deadly shootings: pay potential shooters. That's the principle behind the city's new Dream Keeper Fellowship, which will enroll 30 individuals deemed at high risk of shooting or being shot and pay them a $300 monthly stipend. They can collect an additional $200 per month for completing such milestones as taking job interviews, complying with probation, or meeting with the life coach assigned to them. *[3]We'll pay you not to shoot*, Charles Fain Lehman, City Journal, 17 September

Mr Lehman is unenthusiastic:

> [W]e shouldn't pay people specifically for their willingness to refrain from deadly violence—any more than we should pay them for not selling drugs or abusing their children.

My position? I don't have one. Social Policy Bonds reward outcomes, whoever achieves them and, so long as the means are within the law, *however they are achieved*. If paying a small number of people not to inflict casualties on others is more cost-effective than heavy policing, and interventions by the justice and corrections departments, then why not do so? Careful crafting of [4]Crime Prevention Bonds' redemption terms could minimise some of the risks, and allow resources to be diverted into preventing or punishing activities that currently seem to receive little attention, such as [5]white-collar [6]crime.

However, Social Policy Bonds are versatile. If the ethical or moral arguments against paying people not to commit crime are thought to outweigh those in favour, then the bonds' redemption terms could stipulate that such payments would invalidate the bonds.

More likely, in my view, is that Crime Prevention Bonds targeting the sorts of violent crime committed by a small number of people in the long term might see such direct payments at first, but these would be replaced by or co-exist with other, less controversial but more long-lasting projects, such as subsidising employment in crime-ridden districts, setting up sports or youth facilities, and other more creative routes out of crime.

1. https://www.sfexaminer.com/news/a-local-solution-for-gun-violence-pay-people-300-a-month/
2. https://www.sfchronicle.com/bayarea/article/Deadly-spate-of-shootings-in-S-F-4-killings-in-16394205.php
3. https://www.city-journal.org/san-francisco-program-pays-people-not-to-shoot
4. https://www.socialgoals.com/crime-.html
5. https://www.psychologytoday.com/us/blog/wicked-deeds/201704/why-elite-white-collar-criminals-are-rarely-punished
6. https://www.project-syndicate.org/commentary/fincen-files-banks-financial-crime-no-punishment-by-katharina-pistor-2020-09

18.9.2 Decentralized Impact Organizations for the Climate (2021-09-20 16:05)

'Olliten' has writen an essay proposing that a pilot Decentralized Impact Organization be formed to test the Social Policy Bond concept as applied to climate change:

> Crypto has transformed grassroots-level organizing. For the first time in history, it is possible to economically align networks of strangers into working together by using programmable incentives and by providing them with tools to make decisions and govern shared resources in a decentralized manner. These new organisms are [1]called by many "DAOs", Decentralized Autonomous Organizations.

> [A Social Policy Bond]and its bondholders together form an entity very similar to a DAO: the bondholders form a grassroots level organization and share an economic fate via the bonds they own. What is special about this type of "DAO" is that its token (the bond) derives its value from the quality of a public good. To distinguish them from generic DAOs, we'll call these organizations "DIOs", Decentralized Impact Organizations.

> The technology for creating crypto-native DIOs already exists. Six months ago, [2]UMA Protocol launched a new crypto-derivatives product called "Key Performance Indicator Options". [3]KPI options were [4]originally created so that crypto protocols could trustlessly guarantee that their community receives rewards for hitting milestones such as increasing Total Value Locked (TVL). However, their design allows them to be used for SPBs, too.

> KPI options are synthetic (ERC-20) tokens that will pay out rewards if a KPI reaches predetermined targets before the given expiry date. Every KPI option holder has an incentive to improve that KPI because then their option will be worth more.

The complete essay can be found [5]here.

1. https://blog.ethereum.org/2014/05/06/daos-dacs-das-and-more-an-incomplete-terminology-guide/
2. https://umaproject.org/
3. https://docs.umaproject.org/products/KPI-options
4. https://medium.com/uma-project/uma-kpi-options-and-airdrop-bae86be16ce4
5. https://github.com/olliten/dio/blob/main/README.md

18.10 October

18.10.1 Whole Environment Bonds (2021-10-09 18:50)

George Monbiot writes:

> The living world
> is being hit by everything at once: the only way to stop our full-spectrum assault on Earth systems is to reduce our economic activity. *[1]Level down*, George Monbiot, 4 October

David Allen said is [2]quoted as saying ‘You can do anything, but not everything’. In much the same way, we can solve any environmental problem, but not every environmental problem. The linkages are too tight and too complex; the time lags too obscure. Mitigating one problem is likely to worsen another. So, as Mr Monbiot writes:

[I]f we were to build sufficient direct air capture machines to make a major difference to atmospheric carbon concentrations, this would demand a massive new wave of mining and processing, to make the steel and concrete.

Mr Monbiot’s solutions to this broad environmental crisis are to ‘ramp down economic activity’ and to redistribute wealth. He indicates how unlikely this is to happen by calling it secular blasphemy. I agree with his assessment of the likelihood of its occurring. So I try here to offer a more positive vision.

The first thing to emphasise is that Mr Monbiot coyly (and, from the point of view of his own well-being, wisely) avoids the question of population. Yet this need not be contentious. At the 1994 Cairo Summit, more than 180 countries [3]promised ‘access to reproductive and sexual health services including family planning’ to all their citizens. That should be done for ethical reasons; it would also alleviate future environmental pressures. I do not see a reduced population as a goal in itself; rather it is one way in which environmental depredations could be reduced.

I now believe that targeting even such broad problems as climate change or atmospheric pollution is inadequate. Current environmental depredations are too complex, linked and pervasive so that, as Mr Monbiot implies, any attempt at solving one problem could well worsen others.

What I propose here is a possible way in which we can provide incentives for people to tackle *all* environmental problems, simultaneously, over a very long time period.

It is essentially a more panoptic variant of my [4]Environmental Policy Bonds and [5]Climate Stability Bonds ideas. However, rather than target a single group of metrics such as those encompassing climate change and its impacts, the aim here is to improve all aspects of the environment over the entire planet Earth.

I suggest that we take an inventory of a random sample of the Earth's sea and land resources. We could take, say, 5000 areas of 1km squared over the entire globe and thoroughly inventory them for biodiversity, degree of air or water pollution (at different heights and depths). Every ten years thereafter we could take a random sample of, say, 100 of these areas, conduct exactly the same environmental inventory and note the direction of the environmental indicators for each area. As a starting point, we could target every metric for improvement in every sampled area. If every metric in every sampled area shows a sustained improvement, then the bonds would be redeemed. It would take many decades before such a widespread improvement had been achieved. Nevertheless, because such *Whole Environment Bonds* would be tradeable, people could make improvements and expect to be rewarded for doing so.

There would need to be intense, informed discussion as to which metrics to include. There would, for instance, be the question of whether we take temperature (air or sea) as a metric for targeting, or whether the concerns we have about the climate would be fully subsumed within the other indicators (biodiversity, for example), being targeted. ([6]Are we concerned about climate change, or the impacts of climate change on plant, animal and human life?) Much work is being done on environmental indicators: see, for example, [7]this pdf document.

More those unfamiliar with the [8]Social Policy Bond concept, the basic idea is that a group of people (governments, non-governmental organisations, philanthropists, the public) contribute to a fund that will be used to redeem non-interest bearing bonds only when a specified goal has been achieved and sustained.

I don't think I'm quite as pessimistic as Monbiot and other environmental commentators, but I recognise that the chances of Whole Environment Bonds ever being issued as I envisage are remote. After more than thirty of years, very little in the way of outcome-based incentives is being offered in a way that encourages broad, long-term solutions to our social and environmental problems. (See [9]here and [10]here for why I think the [11]non-tradeable version of my idea, which *is* being implemented, has little to

offer.) The relevant question though is: what is the alternative?

1. https://www.monbiot.com/2021/10/04/level-down/
2. https://www.fastcompany.com/40384/you-can-do-anything-not-everything
3. https://www.unfpa.org/resources/cairo-declaration-population-development
4. https://socialgoals.com/environment.html
5. https://socialgoals.com/climate-change.html
6. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
7. https://www.cambridge.org/fr/academic/subjects/earth-and-environmental-science/environmental-policy-economics-and-law/global-environment-outlook-geo-6-summary-p
8. http://socialgoals.com/
9. https://socialgoals.com/why-the-bonds-must-be-tradeable.html
10. https://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
11. https://en.wikipedia.org/wiki/Social_impact_bond

18.10.2 Crypto, Social Policy Bonds, and the climate (2021-10-20 19:29)

My recent post about [1]Decentralized Impact Organizations mentioned Olli Tiainen's proposed pilot DIO to to test the Social Policy Bond concept as applied to climate change. Mr Tiainen's proposal has now been officially published and is available [2]here. The twitter thread on the topic is [3]here.

1. https://socialgoals.blogspot.com/2021/09/decentralized-impact-organizations-for.html
2. https://mirror.xyz/olli.eth/149Q5LjUJzioXp-mC-8gazh5gbfqF5gEP9RpXIh1Kzc
3. https://twitter.com/olliten/status/1450515388941455366?s=20

18.10.3 An alternative to the blah, blah, blah approach (2021-10-30 18:00)

The current *Spectator* using figures from *Our World in Data*, tells us how much 'carbon' the world was emitting at the time of previous climate summits:

1992, Rio 22.44 bn tonnes
1997, Kyoto 24.19 bn tonnes
2002, Johannesburg 25.91 bn tonnes
2009, Copenhagen 31.46 bn tonnes
2015, Paris 35.21 bn tonnes
2021, Glasgow (2019) 36.44 bn tonnes

Taking greenhouse gases (ghgs) as a whole, more figures from *Our World in Data* confirm this trend: according to that source global emissions totalled 35.0 bn tonnes in 1990, rising to 49.4 bn tonnes in 2016.

The current *Economist* tells us that in 1992:

> 78 % of the world's primary energy—the stuff used to produce electricity, drive movement and provide heat both for industrial purposes and to warm buildings—came from fossil fuels. By 2019 the total amount of primary energy used had risen by 60 %. And the proportion provided by fossil fuels was now 79 %. *[1]What the Paris agreement of 2015 meant,* The Economist, 30 October

The same publication tells us that 1002 coal-fired electricity generating plants are planned or under construction around the world.

I have been skeptical about ghg emission targets for [2]many years. My thinking is that we need, [3]first of all, to be clear about whether we are more concerned about climate change, or about the impacts of climate change on human, animal and plant life. We should then define exactly what we want to achieve and reward the people who help achieve it, whoever they are and however they do so. We should not assume that cutting back on ghg emissions is either necessary or sufficient to bring about the solution to whatever combination of depredations we deem to be the climate change problem. That is what these summits purport to do. They don't actually do it, as shown by the statisitics above. Nor do they do anything else. In the words of another, more prominent, summit skeptic, they are just so much [4]blah, blah, blah.

My suggestions for addressing climate change are conceptually quite simple:

- define the problem, and
- reward people for solving it.

[5]Climate Stability Bonds use the market's incentives and efficiencies to channel our limited resources into where they will do most to solve the problem. Were they to be issued with the appropriate backing they would stimulate exploration of diverse, adaptive initiatives with the clear goal of solving the climate change problem as efficiently as possible.

1. https://www.economist.com/special-report/2021/10/27/what-the-paris-agreement-of-2015-meant
2. https://socialgoals.blogspot.com/2004/12/kyoto.html
3. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
4. https://www.theguardian.com/environment/2021/sep/28/blah-greta-thunberg-leaders-climate-crisis-co2-emissions
5. https://www.socialgoals.com/climate-change.html

18.11 November

18.11.1 Self-interest can help the environment (2021-11-11 13:01)

Patrick J. Buchanan points out the similarity of the current COP26 talks, supposedly aimed at addressing climate change, to the [1]Kellogg-Briand Pact of 1928:

> On Aug. 27, 1928,
> 15 High Contracting Parties signed on to renounce war as an instrument of national policy. The signatories that day were the United States, Britain, Germany, Italy, Japan, France, Poland, Belgium, Czechoslovakia, Canada, South Africa, Australia, New Zealand, Ireland and India. Within 15 years, all 15 nations, Ireland alone excepted, were ensnared in the greatest war in history. Like the pledges at the climate summit, the Kellogg-Briand Pact provided for no means of enforcement or sanctions against nations that failed to live up to their commitment.

'No means of enforcement' - true - and no incentives either. It is unfortunate to some degree that money is such a critical driver of behaviour but, if we recognise that climate change and other environmental problems are largely caused by financial incentives, then we can make efforts to withdraw those incentives or, if that's too difficult, offer countervailing incentives that would help offset our environmental depredations. We can do this only when there is an over-arching, inextricable link between the financial incentives we offer and the outcomes we wish to see. It is not simply a case of rewarding behaviour that directly improves the environment. [2]Environmental Policy Bonds, globally backed, would reward such indirect approaches as lobbying governments or paying bad actors to cease their destructive activities. Just as big corporations can manipulate regulations to achieve their ends (including stifling competition), so could bondholders encourage government to strengthen environmental legislation. The alternative - the current approach, frankly - is to say nice things in the full knowledge that our destruction of the environment will continue unimpeded.

1. https://history.state.gov/milestones/1921-1936/kellogg
2. http://socialgoals.com/climate-change-and-the-environment.html

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18.11.2 Complexity provides cover for inefficiency and corruption (2021-11-21 10:41)

[1]Robert Bryce testifies on electric vehicles before the US Congress, House Select Committee on the Climate Crisis. Two brief points from his [2]testimony of 30 June (pdf):

- The average household income for EV [electric vehicle] buyers is about $140,000. That's roughly two times the U.S. average. And yet, federal EV tax credits force low- and middle-income taxpayers to subsidize the Benz and Beemer crowd.

- Lower-income Americans are facing huge electric rate increases for grid upgrades to accommodate EVs even though they will probably never own one.

It's a familiar story. Government sees a problem (climate change) and thinks it knows best how to solve it (emission controls, electric vehicles) - or perhaps that's not cynical enough. Maybe the reasoning goes: government identifies a possible problem, then is told how to appear to be solving it by vested interests (big corporations) in exchange for favours (directorships, cash). The problem isn't solved, but the rich do get richer.

Here's another idea. If the problem is, say, climate change, let's reward people who prevent climate change. If the problem is too much crime let's reward the people who reduce crime. Government doesn't have to take a view on *how* to solve these problems, or which people are best placed to do so. When it does take such views government adds to the confusion, creating a cover behind which favours can be disbursed without public scrutiny.

I am suggesting that society's complexity can be, and is, used to disguise inefficiency at best and corruption at worst. The explicit targeting of verifiable outcomes that are meaningful to ordinary people, in the way that [3]Social Policy Bonds do, would be one way in which we could ensure that taxpayer funds are used to benefit everyone, not just an already wealthy elite. When it comes to climate change we need to be very clear what we want to achieve. Most [4]importantly, are we more concerned about the climate, or about the impacts of climate change on human, animal and plant life? Once we are clear about our goals, we can issue [5]Climate Stability Bonds, that reward the achievement of our explicit, verifiable goals.

As well as clarifying and targeting society's actual goals, rather than the supposed means of achieving them, the Social Policy Bond concept injects the market's incentives into every stage of the processes necessary for their achievement, meaning that more can be done with society's scarce resources.

1. https://FREOPP.org/
2. https://docs.house.gov/meetings/CN/CN00/20210630/112853/HHRG-117-CN00-Wstate-BryceR-20210630.pdf
3. http://socialgoals.com/
4. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
5. https://www.socialgoals.com/climate-change.html

18.12 December

18.12.1 Cascading incentives (2021-12-06 19:07)

Dr David Healy, towards the end of a long article entitled [1]*The Eclipse of Medical Care*, summarises how medical science has been eclipsed:

1. Clinicians do not have access to clinical trial data on medicines or vaccines.
2. Close to all of the medical literature reporting trial results for on-patent drugs and vaccines is ghostwritten, hyping the benefits and hiding the harms.
3. Clinical trials of these treatments that are negative on their primary or their most common outcomes are often published in prestigious journals as positive.
4. Clinical trials have their harms airbrushed out of ghostwritten publications.
5. Regulators (FDA, Health Canada, MHRA, EMA) do not get to see the full trial data.

6. Regulators approve treatments as working even when more people die on active treatment than on placebo.
7. Regulators approve medicines on the basis of negative studies and agree not to let the wider world know about this.
8. Regulators say nothing when companies publish negative studies as positive and make adverse effects of treatment, including death, vanish.
9. For many trials there are more deaths on active treatment than on placebo, but this does not lead regulators to warn about hazards as to do so would in their stated view deter people from seeking a benefit (even when the benefit is better characterized as a commercial benefit to a company rather than a benefit to the individual in terms of a live saved or a restoration of function).
10. Regulators do not have pharmacovigilance expertise and a variety of factors inhibit them from linking a treatment to a hazard after that treatment comes on the market.

[2]The Eclipse of Health Care, David Healy, 29 November

This is typical of the sort of corruption that blights so many of our public- and private-sector bodies. How does this happen? Often cited is regulatory capture which [3]occurs

> when a regulatory agency that is created to act in the public interest, instead advances the commercial or political concerns of special interest groups that dominate an industry or sector the agency is charged with regulating. But why does that happen?

I do think that there's been an erosion of trust is western societies, but that is subjective and does not point toward an actionable solution. So I'd like to suggest that, rather than rely on nebulous mission statements to guide our public-sector agencies (or an apparently weak moral compass), we instead focus on the outcomes that society as a whole wishes to achieve. In this example, then, medical care would be subordinate not to the goals of the organisations supposed to supply it, but to the broader and more meaningful goal of the health of society's health.

Doing so using the Social Policy Bond concept would replace organisations' goals (essentially that of [4]self perpetuation) with those of society. Incentives to improve society's health would cascade downwards from that over-arching goal.These incentives, as under the current system, would largely be financial, but that does not mean that the people responding to them be entirely motivated by greed. Rather, it means that they would find a way of making a living compatible with society's goals, the goals of the bodies for which they work, and ethical behaviour.

For a short piece on how the Social Policy Bond concept can be applied to health, see [5]here. For a longer treatment, see [6]here.

1. https://davidhealy.org/the-eclipse-of-health-care/
2. https://davidhealy.org/the-eclipse-of-health-care/
3. https://www.cfainstitute.org/en/advocacy/issues/regulatory-capture
4. https://socialgoals.blogspot.com/2012/05/our-current-political-systems-are-quite.html
5. https://www.socialgoals.com/health.html
6. http://www.socialgoals.com/tradeable-health-outcome-bonds.html

18.12.2 Is organic farming better? (2021-12-13 23:15)

Dan Conable writes, in a letter published in the *New Yorker,* about his organic grain farming operation:

> [T]hough my practices may have a relatively benign impact on my surroundings as compared with conventional farming, their larger environmental impact is not so clear. Controlling weeds without herbicides generally requires more tillage. Turning the soil more frequently means using more diesel fuel per ton of grain, as well as freeing more of the carbon stored in the soil. More important from a climate-change perspective, organic farmers' reliance on manure as the critical nitrogen source for crops in the grass family (corn, wheat, oats, barley) makes us utterly dependent on animal agriculture. If the world were to feed itself wholly by organic methods, an increase in cattle, pig, and poultry production would be needed to provide the necessary fertilizer—at least until scientists can genetically modify grasses to capture their own nitrogen. But, then, G.M.O.s aren't organic. *[1]Letter from Dan Conable*, 'New Yorker', dated 20 December

The sort of life-cycle analyses (LCAs) required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties and the difficulty of weighting one type of environmental impact against another. They *might* be better than going on the gut feeling that organic agriculture is 'better' than the conventional kind, or that vegan clothes are better than animal fabrics, rail is better than air travel, solar power is better than coal-fired power stations, etc, but for the making of robust policy LCAs would need to be continually reassessed in the light of our ever-expanding knowledge of the environment, our ever-changing environmental priorities, and our every-changing technological endowment.

Government policy cannot ever be so responsive nor, probably, can any single organisation - at least not as currently structured. If government were to use life-cycle analysis with the aim of altering our behaviour, it would necessarily do so on the basis of a one-time, limited, and possibly subjective assessment of environmental costs and benefits. It's not good enough, but even worse would be what we largely have now: environmental policy based on corporate interests, 'what feels right', media stories and the launching of visually appealing initiatives that attract air time but are otherwise useless. These often focus on trendiest problems, of which the current one is climate change, which tends to crowd out other, possibly more urgent crises.

The Social Policy Bond concept as applied to the environment would take a different approach. It would first clarify what environmental goals, national or global, we wish to achieve. Say, for instance, that we wish to

preserve the Earth's marine environment. A Social Policy Bond issue that rewarded the sustained achievement of such a goal would generate incentives for bondholders to bring it about at least cost. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government, or any supra-government body would do so: bondholders have continuous long-term incentives to achieve our goals efficiently. This is likely to mean responding to and stimulating increased knowledge of scientific relationships, and technical advances. Investors *might* conduct LCAs, but they would do so in ways that optimise the benefit to the marine environment per dollar spent.

Effective environmental policy must take a long-term view and for national or global goals, will need to encourage diverse, adaptive approaches. The environment and our knowledge about it are just too complex for the simplistic 'it feels good', command-and-control approach that, for instance, brands 'organic farming' as good, or plastic shopping bags as bad. Diverse, adaptive approaches to addressing complex problems are precisely the sort of responses that government does very badly. However, government does have crucial roles in articulating society's environmental goals and in raising the revenue to pay for their achievement: in the democratic countries government performs these functions quite well. But actually *achieving* society's social and environmental goals is a different matter. Such achievement requires continuous, well-informed and impartial decisions to be made about the allocation of scarce resources. For that purpose, Social Policy Bonds, with their incentives to achieve targeted outcomes efficiently would, I believe, be far better than the current ways in which environmental policy is formulated.

For more about applying the Social Policy Bond principle to the environment see [2]here. (For a personal policy paper on organic agriculture, see [3]here.)

1. https://www.newyorker.com/magazine/2021/12/20/letters-from-the-december-20-2021-issue
2. https://socialgoals.com/environment.html
3. http://socialgoals.com/organic.html

18.12.3 Incentives and health (2021-12-15 19:30)

> The first step is to give up the illusion that the primary purpose of modern medical research is to improve Americans' health most effectively and efficiently. In our opinion, the primary purpose of commercially funded clinical research is to maximize financial return on investment, not health. John Abramson, Harvard Medical School, quoted by Robert F Kennedy Jr in *[1]The Real Anthony Fauci*, November 2021

> Government funding for health innovation is subsidising drug industry profits while providing little public health benefit, a report from leading health economists says. Most new drugs are not meeting public needs while economic and regulatory incentives have created a “highly inefficient pharmaceutical sector” which spends more on marketing than research and development, and focuses the research it does do on profits, the report explains. *[2]Drug companies are incentivised to profit not to improve health, says report*, Melanie Newman, summarising *[3]this paper* published 16 October 2018

Incentives are crucial. If people have incentives to improve the health of the population, then that is what they will work towards. If they have incentives to increase the short-term profits or revenues or funding of the organisations for which they work, public- or private-sector, then all their activities will be in pursuit of that goal. The dysfunctionality of our healthcare systems begins at the top. There may be vague goals in the form of soundbites or mission statements, but there is no link between them and the incentives on offer.

The Social Policy Bond concept, applied to health, would change that. I have described how they would work [4]here, or in a lot more detail [5]here. Essentially, they would give a coalition of investors incentives to
look for and exploit the most efficient approaches to dealing with
society’s long-term health problems - *on a continuing basis.* Health would be defined broadly, using some index of which one component could be [6]Quality Adjusted Life Years. And the goal would be long term. The coalition of investors would be a [7]new type of organisation; one whose structure and composition could change over time, but who
could profit with the long (perhaps 50-year) lifetime of the bonds by
buying bonds, doing whatever they can to advance toward the targeted
goal, then selling their bonds at a higher price.

1. https://www.simonandschuster.com/books/The-Real-Anthony-Fauci/Robert-F-Kennedy/Children-s-Health-Defense/9781510766808
2. https://www.bmj.com/content/363/bmj.k4351
3. https://doi.org/10.1136/bmj.k4351
4. http://socialgoals.com/health.html
5. https://www.socialgoals.com/tradeable-health-outcome-bonds.html
6. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
7. http://socialgoals.com/new-type-of-organization.html

18.12.4 Regulatory capture: the perversion of our public bodies (2021-12-30 13:21)

James Lyons-Weiler writes about regulatory capture in the US:

> When the airline industry has a disaster, it
> goes under review by the National Transportation Safety Board. When
> corporations dump a toxic brew of chemicals into ground surface waters,

> they are supposed to answer to the EPA. When drug companies' products - drugs and vaccines - cause more health problems than they prevent or cure, they are supposed to be subject to recall by the FDA.
>
> When regulatory agencies become dominated by the corporations they are supposed to control, that agency has been captured by the industry. The public interest becomes a lower priority than the bidding of the will of the industry, and the industry flourishes - most of the time at the cost of human health. *[1]Regulatory capture is killing us, and we are two steps away from the totalitarian fascist Regulatory States of America*, James Lyons-Weiler, 24 December

Of course, this is not just a US phenomenon, and perhaps there is an inevitabililty about it, even in the absence of some coherent conspiracy influencing each or all regulatory agencies. People are paid to turn up at the office, and at some point, perhaps years or decades after the founding of the organisation for which they work, the aggregated individual incentives of employees to keep their job and to expand or at least maintain their remit, supplant the stated objectives of the organisation. Then conflict arises between - and within - the employees. Do they stay faithful to the ideals that drove them to take on the job and the stated goals of the organisation? Or do they take the safer option, put their own priorities and those of their family first? Unfortunately, as organisations, be they public- or private-sector, the conflict grows worse with time. In the private sector and in theory, competition should see older, scelerotic corporations die, to be replaced by more nimble upstarts. But regulatory capture means larger corporations have more in common with larger public agencies: neither wishes to rock the boat. The result is a slew of regulations that stifle competition and cement in place the bigger companies and their outdated and anti-competitive ways of doing business. The losers are the public.

There might be ways in the current enviroinment to prevent regulatory capture, but if so they are piecemeal and ineffectual. We are seeing the results everywhere: extreme polarisation in politics, in the academic world; an extreme reluctance by salaried professionals - who owe their livelhioods to the ossified regulatory framework within which they work - to question the prevailing narrative, whether it concerns public health measures, identity politics, climate change or just about anything else. Too many people have a vested interest in avoiding necessary reform.

Short of revolution, which usually doesn't lead to improved social or environmental well-being, what can be done? Even western-style democratic elections change nothing. The identity of the politicians might change, but their commitment to a scelerotic system doesn't.

I propose two major steps:

First: we refine the mission statements and objectives of existing government agencies. We should aim to express their goals in verifiable, quantifiable terms that are meaningful to ordinary people.

Second: we should inject incentives into the achievement of such goals. My suggestion is that we issue [2]Social Policy Bonds. These bonds would reward the achievement of each organisation's stated goals, regardless of who achieves them and regardless of how they are achieved.

These are both radical suggestions. If implemented they are likely to bring about a [3]new sort of organisation: one of protean structure and composition, whose every activity would be

devoted to achieving its targeted goals as quickly and efficiently as possible. The immediate replacement of our current, corrupted public bodies with those solely aimed at improving people's well-being is highly unlikely to happen. But if Social Policy Bonds were to be issued, whether by groups of interested persons or government, then a transition from the current system to a bond regime is feasible. I outline how that might occur in chapter 4 of my [4]book.

1. https://popularrationalism.substack.com/p/regulatory-capture-is-killing-us
2. https://www.socialgoals.com/
3. https://www.socialgoals.com/new-type-of-organisation.html
4. https://www.socialgoals.com/links-to-all-chapters.html

2022

19.1 January

19.1.1 Cutting out the middlepersons (2022-01-09 19:29)

Charles Hugh Smith writes:

> Maybe it's time to eliminate the politicians who soak up hundreds of millions of dollars in campaign contributions
> from corporations and the super-wealthy and just elect Pfizer, Merck, Amazon, General Dynamics, etc. directly.
> Since corporate lobbyists write most of the legislation anyway, why not cut out the intermediaries in the process?

> The super-wealthy buy political power via Political Action Committees (PACs and Super-PACs), think tanks and
> philanthro-capitalist foundations (Gates Foundation, et al.). Now that it takes tens of millions of dollars to
> buy the conventional "winning campaign," the political class spends much of its time fund-raising, i.e. lavishing
> kisses on the derrieres of corporations and the super-wealthy, implicitly promising to do their bidding better than
> the alternative candidates that the corporations and super-wealthy could buy .

There are several plausible explanations for why this has happened. Mostly, I think, it's because society does not have clear, verifiable broad goals on which our politicians and public servants are judged. Society has become so complex that the relationships between government activity and outcomes are difficult to identify, and it would actually be unfair to judge an administration according to whether broad, long-term social and environmental goals have been achieved. But what governments can do, and should be doing, is articulating society's goals, and raising the revenue for their achievement. Democratic governments can do these quite well, while actually achieving complex, long-term goals is often beyond them.

As this [1]summary of *At What Cost* by Nicholas Freudenberg has described:

> [G]lobalization, financial speculation, monopolies, and control of science and technology have enhanced the ability of corporations and their allies to overwhelm influences of government, family, community, and faith. As corporations manipulate demand through skillful marketing and veto the choices that undermine their bottom line, free consumer choice has all but disappeared, and with it, the personal protections guarding our collective health. *At What Cost* argues that the world created by 21st-century capitalism is simply not fit to solve our most serious public health problems, from climate change to opioid addiction.

So much for the diagnosis. What can be done? My suggestion is two-fold:

- Articulate society's broad goals, and
- Supply market incentives into the achievement of these goals.

Explicit, verifiable goals that are meaningful to ordinary people rarely feature in today's politics, but they should. Rather than let the activities of large organisations be dictated by those organisations, we ought to embed these bodies in a system that rewards the achievement of society's goals. In a [2]Social Policy Bond regime, such goals need not be achievable within the time horizons of governments, political parties or even the lifespan of any individual. So, for instance, we could target long-term improvements in the [3]health of a country's population in a way that rewards every initiative that helps achieve that goal.

The other essential element of a bond regime is the injection of market incentives into the achievement of social goals. In economic theory, and in actual practice, all the evidence shows that markets are the most efficient way of allocating society's scarce resources. For obvious reasons markets have a sullied reputation currently; too often they've been invoked to justify behaviour that has, in fact, undermined free, competitive markets, leading to the extreme industry concentration that Mr Freudenberg and others have described. That would not happen in a Social Policy Bond regime, unless such concentration were the most efficient way of achieving our goals. More likely, we should see a protean coalition of bodies, all co-operating with the aim of achieving our social and environmental goals as cost-effectively as possible: this would represent [4]a new type of organsation, one whose every activity would be subordinated to society's wishes.

1. https://bookshop.org/books/at-what-cost-modern-capitalism-and-the-future-of-health/9780190078621
2. http://socialgoals.com/
3. https://www.socialgoals.com/health.html
4. https://www.socialgoals.com/new-type-of-organisation.html

19.1.2 The biggest surrogate indicator of them all (2022-01-26 16:48)

A [1]headline from the current *Economist*:

> Do vaccine mandates actually work? The Canadian and European experiences suggest they do

How does the *Economist* define 'work'? In its view, the mandates work in that more people are or 'nudged' or coerced into being jabbed. It's unfortunate, then, that the link between proportion of the population jabbed and health of that population is tenuous. (See for instance [2]here, [3]here and [4]here.)

My approach is different. I think that, for a health intervention to 'work', it must improve people's health, as shown by measurable, meaningful, objectively verifiable health improvements. Definitely not [5]surrogate indicators, such as cholesterol levels or numbers of people receiving jabs.

My starting point would be to define and reward the achievement of society's health goal, so that the structures and activities of the sectors that support that goal would be entirely subordinated to that goal rather than, as now, the other way round. On a national level, physical health could be defined as a range of long-term targets, all of which would have to be reached and sustained before we can say we have achieved our goal, at which point Social Policy Bonds targeting health could be redeemed. My suggestion is that our goal would include such targets as: longevity, [6]Quality Adjusted Life Years, and infant mortality. There would be others, to be decided by experts in consultation with ordinary citizens.

That would be the first step. The second would be to put in place a system whereby people are rewarded for bringing about such improvements in health. Not for jabbing, screening, or curing or treating disease, nor for selling drugs or health insurance. Those are indirect means to an end, rather than ends in themselves and the results are lamentable: pills that are no better than placebo (see [7]here and [8]here). Or incentives to [9]over-diagnose and [10]over-treat. Or to falsify or otherwise [11]manipulate the results of drug trials.

Applying the Social Policy Bond concept to health would change all that. All the activity they stimulate and reward would be entirely subordinate to society's long-term health goal. There would be a market for the bonds, but it would be society's servant, not its master. The Social Policy Bond principle uses the market as a means to society's goals. It doesn't view the market as an end in itself. Under a Health Bond regime, the the end that the market serves under a bond regime will be society's health, as defined and targeted by society itself. The goals of those working in any field impinging on society's health would be exactly congruent with those of ordinary citizens: to improve society's health as quickly and efficiently as possible. I have described how applying the Social Policy Bond idea to health would work [12]here, or in a lot more detail [13]here.

1. https://www.economist.com/graphic-detail/2022/01/22/do-vaccine-mandates-actually-work

2. https://notthebee.com/article/israel-is-rolling-up-to-its-4th-covid-shot-and-meanwhile-its-got-the-highest-per-capita-rate-of-covid-cases-in-the-entire-world-?s

3. https://popularrationalism.substack.com/p/godspeed-to-the-vaccinated?source=patrick.net
4. https://www.thegatewaypundit.com/2022/01/alberta-canada-inadvertently-published-quickly-deleted-health-data-exposing-half-vaccinated-deaths-counted-unvaccinated
5. https://socialgoals.blogspot.com/2015/07/targeting-surrogate-indicators.html
6. https://www.wikiwand.com/en/QALYs
7. https://www.amazon.com/Cracked-Unhappy-Truth-about-Psychiatry/dp/1605986127/ref=sr_1_fkmrnull_1?keywords=cracked+james+davies&qid=1553283656&s=gateway&sr=8-1-fk
8. https://www.amazon.com/Unhinged-Trouble-Psychiatry-Revelations-Profession-ebook/dp/B003JH86FW/ref=sr_1_5?keywords=carlat&qid=1553283724&s=gateway&sr=8-5
9. https://ebm.bmj.com/content/23/1/1
10. https://www.bmj.com/content/345/bmj.e6684
11. https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.0020138#s3
12. http://socialgoals.com/health.html
13. https://www.socialgoals.com/tradeable-health-outcome-bonds.html

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19.2 February

19.2.1 Visibility versus effectiveness (2022-02-12 18:32)

Just as young children want to work for the fire brigade or become footballers when they grow up, so too are politicians in the developed world as well as daid organisations in poorer countries keen on putting their resources into initiatives that are visible to everyone:

> According to Lant Pritchett at Oxford University, aid organisations often define success as creating tangible assets (building schools) as opposed to practical benefits (higher literacy). They can create the impression of helping without actually achieving much. In fact, foreign aid can sometimes make things worse. *[1]Foreign aid has done little to help Haiti,* the Economist, 5 February

I think the same applies to philanthropic people and organisations, and I find it disappointing that their focus on projects with high visibility crowds out efforts to improve people's wellbeing by means of more effective, though less glamorous, initiatives.

One advantage of a [2]Social Policy Bond regime is that people would be rewarded for achieving *societal* goals - such as higher literacy. The bond mechanism would channel resources into where they will achieve the highest societal return per pound or dollar outlay; that, not visibility or kudos, would be the sole criterion underlying the choices made by bondholders and their agents. This would be unpopular with many in aid organisations or governments who would have to relinquish control over where society's scarce resources are spent. But the benefits to society of targeting our social problems coherently and impartially would far outweigh such costs.

Society as a whole is unlikely to wish for prestige projects that do little to alleviate underlying, complicated, long-term social or environmental problems. Nevertheless, even under a bond regime, philanthropists and their supporters could continue to fund their foundations and pet

projects themselves; they'd probably achieve less for society than if they instead contributed to Social Policy Bonds' redemption funds, but that would be their choice. There's no need for the more altruistic aid bodies or government agencies to do the same.

1. https://www.economist.com/the-americas/2022/02/05/foreign-aid-has-done-little-to-help-haiti
2. http://socialgoals.com/

19.2.2 More subsidies for the rich (2022-02-18 16:57)

Madeleine Cuff writes:

> A shift to more sustainable farming methods, which would make space for wildlife rich hedgerows, meadows, and peat bogs, could cut greenhouse gas emissions equivalent to taking 900,000 cars off the road, WWF said this week. *[1]Farming subsidies: Farmers can double their money by going organic under plans to protect nature*, Madeleine Cuff, 9 Febru
>
> ary

Governments the world over have been engaged with agriculture for many decades. (I was tempted to say 'supported', but I doubt whether governments' involvement has been a net benefit to farmers or farming: it's certainly had many negative effects and not much has changed since I wrote [2]this or [3]this.) This involvement can teach us about governments' intervention in other sectors. One lesson we can learn is that once government entangles itself in a sector, it doesn't go away. Another is that such involvement can be an end in itself - can, indeed, be the whole *raison d'être* - for the government agencies that shape the regulatory environment or disburse taxpayers' funds.

There's a total lack of transparency. If our aim is to increase the area of hedgerows, meadows and peat bogs and to reduce greenhouse gas emissions, why not reward those who increase the area of hedgerows, meadows and peat bogs and reduce greenhouse gas emissions? If, on the other hand, government wants consumers to pay more for their food and ordinary people to pay more tax so that some of the wealthiest people in the country can become even more wealthy, then government should be open about it.

There is a third way, and that is to reward those who achieve an improved environment *whoever they are and however they do so*. It may be that paying wealthy landowners to convert to organic farming is one way of achieving environmental goals. But there might well be more efficient methods, and we can be fairly certain that the ideal mix of such methods will change over time and cannot be anticipated by any government or any single conventional organisation (see here for how a [4]new type of organisation, working in a [5]Social Policy Bond regime, could operate). We need diverse, adapative policies in the service of society's environmental goals, not government employees dreaming up policy iniatives following the 'advice' of vested interests.

My suggestion is that we issue [6]Environmental Policy Bonds to channel self-interest into the achievement of our goals. Even eschewing the bond approach, however, much can be said in

favour of subordinating means to ends in relation to organic farming, and I have written about this in [7]Policy for organic farming.

1. https://inews.co.uk/news/farming-subsidies-farmers-double-money-going-organic-protect-nature-1449868
2. http://socialgoals.com/orchard2.html
3. http://socialgoals.com/vetscrip.html
4. https://www.socialgoals.com/new-type-of-organisation.html
5. http://socialgoals.com/
6. https://www.socialgoals.com/environment.html
7. http://socialgoals.com/organic.html

19.2.3 Avoiding catastrophe (2022-02-23 18:52)

Martin Rees writes about risk and the UK Government's approach:

> The Covid-19 pandemic has been a wake-up call. We now have a choice: carry on as before or find a way to ensure we are better prepared for extreme risks. ... The government's main tool for evaluating risk is the National Risk Register, which rated any pandemic other than influenza as unlikely to cause more than a few hundred deaths. It needs a total overhaul. Astonishingly, the register only has a two-year time horizon. Many threats cannot be neatly anticipated and prepared for within such a narrow window. [1]*After Covid, Britain must learn to plan properly for extreme risk*, Martin Rees, 'Financial Times', 21 February

Lord Rees goes on to say that the Register, as well as being too short term in its focus, is excessively secretive and highly centralised. I think these deficiencies bedevil any single conventional organisation dealing with complex, long-term social or environmental problems. The optimal mix of solutions, and in this instance, the problems themselves, cannot be anticipated by any such organisation. People working in these organisations are paid for their activity, not their success in achieving what should be their overall objective: reducing the numbers of people killed or suffering as a consequence of an adverse event.

[2]Disaster Prevention Bonds would use the [3]Social Policy Bond concept to reward the absence of catastrophic risk to national (or global) populations. The UK government, for instance, could raise funds that would be used to redeem the bonds once such an absence had occurred over a sustained period. This period could be several decades. A [4]new type of organisation would probably arise, comprising bondholders, whose every activity would be subordinated to the goal of ensuring the absence of catastrophic adverse events affecting the UK population over that period. It would have a protean composition and structure that would not be determined by government, but would instead be optimised for success. The important point is that everyone charged with anticipating and avoiding potential catastrophe would have incentives to be efficient and effective in all steps necessary to prevent disaster.

1. https://www.ft.com/content/fcc400e4-36c6-4fbd-86a0-495138b17753
2. https://www.socialgoals.com/disaster-prevention.html

3. https://www.socialgoals.com/
4. https://www.socialgoals.com/new-type-of-organisation.html

19.3 March

19.3.1 World peace or ideological purity: pick one (2022-03-15 19:09)

> We are not concerned with feeding, clothing, and sheltering man but engrossed in a particular system which will guarantee food, clothing and shelter for all. The extreme left or the right are wrangling over a formula that will assure man's security; so they are not concerned with man's happiness, but with which formula will guarantee him happiness. J Krishnamurti

The allure of a system or ideology is understandable. It gives us a sense of security; it's something bigger than us with which we can identify, and over which we can bond. But the downsides are baleful and inevitable: no formula can adapt readily and appropriately to every circumstance and, very often, formulas, algorithms and ideologies function as substitutes for intelligence, an excuse to build a hierarchy, or a means of enforcing conformity.

[1]Social Policy Bonds, right from the start, have been regarded with disdain by those on the left of the political spectrum. They aim to encourage people to solve social and environmental problems, but in the eyes of the ideologues, they fail at the first hurdle because they offer financial incentives to those who do so. Financial incentives equal money equals profit, and so, to the ideologically pure, they are suspect. This is, in my view, has tragic consequences. We need diverse, adaptive approaches to our complex social problems. Ideological purity should not even be a consideration, let alone the sole relevant criterion.

We see the results, most spectacularly now, while war rages again in Europe, and the possibility of even worse disasters looms large. The ancient Greeks, and many since, have regarded bloody conflict as an inevitable attribute of humanity. I question that; the whole thrust of the Social Policy Bond idea is that we encourage diverse, adaptive approaches to problems that have no clear solution. This we are not doing. Who is currently charged with reducing conflict? An array of organisations ranging from the United Nations to well-meaning, hard-working non-government organisations, who try a wide range of initiatives such as trying to reduce arms shipments, or reporting on atrocities. The employees of such bodies are no doubt diligent and motivated by high ideals. But they are rewarded for their activity, not by results. This doesn't just limit the possibility of most of them making an above-average living; it also limits the resources that flow into their activities. Meanwhile, the financial and other incentives on offer to the very few who foment conflict are large and immediate.

The results of this mismatch between what almost everybody wants - in this instance, world peace - and what is actually happening are devastating and threaten us all. I suggest that instead of, or in parallel with, current efforts to limit conflict, we issue Conlict Reduction Bonds, about which I have written [2]here. It would be a tragedy for everyone if the delusions and insecurities of the ideologically committed stifle the possibility of new, successful approaches to human conflict.

1. http://socialgoals.com/
2. https://www.socialgoals.com/conflict-reduction.html

19.4 April

19.4.1 The tragedy of spurious micro-targets (2022-04-03 21:34)

In the absence of broad, explicit goals that are meaningful to ordinary people, we get narrow, short-term goals that mean a great deal to those who devise them, but nothing to everyone else. A UK Government investigation into the maternity care provided by Shrewsbury and Telford Hospital to 1486 families, mostly between 2000 and 2019. It found that 131 stillbirths, 70 neonatal
deaths and nine maternal deaths might have been avoided, had care been
better over two decades. The *Economist* concludes its column:

> When one woman pregnant with twins requested a Caesarean, a doctor is said to have replied: "We've got the lowest Caesarean rate in the country and we are proud of it and we plan to keep it that way." One of her twins died. *[1]A report castigates the National Health Service*, 'Economist', 2 April

Our large, complex societies need to target aggregated indicators of well-being. But I think we should as far as possible target meaningful outcomes themselves, rather than indicators that are not strongly correlated with well-being . In particular we need to avoid targeting spurious measures, such as Caesarean rates, that are too narrow to reliably measure anything that we really want to achieve.

I have written about applying the Social Policy Bond principle to health [2]here. In summary: in the rich countries we could use broad health indicators such as longevity and infant mortality. In the poorer countries we might encounter problems gathering reliable longevity data, but objective sample data on, for instance, infant mortality, weights of young children, nutritional intake, could be available and useful. Refinement by experts, and aggregation into something like the Human Development Index, would see the creation of much targets that would be both more sound and more meaningful than the current array of indicators ranging from such narrow targets as local Caesarian rates to GDP per capita the latter of which, in the absence of sensible targets has, [3]unfortunately, become the *de facto* over-arching target of governments everywhere.

1. https://www.economist.com/britain/2022/04/02/a-report-castigates-the-national-health-service
2. https://www.socialgoals.com/health.html
3. https://socialgoals.blogspot.com/2009/10/what-exactly-do-we-want.html

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19.4.2 World Peace Bonds, while we have the chance (2022-04-12 22:25)

We are living before the first nuclear exchange. The probability that a nuclear weapon will be detonated in the next few years is, sadly, high. Indeed, looking at the way our species has developed, it seems inevitable.

A world in which North Korea and other small, poor countries acquire
nuclear weapons is not going to be safe for the liberal values under

which most of us, mainly in the west, are lucky enough to live. We can see the pessimistic scenarios as a clash of civilizations, or a clash of values, or shifts in geopolitical power, but I choose to see it as a problem of perverse incentives.

For most of the people in politics, holding on to power, or increasing it, is an end in itself. Solution of social problems can be a means to that end but whipping up nationalistic fervour *at the expense* of improving your citizens' well being can work just as well, with the Russian leader being the current obvious example. Our political systems reward those most adept at acquiring power. Threatening the use of nuclear weapons is one way in which a regime can hold on to that power.

What can ordinary people - those of us who are content not to have the power to kill millions of human beings - do, faced with the realistic possibility that the nuclear taboo will be violoated some time soon? My suggestion is that we issue [1]World Peace Bonds. These bonds would be redeemable for a fixed sum only when a targeted array of indicators of peace had been achieved and sustained for a long period. They would reward people who do what they can to end violence. Backed by a combination of governments, non-governmental organizations, philanthropists and ordinary people, they would encourage a vast number of peace-generating approaches. Some would inevitably fail; the way the market for the bonds would work means that these efforts would be terminated and resources diverted into more promising initiatives.

The effect of World Peace Bonds would be to give incentives to accelerate and guide our progress toward a less violent world more efficiently than has happened so far: a protracted, haphazard and bloody path that has, true, given us a less violent world *until now*, but also one that has left us fearful of self-induced catastrophe. We can do better than that. By acknowledging that not all approaches are going to work, and supplying incentives for those that do, we can guide and accelerate evolutionary processes to bring about, quickly and efficiently, what is surely our most urgent goal: world peace

1. http://socialgoals.com/world-peace.html

19.4.3 (2022-04-16 22:02)

[1]Forest farm is the intentional cultivation of edible, medicinal or decorative specialty crops beneath native or planted woodlands that are managed for ...

1. https://www.1world.fund/

19.4.4 (2022-04-16 22:04)

[1]Forest farm is the cultivation of high-value crops under the protection of a managed tree canopy. In some parts of the world, this is called multi-story ...

1. https://www.1world.fund/

19.4.5 Is Hydrogen the solution? Nobody knows (2022-04-17 18:37)

We just don't know how to deal with some environmental problems. A recent UK government study points to some of the uncertainties about the impact that use of hydrogen as an energy carrier could have on the atmosphere and the greenhouse effect. Thus:

> Leakage of hydrogen into the atmosphere will decrease the tropospheric concentration
>
> of hydroxyl radicals (OH), the major tropospheric oxidant, and thereby increase the
>
> atmospheric lifetime of methane and its impact on climate. *[1]Atmospheric implications of increased Hydrogen use,*
> Nicola Warwick, Paul Griffiths, James
> Keeble *et al*, Universities of Cambridge and Reading, April

Other uncertainties could arise from more hydrogen leaking into the atmosphere and increases in the concentration of
both tropospheric ozone and stratospheric water vapour, boosting a 'radiative forcing' effect that raises temperature.

The key concept here is uncertainty. It would seem foolish, but not inconsistent with government behaviour, to go all out for a 'hydrogen economy', which might end up creating more environmental problems than it solves. Or it might not. Nobody knows. In circumstances like this, where the science is uncertain, I would advocate Climate Stability Bonds. These would target what we want to achieve for the world's climate, but not how to get there. Bondholders would have incentives to work out the best ways of achieving our climate goal, even over the necessarily long period that such achievement will take. Most likely a range of technologies, including hydrogen, will need to be researched, refined, experimented with and implemented. No government policy can bring about the diverse, adaptive range of activities that will be necessary to achieve a climate goal. Our knowledge is too scanty and ever expanding to determine how best to proceed. But what government can do (perhaps with the help of supra-governmental bodies, non-governmental organisations and the public) is to raise funds that, in a Climate Stability Bond regime would ultimately reward those who help reach our goal.

The aim of Climate Stability Bonds isn't isn't to create a stable climate: it's to reduce the probability of catastrophic climate breakdown, now being seen by some as climate emergency. In the face of the uncertainties that bedevil almost every aspect of this emergency (some question even whether it even qualifies as an emergency), it is tempting to do nothing, or make only token, highly-publicised gestures in the right direction. A Climate Stability Bond

regime would address the reluctance (or hypocrisy) of governments to channel taxpayer funds into possibly solving a long-term problem when there are so many more immediate claims on society's scarce resources. It would do so because, under a bond regime, until our climate goal has been achieved, government need spend nothing. All risks would be borne by bondholders.

I have written extensively on Climate Stability Bonds. Links are [2]here.

1. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1067144/atmospheric-implications-of-increased-hydrogen-use.pdf
2. https://www.socialgoals.com/climate-change.html

19.4.6 Rationality + badly-designed incentives = poor health (2022-04-25 16:43)

In the absence of broad, coherent, long-term goals that are actually meaningful to ordinary people, we end up with [1]Mickey Mouse [2]micro-objectives that, a cynic would believe, are designed to channel society's resources into purely private goals. This can be seen clearly in health care, where there are few incentives to increase well-being as measured by such indicators as longevity, or [3]Quality-Adjusted Life Years, and all sorts of incentives to encourage professionals to prescribe medications regardless of how beneficial they are to the population. Several recent commentaries examplify this point:

Writing about the Number Needed to Treat (NNT) of prescribed drugs, Sebastian Rushworth says:

> Doctors have been conditioned by the pharmaceutical industry to think that drugs that provide very low probability of benefit are effective. An NNT of 10 is often considered good, and an NNT of 5 is considered excellent. Even an NNT of over 100 is often considered acceptable! Patients are rarely informed that the odds of them getting any benefit from the new drug they're being prescribed are far less than 50:50. And they're rarely informed about what the harms are, and how likely they are to experience them. [4]*What defines a good drug?*, Sebastian Rushworth, 14 April

Malcolm Kendrick writes about the Quality and Outcomes Framework (QOF) system was being used by doctors in the UK's National Health Service:

> Replace it with carefully crafted treatment algorithms, based on the best possible evidence.
>
> To explain in a little more detail. QOF itself is a system whereby GPs can earn points for reaching various targets. They are then paid money for each point gained. *[5]Evidence Based Medicine - it was a good idea*, Malcolm Kendrick, 25 April

The problem is that these targets have little to do with health, and much to do with the goals of the pharmaceutical companies:

[Y]ou can gain points for such things as lowering the blood pressure to a ‘target’ level in the *approved percentage* of patients. Or driving the cholesterol level down below the ‘target level’, or getting the blood sugar (HbA1c) level below the ‘target’ level in the approved percentage of patients.

In short, for QOF to work, the GP needs to create database after database of different diseases. Then carry out audit … after audit. What a great use of clinical time it all is. Appointment after appointment filled with patients called in to have their annual blood pressure check, which just sneaks in just below target level – every single time.

For the pharmaceutical companies this is manna from heaven. Every patient with diabetes logged and audited. Every one driven to reach a ‘target’. A target that will inevitably require medication. Medication that the pharmaceutical company just, ahem, happens to have developed. Medication where they just, ahem, happen to have done all the clinical trials.

Dr Kendrick’s skepticism is borne out by his quote from an analysis done by Imperial College London:

A substantial number of English communities experienced a decline in life expectancy from 2010-2019, Imperial College London researchers have found … For such declines to be seen in ‘normal times’ before the pandemic is alarming.

Finally, Guy Hatchard writes about the *Wall Street Journal*’s new-found skepticism about Covid vaccines:

The *WSJ* article described the effect of boosters as fleeting, mild and short-lived. It sounded a note of alarm saying that neither the CDC [US Centers for Disease Control] nor the US National Institutes of Health (NIH) had made a priority of studying vaccine complications. Moreover their VAERS [Vaccine Adverse Event Reporting System] data collection and analysis process is incomplete and inadequate. In other words, the safety investigation to date of adverse effects of mRNA vaccination is incomplete and potentially misleading. The central question raised by the *WSJ* opinion piece is, why

wouldn't the US regulators wish to undertake accurate and complete investigation of adverse effects of mRNA vaccination? Have pharmaceutical interests been able to influence decision-making at the FDA [Food and Drug Agency] to their own commercial advantage at the expense of safety considerations? *[6]When will these vaccine zealots wake up to the truth?*, Guy Hatchard, TCW, 24 April

I share all these authors' skepticism, bordering on cynicism. It's clear that apart from a few outspoken commentators such as these, all players throughout are reacting rationally, if ignobly, to the incentives on offer. My suggestion? In place of indicators and targets designed, in my view, by vested interests, including government agencies to enhance their profits and power, we target for improvement the well-being of all citizens. We need to channel our ingenuity and society's scarce resources into improving the physical and mental well-being of whole populuations and to create incentives to do so. I have written about applying the [7]Social Policy Bond principle to health [8]here and, more extensively, [9]here.

1. https://socialgoals.blogspot.com/2012/05/mickey-mouse-micro-targets-are.html
2. https://socialgoals.blogspot.com/2014/04/mickey-mouse-targets-gargantuan-impact.html
3. https://en.wikipedia.org/wiki/Quality-adjusted_life_year
4. https://sebastianrushworth.com/2022/04/14/what-defines-a-good-drug/
5. https://drmalcolmkendrick.org/2022/04/25/evidence-based-medicine-it-was-a-good-idea/
6. https://www.conservativewoman.co.uk/when-will-these-vaccine-zealots-wake-up-to-the-truth/
7. http://socialgoals.com/
8. https://www.socialgoals.com/health.html
9. http://www.socialgoals.com/tradeable-health-outcome-bonds.html

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19.5 May

19.5.1 We need the freedom and incentives to experiment with policy approaches (2022-05-10 19:24)

Stephen Bush writes about the difficulties the UK's New Labour Government faced when conducting trials of different policy initiatives:

> In the early years of New Labour... the literacy and numeracy hours ... were initially trialled only in a handful of areas, while the "London challenge", a bid to improve the capital's state schools, provided a test bed for a number of policies since rolled out nationwide. But this can create problems of its own: when a policy programme doesn't work, it is often politically painful for a government to abandon it, so all that a "pilot scheme" really does is expose one part of the country to a bad policy slightly earlier than the rest. When, as with the London challenge, the policy works, other parts of the country can quickly come to resent not feeling the benefit earlier. [Such a trial] is difficult in a democracy because it leaves governments either facing the embarrassment of abandoning an expensive, sometimes high-profile scheme, or resentment from voters at not rolling out an

> effective one earlier. [1]A-B or not A-B? Why democracies struggle to innovate, Stephen Bush, *Financial Times*, 10 May

Exactly: these trials are difficult for *governments* to perform, for the reasons Mr Bush cites. What we should be doing is providing incentives for any number of bodies; first to conduct their own trials; and second to terminate those that fail, and refine, implement and replicate those that are most promising. Efficiency in achieving the policy goal should be the main criterion determining which initiatives should be dropped, and which should be promoted.

Incremental adaptation and historical accident have left us with the decision-making bodies of today. These include not only government and its myriad agencies, but private sector corporations, religious bodies, interest groups, non-governmental organisations and individuals. The way they operate gives them no financial incentive to try different approaches and prioritise and adapt the most promising. It is not simply a matter of giving more money to the people working for those bodies that conduct the most promising trials: it is - possibly more importantly - a matter of making sure that more resources are channelled into the most promising approaches and away from those that show signs of failing.

The current policymaking world has little scope for the competition that sees an end to unfortunate mutations. As well as the public relations problems cited by Mr Bush, governments find it difficult to terminate failing iniatives. The vested interests are so deeply entrenched that the Darwinian method of allowing optimal solutions to emerge from a range of possibilities isn't given a chance to work.

Social Policy Bonds could be the solution. Under a bond regime people have incentives to explore, refine and try out new ways of doing things, and to exploit only the most successful approaches. There would be more trials conducted of more diverse possible policy initiatives, and the bonds would give incentives for the mix of promising approaches to change over time, in pursuit of long-term goals that are considered so remote as to be unachievable in today's policymaking environment. Such goals, as for instance, world peace.

Mr Bush concludes:

> Democracies will never be able to move fast and break things in the way businesses can — but giving different players freedom to experiment can help share out the benefits.

I would slightly alter that sentence: '...giving different players freedom **and incentives** to experiment...'

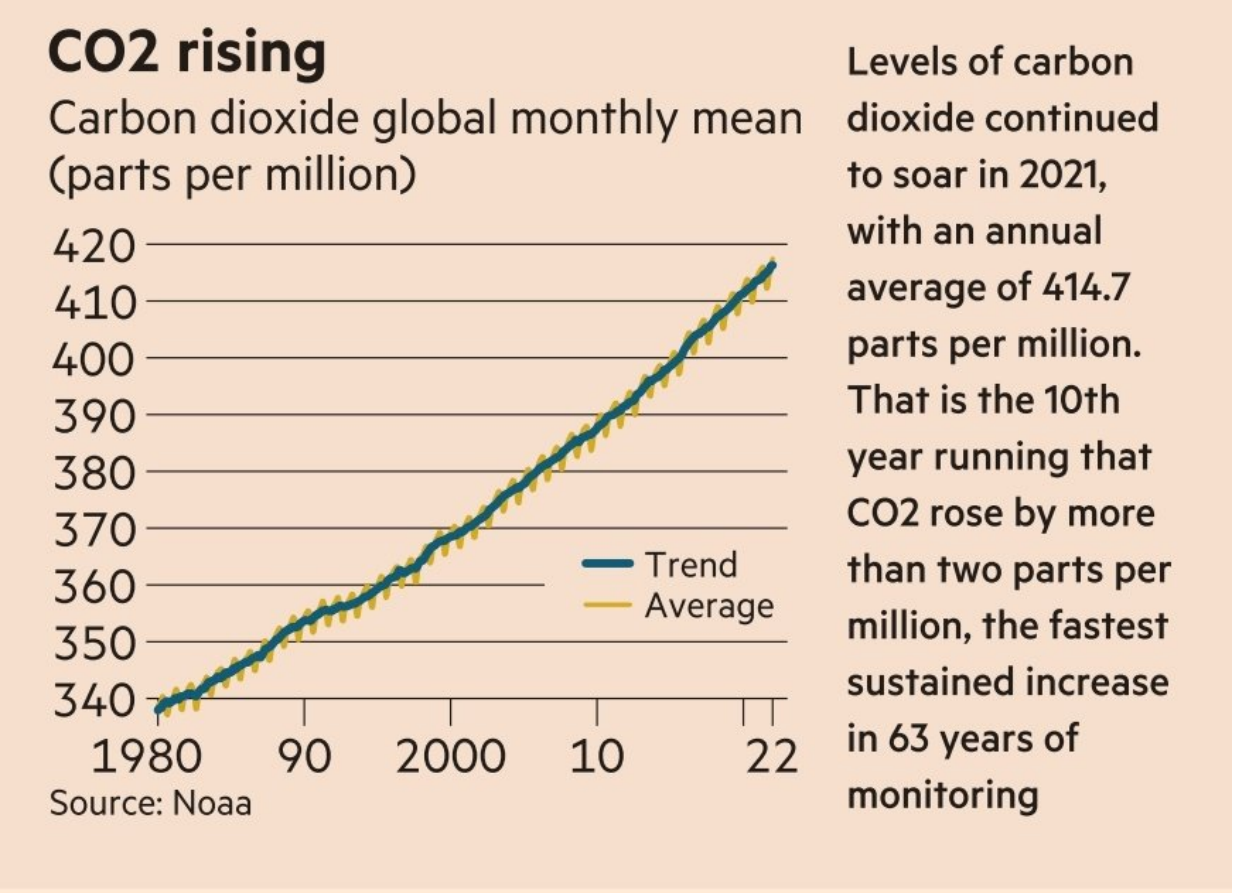
For another post about the need for experiments in policymaking see [2]here. For a piece on applying the Social Policy Bond principle to world peace, see [3]here.

1. https://www.ft.com/content/77b2a588-ed8d-4bfd-872b-248ec28ec244
2. https://socialgoals.blogspot.com/2019/11/effective-policy-needs-experiments.html
3. https://www.socialgoals.com/world-peace.html

19.5.2 Actually, people do care (2022-05-18 17:33)

This graph appeared recently in the *Financial Times*:

[1]



I'm skeptical about the targeting of greenhouse gas emissions (see [2]here) but as that has been almost the entire focus of the climate change debate, the graph seems to imply that:

- People share my skepticisms, or
- Nobody really cares.

There is another possibility though, and that is that there is a massive gap between what most people want to see and what governments implement: between the stated goals of policies and outcomes. This applies to many other social and environmental goals, especially those that can be achieved only in the long run, and whose achievement requires a mix of approaches, the most efficient of which cannot be known in advance.

So: almost nobody wants to see a nuclear war, yet the probability of a nuclear exchange hasn't vanished and may be increasing. Non-nuclear conflict, disease, crime, illiteracy, environmental depredations, extreme poverty...these social and environmental problems remain large and, in many areas, are growing despite our undoubted ingenuity, noble aspirations and effort put in by many individuals, government and non-government agencies and others.

In my view, this disconnect is a result of the inability of any conventional organisation - government or not - to cope with such society's complexity and long lead lines. My suggestion: we should be targeting outcomes, and rewarding people who achieve them, however they do so. Social Policy Bonds are one way in which this could be done.

For more about the Social Policy Bond concept see [3]here. From that page there are links to its application to [4]climate change, [5]conflict, [6]crime, [7]literacy and the [8]environment. For a new sort of organisation that could arise to help achieve targeted outcomes see [9]here.

1. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhuJ1IccBJBTjlRit_scesfqQAMWnGmF4XK_j_YpkOSFOL5gjv7cKyPml6rIb1b23mvm3XVYJFF-CdOvXK9DWDqu1iuovqJqu7QIyU
2. https://www.socialgoals.com/climate-change.html
3. https://www.socialgoals.com/
4. https://www.socialgoals.com/climate-change.html
5. https://www.socialgoals.com/conflict-reduction.html
6. https://www.socialgoals.com/crime-.html
7. https://www.socialgoals.com/women-s-literacy.html
8. https://www.socialgoals.com/environment.html
9. https://www.socialgoals.com/new-type-of-organisation.html

19.6 June

19.6.1 Rewarding nuclear peace (2022-06-03 18:19)

The *Economist* writes:

> Nuclear-armed
> states may begin to believe that they can gain by copying Vladimir Putin's tactics. One day, someone somewhere will surely turn their threat into reality... [1]Source

Consider the incentives on offer to those in power today: if they possess nuclear weapons they can initiate a conflict knowing that they can dictate its course by threatening, implicitly or otherwise, to deploy them. If the target of their aggression doesn't possess nuclear weapons *or if the target cares more about its civilian population than the aggressor*, then at some point in the future, the reality feared by the *Economist* will come to pass. It might be today, it might be in a few years, but the number of countries with nuclear weapons continues to [2]proliferate and we should not have to rely on those in power to continue to exercise restraint at all times. The taboo against threatening use of nuclear weapons has been broken. It now appears inevitable that, before long, the taboo against their use will also be broken.

My previous post [3]highlighted the continuing rise in the level of greenhouse gas emissions, despite the many agreements, protocols, treaties and hard-working organisations devoted to reducing their level:

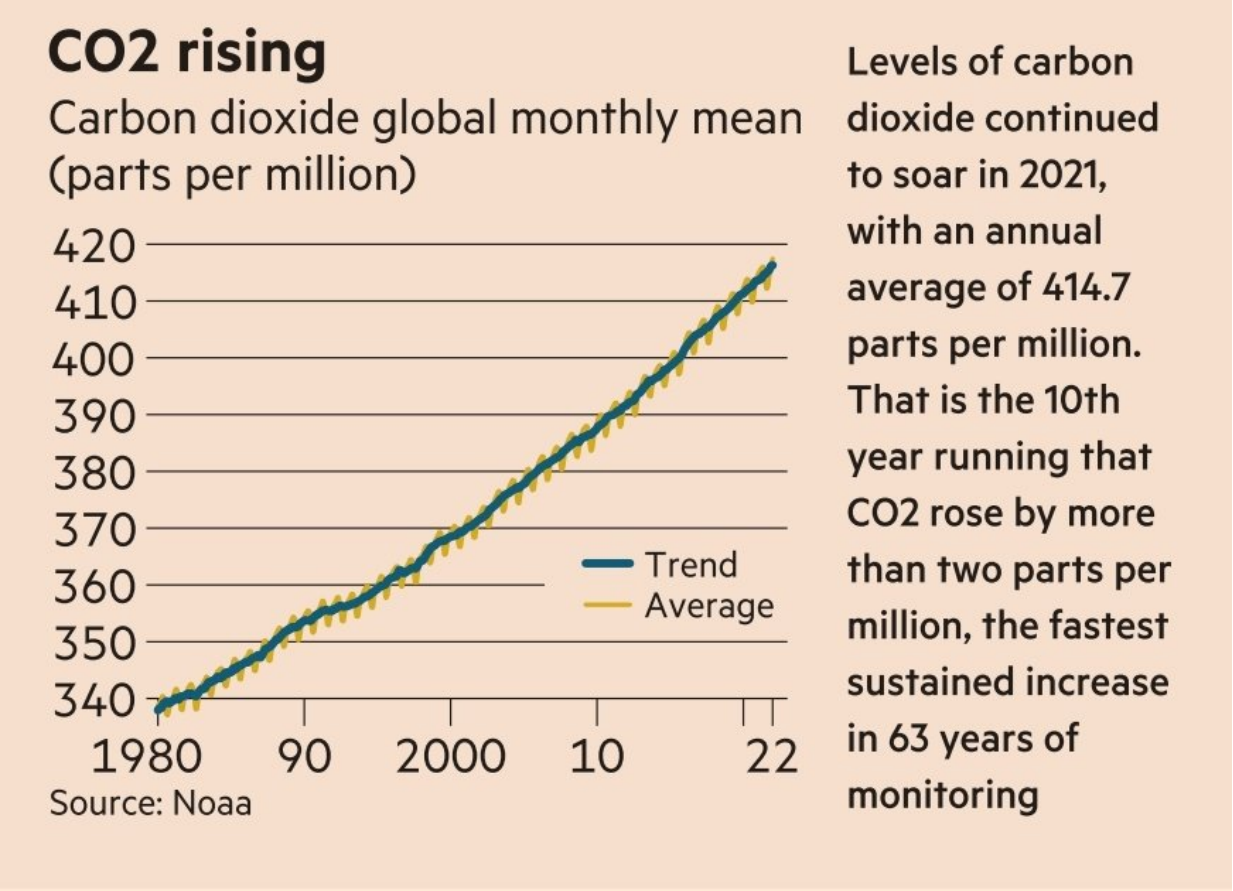


Fig.1 Atmospheric carbon dioxide level/Probability of nuclear conflict (?)

It seems that the probability of a nuclear strike of some sort is on a similar upward trajectory. What is to be done?

My suggestion is that we we offer incentives for people to achieve that which we want to achieve: sustained nuclear peace *whoever they are and however they do so*. If people think that continuing along our present pathway isn't working, they should have incentives to research into and experiment with different approaches, refining those that appear most promising, and terminating those that don't work. This could be done with [5]Nuclear Peace Bonds, an application of the [6]Social Policy Bond concept. As with climate change, the aim is to encourage diverse, adaptive approaches to solving a complex, long-term problem that poses a great risk to large numbers of people and the environment.

1. https://www.facebook.com/TheEconomist
2. https://worldpopulationreview.com/country-rankings/nuclear-weapons-by-country
3. https://socialgoals.blogspot.com/2022/05/actually-people-do-care.html
4. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhuJ1IccBJBTjlRit_scesfqQAMWnGmF4XK_j_YpkOSFOL5gjv7cKyPml6rIb1b23mvm3XVYJFF-CdOvXK9DWDqu1iuovqJqu7QIyU
5. https://www.socialgoals.com/nuclear-peace.html
6. https://www.socialgoals.com/

19.6.2 A better way of achieving environmental goals (2022-06-14 19:39)

We need to target environmental outcomes, not the alleged best ways of achieving them.

> Text shared thousands of times on social media claims green energy is "more destructive to the Earth's environment than meets the eye." But the posts make various inaccurate claims, including that ... solar panels or wind turbine blades cannot be recycled.
>
> Elias Huuhtanen, *[1]Posts mislead about environmental impact of green energy*, AFP Factcheck, 31 March

The source also questions claims about the quantity and environmental cost of minerals used for electronic car batteries.

My conclusion from such debates about the costs and benefits of different ways of gernerating electricity or powering vehicles is simple: advocating one option over another is just too complicated. [2]Life-cycle analyses can be done, but they come festooned with boundary issues and are unlikely to be robust against changes in technology and our knowledge of environmental impacts, and other variables that change over time and space. And how shall the different costs of, say, child labour be weighed against possible reductions in greenhouse gas emissions?

Can you imagine any government doing that? And getting it right? And continuing to get it right when new technology or new information about, say, mining or carbon dioxide emissions and their effects becomes available? It's not going to happen.

Which is why we need, urgently, an outcome-driven approach. The old way of doing things, with government doing what it thinks is best, might have worked when government was well intentioned, and relationships between cause and effect on the environment much simpler to identify. It just doesn't work nowadays, when government is subject to powerful corporate interests and environmental relationships are much more complex. Government is not up to the job of working out whether climate change is best tackled by subsidising rail, electric vehicles, windmills, or catalytic converters. It's not what government is good at, and it's not what people go into government to do.

What government can do, though, is set up a regime whereby people are rewarded for improving the environment or helping bring about climate stability, however they do so. In other words, it could contract out the achievement of a better environment or a more stable climate to a motivated, diverse, adaptive

private sector. Government could stipulate the environmental outcomes it would reward, which is a simpler and less contentious task than trying to work out how best to achieve them. If it did so by issuing [3]Environmental Policy Bonds, or [4]Climate Stability Bonds, then it's likely that a [5]new sort of organisation would arise: ones that would research, experiment, refine and implement an array of diverse, adaptive approaches to society's environmental goals. They could perform their own life-cycle analyses if they wish; but whatever they do would be done with the aim of achieving our goals as cost-effectively and quickly as possible.

1. https://factcheck.afp.com/doc.afp.com.327A429
2. https://en.wikipedia.org/wiki/Life-cycle_assessment
3. https://www.socialgoals.com/environment.html
4. http://socialgoals.com/ieakyototext.html
5. https://www.socialgoals.com/new-type-of-organisation.html

19.6.3 Philanthropists want to be in control. Just like governments. (2022-06-28 19:09)

Emma Saunders-Hastings, in her recent book about philanthopy, asks an important question:

> Before Parisian firefighters had fully extinguished the blaze that rav
> aged Notre-
> Dame in April
> 2019
> , lavish pledges rolled in from phi
> lanthropists eager to support the cathedral's reconstruction:
> €
> 100
> million
> from Bernard Arnault, France's richest person; ...
> commitments in the millions and tens of millions of
> euros from individual and corporate donors in France and abroad.
> T
> he
> pledges were greeted with a mixed reception: conventional expressions
> of gratitude in some quarters but swift criticism from others. Why, some
> skeptics asked, were private funds so readily available to repair a building
> but not to address rising inequality in French society?
> Emma Saunders-Hastings,
> *[1]Private Virtues, Public Vices: Philanthropy and Democratic Equality*, March 2022

Or, indeed, other social and environmental problems such as unemployment, crime, or global concerns, such as war?

Later, Ms Saunders-Hastings grants that ’ some donors have a better grasp of the measures that would best pro

mote people’s substantive interests than the elected officials whom they are

seeking to influence or bypass’. She concludes:

> Democratic societies need different ways of promoting reciprocity and long-
>
> term attention to the public good—
>
> ones that do not require reliance on the
>
> competence and goodwill of hereditary or economic elites.
>
> Contemporary philanthropy has not yet solved this problem.

It seems to me that Ms Saunders-Hastings’ first question is relatively easy to answer: philanthopists are unlikely to want to undermine the system that allows them to accumulate and maintain their vast wealth; including by influencing government policy. Also important, I believe, is that philanthropists are biased in favour of projects that are highly visible, where their contributions can be easily identified. In this, it is not very different from governments, which also favour the glamorous and photogenic over more mundane goals that require multiple approaches and much experimentation and refinement before they can be achieved: hence the persistence of some of our most grievous social problems.

I have [2]tried, with no success, to interest philanthropists in the [3]Social Policy Bond concept. It seems to me that they are reluctant to relinquish control over the destination of their funds. In this respect, also, they are similar to governments. It’s an understandable bias - though regrettable. My wish is that all funding bodies, private or public sector, would reward those who solve our most persistent, long-term problems, rather than insist on dictating who shall receive their funding and how they shall allocate it.

1. https://bookshop.org/books/private-virtues-public-vices-philanthropy-and-democratic-equality/9780226816159
2. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/
3. http://socialgoals.com/

19.7 July

19.7.1 I don’t need to know about electric vehicles (2022-07-11 16:37)

Rich Barnett [1]writes to the editor of the *Spectator*:

> Martin Vander Weyer might continue to bang the drum for electric cars and their 'green' credentials but the problem is that in the drive for such cars we have effectively seen a cessation in development of petrol and diesel engines....[Y]our correspondent swerves the issue of just how clean these [electric] cars are, especially when we follow the production process back to the raw materials. In reality, the cleanest cars are those already built and maintained.
>
> Rich Barnett, the *Spectator*, 9 July

Mr Rich may be right or wrong. I don't know. But, as an advocate of policy that targets meaningful environmental outcomes, I don't need to know. It might be true that the environmental costs of electric vehicles is higher than that of petrol and diesel vehicles now; but that could change. What is the probability that legislation made today can correctly calculate even today's relative environmental costs, let alone those of any future time period?

My suggestion is that instead of trying to work out the best ways of improving the enviroment when our knowledge of ever-changing relationships between cause and effect is inescapably scanty, we target those environmental goals we want to achieve and reward people for achieving them. This makes better sense for two main reasons:

- There is far more consensus about what those goals should be than the supposed means by which they can be achieved.
- Technology, and our knowledge of the relationships between cause and effect are changing constantly in ways that nobody and, in particular, no regulatory body, can anticipate.

When governments favour, whether by subsidy or other means, what they believe to be the most efficient way of achieving certain ends they are often looking only at current technology and short-term goals. Our environmental problems, though, require a long-term approach. [2]Environmental Policy Bonds aim not only to re-focus policy on long-term goals but to inject the market's incentives into their achievement.

1. https://www.spectator.co.uk/article/letters-what-sturgeon-has-got-wrong
2. https://www.socialgoals.com/environment.html

19.7.2 There's no need to quantify everything (2022-07-24 19:36)

ESG stands for Environmental, Social, and Governance, and investors are increasingly considering these non-financial factors when identifying companies' risks and growth opportunities.

About ESG, the *Economist* writes:

> [M]uch of ESG is deeply flawed. The concept's popularity has been partly fuelled by real-world concerns, especially climate change. Yet it has had a negligible impact on carbon emissions, especially by the biggest polluters. Its attempt to address

> social issues such as workplace diversity is hard to measure. As for governance, the esg industry does a lousy job of holding itself to account, let alone the companies it is supposed to be stewarding. It makes outsize claims to investors. It puts unmanageable demands on companies. *[1]ESG investing: A broken system needs urgent repairs*, Economist, 23 July

I share the *Economist*'s scepticism; I dislike the over-formalising and quantification of things that are best left to people's discretion. When certain ESG concerns, or such matters as affirmative action become over-formalised, then politics steps in, the debate becomes polarised and meaningful discussion becomes impossible.

However, a Social Policy Bond regime would revolve around the targeting of broad, meaningful outcomes, and just about any measure of such outcomes can be gamed and manipulated. (There are workarounds, though. For example, when targeting for improvement the [2]literacy rate of teenage girls in Bangladesh, participants in random surveys would not be specified in advance. so that they couldn't be given more attention than other girls.) As well, there is [3]Campbell's Law to consider: 'The more any quantitative social indicator is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor.' I'd like, therefore, to see a panel of trusted, impartial experts confirm that any recorded improvements are genuine. Because Social Policy Bonds work best at a large scale - national or global, say - the costs of monitoring and verification would be relatively low.

1. https://www.economist.com/special-report/2022/07/21/a-broken-system-needs-urgent-repairs
2. https://www.socialgoals.com/women-s-literacy.html
3. https://en.wikipedia.org/wiki/Campbell%27s_law

19.8 August

19.8.1 Time to reward health outcomes (2022-08-17 11:02)

Given the widespread, [1]and [2]justifiable, distrust of pharmaceutical companies, it would seem that this is the time to move towards rewarding those who achieve favourable health outcomes, rather than those who merely engage in activities purporting to deliver those outcomes. Those currently employed in healthcare are reacting rationally to the incentives on offer, to the detriment of our [3]physical and [4]mental health. And those incentives encourage [5]over-[6]screening and [7]over-treatment, and the neglect of commercially [8]nonnviable [9]preventive [10]interventions. As the British Medical Association put it:

> Despite the clear acknowledgement across the UK of the need to prioritise ill-health prevention and public health activities, the data analysed in this briefing show this is not matched by funding commitments. *[11]Funding for ill-health prevention and public health in the UK* (pdf), British Medical Association, 2017

It's the same, or worse, in the US:

> Almost 1.3 million people went to U.S. emergency rooms due to adverse drug effects in 2014, and about 124,000 people died from those events. [R]research suggests that up to half of those events were preventable. ... An estimated $200 billion per year is spent in the U.S. on the unnecessary and improper use of medication, for the drugs themselves and related medical costs.... *[12]Too many meds?*, Teresa Carr, 'Consumers Reports', dated September 2017

It's time for a new approach. My suggestion is that rather than policymakers' focusing on the means by which they think good health can be achieved, they instead focus on targets for good physical and mental health, and provide incentives for people to achieve those targets. The Social Policy Bond concept, applied to health, would do this, and more: it would inject the market's incentives and efficiencies into all the processes necessary to improve a nation's health. [13]Health Bonds would channel our scarce resources into the most efficient means of improving our health, including those currently neglected or not even considered by our current healthcare bodies, most of which have little incentive or capacity to consider broad health outcomes that fall outside their increasingly specialised remit.

Health Bonds wouldn't stipulate how our health goals shall be achieved, nor who shall achieve them. This allows a broader approach. For example: our current compartmentalised accountancy-driven policy approach would not take into consideration the adverse health impacts of subsidising advanced courses for young drivers of motorbikes or cars. But holders of Health Bonds would look at such measures, investigate their possible health impacts, and make an informed decision as to whether any improvement they might bring to the nation's health is worthwhile, compared to other possible interventions.

1. https://www.bmj.com/content/375/bmj.n2635
2. https://corporatewatch.org/pfizer-six-scandals-to-remember/

3. http://www.badscience.net/category/big-pharma/
4. https://en.wikipedia.org/wiki/Peter_Breggin
5. https://sciencebasedmedicine.org/a-skeptical-look-at-screening-tests/
6. https://www.theguardian.com/science/blog/2014/jan/03/patients-truth-health-screening-harm-good
7. http://www.bmj.com/too-much-medicine
8. http://www.afr.com/news/special-reports/future-of-healthcare/prevention-rather-cure-rated-highly-in-healthcare-but-funding-sparse-20161011-grzhdb
9. http://heart.bmj.com/content/96/4/261
10. http://jech.bmj.com/content/71/8/827
11. http://sentpressrelease.com/pressrelease/attachment/73108/79fbe4f4-c323-4f1e-a7df-9abe85930d12/ec3ffd77-5767-4ab4-a59b-f781867fc1ca?fileDisplayName=Funding%20fo
12. https://www.consumerreports.org/prescription-drugs/too-many-meds-americas-love-affair-with-prescription-medication/
13. http://socialgoals.com/health.html

19.8.2 Rewarding Nuclear Peace (2022-08-20 18:15)

Below is a short article suggesting that Nuclear Peace Bonds be issued to reward a sustained absence of nuclear conflict.

Nuclear Peace Bonds are an application

of the [1]Social Policy Bond concept:

Rewarding nuclear peace

It’s
possible that Russia will have to confront comprehensive defeat in Ukraine, maybe even facing the prospect of losing Crimea. How likely is Putin going to say ‘OK, it’s a fair cop, we lost fairly and squarely, it’s all over.’ and refrain from launching ‘tactical’ nuclear devices to change the course of his war? It could happen; we might get lucky, and we might also get lucky when other nuclear-armed powers throw their weight around. But do we really want to gamble on it? Once any one of these countries breaks that taboo, how long will it be before governments begin to see nuclear weapons as just like any other weapon,

despite the likelihood that they will devastate an already parlous planet? There's little or nothing that the international community can do to lower that probability. National policymaking systems can work well when the relationships between cause and effect are readily identifiable. But for large-scale, complex, global problems like the risk of nuclear catastrophe we need to encourage investigation of a wide range of possible solutions.

Nuclear Peace Bonds

You may
be familiar with Social Impact Bonds (also known as Pay for Success Bonds), designed to reward investors who achieve socially beneficial goals. Bondholders who achieve an improved outcome receive higher returns. They are limited by their lack of tradeability, whereas the Nuclear Peace Bonds that I propose would be tradeable, which greatly enhances their potential. It allows for bondholders to do what they can to achieve the targeted nuclear peace goal, see the market value of their bonds rise, and then sell their bonds to those best able to take the next steps towards the goal. To make a profit, they do not have to hold the bonds for the decades that such a long-term goal would take to achieve.

Nuclear

Peace Bonds would be backed by funds be raised from the public or private sector, or both. These bonds would be floated on the open market for whatever price they fetch. They would be redeemable for a fixed sum only when there has been nuclear peace for a sustained period of, say 30 years. This goal, being remote, would mean that the bonds would sell for very little when first offered to the market. So any activity that increases the likelihood of sustained nuclear peace would see an improvement in the bonds' value. Nuclear Peace Bonds would create a protean coalition of bondholders that would have a powerful incentive to co-operate with

each other and to research, refine and implement those measures thought to be, at any given time, those most likely to bring about nuclear peace. With such a

big, remote objective, no single approach will work. A Nuclear Peace Bond regime would stimulate a wide range of diverse, adaptive approaches to the threat of nuclear catastrophe. All bondholders' initiatives would be in service of the one over-arching goal: a sustained period of nuclear peace. The secondary market for the bonds would ensure that, at all times, the bonds would be in the hands of those who believe they can help achieve the goal most efficiently. Inefficient operators, or those who had done their bit, would sell their bonds to more efficient operators, to whom they would be worth more. Unlike some other global problems, the Nuclear Peace Bonds would have a clear and verifiable metric, such as avoidance for 30 years of a military nuclear explosion that kills more than 100 people within 24 hours.

Incentives

Currently, there's a jarring mismatch between on the one hand the fears of, and risks to, almost everyone on Earth from nuclear conflict and on the other, the efforts devoted to mitigating them. A shift in resources away from, for example, ingenious ways of exploiting financial markets or selling dog-food, would benefit all of us. But our current policymaking system doesn't encourage such a re-orientation of priorities. Incentives now are for those few who have acquired power – including psychopaths - to do whatever they can to retain it. The wish of the billions of people who don't want to live in a world of nuclear conflict is too diffuse to prevail. Of course, there are many hard-working employees of existing organisations who are trying to achieve peace. But – let's be frank – they are paid for turning up at the office and putting in the hours, rather than success.

A Nuclear Peace Bond regime would reward those who achieve peace, whoever they are and however they do so. It's an admittedly unconventional approach. But the conventional approach has brought us to the brink of nuclear catastrophe. The taboo against threatening the use of nuclear weapons has been broken. It now appears inevitable that, unless we rebalance the incentives, the taboo against their use will also be broken. It's now time to encourage and reward diverse, adaptive and *successful* ways of dealing with the looming nuclear threat.

©
Ronnie Horesh

1. http://socialgoals.com/

19.9 September

19.9.1 The Nobel Prize (2022-09-03 17:46)

No, Social Policy Bonds are unlikely to win a Nobel Prize nor any major prize, despite the anonymous comment in [1]this newspaper article (pdf), and their mention in Robert Shiller's 2013 [2]Nobel Prize lecture (pdf, page 489). Why not? There may be other reasons but the two that come to mind are:

- Social Policy Bonds do not originate in a member of an esteemed institution; and
- Only the non-tradeable variant has actually been issued.

The non-tradeable variant, also known as [3]Social Impact Bond, pay-for-success bond, or social benefit bond, with which I've had no direct involvement, is currently deployed in about 25 countries, with varying levels of success. As I explain [4]here and [5]here, I'm ambivalent about them, and I still hope that one day my [6]original conception will become manifest and help solve our long-term, seemingly intractable, large-scale social and environmental problems.

In the meantime, I've added a [7]Donate link in the right-hand column, in an effort to keep my SocialGoals.com site online, and to help pay my other expenses.

1. http://socialgoals.com/bearup.pdf
2. https://www.nobelprize.org/uploads/2018/06/shiller-lecture.pdf
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
5. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
6. http://socialgoals.com/
7. https://www.paypal.com/donate/?hosted_button_id=27T228P6NGJBC

19.9.2 Are electric vehicles better for the environment? It's not clear (2022-09-22 17:55)

Social and environmental problems are complex: they are bedevilled by many variables and pathways with feedback loops and time lags, all of which change constantly and vary with geography. They are simply not amenable to conventional policymaking, which tries to identify

causes of our problems and then deal with them. Social Policy Bonds take a more humble approach. A bond regime wouldn't assume knowledge of all the causes of a problem, nor which private- or public-sector agency is best placed to solve it. Rather, it would reward the people who take steps that solve the problem. By doing so, the bonds greatly enlarge the range of problems we can target, to encompass even those thought to be intractable, such as war.

One example of the sort of complexity that our current policymakers think they grasp, but don't, concerns electric vehicles (EVs). The *Economist*, quoting Socrates Economou, discusses the nickel used in EV batteries:

> Indonesian nickel is not the high-grade sort usable in batteries. It can be made into battery-compatible stuff, but that means smelting it twice, which emits three times more carbon than refining higher-grade ores from places like Canada, New Caledonia or Russia. Those additional emissions defeat the purpose of making EVs..... Carmakers, particularly European ones, may shun the stuff. [1]*Could the EV boom run out of juice before it really gets going?* The 'Economist', 14 August

No conventional organisation, with its fixed structure and a sclerotic inability to adapt to changing circumstances, can keep track of all the important variables and relationships necessary even to answer such a relatively simple question as 'are EVs better for the environment than vehicles powered by internal combustion engines?' We need organisations that don't presuppose answers with fossilised science; ones that can try many diverse, adaptive approaches, and take a long-term view.

[2]Social Policy Bonds could help. They would stipulate the required outcome; one that would be meaningful and comprehensible to everyone, such as an improved [3]environment, or [4]world peace. At every stage along the path toward achievement of the targeted goal, they would provide incentives in such a way as to subordinate all activities and approaches to that achievement. It's likely that a [5]new sort of organisation would evolve; one with a protean structure and composition, with all its activities dedicated to solving the targeted social or environmental problem.

I will admit that all this sounds far fetched, and that despite my floating of the Social Policy Bond concept into the public arena more than [6]30 years ago, they have been issued only in a non-tradeable form and so [7]stripped of much of their value - [8]in my view. The likelihood of their ever being issued in accordance with my wishes is slim. But the relevant question to ask a time when we may well be poised on the brink of environmental or nuclear catastrophe is: what is the alternative?

1. https://www.economist.com/business/2022/08/14/could-the-ev-boom-run-out-of-juice-before-it-really-gets-going
2. http://socialgoals.com/
3. https://www.socialgoals.com/environment.html
4. https://www.socialgoals.com/world-peace.html
5. https://www.socialgoals.com/new-type-of-organisation.html
6. https://researcharchive.lincoln.ac.nz/handle/10182/848?show=full
7. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
8. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html

19.10 October

19.10.1 Where are the incentives to take the long-term view? (2022-10-02 18:38)

Where are the incentives to take a long-term view? I mean not only for policymakers, but for corporations, philanthropists, and the rest of us. Rewards are there for turning up to work, for attracting attention, for doing things; even sometimes for solving problems, though rarely for preventing them arising in the first place. But, increasingly, we are more concerned with short-term goals. There are several possible explanations. In the private sector, industry concentration means that managers, rather than family members, control corporations. But what about the public sector?

> [Government bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies . *[1]Why States Believe Foolish Ideas*, Steven van Evera, 2004

There are, then, few rewards for being successful, and fewer still penalties for failure. As well, government's role is changing. The current *Economist* writes about its growing role in bailing out corporations:

> Politicians have long sought to provide safety nets or stimulus in bad times. But over the past 15 years, they have become far more willing to shore up vast swathes of the economy. When industries, companies or people get into trouble, fiscal help is never far away. Gains are privatised, but a growing share of losses or even potential losses are socialised. To appreciate this role for the state, discard much of the conventional wisdom, which says that in the "neoliberal" era governments have let free markets run riot. Instead, this is an era of "bail-outs for everyone". *[2]The world enters a new era: Bail-outs for everyone!*, Economist, 1 October

The long-term view is the inevitable loser.

[3]Social Policy Bonds aim to inject the market's incentives into the achievement of our social goals. But perhaps their greater benefit is that they enable the targetting of goals that can be achieved only after decades, such as reduced [4]crime rates, a cleaner [5]environment or [6]world peace. Nobody knows how to achieve these goals, and [7]existing organisations have little incentive to investigate the wide range of diverse, adaptive approaches necessary to do so. But a Social Policy Bond regime would put in place incentives for people to take the long-term view: to research, investigate, experiment, refine and implement the most promising potential solutions to our social and environmental problems, even if, as is likely, total success will take decades.

1. https://dspace.mit.edu/handle/1721.1/5533
2. https://www.economist.com/finance-and-economics/2022/09/25/the-world-enters-a-new-era-bail-outs-for-everyone
3. https://www.socialgoals.com/
4. https://www.socialgoals.com/crime-.html
5. https://www.socialgoals.com/environment.html
6. https://www.socialgoals.com/world-peace.html
7. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html

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19.10.2 Give learned associations a chance! (2022-10-10 21:19)

Justin Gregg compares diagnostic inference, whereby animals learn to associate a cause with an effect, to causal understanding, whereby humans reason as to *why* something happens:

> If causal understanding is such an obvious advantage over other ways of thinking, why did it take our species 200,000 years before we began using this ability to begin the spread of modern civilization? The answer is that sometimes, being a why specialist leads our species toward unexpected ludicrousness that is so bad for our species (evolutionarily speaking) that it makes you wonder if we'd actually be better off relying solely on learned associations. Justin Gregg, *[1]If Nietzsche Were a Narwhal*, September 2022

I will agree that, when policymakers attempt to understand why something is happening by looking for 'root causes', this can be a waste of time or an excuse for inaction. There are too many causes of social problems, and they are too various and too variable to be identified - at least by conventional public- or private-sector organisations, with their fixed structures and limited remits. Crime, poverty, war: these have many causes that vary markedly over time and space. It is politically acceptable for governments either address the symptoms of these problems, or to spuriously reduce the number of causes to one and target that: so crime is often attributed to poverty, and climate change to greenhouse gas emissions. But these problems may have no single, fixed cause, and we need to offer incentives that encourage people continuously to explore the many, varying causes of our social and environmental problems. Often, there are suggestive associations between cause and effect, but insufficient evidence for governments to use taxpayer funds to act on those associations. So, unless effect can unambiguously attributed to causes upon which we can act, our problems remain.

What I suggest we do instead is reward the outcomes we want to achieve, regardless of how they are achieved. Provide incentives for people to investigate some or all possible causes or simply to learn by association - as in the animal kingdom - and react accordingly, even without the evidence required to draft a policy. And to bear in mind that doing nothing, in some rare circumstances, might be the optimal approach.

[2]Social Policy Bonds would encourage this type of behaviour, rooted in a humility that recognises that we cannot always identify the causes of our problems, but that we might not need to in order to solve them. How would they do so? They would reward all approaches, however indirect or nebulous, that help solve a targeted problem. Evidence in favour of an approach

could be anecdotal, associative or putatively causal: governments cannot act on all such evidence, but holders of Social Policy Bonds can; their sole criterion for backing an approach is whether it promises to be a cost effective way of achieving the goal they target.

What do I mean when I say that doing nothing might be the optimal approach? Take climate change: the evidence that it's actually happening convinces me (currently). The evidence that we can or need to do something about it is a little more contentious. We need a framework in which, if circumstances change, incentives are in place for an appropriate, nimble response. Such circumstances might include, say, a dramatic increase in adverse climatic events (more rapid response required), or in our scientific knowledge, or a supervolcano that threatens to freeze the planet, or an unforseeable (and, admittedly unlikely) reduction in adverse climatic events. In theses latter two events a bond regime would see climate mitigation activities could be attenuated or suspended. The conventional approach would find it difficult to adapt appropriately.

My point, ultimately, is a simple one: if we target outcomes, we do not need to identify [3]root causes to solve our complex social and environmental problems.

1. https://www.justingregg.com/narwhal
2. http://socialgoals.com/
3. https://socialgoals.blogspot.com/2016/02/the-root-causes-fallacy.html

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19.10.3 Not so outlandish (2022-10-27 17:21)

I'm aware that Social Policy Bonds can seem outlandish - at least at first reading. They imply the outsourcing of the achievement of our social goals to anybody, public- or private-sector, with no directive as to how they shall achieve our goals, except that they comply with legislation. That said, many social and environmental problems have resisted all attempts at solution. You are immediately dismissed as an idealist for suggesting, for instance, that war can be abolished, or that poverty or crime can be drastically reduced. In response, I might say *Could a Social Policy Bond regime do worse than our current efforts*? It's true that a bond regime could be completely ineffectual: people could simply refuse to buy the bonds on flotation, or they could buy them, then do nothing to help solve the targeted problem. If nobody buys the bonds, then that tells the issuers that they have allocated insufficient funds for redemption. If bondholders do nothing, then the value of their bonds would fall until either they have a powerful incentive to do something, or to sell their bonds to people who would do something. In all such cases, however, there would be no cost to taxpayers, even if the bonds had been issued by government, unless the targeted social problem is solved.

As important is that Social Policy Bonds can be issued in parallel with existing efforts to solve social problems. Bondholders could undertake their own initiatives, but would also have incentives to look at current approaches and boost the finances of the more promising ones.

Below is an excerpt from my book showing how this transition could work when addressing UK health problems. The excerpt is from Chapter 4. That chapter, and the complete book can be downloaded free of charge from [1]here*. Simpler, shorter explanations of the Social Policy Bond concept can be found via my* [2]homepage*.*

" Take health, for example. In the UK, central government provides funding for regional health authorities (for spending on doctors, hospitals and prescriptions) according mainly to population level, age and need. Government also supplies funds directly to medical research organizations and academic institutions. A transition to a Social Policy Bond-based, rather than institution- or activity- based, funding programme would see the direct funding government gradually decline, while expenditure allocated by bondholders to the outcomes that all these institutions are collectively trying to achieve — longer life spans and a better quality of life, say — would gradually rise.
On introducing such a bond regime a government could decide to reduce its funding of health authorities and research institutes by 1 percent a year, in real terms. (The government could allocate the saved funding to the future redemption of the health bonds it has issued.) So after five years, each health authority would be receiving directly from central government only 95 percent of the funding that it formerly received. But bondholders could choose to supplement the income of some of these health bodies. They may judge a particular group of health authorities to be especially effective at converting the funds they receive into measurable health benefits, as defined by their bonds' redemption terms. Particularly effective health authorities might be working in deprived areas, where small outlays typically bring about larger improvements in health. Or bondholders might judge a particular research body to be worthy of additional funding, because it was conducting excellent research into a condition that would be likely to respond especially effectively, in terms of health outcomes, to additional expenditure. In such cases, bondholders would supplement their selected health authorities' or research institutes' funding. It may well be that these favoured bodies end up receiving a large boost in income throughout the lifetime of a bond regime.

It could also happen that investors in bonds targeting health look at completely new ways of achieving health objectives; ways that currently receive no, or very little, funding. To give a plausible example, they may be convinced that one of the best ways of achieving society's longevity objectives is to deter teenage drinkers from driving. Following this logic, they may find that one of the most efficient ways of doing so would be to lay on subsidised taxis for teenagers attending parties on Friday and Saturday nights – but only in certain parts of the country. It is difficult to imagine how our current centralised government fund allocation mechanisms could go about implementing such a programme. A Social Policy Bond regime would quickly eliminate some of the less rational distortions in other health care matters, amongst them the British National Health Service's terminal-care budget, 95 percent of which was allocated to the 25 percent of the UK's population who die from cancer, and just 5 percent to the 75 percent who die from all other causes.

It is also likely that holders of bonds targeting health outcomes would greatly expand funding in areas such as health education or preventive medicine that rely on expertise outside those bodies traditionally devoted to health care.

Could bonds targeting remote objectives, such as a large rise in longevity, or a halving of the crime rate, be compatible with a gradual transition of the type described above, where funding to existing health institutions reduces by 1 percent annually? At first sight there would seem to be an apparent mismatch between such incremental reductions in government spending and the time scale needed to reach long-range objectives. The critical point here is that bondholders would be investing not on the basis of the annual reductions in government expenditure on existing health institutions, but on the basis of the redemption value of all the bonds issued. To be more precise, it would be this total redemption value, minus the bonds' existing market value, that would inform bondholders' investment decisions. This sum could be many times each year's incremental reduction in government's institution-based spending.

One of the virtues of a Social Policy Bond regime is that bondholders could expect capital gains in the short run from investments that will begin to impact on the targeted goal only in the long run. By doing the initial groundwork efficiently and speedily – not usually a very lucrative proposition in the current regime – they could see short term rises in the bond price and early capital appreciation. The accumulated reductions in spending to existing institutions would be one, but not the only, factor influencing how much government decides to spend on achieving a specified social goal. Also important would be the financial savings (if any) that achieving the objective would bring about, and the value society would place on any nonfinancial benefits. Similarly gradual transitions would be warranted in other areas, such as education and crime, where schools and police forces, some of which are bound to be much more effective than others, are well entrenched. These institutions would receive slowly diminishing absolute levels of funding directly from government, while bondholders would again focus their spending on especially rewarding, in terms of specified education and crime outcomes, projects and institutions. As with health, it is likely that those areas that are initially most disadvantaged would again provide bondholders with the greatest return per unit outlay. In newer policy areas, particularly the environment, it may be possible to expand spending allocated via the bonds at a faster rate: expertise in the environment is still relatively mobile, and it would be easier to quickly establish new outcome-based institutions or to reorientate existing ones. "

1. http://socialgoals.com/links-to-all-chapters.html
2. http://socialgoals.com/index.html

19.10.4 (2022-10-29 22:22)

The problem with Social Policy Bonds is that you have the whole bureaucratic class and edifice stacked against you. The bureaucratic class believes problems can only be solved by ever finer legislation and tighter regulation. Millions and millions of people are employed on this basis and are heavily invested in this idea. Ask anyone, how we can solve this or that problem, and the automatic answer will be that more regulation and funding is needed from the "guvmnt". Social Policy Bonds suggest there is a better way. But as the saying goes, "It is difficult to get a (bureaucrat) to understand (SPBs), when his salary depends on his not understanding it"

19.10.5 (2022-10-30 10:29)

Thanks for your comment. I agree. I now think that if Social Policy Bonds are ever issued, it will be at the initiative of the private sector. I’ve tried to interest philanthropists (see https://www.alliancemagazine.org/blog/ma ke-social-impact-bonds-tradeable/) in the concept, without success, but will persist.

19.11 November

19.11.1 How broad? (2022-11-09 20:51)

Though this discussion is unlikely to have practical application in the next few years (or decades), I will pose the question anyway: should a single Social Policy Bond issue target one social ill, or more than one? Say that we are aiming to reduce climate change and its impacts. Doing so, we could issue [1]Climate Stability Bonds that target a range a physical, biological, social and financial indicators. Because targeting climate change makes sense only at a global level, and because of the wide range of indicator variables necessarily targeted, I am inclined to think that, yes, it would be better to issue Climate Stability Bonds independently of measures to target other disasters. By this I mean that [2]Disaster Prevention Bonds, which could encompass a range of natural or man-made disasters, could or should be issued separately from Climate Stability Bonds.

Then again, should political violence (wars and civil wars) be targeted by Disaster Prevention Bonds, or should they be the subject of a more narrowly targeted bond issue, such as [3]Conflict Reduction Bonds?

The answers depend partly, as I've suggested, on the range of indicators to be targeted. It would be simpler to keep track of a smaller number of variables, which makes monitoring and verification easier and would focus the minds of bondholders and their agents more effectively. Much would also depend on who would be paying for the bonds' redemption: a global problem like climate change is more likely attract funds from a wider range of governments than a more general bond issue that folds climate change in with other disasters to which some countries are less prone. Since taxpayers would supply the public-sector funding, popular support is relevant here too.

Against this argument, is that it could be more efficient to target the broadest possible goal, so that bondholders would have incentives, depending on events, say, to shift resources away from targeting climate change and towards conflict reduction, if they believe that doing so would minimise human suffering at least cost. They would be more likely to do this if there were no mismatch between the time horizon of the bond issues; for example, if Climate Stability Bonds required an array of indicators to fall within approved ranges for thirty years, and Conflict Reduction Bonds likewise stipulated a thirty-year period of sustained peace before they could be redeemed. My thinking, though, is that any such efficiency gains would be outweighed by the lack of focus that a very broad targeting implies, and the enhanced difficulty of monitoring a very wide range of targeted indicators.

For these reasons, and for the funding reason, even Conflict Reduction Bonds might be too broad to attract much interest, which is why I have also written about [4]Middle East Peace Bonds, though any region could of course be the subject of bonds aimed at conflict reduction.

To summarise, I would think that at a national level, broader is generally better when considering the targets of a Social Policy Bond issue. At the global level, I think that the broadest possible bond issue might be suboptimal. However, I'm open to discussion.

1. http://socialgoals.com/climate-change.html
2. http://socialgoals.com/disaster-prevention.html
3. http://socialgoals.com/conflict-reduction.html
4. http://socialgoals.com/middle-east-peace.html

19.11.2 Why organisations fail to work for the public good (2022-11-15 18:29)

The *Economist* reviews
For Profit by William Magnuson:

> [Mr Magnuson]draws sensible conclusions .... Corporations cannot hope to put public interest above all else for long; what the public wants is far too complicated for them to fathom. When businesses wade into politics, they play an outsize role in shaping it. Yet the belief that the pursuit of profit will always benefit society as a whole is also sadly erroneous, the author says. *[1]"For Profit" offers thrilling tales of commercial endeavour:Corporations often start out with the public good in mind. It doesn't last*, the 'Economist', 10 November

The same, in my view, applies to organisations whose mission statements explicitly say they will put aspects of the public interest first, including charities, universities, religious bodies, trade unions and government agencies. At some point their original purpose becomes subordinated to the goal of [2]self-perpetuation. As organisations grow in size, ownership or governance becomes more diffuse, and society becomes more complex, there are fewer incentives for managers to stick to their organisation's founding remit.

Which is why I believe that, when it comes to social and environmental policy, the way forward is to reward only the actual achievement of explicit, verifiable and meaningful social outcomes. Issuing [3]Social Policy Bonds would do that and would be likely to lead to the creation of a [4]new type of organisation: ones whose structure, composition and every activity would be subordinated to achieving society's targeted social goals as cost-effectively as possible.

1. https://www.economist.com/culture/2022/11/10/for-profit-offers-thrilling-tales-of-commercial-endeavour
2. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
3. http://socialgoals.com/
4. https://www.socialgoals.com/new-type-of-organisation.html

19.11.3 A sane alternative to MAD (2022-11-24 18:25)

Paying people not to hate each other - or, at least, not to express their hatred militarily: that's a crude, but fairly accurate description of the workings of Peace Bonds, a term that encompasses [1]World Peace Bonds, or more geographically limited applications of the Social Policy Bond concept, such as [2]Middle East Peace Bonds.

Some commenters are reluctant to contemplate the financial transfers implicit in these bonds; shouldn't we be peaceful for more edifying motives? I agree, that would be ideal, but I think humanity is too far gone for that. (Readers unfamiliar with the [3]Social Policy Bond concept should look first at a short [4]overview.)

First, this disdain for paying people to bring about socially and environmentally beneficial outcomes needs some grounding. I am aware of, and agree with, the work of [5]Professor Bruno Frey
who found that monetary incentives can undermine our willingness to do
the right things for ethical and moral reasons. People perform valuable

social or environmental services not only for monetary gain, but also because they enjoy doing them for their own sake, because they believe them to be the morally right things to do, or because they believe that their actions will advance some cause to which they are committed. These 'intrinsic' motives are qualitatively different from external, monetary incentives, and offering monetary rewards might 'crowd out' or undermine these less mercenary and more civic-minded motivations. Crowding out internal motivation can occur, writes Professor Frey, because, monetary incentives can undermine people's feelings of self-determination and self-esteem. Also, when external incentives are supplied, the 'person acting on the basis of his or her intrinsic motivation is deprived of the chance to exhibit this intrinsic motivation to other persons.'

Not mentioned by Professor Frey, but also plausible is that financial incentives can undermine the cognitive outlook that sees socially and environmentally beneficial services as worthwhile in their own right, rather than as a cost for which compensation and payments must be paid by taxpayers.

When it comes to war and peace, though, I think there are valid arguments on the other side. First, is that fact that there is no moral reason not to pay people for pursuing goals that have society's well-being as their goal. We pay teachers and nurses a salary; we pay many people who work for charities a salary; and we pay people who work for peace organisations, including the United Nations, a salary. There is nothing inherently immoral about paying people to do things that have an idealistic underpinning. Peace Bonds would certainly see more funds going to people involved in anti-war activities. They'd probably benefit from higher salaries, at least in the short term. But not only would their renumeration rise; so too would their numbers: anti-war bodies would have more resources, including more personnel, with which to pursue their activities.

Second is that much conflict is driven by monetary incentives. There would, for instance, be much less availability of destructive power if corporations didn't generate revenue by manufacturing it. Monetary incentives play a similar, though indirect, role in financing the spread of hatred and pro-war propaganda. Holders of Peace Bonds could, therefore, achieve results simply by paying corporations to cease production of weapons, or fomenters of conflict to change their rhetoric. It wouldn't, of course, be as simple as that, and bondholders would probably also have to follow more sophisticated approaches, but we should not underestimate what even unsubtle monetary payments could achieve. Even if bondholders did little more than match the monetary incentives of the pro-war complex, that would be an improvement on the current situation. This need not conflict with Professor Frey's findings: achieving world (or regional) peace is already the goal of many hard-working low-paid workers and volunteers, and the enhanced likelihood of achieving peace that a bond regime would confer would increase their intrinsic motivation - and encourage more people to join them.

And third: what is the alternative? War between the big nuclear powers has been unthinkable in recent decades only because of Mutually Assured Destruction. Are Peace Bonds any more outlandish than MAD? And while the number of nuclear warheads appears to have [6]fallen, the number of nuclear powers has risen. In the future it's likely that more rogue

powers, including non-state actors, will possess nuclear or biological weapons whose use, or threats of use, would have calamitous consequences. There are well-meaning hard-working organisations trying to restrain our capacity to destroy ourselves and our environment, but they don't have large budgets and, crucially, their financial rewards are independent of their success or otherwise in achieving peace.

Actually, Peace Bonds need not be an alternative: they can be issued in parallel with current efforts. Holders of Peace Bonds would probably increase the funding those bodies they deem to be most efficient at achieving and sustaining peace.

In summary: Peace Bonds could complement and strengthen the most promising current approaches to securing and sustaining peace. As with all Social Policy Bonds, they'd encourage diverse, adaptive solutions to what now appears to be our species' most urgent, most dangerous problem.

1. http://socialgoals.com/world-peace.html
2. http://socialgoals.com/middle-east-peace.html
3. http://socialgoals.com/
4. http://socialgoals.com/overview,-600-words.html
5. https://www.bsfrey.ch/
6. https://www.statista.com/statistics/752508/number-of-nuclear-warheads-worldwide-overtime/

19.12 December

19.12.1 The benefits of relinquishing power (2022-12-09 11:43)

The problem with philanthropy is that philanthropists and their employees are reluctant to relinquish control over how their goals shall be achieved and who shall be seen to be achieving them. (Politicians are similar in that respect, but we have higher expectations of wealthy individuals with noble intentions spending their own money.) Sadly, this wish not only to be a benefactor to humanity, but to be seen to be such a benefactor means that our biggest, most urgent challenges are being neglected. Philanthropists - and politicians - want to be identified with successful initiatives. It's a natural human tendency, but it's holding us back. Society is too complex for most of our serious social and environmental problems to be to be traced to a discrete set of causes. Insecticide-drenched bed nets might be the best way of dealing with malaria somewhere at some time - but not everywhere, and not always. We need a policy environment that encourages initiatives that are capable of adapting to differing and changing circumstances, and that have a long term focus on achieving outcomes.

Which is where the [1]Social Policy Bond idea can play a role. Under a bond regime the role of philanthropists - or government - would be limited to supplying and raising funds to be used to redeem the bonds, and defining the outcome that they wish to achieve. They would not stipulate how that outcome is to be achieved, nor who will achieve it. By relinquishing those powers, groups of philanthropists or governments could greatly expand the range of goals they could target to include such global goals as sustained periods of [2]world peace or [3]climate stability - goals that have no single, identifiable cause, and that will necessarily take many years to achieve. It would be unfortunate if, solely because of people's wish to

be publicly identified with successful initiatives, our most urgent problems depend for their solution on a small number of dedicated people with pitifully inadequate resources.

1. http://socialgoals.com/
2. http://socialgoals.com/world-peace.html
3. http://socialgoals.com/climate-change.html

19.12.2 Peace on Earth; worth paying for (2022-12-25 16:41)

Applying the Social Policy Bond concept to conflict reduction means, in effect, paying people not to kill each other. It doesn't sound very edifying, but I'll make the case for it anyway.

Of course, it is less than ideal that people don't freely choose to live in peace; and frequently invade and kill in pursuit of their goals or those of their leaders. Throughout the centuries, we haven't found ways of ending war. Conflict has so many causes and it's widely believed that war is an inevitable, intractable aspect of humanity. Given the human and resource cost of war and preparing for war, I think it reasonable to allocate funds to eliminating it for a sustained period. A [1]Conflict Reduction Bond regime would aim to do this and, importantly, if it were to fail, no government funds would be lost.

A misconception of those who disdain the [2]Social Policy Bond principle is that they think paying for results means huge cash prizes for the already wealthy. It's true that, under a bond regime investors in the bonds would benefit if the targeted social goal are achieved quickly but, in the long run, what's more likely is that more people would be attracted to working to achieve achieve the targeted goal. The most efficient of these should see some higher financial rewards but, more importantly, they will have more resources with which to work. It's my impression that, if there were bodies with a proven record of bringing about peace in a wide range of circumstances, they'd enjoy very high levels of funding.

Underlying all this reasoning, though, are two points:

- Incentives matter. Weapons manufacturers, ideologues, military bodies all respond rationally to the incentives on offer. Not all these are financial incentives, but there are sufficient monetary rewards to those who manufacture and use weapons to make sustained periods of world peace unlikely. A Conflict Reduction Bond regime would offset such rewards, to a degree dependent on their backing.
- While it would be lovely if people's humanity alone were sufficient to ensure peace on earth and goodwill to all, the Conflict Reduction Bond option of making explicit, taxpayer-funded payments in exchange for world peace would be preferable to the situation we have today.

1. http://socialgoals.com/conflict-reduction.html
2. http://socialgoals.com/

2023

20.1 January

20.1.1 Yet another post about nuclear war (2023-01-09 19:30)

The *Financial Times* discusses the ruler of North Korea:

> In his New Year's address, he declared he would "exponentially increase" nuclear weapons production in 2023 and stressed his willingness to use his nuclear arsenal for offensive as well as defensive purposes. *[1]North Korea's nuclear threat* (subscription), Financial Times, 9 January

He is certainly acquiring the capability:

> [A recent test brought the North Korean] regime a step closer to acquiring a solid-propellant intercontinental ballistic missile that, unlike liquid fuel missiles, can be fuelled in secret before they [sic] are deployed, giving adversaries far less time to conduct a preventive strike.one of many recent examples of Pyongyang approaching or crossing key technical thresholds that are making its nuclear arsenal increasingly versatile and difficult to destroy or defend against.

How should we address such a possibility? The experts have no idea:

> [S]ome analysts worry that a strategy to meet strength with strength risks making conflict even more likely.

So whether the world does or does not suffer a nuclear exchange depends on the state of mind of the ruler of a hermit kingdom who is not renowned for a willingness to accept the status quo, nor a predisposition to negotiate in good faith. There are, of course, other potential nuclear flashpoints in our world. How are we going about dealing with these threats not only to millions of people, but to an already parlous physical environment? Well, we have international bodies such as the United Nations and numerous other organisations, staffed by hard-working, well-meaning employees with very limited resources doing their best to try to bring about peace, either regionally or globally.

Sadly, in comparison to those who benefit when tensions are high and rising, the people working for these organisations have little to work with. There are fewer incentives to achieve and sustain world peace than there are to foment war. People, especially on the left, don't like the idea that we should pay people for doing idealistic things and really dislike the idea of paying them more for doing an excellent job. But even if we share their disdain for paying people cash for success in performing a public service, we can see that giving such people and their organisations more resources with which to work can be helpful in bringing about their goals - which, in the case of nuclear conflict, are the goals of almost the entire world population.

Yes, incentives matter. But there is no known way of reducing the likelihood of nuclear conflict: we need an array of diverse, adaptive approaches, many of which we cannot foresee in advance. So my proposal is to issue Nuclear Peace Bonds, which would reward the people who bring about nuclear peace for a sustained period, whoever they are and however they do so. I've written copiously about this idea both on [2]this blog and on my [3]main site: see [4]here. Nobody's taken it up, probably because it's radical, possibly because it doesn't emanate from one of our esteemed institutions or highly acclaimed academics or celebrities. Yes, some wealthy people might become even wealthier if they succeed in bringing about thirty years of nuclear peace. Is that so bad, though, when compared to the alternative? The unfortunate fact is that our current policy choices are leading humanity and our physical environment to disaster.

1. https://www.ft.com/content/3c350cc2-0711-456c-a649-311eb57b0d03?shareType=nongift
2. https://socialgoals.blogspot.com/2022/12/peace-on-earth.html
3. http://socialgoals.com/
4. http://socialgoals.com/nuclear-peace.html

20.1.2 Actuarially... (2023-01-20 20:25)

It concerns me that our biggest, urgent social and environmental problems are never going to be solved under our current political arrangements. The problems include global environmental depredations, the risks arising from ever-greater access to weapons of mass destruction and extreme poverty.

Their features make them ideal for targeting with [1]Social Policy Bonds:

- they require many diverse approaches, depending on geography. So reducing the likelihood of war, say, in the Middle East requires a wholly different approach to reducing the chances of war originating in the Korea peninsula, or the horn of Africa.
- they are long term problems that require sustained attention - not necessarily from the same people; and
- they will take years or decades to solve, so they require adaptive approaches, which respond to changing circumstances.

It is the last two points that require that the bonds must be [2]tradeable, so that bondholders have incentives to do what they can to achieve our targeted goal in cooperation with other bondholders, and then realize the consequent rise in value of their bond-holdings by selling to investors who can better continue progress towards the goal.

But *all* these features of our global problems show just how inadequate are our current attempts at solving them. Our politicians' purview is temporally or geographically extremely narrow. Our supra-national organisations do some good work, but cannot attract the people they need, nor the resources necessary to match the scale of our problems. As well, their structures and composition cannot respond to changing circumstances. We need a [3]new sort of organisation whose structure, composition, and every activity are subordinated to its goal of solving a targeted social problem.

Social Policy Bonds have been in the public arena since 1988 (pdf). Others have taken the idea, made the bonds non-tradeable, and issued [4]Social Impact Bonds, about which I am [5]ambivalent. Actuarially, I'm unlikely to see my original concept deployed, despite the initial flurries of interest it has provoked over the last 34 years. I'll carry on, however, because I see no sign of any better way of addressing the multiple calamaties towards which we are heading.

1. http://socialgoals.com/
2. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
3. https://www.socialgoals.com/new-type-of-organisation.html
4. https://en.wikipedia.org/wiki/Social_impact_bond
5. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html

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20.2 February

20.2.1 Where's the vision? (2023-02-02 19:22)

I've long stressed the most obvious feature of [1]Social Policy Bonds: their *efficiency*, which would be measured as the increase in social (or environmental) well-being per pound spent. Under a bond regime, bondholders would have incentives to achieve our social goals as efficiently as they can. Also, I've talked about the *stability* of the goals that a Social Policy Bond regime could target: there's more consensus about such goals than there is about the means of achieving them, the most efficient of which would anyway change over time. And I've mentioned the *transparency* of a bond regime, which would target explicit, verifiable goals. All these attributes are beneficial. They allow us to take a long-term approach to dealing with complex social problems that require a wide array of diverse, adaptive approaches to their solution.

It's also important that the goals we can target with a bond regime are *comprehensible* and *meaningful* to ordinary citizens. Taking health, for example, most of us have little idea about the relative merits of certain interventions, and recent events have seen a growing distrust of corporations and governments who, we'd like to believe, are acting with good intentions. My (long) [2]essay on applying the bond principle to a country's health discusses the possible use of Quality Adjusted Life Years as one way of measuring the physical well-being of the population that could be targeted. Such measures have their technical difficulties but they would be broadly understood by citizens with an interest in health outcomes. This is a benefit in its own right, but also a stimulus to greater public engagement with health policy and, therefore, greater buy-in.

Sadly, but not unexpectedly, the essay languishes on my website, and current policymaking in the UK at least, continues to be an incoherent and incomprehensible (to outsiders) mix of

arguments about funding and structures, and short-term kludges. Where is the vision? The strategy? The buy-in?

1. http://socialgoals.com/
2. http://socialgoals.com/tradeable-health-outcome-bonds.html

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20.2.2 Adysforemenon-cracy (2023-02-18 22:39)

The title of this post I intend to mean: rule by the insecure. ChatGPT says that the Greek term for 'rule by the insecure' is 'τυραννία των αδυσφορημένων' (tyrannia ton adysforemenon), which is probably more correct, but less snappy. (If you know the correct term, please let me know.)

Isaac Chotiner writes about the President of Turkey:

> [T]he Gezi protests, which were really about an environmental issue initially, were meant to overthrow him. He sees everything in that vein. [1]*How Erdoğan Set the Stage for Turkey's Disastrous Earthquake Response*, newyorker.com, 14 February

The *Economist* writes about the ruler of India:

> After the prime minister's many victories against his domestic critics, going after foreign ones is the logical next step. [2]*After silencing critics at home, Narendra Modi goes after foreign media*, the Economist, 18 February

It's unfortunate that the politicians, having attained power, are so desperate to avoid losing it. It's also inevitable: one cannot now ascend the political ladder unless you really, really want to do so. The desire for power trumps all other qualifications, including competence and the wish to improve the well-being of one's citizens (see *[3]Anything except outcomes*). Maybe it was different when there was a born-to-rule class, but the relevant message now is that our political systems are increasingly dysfunctional, as shown by the widening gap between our rulers and the people they are supposed to represent.
[4]Social Policy Bonds would do something to cut out the middleperson: under a bond regime, politicians wouldn't have the power to allocate funds between competing bodies; their role would be limited to that of articulating society's goals and raising the funds necessary for their achievement. Funding would be decided by bondholders, whose sole criterion would be the efficiency with which society's scarce resources could be deployed to fulfil its wishes. Cutting out the middleperson might not be so necessary if our leaders were honourable, competent and caring. Unfortunately, more and more, and whether or not we live in a democracy, our leaders are not selected for those qualities. They possess one quality above all others: a thirst for power - and they are pathologically insecure about losing it. This doesn't make for effective governance.

1. https://www.newyorker.com/news/q-and-a/how-erdogan-set-the-stage-for-turkeys-disastrous-earthquake-response
2. https://www.economist.com/asia/2023/02/16/after-silencing-critics-at-home-narendra-modi-goes-after-foreign-media
3. https://socialgoals.blogspot.com/2009/10/anything-except-outcomes.html
4. http://socialgoals.com/

20.3 March

20.3.1 Arguing for and against Social Policy Bonds (2023-03-03 19:33)

Over the years Social Policy Bonds have discussed in many forums. I tried to address some concerns raised in these forums in my [1]book, but that is several years old, so I am now going into more detail. This post looks at some concerns that delegates raised at a meeting of the OECD during which I presented a [2]paper on the Social Policy Bond idea applied to the environment. I will eventually collate these arguments and responses and upload them onto the Social Policy Bond [3]website.

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> **If the polluters are few enough to overcome the free rider problem, then why are they not enough to collude in the bond market and thereby pay too cheap a price for the bonds issued?**

The question is not about numbers of polluters. It's about the number of bonds. Bidders for the bonds will compete to buy the bonds, then collude to achieve the goal that the bonds target.

The free rider problem arises when people own the bonds and do nothing to help achieve the goal. The more bonds in the hands of would-be free riders (passive bondholders), the lower the incentive for active bondholders to do anything. The value of the bonds on the market would keep falling. At some stage most bonds will end up in the hands of active investors. There might be few or many such investors, but they have every incentive to collude when they own bonds. They will, though, not necessarily collude to buy the bonds: the bonds will be sold on an open market, and, because anyone can buy

them, collusion won't be possible at that stage. So, there is always competition to buy the bonds, which maximises the returns to the issuing body. And there is always collusion between the shifting cast of bondholders, which maximises efficiency.

> **A more careful analysis is required about how governments would regulate information signals stemming from bondholders' pollution abatement efforts and environmental measures on which bond payments are indexed.**

The 'environmental measures on which bond payments are indexed' would be chosen to be, or to be inextricably and strongly correlated with the targeted goal. They would also be chosen to minimise the need for governments to regulate the associated information signals.

> **The idea needs a more careful analysis of the pros and cons of bond payment structures. Why do bonds simply pay a lump sum upon attainment of a fixed goal? Why not issue bonds that yield regular payments commensurate with pollution levels? If the bonds an all-or-nothing deal, the risk associated with the return could limit trading.**

I agree. But the Social Policy Bond concept remains untried. Refinements can come later. Of course, separate 'all-or-nothing' bonds could be issued with targets of varying magnitude along the same scale.

1. http://socialgoals.com/the-book.html
2. http://socialgoals.com/epbsOECD.html
3. http://socialgoals.com/

20.3.2 Futures, options and perverse incentives (2023-03-05 20:47)

I continue to look at concerns raised by delegates at an OECD meeting that discussed a [1]paper I presented on the environmental application of Social Policy Bonds. My [2]previous post was the first; this is the second.

> **Perverse incentives could arise from trading of Environmental Policy Bond derivatives. For example, one could make financial killing by selling bonds short (or by purchasing put options) and then dumping a million tons of manure in the Chesapeake Bay, or simply by not following through with promised abatement activities.**

Futures and options markets in Social Policy Bonds would enable people to benefit from a falling bond price, so giving them an incentive to delay achievement of the targeted goal.

It is quite likely that there would be futures and options markets for large bond issues, and it is almost certain that the price of any particular Social Policy Bond would not always be rising monotonically from its float price to its redemption value. It would be justifiable, as well as efficient, if bondholders could hedge against consequent falls in the value of their assets. People who do not hold bonds might want to participate in markets for derivatives of bonds, some of which would rise in value as the targeted goal became more remote. This in turn means that speculators and short sellers could certainly profit from short-term bond price falls, and the question is whether these people would then take steps to impede progress towards any targeted goal.

There are two main reasons why they would probably not. The first is that, in the long term, the weight of money would be against them. Provided sufficient funds were allocated to achieving the targeted objective,

there would be a net positive sum of money payable if the targeted objective were to be achieved, and a net zero sum paid as long as the goal were not achieved. All the long-term incentive would be to achieve the targeted objective. Those who, for whatever reason, would suffer from achievement of the objective could be compensated by bondholders, or bribed to change their ideas. Note also that for every buyer of a 'put' option there would be a seller, and that for every futures contract bought on the expectation that the bond price would fall, there would be an equivalent futures contract sold on that basis, so that the net incentive generated by derivatives would be in line with the incentive created by the underlying financial instrument, the Social Policy Bond: in the long run, this would favour achievement of the targeted objective.

The other reason that short sellers, or holders of 'put' options, in Social Policy Bonds might not take actions aimed at interfering with achievement of the goal is that such actions might well already be illegal or, again given the incentives that the bonds would generate, be made illegal – or have their provenance more enthusiastically investigated – once the bonds had been issued. Some miscreants might be tempted to sell bonds targeting water pollution short (or buy 'put' options) then dump a million tons of manure into Chesapeake Bay. But they would know that such an act is illegal – and that there will be people at the other end of their transactions who will be highly motivated to see the law enforced to its fullest extent.

Environmental Policy Bonds would not obviate the need for governmental regulators to monitor pollution levels and abatement activities of individual firms. Just like financial market need accountants, auditors and regulations to ensure Enron-like episodes remain an exception rather than the norm, Environmental Policy Bond markets will require similar oversight. The costs of this would reduce the efficiency of the bonds.

Government would need to monitor aggregate pollution levels under a bond regime, as these would be the measures targeted by the bonds. They would not need to monitor the pollution or abatement activities of individual firms. Bondholders would have incentives to monitor the activities of the largest polluters and either bring them to the attention of the authorities if they are breaking the law, or to find ways in which they would reduce their polluting activities. Bondholders would act as efficient enforcers of the government's regulations by bringing the worst cases to the government's attention.

1. http://socialgoals.com/epbsOECD.html
2. https://socialgoals.blogspot.com/2023/03/arguing-for-and-against-social-policy.html

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20.3.3 More on free riding (2023-03-14 18:49)

My [1]previous [2]posts *have discussed points raised at an OECD meeting in Paris when the environmental* [3]application *of the Social Policy Bond concept was discussed. I am collating these criticisms and my responses, and uploading them onto a [4]Criticism page on my website. I will now go into more detail about free riding, often cited as a reason not to consider the concept further.*

Free riding

Much of the criticism of Social Policy Bonds has centred on the free rider problem. I should make clear at the outset is that Social Policy Bonds are intended to be the best possible way of achieving many of our complex, long-term social and environmental goals for which there are currently no successful, efficient policies, and many of which are thought to be intractable. This is the over-arching aim of the bonds: the aim of the bonds is not to eliminate the possibility of free riding.

The goals that Social Policy Bonds are best suited for are those that are:

- long term;
- broad;
- require diverse, adaptive approaches and, quite likely, a mix of these; and
- resistant to any current or envisaged efforts by policymakers to their achievement.

If Social Policy Bonds are to be of value, then, they need not be elegant in an economic sense. They just need to better than alternative approaches, including the approach of not doing anything. Which is all to say that, even if free riding does occur under a bond regime, it need not be so significant as to detract from the bonds' ability to tackle some of our most challenging social and environmental problems.

The first thing is to note that free riders gain only if the value of their bonds rises; that is, if the goal is seen to be more likely to be reached, which usually means that something is being done to achieve the goal. The real problem arises if so many bonds are owned by passive investors (would-be free riders) that nobody does anything or, rather, that the goal remains unachieved as a result of their passivity.

The more bonds in the hands of would-be free riders, the less likely that the targeted goal will be achieved quickly. The market value of all the bonds will therefore fall. As it falls, so the potential rewards from holding the bonds rises, so that more people would become interested in buying the bonds. If the price keeps falling, the would-be free riders will be tempted to sell their bonds to these buyers. Some might be tempted to become active investors themselves,

rather than sell to such investors. *The bonds are worth most to those prepared to do something to help advance the targeted goal.* Nevertheless, there will certainly be some who will hang on to their bonds, and it is likely that, yes, there will be an irreducible number of bonds in the hands of free riders, who will profit as the targeted goal comes closer to achievement. The question is whether these holdings would be sufficiently large to make Social Policy Bonds less efficient than alternative policies.

Because large quantities of the bonds held by a single passive investor would be big enough to devalue the bonds, it's unlikely that a passive holder will want large quantities of the bonds. More likely the bonds held by would-be free riders will be distributed amongst a large number of people with small holdings. It's possible that would-be active investors, if the bonds are falling in value, eyeing the total number of these bonds, would make offers greater than the current value to these small, passive, investors, and that the result would be aggregation of holdings into a holding sufficiently large, and bought at sufficiently low cost, to encourage the holder to be an active investor.

The goal is not to minimise free-riding, or to create policies that generate no free-riding. Indeed, most policies can be interpreted as rewarding free riders, in the sense of people taking advantage of the efforts others have made to supply some collective good without actually contributing themselves. Society accepts even spectacularly egregious cases of free riding, such as the rewards reaped by property owners when transport infrastructure is extended to their locale.

But to repeat, the over-arching goal of Social Policy Bonds is to set in place the most efficient practical way of solving humanity's social and environmental problems. Free riding is problematic only if it so blights the Social Policy Bond concept that it becomes less efficient or less effective that any other policy, including the policy of doing nothing.

Writing in this year, 2023, when global tensions are high and there is a non-negligble chance of nuclear conflict, I feel certain that most people would accept the price of a few passive investors benefiting from holding the bonds in exchange for a new approach to reducing the probability of say, nuclear conflict; especially given the obvious and frightening inadequacy of current efforts.

One other point

In chapter 5 of my [5]book I discuss issues of bonds that are failing to achieve their intended purpose. That could be because of insufficient funding. If progress is obviously too slow, the funders (government, usually) could simply increase the size of the redemption funds. But that would have the effect of immediately raising the value of all existing bonds, which would lead to 'moral hazard' in that free riding would be rewarded: people could hold a large number bonds hoping that by doing nothing to achieve the issuers could increase the redemption value of each bond, or issue more bonds, which would have the effect of raising the value of these passive investors' holdings. My thinking now is that the issuers might be better invalidating existing bond issues, perhaps stating in advance that if no significant progress is made toward goal achievement within, say, ten years, then that bond issue will be invalidated. They could then issue new bonds targeting the same goal, with greater funding.

1. https://socialgoals.blogspot.com/2023/03/arguing-for-and-against-social-policy.html
2. https://socialgoals.blogspot.com/2023/03/futures-options-and-perverse-incentives.html
3. http://socialgoals.com/epbsOECD.html
4. http://socialgoals.com/criticism.html
5. http://socialgoals.com/links-to-all-chapters.html

20.4 April

20.4.1 Why poverty persists in rich countries (2023-04-06 18:26)

Without even mentioning corporate welfare and subsidies to agriculture, Matthew Desmond writes about the tragedy of US poverty. Longish excerpts, because it's paywalled:

> The evidence indicates that low-income Americans are not taking full advantage of government programs for a much more banal reason: we've made it hard and confusing. People very simply often don't know about aid designated for them or are burdened by the application process.
>
> In 2020 the federal government spent more than $193 billion on homeowner subsidies, a figure that far exceeded the $53 billion allocated to housing assistance for low-income families.
>
> I can't tell you how many times someone has informed me that we should reduce military spending and redirect the savings to the poor. I've met far fewer people who have suggested we boost aid to the poor by reducing tax breaks that mostly benefit the upper class, even though we spend over twice as much on them as on the military and national defense. According to recent data compiling spending on social insurance, means-tested programs, tax benefits, and financial aid for higher education, the average household in the bottom 20 percent of the income distribution receives roughly $25,733 in government benefits a year, while the average household in the top 20 percent receives about $35,363. *[1]The High Cost of Being Poor*, Matthew Desmond, New York Review of Books dated 20 April

If we allow that programmes ostensibly designed to relieve poverty are actually intended to relieve poverty, then these facts point to a tragic failure of policy. Perhaps the system isn't wholly cynical, in that policymakers find the programmes just as confusing as do the intended beneficiaries. Assuming good intentions, then, my solution would be to:

1. recognise that poverty is a complex problem, requiring long-term, diverse, adaptive approaches;
2. decide exactly the goals we want to achieve, in quantitative, robust, verifiable terms;
3. reward people for achieving those goals.

Sadly, policymakers do not work like this. When it comes to poverty alleviation, as with climate change, water pollution, housing and the rest, if there are stated goals at all, they will be vague and incoherent sound bites. There will be changes in the funding of established bodies, or the creation of new bodies and, perhaps, some Mickey Mouse [2]micro-targets set in the sure knowledge that [3]nobody will actually check on whether their achievement or otherwise has done anything useful.

[4]

Politicians can escape blame for absurd, destructive and corrupt programmes such as their supposed policy alleviation efforts because they are not expected to express society's goals in terms of outcomes. One of the advantages of a Social Policy Bond regime is that policymakers would have to express policy goals in explicit, transparent and verifiable terms. These would be expressed in ways that ordinary people can understand. Few would argue for programmes that favour wealthy corporations, farmers and individuals, but those are the policies in place now. Making poverty goals transparent would go a long way to solving the poverty problem. A bond regime would generate further gains by providing incentives for those working to relieve poverty to do so cost-effectively.

It's not uncommon to hear the wealthier beneficiaries of government largesse bemoaning the cost of supporting single mothers, the homeless and other unfortunate and genuinely struggling individuals. The politicians deceive the people, and the rich welfare beneficiaries deceive themselves.

> Tax breaks are nice if you can get them. In 2020 the mortgage interest deduction allowed more than 13 million Americans to keep $24.7 billion. Homeowners with annual family incomes below $20,000 enjoyed $4 million in savings, and those with annual incomes above $200,000 enjoyed $15.5 billion. Also in 2020, more than 11 million taxpayers deducted interest on their student loans, saving low-income borrowers $12 million and those with incomes between $100,000 and $200,000 $432 million. In all, the top 20 percent of income earners receives six times what the bottom 20 percent receives in tax breaks. We have chosen to prioritize the subsidization of affluence over the alleviation of poverty. And then we have the gall—the shamelessness, really—to fabricate stories about poor people's dependence on government aid and shoot down proposals to reduce poverty because they would cost too much.

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I have finished adding several pages to [5]SocialGoals.com under the [6]Criticism header

1. https://www.nybooks.com/articles/2023/04/20/the-high-cost-of-being-poor-matthew-desmond/
2. https://socialgoals.blogspot.com/2016/05/what-is-government-for.html
3. https://socialgoals.blogspot.com/2022/10/where-are-incentives-to-take-long-term.html
4. https://socialgoals.blogspot.com/2009/09/mickey-mouse-indicators.html
5. http://SocialGoals.com/
6. http://socialgoals.com/criticism.html

20.4.2 Social Policy Bonds: a sonnet (2023-04-21 11:07)

I asked [1]ChatRPG to write a sonnet about Social Policy Bonds:

> In policy circles, talk of Social Bonds
> Has grown in strength and scope in recent days

A tool to tackle ills that have prolonged
By focusing on outcomes, not just ways

And in this field, one name stands apart
Ronnie Horesh, a pioneer so bright
His insights help policymakers chart
New paths to achieve the social right

The bond's concept, to put it simply, shows
That we can make a market for progress
And fund the goals that society chose
By issuing bonds that we can all invest

So here's to Horesh and his vision bold
A brighter future for us all he'll hold.

1. https://chat.openai.com/

20.4.3 Taking advantage of complexity (2023-04-23 16:09)

Powerful interests use complexity to hide their anti-social behaviour:

> Since 2013, ProPublica has exposed how Intuit, the maker of TurboTax, and other companies have resisted efforts to make tax preparation easier and less costly, including lobbying to ban the IRS from offering free, simple tax filing and deceiving customers who should qualify for the Free File product. *[1]Source*

> The evidence indicates that low-income Americans are not taking full advantage of government programs for a much more banal reason: we've made it hard and confusing. People very simply often don't know about aid designated for them or are burdened by the application process. When it comes to increasing enrollment in social programs, the most successful behavioral adjustments have been those that simply raised awareness and cut through red tape and hassle. *[2]The High Cost of Being Poor*, Matthew Desmond, New York Review of Books, 20 April

One of the advantages of the Social Policy Bond concept is its transparency. Policymakers would have to explicit about their intentions. So, for example, if they want to shovel [3]billions of dollars from taxpayers and consumers to a small group of wealthy landowners who have [4]devastated the environment, and helped [5]impoverish developing countries, they would have to say so openly, instead of, as at present, waving their arms and mumbling about 'food security', 'saving the family farm', 'looking after the countryside', and relying on people's inevitably limited attention span. Likewise, as with poverty alleviation, it's not enough to put in place a few programmes with impressive-sounding titles that *might* be well meaning, but access to which is difficult for those without an abundance of time and energy; which is to

say: those who need them most. Lack of transparency also allows politicians and bureaucrats to avoid accountability: if there are no explicit, verifiable goals, then success or failure are a matter of spin.

1. https://www.propublica.org/series/the-turbotax-trap
2. https://www.nybooks.com/articles/2023/04/20/the-high-cost-of-being-poor-matthew-desmond/
3. https://read.oecd-ilibrary.org/agriculture-and-food/agricultural-policy-monitoring-and-evaluation-2022_c4d29ba8-en#page1
4. https://www.epicenternetwork.eu/blog/cap-subsidies-harm-the-environment/
5. https://www.euractiv.com/section/agriculture-food/news/the-cap-has-devastating-effects-on-developing-countries-report-says/

20.4.4 What happens if nobody does anything? (2023-04-23 18:22)

In my [1]book I speculated that, if a goal targeted by a Social Policy Bond issue remains remote, the bonds' backers could issue more bonds, or swell the redemption funds and, by doing so, increase the incentive for bondholders to work to achieve the goal. I now see that this was probably naive, and that there would be a perverse incentive for investors to acquire as many bonds as they could, do nothing, and watch the value of their holding rise if the backers did as I speculated.

So I have modified the original text of the relevant paragraph in [2]chapter 3 of the book to read:

Note that the issuing body could add to the number of bonds in circulation after floating at any time, if it wanted to boost the efforts going into achieving a particular social goal, but this could encourage people to buy the bonds, and do nothing to achieve the targeted goal so that, when more bonds were issued, the value of their holding would rise. A better approach might be to declare the initial bond issue invalid, which would act as a spur to encourage would-be passive investors to become active, or to sell to active investors. If the issuers wanted, for whatever reason, to reduce such efforts, the situation would be a little more complicated. It could buy bonds back from holders, but doing so would reduce the total funds to be spent on achieving the targeted objective, and so would lower the value of all bonds in circulation. People might therefore be unwilling to buy bonds in the first place if they thought there were a high probability of the issuing body's buying some of them back in this way. They would demand some sort of premium for taking that risk. Alternatively, the issuing body could undertake either that it would never buy Social Policy Bonds back or that, if it did, it would pay the market price ruling before it announced its purchase intentions.

The intention is to deal with the criticism presented on [3]this page; that is, the sixth criticism (beginning 'Expectations...'). Chapter 5 of the book is also slightly modified to reflect the same concern.

1. http://socialgoals.com/the-book.html
2. http://socialgoals.com/chapter%203.pdf
3. http://socialgoals.com/environment--reactions-of-oecd-delegates.html

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20.4.5 Methane and supervolcanoes (2023-04-30 19:01)

This recent headline from [1]ScienceNews says it all:

> Methane may not warm the Earth quite as much as previously thought

There is much about the environment - and society - that we just do not know. Yet our policies are formulated as if we do know. We think climate change is mostly a result of our pumping greenhouse gases into the atmosphere. That may well be the true but, even now, we find that we don't know as much as we thought about the relative contribution of each greenhouse gas. In this instance, the original estimate was 30 percent off the latest estimate. But we are making policy as if the role of each greenhouse gas in climate change is certain and fixed.

Not only is the science about each gas's relative contribution uncertain; so too is our knowledge about other determinants of climate change. Yet we enact policy as if we know everything. It's risky; especially as not only is our knowledge of the physics of climate change incomplete, so too is our ability to forecast the future. Eruption of a supervolcano is unlikely but:

> [T]his gigantic eruption sent
> the world into a decade-long volcanic winter and caused the climate to
> be cold and dry for thousands of years after that. The resulting famine
> is theorised to have reduced the ancient human population down to just a
> few thousand individuals. *[2]Source*

Lesser events, as well as surprises in the physics, could invalidate some or all of our efforts to deal with climate change. Policy should account for such gaps in our knowledge, and not only in environmental matters. Society is also too complicated for a policy approach that assumes that relationships are known and fixed. So, for example, reducing crime rates or increasing literacy is not simply a question of more funding for already-existing bodies. In my view, it's more a matter of putting in place incentives that reward people for achieving our goals, whoever they are, and however they do so. The risks of unanticipated events and failed approaches should be borne by those taking on the task.

[3]Social Policy Bonds are one way of addressing the complexity of society and the environment. They reward the achievement of desirable outcomes, rather than the supposed means of achieving them. They set up incentives to reward promising approaches and - importantly - to terminate failing approaches. They transfer the risk of failure from the bonds' issuers (usually government) to investors in the bonds. They encourage investors to keep an eye on events as they unfold, and to respond to them appropriately. So, for example, investors in bonds [4]targeting climate change would react to the research referenced above (if they did not carry it out themselves) by refining their attempts to deal with methane emissions. Under the current regime, nobody has incentives to change the assumptions on which existing models are based.

1. https://www.sciencenews.org/article/methane-warm-earth-atmosphere-radiation
2. https://www.nhm.ac.uk/discover/what-is-a-supervolcano.html

3. http://socialgoals.com/
4. http://socialgoals.com/climate-change.html

20.5 May

20.5.1 Obscurity causes obesity (2023-05-03 18:27)

Recently I did a [1]post describing how complexity can be used to obscure the effects of a policy or the true intentions of policymakers influenced by corporate interests or other powerful groups - such as farmers.

Food processors appear to be doing something similar. Chris van Tulleken explains the UK's Nutrient Profile Model, NPM 2004/5, which was developed as a tool to regulate food advertisements directed at children:

> If you struggle to make sense of the nutrient data table on the [package of food] to guide healthy eating for your child, then the NPM 2004/5 is going to blow your mind. You can't look up the NPM score of a food easily – you have to calculate it using the following three steps, which I write out only to illustrate their complexity. First, you award a score for the bad stuff: calories, saturated fat, sugars and sodium. These are called 'A' points. Second, you add up the points for the good stuff: fruit, vegetables, nuts, fibre and protein. These are called 'C' points. (By the way, you may need to pay for access to something like the NielsenIQ Brandbank nutritional database to gather all this information.) After you've calculated the A and C points, there are other rules to be factored in, like: 'If a food or drink scores 11 or more A points then it cannot score points for protein unless it also scores 5 points for fruit, vegetables and nuts.' Clear so far? Well, then you subtract the C points from the A points to calculate a score out of thirty. Any food that scores more than four is classified as HFSS [High in (saturated) fat, salt and sugar]. But, even if you do all that, it isn't clear whether children should eat these HFSS foods, or in what amounts. The designation determines only whether a food can be marketed to children at particular times and in particular ways. Chris van Tulleken, [2]Ultra-Processed People, April 2023

By such means is the relationship between ultra-processed food and health obscured; and by such means do we understand how ultra-processed foods make up 60 per cent of the calories consumed by the average UK citizen, and at least 80

percent of the calories consumed by one in five citizens. So policies intended to safeguard the health of our children get corrupted in the black box of our policymaking, regulatory or legislative bodies. The result? As Mr van Tulleken tells us, over the past thirty years, obesity has grown at a staggering rate: '[A]mong children leaving primary school rates of obesity have increased
by more than 700 per cent, and rates of severe obesity by 1600 per cent.' This is despite fourteen government strategies containing 689 wide-ranging policies addressing obesity having

been published in England in that period. Oh, and children in the UK (and US) are shorter too: 'This stunting goes hand in hand with obesity around the world, suggesting that it is a form of malnutrition rather than a disorder of excess.' Policymakers and their paymasters couldn't get away with such deceptive behaviour under a Social Policy Bond regime, in which the first step is an explicit setting of verifiable goals. Such goals would be meaningful to ordinary people, which means we could all engage in the policymaking process. So, for example, government would set broad health goals, using an array of indicators, such as longevity, infant mortality, quality-adjusted life years and others, all of which would have to fall into an agreed range for a sustained period before the bonds could be redeemed. (See [3]here; or [4]here for a longer essay on Tradeable Health Outcome Bonds.) Regulations to control adverts targeting children would be enacted only if they could be shown to have favourable health impacts. As with all Social Policy Bonds, investors would have as their sole criterion for the activities they undertake their efficiency in achieving the targeted goal. Currently, big corporations influence policy in their favour, and obscurity and complexity allow them to get away with it. By targeting broad, transparent, agreed outcomes, Social Policy Bonds could reclaim policy to the benefit of the people on whose behalf it nominally made.

1. https://socialgoals.blogspot.com/2023/04/taking-advantage-of-complexity.html
2. https://www.amazon.co.uk/Ultra-Processed-People-Stuff-That-Isnt/dp/1529900050
3. http://socialgoals.com/health.html
4. http://socialgoals.com/tradeable-health-outcome-bonds.html

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20.5.2 Status ≈ wealth, unfortunately (2023-05-15 19:30)

One takeaway, after watching a [1]documentary on the life of Justice Clarence Thomas of the US Supreme Court is that money is becoming almost the sole criterion by which many of us measure success or fulfilment.

Robert Locke, [2]writing about Japanese society, argues persuasively that 'what people are pursuing in the workplace is not so much money as the respect of the people around them.... [The Japanese] have understood that a large part of what money-seeking individuals really want is just to spend that money on purchasing social respect, through status display or whatever, so it is far more efficient to allocate respect directly.'

Rather than offer financial rewards we could perhaps reward people who help achieve societal goals with higher social status. An honours system could go some way toward rewarding people who forgo financial fortune for the good of society. Indeed, many countries have honours systems that are - or were - intended to do this. People also gain status merely by being admitted to exclusive societies, by working for a reputable organisation, or are pleased simply to be recognised in their role by cognoscenti. And many social reformers are quite happy to toil away without needing their efforts validated by any external body. They might be happier knowing that they are helping to improve the society in which they live but, for a very large number, their reward lies simply in knowing that they are making a contribution.

But whether for good or ill, the context within which social status is barely correlated with financial status is fading from many rich countries: social status is becoming more and more a function of high levels of wealth and income. The British honours system, for example, which used to compensate dedicated people for the financial sacrifices they made

for the public good, is more and more following the trend, making awards to entertainers and sportspeople who, whatever their other troubles, are not financially impoverished. There are still fields of activity, in the academic and religious worlds, for instance, wherein social status and monetary reward do not always go hand-in-hand, but they are shrinking or indeed reward activities that most of us would see as anti-social. Re-instatement of a popular culture that confers high status on those who achieve social and environmental goals would be a difficult task in our highly mobile world. But in the meantime, facing severe and urgent social and environmental challenges, what are we to do?

One of the benefits of a [3]Social Policy Bond regime is that it would create a means by which financial rewards are inextricably linked to social benefit. Under such a regime it would be politically easier to tax the income and profits of activities that have little (or negative) social impact. Great wealth might then be less divisive than under the current regime, where too much of it is generated by questionable or corrupt activities.

1. https://www.pbs.org/wgbh/frontline/documentary/clarence-and-ginni-thomas/
2. http://www.paecon.net/PAEReview/issue23/Locke23.htm
3. http://socialgoals.com/

20.6 June

20.6.1 Social Policy Bonds haven't gone very far (2023-06-01 18:52)

This is post number 1361; as good a time as any to look at why [1]Social Policy Bonds haven't gone very far in the few [2]decades since the idea has been in the public arena.

Similar sounding [3]Social Impact Bonds, with which I've had no involvement, have been issued in at least 25 countries. Unlike Social Policy bonds, they are not tradeable. I'm ambivalent about them for reasons I've explained more fully [4]here and [5]here, but in essence they are inherently short term in nature, and do not encourage new entrants nor much in the way of diverse, adaptive approaches; the range of social and environmental outcomes they can target is inherently narrow. However, they could be a stepping stone on the way to my original concept - or they could discredit the whole notion of injecting market incentives into the achievement of goals currently the remit of government.

The main reason why I think the original Social Policy Bond concept hasn't made much progress is that it threatens existing institutions, including those currently charged with allocating funds to service suppliers, and the service suppliers themselves. Under a bond regime, the government bodies that allocate funds to favoured service suppliers would relinquish that power, though government would still articulate society's wishes and raise the revenue used to redeem the bonds when targeted goals had been achieved. Existing service suppliers, would survive under a bond regime only if they were efficient, or deemed capable by bondholders of becoming so.

Sadly, our existing institutions, by which I mean government at all levels and the bodies they fund, are failing in their duties to respond effectively to our social and environmental problems. At the national level, our politicians and senior bureaucrats appear unresponsive to the needs

and wishes of ordinary people. At the global level, a concern such as the increasing probability of large-scale war is a lower priority, as measured by where human ingenuity and creativity are most in evidence, than [6]generating profits for the wealthiest investors or [7]advertising dog-food. The gap between our leaders and the people they are supposed to represent grows ever larger.

Existing bodies, I realise now, aren't likely to do anything. Like every other institution, from trade unions to universities to religious organisations, their main priority is self-perpetuation. I've tried to interest philanthropists, via their [8]journals, but I don't think that has achieved anything: perhaps philanthropists, like governments, relish their power to distribute funds to favoured organisations rather than to the achievement of social goals. My goal now is to carry on, and to keep my body of work on the bonds accessible over the internet for some years, via this site and the main Social Policy Bonds site and the papers and book chapters that are linked there.

For more about applying the Social Policy Bond concept to peace, click [9]here.

1. http://socialgoals.com/
2. https://researcharchive.lincoln.ac.nz/handle/10182/848
3. https://en.wikipedia.org/wiki/Social_impact_bond
4. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
5. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
6. https://www.investopedia.com/articles/financialcareers/08/quants-quantitative-analyst.asp
7. https://www.signaturevideogroup.com/2020/08/best-dog-ads-over-last-decade/
8. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3381728
9. http://socialgoals.com/conflict-reduction.html

20.6.2 Give cash payments a chance (2023-06-03 12:09)

Below is an article I've written recently and sent to a couple of UK newspapers. They won't print it, so I'm making it freely available here. For those familiar with the Social Policy Bond concept, there will be little new in this piece.

Give cash payments a chance: World Peace Bonds

Pay people to stop killing each
other? Sounds crazy, and a long way short of ideal. But better, perhaps, than where we are headed.

As the rhetoric gets ever more heated;
the piles of weapons ever greater and more lethal, it seems very much as if we're in a pre-calamity phase. Along with other social and environmental problems, the likelihood of nuclear conflict is probably contributing to falling birth rates in the most liberal and wealthy societies that have ever existed. There are efforts being made by well-meaning, hard-working people and organisations doing what they can to facilitate dialogue, defuse tension, and limit deployment of, and trade in arms. But the sum of their efforts doesn't change the portentous reality: we are in grave danger of a world war. As the Institute for Economics and Peace tells us, the world has become successively less peaceful each year since 2014. (Source: Institute for Economics & Peace. *Global Peace Index 2022: Measuring Peace in a Complex World*, Sydney, June 2022. Available from: http://visionofhumanity.org/resources (accessed 21 May 2023).

World Peace Bonds

There's no single solution to the problem
of violent conflict and I can't offer one. But I can offer a means by which we can find solutions: solutions that will be diverse, adaptive and efficient – as they need to be. My suggestion is that philanthropists put up initial funding for a new type of financial instrument: World Peace Bonds. Funds for the redemption of the bonds could be further swelled by non-governmental bodies, and the wider public. Even governments could contribute, if they could bear to focus on the long-term interests of the people they are supposed to represent. The bonds would be floated by auction and redeemed for a fixed sum only when the number of people killed by violent political conflict fell to, say, 50 000
a year, for a sustained period.

World Peace Bonds (unlike the similar
Social Impact Bonds) would be tradeable on the open market. People would buy bonds only if they expect their market price to rise. Because bondholders could sell their bonds at any time, they wouldn't have to hold them to redemption to make a profit. The bond issuers could therefore target very long-term goals, such as our world peace goal sustained for, say, three decades.

Importantly, the bonds would make no
assumptions as to how to bring about greater peace, nor who would do so: these

decisions would be made by bondholders. Unlike normal bonds, World Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly.

As the level and likelihood of large-scale violence fell, so the market price of the bond would rise. Bondholders would have incentives to cooperate with each other to do what they can to achieve peace, see the value of their bondholdings rise, then sell their bonds, and realise their profit. The bond's backers need decide only on the definition of peace to be targeted - not on how to achieve it. That would be left up to investors in the bonds, who would have every incentive to maximise their, and the backers', reduction in violence per unit outlay. So, in contrast to the current approaches to achieving peace, a World Peace Bond regime would stimulate research into, and implementation of, ever more cost-effective ways of defusing and eliminating political violence.

Bondholders would be in a better position than governments to undertake a range of peace-building initiatives. They could lobby or work with governments to, say, change and enforce laws that make wars at home or overseas a less likely prospect. They could finance sports matches between potential protagonists, promote anti-war programmes on TV, or set up exchange schemes for students and schoolchildren. They could try to cajole the financial supporters of conflict into redirecting their funds along more edifying lines. They could offer poor countries innovative forms of aid, including education and scientific aid, and measures aimed at enlightening populations. They might even subsidise intermarriage between members of different ethnic or religious groups. And they could simply pay people to stop killing each other, when they think that's the most cost-effective approach. The crucial point is that bondholders have *more freedom and incentive to explore and carry out such diverse initiatives than governments* or other international bodies.

By appealing to people's self-interest, World Peace Bonds are likely to be more effective than conventional efforts aimed at reducing violence. In channelling market forces into the achievement of this objective the bonds could bypass or even co-opt the corrupt or malicious people in government or elsewhere who stand in the way of peace.

In today's emotional climate
decision-making is too often reactive. It is too easily swayed by those with a propensity for violence or those who benefit from it, financially or emotionally. There *are* enlightened,
hard-working, supra-national organisations working for peace, but their funding is conditional on their carrying out the limited, short-term activities approved by their sponsoring governments. Private peace-building bodies work in admirable and diverse ways, but their efforts are small-scale and uncoordinated. For neither type of organisation are the financial rewards from building peace correlated with their effectiveness in actually doing so. World Peace Bonds, in contrast, would explicitly reward movement toward a long period of world peace, however it is done, and whoever achieves it. They would focus on an identifiable, meaningful outcome and channel market efficiencies into exploring ways of achieving it. They could be the most effective means of achieving the peace that people all over the world yearn for and deserve.

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20.6.3 Ending world poverty efficiently (2023-06-13 19:59)

Reading Peter Singer's *[1]The Life You Can Save: acting now to end world poverty*, I'm pleased to see that someone else recognises the importance of solving social problems as efficiently as possible. It's not a given: institutions - even the best run, most dedicated - have their own priorities, of which [2]self-perpetuation is paramount. Efficiency, as measured by improvement in well-being per dollar spent, should be an end in itself, in that optimal efficiency maximises the benefits from our scarce resources. But it is, in my view, also a means to an end, in that efficient poverty relief programmes would encourage more people to contribute to them. To quote Dr Singer: '[A]s people become more confident of the cost-effectiveness of charities, they will become more willing to give.' I haven't finished reading his book but, in it, Dr Singer quotes William Easterly:

> The West spent $2.3 trillion on foreign aid over the last five decades and still had not managed to get twelve-cent medicines to children to prevent half of all malaria deaths. The West spent $2.3 trillion and still had not managed to get four-dollar bed nets to poor families. … It's a tragedy that so much well-meaning compassion did not bring these results for needy people. William Easterly, *[3]The White Man's Burden*, 2007

In a [4]Social Policy Bond regime, the most important feature would be the targeted outcome, not the institution. A bond regime could target long-term goals in ways that current organisations cannot. All activities would be subordinated to the efficient achievement of the targeted goal. Existing institutional involvement would not be taken as a given: efficient organisations would thrive under a bond regime, but the less efficient would see a drop in their funding. The long-term feature of the bonds means there would be ample time to try diverse, adaptive approaches, and promote the most promising of those while, importantly, terminating those that show themselves to be inefficient. Consistent with Dr Singer's thesis, the best approach would be to issue bonds that target global poverty, with resources being channelled to wherever in the world they can do most good, regardless of the nationality, ethnicity etc of beneficiaries. A starting point could be to issue bonds [5]targeting improvement in some refinement of the Human Development Index. For reasons I've recently [6]given, existing bodies are unlikely to fund such bonds. Philanthropists could, in theory, but I suspect they too would not want to relinquish the control and kudos that come with dispensing large sums of money to needy people. It's certainly, and understandably, difficult for ordinary people to make suggestions along those lines to wealthy individuals, though I [7]try.

1. https://www.amazon.com/Life-you-Can-Save-Poverty/dp/0330479806
2. https://socialgoals.blogspot.com/2022/11/why-organisations-fail-to-work-for.html
3. https://www.amazon.com/White-Mans-Burden-Efforts-Little/dp/0143038826/ref=sr_1_1?crid=275CGXU77H8WI&keywords=the+white+man%27s+burden&qid=1686677190&s=books&spr
4. http://socialgoals.com/
5. http://socialgoals.com/human-development.html
6. https://socialgoals.blogspot.com/2023/06/social-policy-bonds-havent-gone-very-far.html
7. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/

20.6.4 The continuing destruction of tropical forests (2023-06-29 18:15)

The *Financial Times* summarises a recent report by the University of Maryland and the World Resources Institute's Global Forest Watch:

> The equivalent of 11 football fields worth of primary tropical forests disappeared per minute last year[.] *[1]Tropical forest loss rises 10 % despite pledge by 145 nations*, Financial Times, 28 June

The article concludes:

> 'Market forces driving deforestation were "much greater" than those behind protecting woodland' according to Mikaela Weisse director of the Global Forest Watch.

There's nothing inevitable about market forces when there are no markets for negative externalities and markets themselves are undermined or manipulated by large corporations, or subject to legislative and regulatory constraints. Rather this is a tragic case of market failure. It could conceivably be addressed by doing some complicated and divisive calculations as to

the likely impacts of lost woodland and attendant atmospheric pollution, and applying a contentious discount rate to some highly aggregated cash-equivalent figures. That's practically and politically impossible to do. However, I do not believe that a perfect market for, say 'woodland services', with all externalities accounted for, even if it were possible to create one, is an end in itself. It would be a means to an end, and we'd do better to focus on what, actually we want to achieve.

My suggestion is that we stipulate the environmental goals we want to achieve. One such goal could be a limit on the area of primary woodland destroyed over a period of, say, 30 years. Then Social Policy Bonds could be issued that would be redeemable only when that goal had been achieved. Redemption funds could be raised by a consortium comprising some or all of world governments, NGOs, corporations or philanthropists. The funds would be held in escrow until the targeted woodland preservation goal had been achieved. It would be up to bondholders to decide how to limit the destruction of woodland, and they would have a powerful incentive - the increase in value of their bonds - to do so effectively and quickly. They could take steps that current bodies cannot or will not take, such as bribing illegal loggers to undertake some other activity. A bond regime, rather than eschew market forces, would channel them into the preservation of the world's primary tropical forest.

For more about applying the Social Policy Bond concept to the environment, click [2]here

1. https://www.ft.com/content/1ad02550-f5db-4ba1-a401-23066a1dd0a1
2. http://socialgoals.com/environment.html

20.7 July

20.7.1 How best to allocate healthcare funds (2023-07-15 17:27)

It's striking how unrelated is healthcare funding to need. Medical experts have little capacity or incentive to see beyond their own institution or speciality. Governments respond to pressure from interest groups and industry, and allocate funds accordingly. Slipping through the cracks are unglamorous diseases, such as some mental illnesses. Even within a class of diseases, such as cancer, funding [1]discrepancies are stark. I think government here is failing in its purpose. It should target for improvement the broad health of all its citizens rather than merely respond to lobbyists, however dedicated, sincere and hard working. It should, as far as possible, be impartial as to the causes of ill health, and direct resources to where they can return the biggest health benefit per dollar spent. Applying the Social Policy Bond principle to health could do this. At the national level, governments could gradually divert an increasing proportion of its healthcare spending to create and expand a fund to redeem [2]Tradeable Health Outcome Bonds (For a shorter treatment see [3]here.)

At the global level - I'll be realistic - such an approach is even less likely to be followed so, having read Peter Singer's *[4]The Life You Can Save: acting now to end world poverty*, I can recommend the approach he takes when it comes to choosing which charities to support, which

are those that, in his assessment, generate the highest increase in well-being per dollar spent. As he points out, 'The best charities can be hundreds or even thousands of times *more impactful* than others.' See [5]here for more.

1. https://www.lse.ac.uk/News/Latest-news-from-LSE/2023/e-May-2023/Discrepancies-in-cancer-drug-funding-decisions-found-across-high-income-countries-despite-simila
2. http://www.socialgoals.com/tradeable-health-outcome-bonds.html
3. http://socialgoals.com/health.html
4. https://www.amazon.com/Life-you-Can-Save-Poverty/dp/0330479806
5. https://www.thelifeyoucansave.org/

20.7.2 World targets in megadeaths: the superforecasters give their opinion (2023-07-17 18:54)

The current issue of the *Economist* [1]reports on a survey of 89 'superforecasters', defined as 'general-purpose
prognosticators with a record of making accurate predictions on all
sorts of topics, from election results to the outbreak of wars.' They were asked to estimate the likelihood that an unspecified event, such as an AI-caused extinction or a nuclear war, would kill 10 % or more of the world's population (or around 800 million people) before the year 2100.

The superforecasters gave that event a probability of 9 %.

Nine percent is worryingly high, but quite plausible. We could speculate on the type of event most likely to bring about such a catastrophe, but it's more important to see if we can find a way of forestalling it.

I think the answer might be to use the Social Policy Bond concept to prevent any sort of catastrophe from happening for a sustained period.

The issuers of such [2]Disaster Prevention Bonds need have no knowledge of the relative likelihoods of known or unforseeable catastrophic events. Neither would they have to pre
-judge,
with our current limited scientific knowledge, the most efficient ways
of ensuring our survival. Instead, the bond mechanism could target the
sustained avoidance of any -
unspecified - catastrophe. It would do so in a way that encourages the
exploration and investigation of all threats, known and new, impartially .
Policymakers would not (and, anyway, could not) try to calculate how
dangerous each threat is. That would be left to bondholders, who would
have powerful incentives to do so continuously , which is necessary because the most likely type of catastrophe will change over time.
Investors in the bonds would be rewarded only if they can successfully adapt to
rapidly changing events and our ever-expanding knowledge.

This
is a stark contrast to the current approach; the one that has led to
highly intelligent men and women giving our survival such a gloomy prognosis. The
people who are currently working in favour of humanity do so in ways
that, while worthy of great respect, are doing so within a system that

is heavily weighted to favour the short-term goals of large organisations, including governments, that have little incentive or capacity to care about the long-term future of the whole of humanity. It's very regrettable, and Disaster Prevention Bonds, issued with sufficient backing, could change all that. With sufficient backing from governments, corporations, non-governmental organisations and philanthropists, they could encourage more people and more resources into activities that would help reduce the likelihood of catastrophe.

1. https://www.economist.com/science-and-technology/2023/07/10/what-are-the-chances-of-an-ai-apocalypse
2. http://socialgoals.com/disaster-prevention.html

20.7.3 Focusing on nuclear peace (2023-07-22 11:44)

Back in April 2014 just after Russia had annexed Crimea, the London-based think-tank , Chatham House, published a [1]report on the dangers of unintended nuclear conflict: 'The probability of inadvertent nuclear use is not zero and is higher than had been widely considered,' it stated. 'The risk associated with nuclear weapons is high' and 'under-appreciated.'

You don't need to know much about, say, the origins of the First World War to be scared by the possibility that Russia and NATO might be sleepwalking towards a nuclear catastrophe. We could spend a lot of energy trying to allocate blame, but doing so is far less important than striving to reduce the likelihood of such a conflict. There *are* bodies that are working toward that end, either as their main activity or indirectly, with peace being a hoped-for result of such aims as poverty reduction, climate change mitigation or mass vaccination.

I think, though, that we need to be more focused: a nuclear conflict is one of the worst scenarios imaginable, dwarfing our other serious social and environmental problems. I cannot suggest a way out of any impending nuclear conflict, but what I do propose is that we offer incentives for people to find ways of avoiding such a disaster. Rather than leave everything to the politicians, ideologues, military men and the war-gamers, we could encourage people to back [2]Nuclear Peace Bonds that would be redeemed only when there has been a sustained period of nuclear peace. Backers would contribute to the funds for redemption of the bonds, which would occur only when nuclear peace, defined as, say, the absence of a nuclear detonation that kills more than 100 people, has been sustained for three decades. Backers could comprise any combination of governments, international organisations, non-governmental organisations and philanthropists, and their funds could be swelled by contributions from the rest of us.

The maintenance of nuclear peace is an ideal for targeting via the [3]Social Policy Bond concept:

- it has an unambiguous, verifiable metric,
- existing policy doesn't seem to be working,
- nobody now knows the best ways of achieving the goal,
- the goal is long term, and

- the goal is likely to require a multiplicity of diverse, adaptive approaches.

Of course, the bond approach can run in parallel with existing efforts. It's likely to channel resources into those bodies whose activities are most promising. It would also encourage new approaches, the precise nature of which we cannot and need not know in advance.

1. https://www.chathamhouse.org/2014/04/too-close-comfort-cases-near-nuclear-use-and-options-policy
2. http://socialgoals.com/nuclear-peace.html
3. http://socialgoals.com/

20.8 August

20.8.1 Uncosted goals are platitudes (2023-08-03 19:26)

Janan Ganesh writes:

> Let us dispose of
> the idea that net zero is popular. Yes, in Ipsos surveys, voters endorse various green policies by supermajorities. But when a financial cost is attached to them, most are rejected. ...Last month, a YouGov poll found that around 70 per cent of [UK] adults support net zero. If this entailed "some additional costs for ordinary people", however, that share falls to just over a quarter.
>
> *The beginning of the end of Britain's net zero consensus,*
>
> Janan Ganesh, Financial Times, 2 August (archived [1]here)

Government, unfortunately, rarely sets out transparent, explicit, verifiable goals. One such is the 2 percent annual inflation rate, targeted by the UK Government: currently the rate [2]exceeds 8 percent. The same Government's [3]goal of 'net zero' by 2050 is even less credible. Perhaps, like most others, knows that nobody takes its goals seriously, and that nobody will be held accountable for its failure to achieve them.

A Social Policy Bond regime would be different. Under a bond regime a government would spend more time setting explicit, clear and meaningful goals than trying to achieve them, or hiding or explaining away its failure to do so. Democratic governments could be effective at articulating society's wishes and raising the revenue to fulfil them. They are not so effective at actually achieving them. Still less do they correctly estimate or explain the inevitable trade-offs that their policies entail. They can get away with such irresponsible behaviour because society is complex, and people too preoccupied with more day-to-day matters.

As I explain in more detail in my [4]book, under a government-backed Social Policy Bond regime, costs of achievement of goals need not be accurately estimated. Government would put funds for the ultimate redemption of the bonds into an escrow account; the bonds would be redeemed only when the specified social or environmental goal had been achieved. If the funds are deemed by the market to be insufficient, then investors will show no interest in the bonds. If the

funds are roughly equal to, or even much, much greater than, the market's view of how much achievement will cost, then investors would buy the bonds, bidding for them against each other, so that the net cost to the government of achieving the goal will be minimised. The market for the bonds would ensure that this would happen continuously, with investors having powerful incentives to assess the effects of new knowledge and events quickly. Tradeability, which I discuss [5]here and [6]here, greatly expands the range of goals that the bonds can achieve: government could target very long-term outcomes, such as universal literacy or greater life expectancy and then disengage from any attempt to achieve them, which would become the responsibility of investors in the bonds.

Sadly, governments today, knowing that they are [7]rarely held accountable, are prone to preach such uncosted goals as 'net zero' that function as little more than self-satisfied advertising slogans.

1. https://vnexplorer.net/the-beginning-of-the-end-of-britains-net-zero-consensus-s4113808.html
2. https://www.bbc.com/news/live/business-65653791
3. https://www.gov.uk/government/news/uks-path-to-net-zero-set-out-in-landmark-strategy
4. http://socialgoals.com/the-book.html
5. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
6. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
7. https://dspace.mit.edu/handle/1721.1/5533

20.8.2 Using reason to make policy (2023-08-05 18:16)

The *Economist* writes:

> ...Americans need to recognise just how many of their compatriots' lives are being squandered. Too often politicians have been slow to do so and, as a result, America has come to tolerate an obscene level of early deaths. Only after the shock and shame of yet another mass shooting, at an elementary school in Uvalde, Texas, last year, did Congress muster the will to pass modest new gun controls. A proper sense of alarm at other kinds of needless loss may help bring about measures to keep more Americans alive for longer. That way the country could start to curb the carnage. [1]*How to reduce American carnage*, the Economist, 31 July

It's unfortunate that it takes dramatic events that have immediate visual impact before our current policymakers think about addressing many of our social problems. Ideally, we should aim for policies that minimise adverse impacts on *all* people's well-being, regardless of who they are, where they happen to live, or whether their plight is dramatic enough to make people watch news bulletins.

One way of doing this would be for government to consult with citizens to discover their priorities for policymakers, specified in terms of broad goals, at times of relative calmness and over a sustained period. Examples of such goals could be: cut violent crime by 50 percent; raise literacy to 99.5 %; improve life expectancy by three years. The exact formulation of these goals would be decided by experts and confirmed by government.

The next step would be to reward people for achieving these goals, whoever they are and however they do so, provided the act within the law - though as part of their goal-achieving activities they can lobby for changes in the law.

I would go further: my [2]Social Policy Bond concept would aim to inject the market's incentives and efficiencies into the achievement of our specified social and environmental goals. It's a simple idea but one that represents a complete change in the ways government currently runs things. Essentially, it would allow government to concentrate on articulating society's wishes and raising the revenue to achieve them: things that democratic governments are actually quite good at. But the bonds would, in effect, contract out the achievement of these goals to whoever thinks they are best placed to do so. These investors in the bonds would be prepared to pay more for them than they are worth to current holders, so that the bonds would always flow into the hands of those who can best advance progress towards the targeted goal. Because they would be [3]tradeable, investors wouldn't have to hold them for long: they could buy them, advance progress toward the targeted goal, so seeing the value of the bonds rise, then sell them to those best placed to to take the next steps towards the goal's achievement, at which point the bonds would be redeemed.

In such a way, government would be doing what it's best at, while the market for the bonds would do what - in economic theory and on all the evidence - markets do best: allocate society'e scarce resources optimally.

1. https://www.economist.com/leaders/2023/07/31/how-to-reduce-american-carnage
2. http://SocialGoals.com/
3. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html

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20.8.3 Targeting environmental outcomes: thirty wasted years (2023-08-22 19:47)

What sort of environmental policy are we seeking? What are our goals? What should be our goals? Such questions arise when we read that, for instance, operating carbon capture and storage would increase direct emissions of NOx [nitrous oxides] and particulate matter by nearly a half and a
third, respectively, because of additional fuel burned, and increase direct NH3 emissions significantly because of the assumed
degradation of the amine-based solvent. From [1]*Air pollution impacts from carbon capture and storage (CCS)* [pdf], EEA Technical report No 14/2011

...or when we reading about road vehicles, we realize that:

> their tyres brakes and wear and tear on the road also produce dangerous pollutants, which get worse the heavier vehicles are. *[2]How green is your electric vehicle, really?*, the Economist, 10 August

...and that electric vehicles are heavier than their internal combustion equivalents. Clearly, there are significant environmental trade-offs here: we can reduce emissions of greenhouse gases, but at the cost of increased emissions of other air pollutants. Currently, policy is

made without much consideration of these trade-offs: an apparent emergency, such as climate change, dominates policymakers' thinking so much that the impacts of addressing it are neglected. So, for another example, the environmental costs of generating electricity using wind turbines (with non-biodegradable blades) or solar energy (with loses to biodiversity) are ignored.

It's quite possible that, in the long run, the policymakers have chosen correctly and that climate change is a real emergency that merits increased pollution of the atmosphere with nitrous oxides„ particulates from tyres, etc and the loss of biodiversity. There are very few instances where one human activity, whether it produces energy or anything else, does not have a negative environmental impact. So, mining and using the filthiest coal to generate electricity has, and still does, bring heat and light to poor people at low cost, while polluting the air and costing the lives of miners. Once the negative impacts become impossible to ignore, and society becomes wealthier, we make efforts to regulate or price the negative impacts.

How is this policymaking approach working? I think the consensus would be:
not very well. As well as climate change with all its attendant dangers, we
are facing biodiversity loss, overfishing, water and air pollution,
and other depredations at all scales. But we can't expect policymakers to weigh up all the impacts of our activities and price or regulate them accordingly, and to do so on a continuous basis to ensure that policy keeps up with scientific advances (just one current possibility [3]here) and the growth of our knowledge about scientific relationships.

So I propose a different method. The current system reacts to problems when they become politically unavoidable, and then tries to identify and address their causes. My method would be instead to specify acceptable ranges of indicators of environmental health, including human, animal and plant health, and supply incentives for people to ensure that the targeted indicators remain within those ranges for a sustained period. In short, to target environmental goals and reward those who achieve them.

My suggested way of doing this at the national level would be for the government to issue [4]Environmental Policy Bonds. These bonds would not bear interest, but would be redeemable once the specified environmental targets had been achieved and sustained. The bonds would be tradeable and, could have a very long-term focus, encouraging people to research, refine and undertake activities directed toward one or all of the targeted goals. In this, and in other ways, they would have several advantages over current policymaking:

- We'd be targeting outcomes, for which there is more consensus than for the means to achieve them.

- People can identify more readily with explicit environmental goals than with the means to achieve them, which means that there would be more engagement with the public when developing environmental policy, which in turns means more buy-in, which I consider to be essential.

- The target outcomes would be stable and have a very long-term focus: essential if we are to encourage new ways of achieving our environmental goals.

If national governments successfully implemented Environmental Policy Bonds, they could conceivably collectively issue bonds targeting global environmental objectives, encompassing, for example, the health of the seas and atmospheric pollution as well as climate change and biodiversity loss. I have to admit that that looks extremely unlikely, especially as the concept has been in the public arena now for more than [5]thirty years, and only a non-tradeable variant ([6]Social Impact Bonds) has so far been tried. As I explain [7]here and [8]here tradeability is absolutely necessary if we want to achieve broad, long-term goals. Perhaps, rather than wait for government to change the way it does things, we should try to engage with philanthropists. I've [9]tried and had no luck, but perhaps my readers will be more successful.

1. https://www.eea.europa.eu/publications/carbon-capture-and-storage/file
2. https://www.economist.com/business/2023/08/10/how-green-is-your-electric-vehicle-really
3. https://science.slashdot.org/story/23/08/22/2332256/bacteria-that-eat-methane-could-slow-global-heating-study-finds?utm_source=rss1.0mainlinkanon&utm_medium=fee
4. http://socialgoals.com/environment.html
5. https://socialgoals.com/environment.html
6. https://en.wikipedia.org/wiki/Social_impact_bond
7. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
8. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
9. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3381728

20.8.4 Resources for health (2023-08-29 18:26)

Today's *Financial Times* has a feature on antimicrobial resistance, pointing out that resistant pathogens are thought to have killed 1.26 million people in 2019, and that the problem is getting worse.

> Few venture capitalists or large drugmakers want to fund the costly clinical trials required by regulators.... As with climate change and future pandemics, no one is taking enough responsibility for the ever-present global threat of antimicrobial resistance.... [1]*Why it's so hard to stop the 'silent pandemic'*, Hannah Kuchler, 'Financial Times', 29 August

The article does talk about philanthropic investment aimed at launching two to four new antimicrobials in the next decade, but this is thought to be insufficient, and:

> attention is turning to changing how health systems buy antibiotics. This year, the UK has proposed expanding its novel subscription model, so drugmakers would receive up to £20 million a year for selling innovative antibiotics, no matter how many - or how few - are prescribed.

...nor indeed how effective or ineffective they are - which is the problem: we shouldn't be targeting how many new antibiotics are marketed; that's, at best, a [2]surrogate endpoint. It's not a meaningful outcome to people who want to optimise their health nor, therefore, for policymakers who represent those people. What we need to be doing is targeting broad, meaningful indicators of national health and reward improvements in these indicators *however they are*

achieved. Funding should be dictated by its expected benefits to people, rather than to drug-makers; and it should be directed to where it will achieve the maximum improvement in health per pound spent. Such improvement could be measured using such indicators as Quality Adjusted Life Years, longevity and an array of other measures. It may be that these investments in producing new antimicrobials are appropriate on that basis - or there may be other priorities that would generate a higher return. My concern is that there is little to suggest an analysis of expected benefits per pound spent has been carried out.

My suggestion, therefore, is that national governments issue [3]Tradeable Health Outcome Bonds, which would provide incentives to research, develop and refine all approaches to improving our health, including measures that are currently thought to be beyond the remit of health authorities, but that could have large positive health improvements. Such measure could include providing better public transport for low-income households, or subsidised apprenticeships. There are many other possibilities, but there are few incentives to consider their health impacts. The linked essay is long, at 9500 words. A shorter version is [4]here.

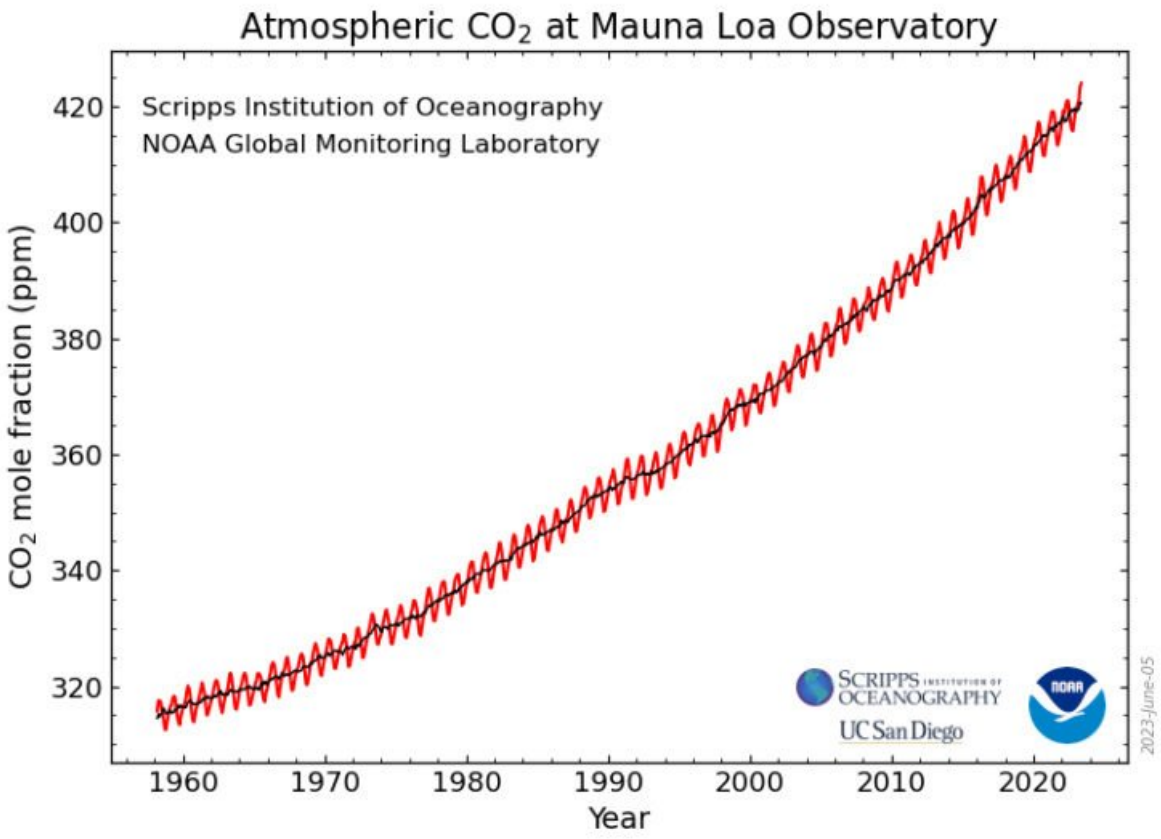
1. https://www.ft.com/content/e9aeb9a3-a93c-439b-ab81-a7c71266d992
2. https://en.wikipedia.org/wiki/Surrogate_endpoint
3. http://www.socialgoals.com/tradeable-health-outcome-bonds.html
4. http://socialgoals.com/health.html

20.9 September

20.9.1 Climate policy has failed (2023-09-07 17:13)

John Michael Greer writes:

> If the point of the last three decades of climate change activism was to slow the rate at which greenhouse gases enter the atmosphere, the results are in and the activists have failed. Nor is there any reason to think that doing more of the same will yield anything else... [1]*Riding the Climate Toboggan*, John Michael Greer, 6 September [2]



'Climate activism became a big public cause about halfway along this graph. Notice any effect?'

Some might argue that, without climate activism, the trend line would have become steeper in recent years, but it doesn't really matter. What does matter is that a great deal of policymakers' thinking and public resources have gone into trying to reduce greenhouse gas emissions, none of it has had the slightest discernible effect. This was foreseeable.

I suggest that we clarify what it is we actually want to achieve. Do we want to change the climate, or should we instead aim to reduce the impact of adverse climatic events on human, animal and plant life? Most likely, we should target a wide array of approaches that would fit into either category. The next step is to issue Climate Stability Bonds, which would reward the achievement of our impact-reduction goals regardless of whether bondholders do so by trying to influence the climate or by more direct means, such as, for example, reinforcing levees, building new homes for people currently living in flood-prone areas etc.

Climate Stability Bonds would have the long-term focus that current policymaking eschews; the issuers could stipulate that the bonds shall not be redeemed until all targeted indicators fall into an approved range for a sustained period, which could be three decades; bondholders would still profit by doing whatever they can to achieve the targeted goals, seeing the value of their holding rise, then selling their bonds to whoever is best placed to continue with achieving the

goals. I have written many treatments of the Climate Stability Bond concept; all of which are freely available [3]here, and there are also numerous posts on this blog (see [4]here, [5]here and [6]here, for instance).

1. https://www.ecosophia.net/riding-the-climate-toboggan/
2. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhmDKJgqm37AM3QESDEflRdDe9Rd6whoneIP5y9NhAdLeFWW7JEWFaChgtBuHCFW5PPit1qhUnu8RJmLRLZ9aLfxJxEC6uMttyHsnJ
3. http://socialgoals.com/climate-change.html
4. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
5. https://socialgoals.blogspot.com/2015/12/metrics-for-climate-change.html
6. https://socialgoals.blogspot.com/2021/09/decentralized-impact-organizations-for.html

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20.9.2 Social Policy Bonds: current state of play (2023-09-22 17:48)

I don't think any Social Policy Bonds have yet been issued, despite their having been in the public arena for about [1]35 years. That said, more national and local entities continue to issue Social Impact Bonds, the non-tradable variant of Social Policy Bonds. This wikipedia [2]page summarises the history and current deployment of SIBs, currrently issued in about 25 countries. These include the UK, Australia, the US, and they are also being considered in Brazil, Israel and New Zealand. Dan Corry of NPC (formerly [3]New Philanthropy Capital) in London summarises the state of play in 2022 with SIBs in the UK [4]here:

> There was a time when social impact bonds (SIBs) were all the rage, the shiny new policy wonk instrument. This instrument is a contract where payment is hard-wired into specified outcomes being achieved. Independent investors put up the working and risk capital and only get paid back if it all works, it was said these instruments would help us all deliver better services, would encourage innovation, guide government and philanthropists to a better way of commissioning, and would mean we only paid for the things we wanted. But then they sort of faded away from the front-line of interesting ideas: I've not seen a think tank or politician talk about them in a long time, even though some keep going in the background. ...
>
> So far, [SIBs] have yet to really taken off despite the pleas of their fans. Are they the future or the last dregs of the New Public Management and the marketisation of everything? ... Only time will tell. *[5]What is the future for Social Impact Bonds?*, Dan Corry, NPC, 5 October 2022

I do have reservations about SIBs, which I have expressed [6]here, [7]here, and in several blog posts (search this blog site for *Social Impact Bonds*). They are necessarily narrow in scope and, in my view, will be prone to manipulation and gaming, especially if they become so commonplace that they escape public scrutiny. Because of their limitations they are also, as I expected and as mentioned by Mr Corry, costly to

administer. I haven't
been consulted about, and have no involvement in, anything to do with SIBs. As regards Social Policy Bonds, there are occasional mentions in esoteric discussion of innovative finance (see [8]here, for example, or [9]this X thread), but I have to be realistic and I don't think it's likely that any will be issued in the near future. This saddens me, as I do think they could do much to narrow the gap between policymakers and the people they are supposed to represent, and stimulate the diverse, adaptive approaches that humanity needs to solve its big, urgent social and environmental problems. It is, though possible that SIBs, because of their focus on meaningful outcomes will advance, rather than discredit, the
Social Policy Bond concept: either scenario is possible.

1. https://www.thinknpc.org/blog/future-social-impact-bonds/
2. https://en.wikipedia.org/wiki/Social_impact_bond
3. http://www.thinknpc.org/
4. http://www.thinknpc.org/blog/where-are-we-at-with-social-impact-bonds/
5. https://www.thinknpc.org/blog/future-social-impact-bonds/
6. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
7. http://socialgoals.com/why-i-don-t-like-social-impact-bonds.html
8. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4119552
9. https://twitter.com/gideonro/status/1513975674905640962

20.9.3 Perverse incentives and health (2023-09-24 17:37)

The *Economist* writes about organ transplants in the US:

> [I]f the recipient dies soon after the transplant, hospitals suffer—a key measure used to evaluate them is the survival rate of recipients a year after transplant. According to Robert Cannon, a liver-transplant surgeon ..., hospitals succeed by being excessively cautious and keeping patients with worse prospects off waiting lists. *[1]In America, lots of usable organs go unrecovered or get binned*, the Economist, 16 September

It's just one example of a narrow, poorly thought-through goal that's in conflict with social well-being. In this instance, improving the financial status of hospitals worsens the health of patients. A more usual comment, though in a bizarre setting is:

> An anonymous nurse involved in the case suggested that the deceased
> patient might not have needed the [heart] procedure in the first place. [2]*Woman propped up to look alive for family after already being declared dead at Adena Hospital,* Derek Myers, Scioto Valley Guardian, 20 September

There are other examples, some of which I write about in my [3]long piece on using the Social Policy Bond concept to improve broad, societal health outcomes. (For a shorter treatment, see [4]here.)

In our complex societies, we rely on numerical data to give us an idea of where we, where we are going and where we want to be going. For private sector entities, narrow, short-term

financial goals are good enough, but for a country, or the world, we need broad, long-term goals whose achievement is inextricably linked to the well-being of people and the environment. [5]Social Policy Bonds were conceived as a way of injecting the market's incentives and efficiencies into the solution of social problems, but perhaps their greater contribution would be to encourage policymakers to think more carefully about society's over-arching, long-term goals. I believe there would be more consensus over such goals than there is over the alleged means of achieving them and, further, that targeting broad goals that are meaningful to ordinary people would close the gap between policymakers and the people they are supposed to represent. There would be other advantages to the bond concept, but those are the crucial ones. Meantime, it looks very much as though the sort of [6]Mickey Mouse micro-objectives that bedevil healthcare - and [7]not only in the US - are worse for society than the old-fashioned way of relying on people's integrity and willingness to do the right thing.

[8]

1. https://www.economist.com/united-states/2023/09/16/in-america-lots-of-usable-organs-go-unrecovered-or-get-binned
2. https://sciotovalleyguardian.com/2023/09/20/woman-propped-up-to-look-alive-for-family-after-already-being-declared-dead-at-adena-hospital-records-show/
3. http://www.socialgoals.com/tradeable-health-outcome-bonds.html
4. http://socialgoals.com/health.html
5. http://socialgoals.com/
6. https://socialgoals.blogspot.com/2017/05/new-concepts-in-mickey-mouse-micro.html
7. https://socialgoals.blogspot.com/2015/09/five-year-survival-rates-another-mickey.html
8. https://socialgoals.blogspot.com/2009/09/mickey-mouse-indicators.html

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20.10 October

20.10.1 Paying people not to kill each other: why not? (2023-10-08 17:31)

Some of the people I speak to disdain applications of the Social Policy Bond idea because it's transactional. 'They shouldn't be doing it for the money: people should not have to be paid to reduce their pollution, or to look after their own bodies, or not to commit burglaries.' Or, indeed, to refrain from killing each other. So neither [1]Middle East Peace Bonds nor [2]World Peace Bonds, nor any variant has ever been issued; nor, let's be frank, is likely to be issued in the foreseeable future. I will admit that paying people to achieve peace sounds, at first, a long way short of ideal. We should be at peace because we respect and even love each other, even people of a different tribe, race, religion and all the rest. That would be lovely, but it's plainly not working.

So, for those who are squeamish about aiming for a noble ideal (peace) using sordid means (money), here are my reasons:

- Paying people who achieve peace is similar to paying nurses and teachers who also work, at least partly, for idealistic reasons. Money pays their bills and allows them to raise families. It is not all about enriching already wealthy plutocrats or corporations but even if, under a bond regime, that were to occur, it would have been a result of channeling people's self-interest into socially beneficial outcomes.

- There are plenty of people who benefit financially from fomenting conflict. A World Peace Bond regime would help to offset the incentives on offer to those people.
- A bond regime aiming for a decades-long sustained period of peace would set in place incentives for people to explore, research, investigate and refine many different ways of achieving peace. Many bodies already work to this end but...
- ...a bond regime would give them more resources to work with. This includes people: rewarding peace would allow these bodies to attract more, and better-qualified, people to work for them. We need to divert talented, hard-working people away from less socially beneficial activities (trading currencies, say) or socially destructive (creating ever more sophisticated weapons of mass destruction), and towards such worthwhile goals as the ending of war which, I believe, in spite of all the evidence, *is* achievable - provided we have it as a long-term goal, and reward it in accordance with its value.

As I say, the current methods of trying to end war aren't working. Perhaps it's because the rewards and incentives are dwarfed by those reaped by those who depend on conflict for their living. A bond regime may be our best hope of bringing about the sustained period of world peace that all of humanity craves and deserves. Or maybe somebody out there has a better idea?

1. http://socialgoals.com/middle-east-peace.html
2. http://socialgoals.com/world-peace.html

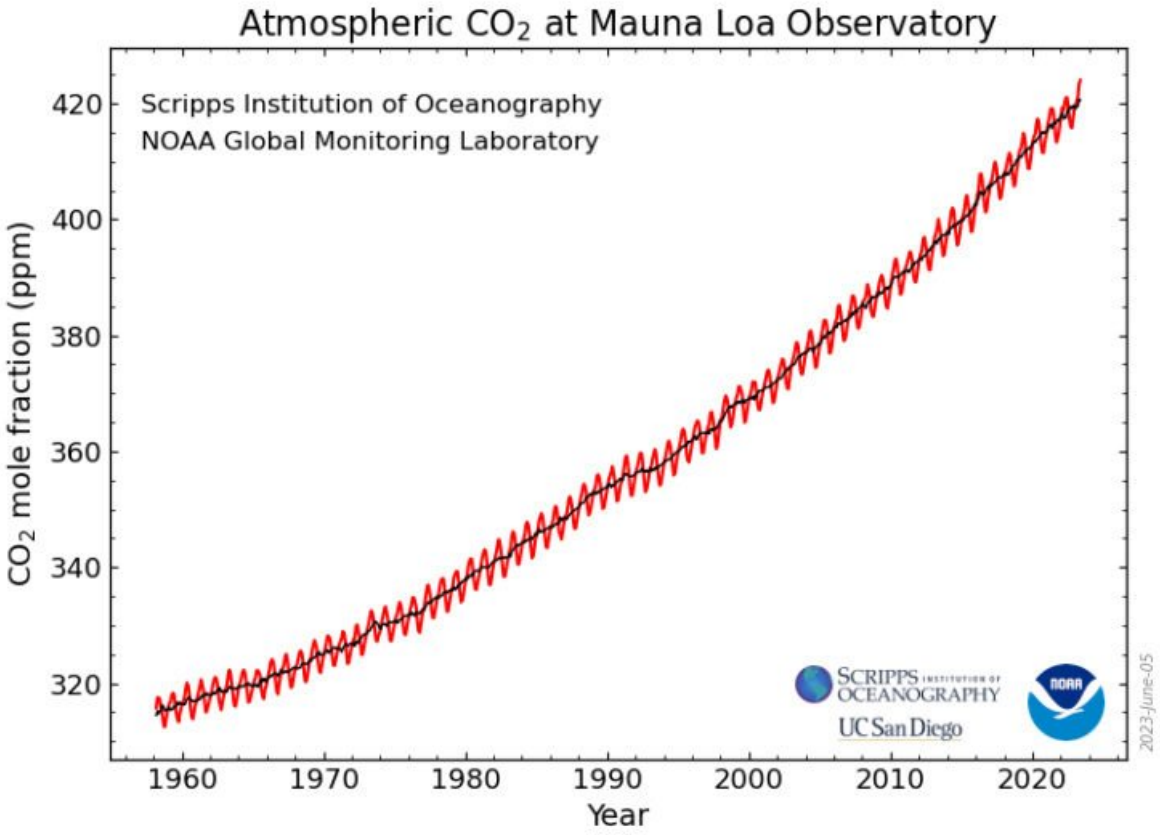
20.10.2 Greenhouse gas emissions: we're not actually doing anything to reduce them (2023-10-13 22:39)

Here, as [1]reported in the current *Economist*, are some grounds for optimism about curbing global emissions:

- 'China understands the need to decarbonise and is investing massively in solar and wind.'
- 'The second-biggest emitter, America, has taken a green turn under Mr Biden.'
- 'Brazil has sacked a rainforest-slashing president;'
- 'Australia has ditched a coal-coddling prime minister.'
- 'Nearly a quarter of emissions are now subject to carbon pricing.'
- 'In polls of 12 rich countries...the share of respondents who said [climate change] was a "major threat" rose in every country except South Korea, where it was already high.'

I'm in the [2]happy intellectual position of not having to advocate for or against greenhouse gas emissions, because I think the priority is to decide on those climate-related outcomes we want to see, then rewarding people for achieving them, however they do so. But since emissions are the bandwagon onto which everyone has climbed, what's happening to them is an indicator of how serious we are about the climate. It sounds good so far doesn't it? All those positive trends. But we shall get a better picture if I just repost (I first [3]posted these on 7 September) this graph and caption from John Michael Greer's [4]blog:

[5]



> 'Climate activism became a big public cause about halfway along this graph. Notice any effect?'

It's the outcomes that are important and it's clear that, despite the singular focus on greenhouse gases, we're not actually achieving any reductions in the rate at which they're emitted. It's a familiar story: we target surrogate indicators; things that current science tells us will influence a target variable, rtaher than the variable itself. In this instance, greenhouse gas emissions, rather than climate change (or the [6]negative impacts of climate change), and we're not even succeeding at that.

Here's a better idea: let's not assume the questions about the causes of climate change have been definitively answered. Let's also decide on what combination of goals we wish to achieve. And then reward the sustained achievement of these goals. I have written innumerable papers and blog posts about applying the Social Policy Bond principle to climate change. Links to papers can be found [7]here, and this blog can be searched for relevant posts.

1. https://www.economist.com/international/2023/10/11/the-global-backlash-against-climate-policies-has-begun
2. https://socialgoals.blogspot.com/2007/06/forecasts-by-scientists-versus.html
3. https://socialgoals.blogspot.com/2023/09/climate-policy-has-failed.html
4. https://www.ecosophia.net/riding-the-climate-toboggan/

5. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEgXFc1j0E2lrnm1oxs3l4fZPxeAnZPWrP8jzju7PdJnZVvsioFYhX5l8ggFat8L9eNYagLS9SOwuDz7e75tlobrcyast5lejyxFJog
6. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
7. http://socialgoals.com/climate-change.html

20.10.3 Bureaucracy triumphs over health outcomes (2023-10-20 18:40)

Dr Malcolm Kendrick [1]describes the Quality and Outcomes Framework (QOF) of the UK's National Health Service. It's the usual array of poorly-thought out, meaningless micro-targets that doctors are paid to achieve, but that have nothing to do with health. As Dr Kendrick points out, such (perhaps) well-intentioned, but futile bureaucratic processes impose a formidable opportunity cost on the NHS, to the detriment of doctors and patients. My suggested solution is to apply the [2]Social Policy Bond principle to health; a short description of this application of the bonds is given [3]here; a much longer version [4]here.

We see the same proliferation of Mickey Mouse micro-targets in other policy realms, notably education, and in diversity guidelines or regulations. They spring from the same presumably benign impulse, but they suffer from a similar lack of vision and strategy. They assume that processes that might have served society well in the past will continue to do so into the indefinite future. They do not allow for diverse, adaptive approaches. Yet it takes courage to criticise them, as Dr Kendrick is doing. My experience is that many people grumble about such top-down initiatives but are understandably reluctant to say anything openly. Though Social Policy Bonds aim to inject the market's incentives and efficiences into the solution of our social problems, perhaps their more important contribution - if they ever take off - will be to focus policymakers' attention on outcomes that are meaningful to the people they are supposed to represent.

1. https://drmalcolmkendrick.org/2023/10/20/what-is-wrong-with-the-nhs-part-two/?unapproved=271343&moderation-hash=a35af0590fa48311511b80f7c9f5eeb2#comment-271343
2. http://socialgoals.com/
3. http://socialgoals.com/health.html
4. http://www.socialgoals.com/tradeable-health-outcome-bonds.html

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20.11 November

20.11.1 Peace in the Middle East (2023-11-03 12:03)

Decades of negotiations and initiatives have failed. We might well be on the brink of a nuclear calamity, and the entire region is a seething cauldron of every sort of hatred: ethnic, confessional, sectarian and gender. I have no solution to the anxieties and potential catastrophes facing Israel, nor to the wider problems facing the citizens of all the Middle Eastern countries. What I offer instead is a way of encouraging people to find effective and efficient solutions. At this time, my vision of peace must sound like an impossible dream, but we can look at, for instance, the current

relationship between Scotland and England; the long-running [1]vicious battles between the two countries have ended and the border is one of the more peaceful in the world. There are other examples.

Most ordinary people in the region, given time to reflect and the freedom to express their opinions would like nothing more than to see an end to the violence in the region. But there are enough powerful people inside and outside the region with a vested interest in keeping conflict going. They include men of religion, ideologues, politicians and bureaucrats. There are also, of course, the weapons merchants and their corrupt beneficiaries in government. Well-meaning idealists on all sides do what they can, but their efforts are overwhelmed and relentlessly undermined by the powerful people and institutions that want them to fail.

Peace above all

We also need to focus exclusively on our goal of peace, which will mean putting aside feelings of fairness and justice, except insofar as they help our cause.

And we need ways of promoting peace that can modify or circumvent people's uncooperative or obstructive behaviour; ways that can co-opt or subsidise those people in positions of authority and power who want to help, and at the same time bypass, distract, or otherwise undermine those opposed to our goal.

Ideally too, we would deploy market forces. Markets are the most efficient means yet discovered of allocating society's scarce resources, but many believe that market forces inevitably conflict with social goals: accentuating extremes of wealth and poverty, for example, or accelerating the degradation of the environment. So it is important to remind ourselves that market forces can serve public, as well as private, goals.

We need to give people and organisations of all kinds the incentives to create and sustain peace, rather than conflict. We also need a verifiable definition of peace, which will consist of a combination of conditions that have to be satisfied and sustained. These could include:

- a much-reduced number of people killed in conflict
- a much-reduced level of terrorist events, or military incursions
- minimal forcible expulsions of people
- no use of nuclear weapons

As well, given the strong causal [2]relationship between mass media incitements to violence and actual violence we could add to our definition of peace:

- a drastic reduction in mass media incitements to violence; and
- school texts to be approved by all sides of the conflict.

I would aim to issue Middle East Peace Bonds, which would reward investors only when all the conditions for peace have been satisfied and sustained for two or three decades.

My suggestion is that philanthropists ideally with governments and other interested organisations and individuals, collectively raise a large amount of money, put it into an escrow account, and use these funds to redeem at some future time a new financial instrument: Middle East Peace Bonds. These would be sold by auction for whatever they would fetch. They would be redeemed for, say, £100 000 each only when all the conditions for peace, as defined by the issuers, had been satisfied and sustained.

Importantly, the issuers of the bonds would make no assumptions as to how to bring about greater peace. No one solution, nor even an array of solutions will work all the time. We need diverse approaches that are adaptive, and therefore unlike anything our current institutions can envisage. The bonds instead will stimulate diverse, adaptive solutions.

Nor do we need to know who would hold the bonds or carry out peace-creating projects. Those decisions would be made by would-be investors in the market for the bonds. Unlike normal bonds, Middle East Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly. As the prospects for peace brighten, the value of the bonds will rise.

Trading the bonds

Middle East Peace Bonds, once floated, must be readily tradable at any time until redemption. Many bond purchasers would want or need to sell their bonds before redemption, which might be a long time in the future. With tradability, these holders would be able to realise any capital appreciation experienced by their holdings of Middle East Peace Bonds whenever they choose to do so.

The bonds will be worth more to those who believe they can do most to help reduce the violence, who will then own most of the bonds. Large bondholders might decide to subcontract out peace-building projects to many different agents, while they themselves held the bonds from issue to redemption. The important point is that the bond mechanism will ensure that the people who allocate funds have incentives to do so efficiently and to reward successful outcomes, rather than merely pay people for undertaking activities.

Too large a number of small bondholders could probably do little to help achieve peace by themselves. If there were many small holders, it is likely that the value of their bonds would fall until there were aggregation of holdings by people or institutions large enough to initiate effective peace-building projects. As with shares in newly privatised companies the world over, Middle East Peace Bonds would mainly end up in the hands of large holders, be they individuals or institutions. Between them, these large holders would probably account for the majority of the bonds. Even these bodies might not be big enough, on their own, to achieve much without the co-operation of other bondholders. They might also resist initiating projects until they were assured that other holders would not be free riders. So there would be a powerful incentive for all bondholders to co-operate with each other to help bring about peace in the Middle East. They would share information, trade bonds with each other and collaborate on conflict-quelling projects. They would also set up payment systems to ensure that people, bondholders or not, were mobilised to help build peace. Large bondholders, in co-operation with each other, would be able to set up such systems cost-effectively.

Regardless of who actually owns the bonds, aggregation of holdings, and the co-operation of large bondholders, would ensure that those who invest in the bonds are rewarded in ways that

maximise their effectiveness in bringing about peace.

So, in contrast to today's short-term, tried, tested and failed approaches, a Middle East Peace Bond regime would stimulate research into finding the most cost-effective ways of achieving peace. Indeed, bondholders would be in a better position than governments to undertake a range of peace-building initiatives, having more freedom to try innovative approaches. They might, for example, finance sports matches between opposing sides, promote anti-war programmes on TV, set up exchange schemes for students of the opposing sides. They might try to influence the financial supporters of conflict outside the region to redirect their funding into more positive ways. They could offer the Palestinians and the citizens of neighbouring Arab countries different forms of aid, including education and scientific aid, and measures aimed at providing a secular education for all Arab citizens.

By appealing to people's self-interest, Middle East Peace Bonds would be more effective than conventional efforts aimed at reducing violence. In channelling market forces into the achievement of this objective the bonds could bypass or even co-opt the corrupt or malicious people in government and elsewhere who currently benefit from conflict.

Middle East Peace Bonds would focus on an identifiable peace outcomes and channel market efficiencies into diverse, adaptive ways of achieving it. They might sound implausible and radical but - let's be frank - the way things are currently going, with no end of well-meaning inter-faith dialogue and not-always-well-meaning interventions by UN bodies, governments outside the region and NGOs, isleading all of us into the abyss.

For another version of this essay, see [3]here. For applying the [4]Social Policy Bond principle to conflict reduction more generally, see here.

1. https://en.wikipedia.org/wiki/List_of_battles_between_England_and_Scotland
2. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2704015/
3. http://socialgoals.com/middle-east-peace.html
4. http://socialgoals.com/

20.11.2 Peace: the long view (2023-11-11 17:31)

Financial incentives aren't going to prevent terror groups from killing civilians of a different persuasion. They're too far gone for that. But that fact doesn't undermine the workings of [1]Middle East Peace Bonds or [2]World Peace Bonds.

It's true that we are unlikely to be able to deflect a terrorist who's been brought up from birth to hate members of a different religion, sect or ideology, from murderous intent with some cash payment. It is, however, possible, though still unlikely, to prevent him or her acting on that intent. But it's far more likely that if bonds had been issued targeting sustained peace in the Middle East (say), that such a person would not exist. A long-term peace strategy, of the sort currently pursued by well-intentioned but under-resourced groups could not only try to staunch the conditioning of schoolchildren and set up alternatives to the hate-filled media that is often a [3]precursor to war, but *would have the incentives and resources to do so effectively*.

Most likely, such an approach would need to be taken in parallel with others, including strong defences, controls on weaponry, more inter-faith dialogue and other trust-building exercises. The reasons for applying the Social Policy Bond concept which, at its heart, is about using financial incentives are that:

- Once bonds have been issued there would be no uncertainty about policy changes, so investors in the bonds would be sure that, if successful, they would be rewarded;
- Given the long-term vision, a wide range of possible approaches could be researched and tried and, if promising, implemented and refined. The bonds would reward only the most successful approaches and, in contrast to current policy, ensure that failing approaches are terminated.

So, yes, people are right to be sceptical that fanatical ideologues can be dissuaded from killing people by a some pecuniary reward. But once a system of incentives is in place, all types of people could work towards countering hateful ideologies, promoting the benefits of tolerance, and creating the conditions for peace. The relevant question here is less 'could it work?', that 'is it more likely to work than the current array of (in my view) failing approaches?'

1. http://socialgoals.com/middle-east-peace.html
2. http://socialgoals.com/world-peace.html
3. https://www.cfr.org/backgrounder/hate-speech-social-media-global-comparisons

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20.11.3 Investing in world peace (2023-11-24 18:44)

As a species, we know the solutions to a very limited number of social and environmental problems. If the motivation and resources are there, we can be quite effective at solving visible and localised problems, such as a polluted lake, or high levels of crime or unemployment in a small area. But with any degree of complexity and complexity we're out of luck. We simply don't know the best ways of reducing crime, eliminating poverty, dealing with climate change or ending large-scale conflict. These are problems that are:

- long term,
- broad,
- likely to need a mix of diverse, adaptive approaches to their achievement, and
- resistant to any current or envisaged efforts by policymakers to their achievement.

Such problems are exactly those that Social Policy Bonds are poised to solve. Take a goal such as sustained world peace, which many of us see as impossibly idealistic. Our efforts, for the most part made by hard-working and well-meaning people, are distinctly unsuccessful. It's a problem suited to the Social Policy Bond idea. The bonds would, by rewarding the sustained achievement of world peace, motivate existing bodies to do more. This is where criticism of the bonds usually begins and ends, as if I am suggesting that employees of such organisations as the United Nations are motivated purely by money, and need more of it to do their jobs effectively. There's a hint of disdain for such mercenary motives here, familiar to those of us brought up in a society pervaded by class conflict and snobbery. To which I have two answers:

- The bonds would not just see that existing organisations pay their people more; they would also give these bodies more resources to work with, provided that investors in the bonds regard them as efficient; and
- The bonds would represent a commitment to a stable, long-term goal. With incentives to achieve that goal, not only would efficient, existing bodies benefit, but new organisations could be created whose every action would be devoted to achieving peace quickly and efficiently.

So a sufficiently funded [1]World Peace Bond regime would generate more resources for all bodies, existing or new, so long as they are efficient. The effect would be to encourage research into diverse approaches; to finance trials of the most promising ones (and, importantly, to terminate those that are failing), and to enable the refinement and implementation of only those approaches that are most effective.

1. http://socialgoals.com/world-peace.html

20.11.4 Health and efficiency (2023-11-29 18:38)

(No, not [1]H &E!)

Dr Malcolm Kendrick, in the third part of his inquiry into the UK's National Health Service (NHS) *[2]What is wrong with the NHS?*, summarises the problem:

> [I]n the last four to five years, productivity has fallen by around twenty per cent. ...[W]hat we have is twenty per cent
> more staff, working just as hard, probably harder. Yet, they are
> creating no additional clinical outcomes. Where does this leave us? ...There is only one possible conclusion. Which is the following.
> At least twenty per-cent of the work that clinical staff are doing is
> non-productive.

A large part of the problem appears to be the lamentable proliferation of regulatory oversight and overseers in the NHS. He quotes from a [3]report (pdf) by the Institute of Government:

> We found that hospitals that had more managers or spent more on management **were not rated as having higher quality management** in the staff survey, **nor did they have better performance**.
> The implication being the overall hospital performance is dictated by
> clinical actions and behaviour, while hospital management is focused on
> administrative tasks ensuring regulatory constraints are met. **The number of managers in each hospital was largely determined by the administrative tasks that needed to be fulfilled**, with the scope of management circumscribed to these well-defined tasks. (Dr Kendrick's emphasis)

Dr Kendrick illustrates this point by showing a picture of Dr Gordon Caldwell lying beside the paperwork necessary to admit one patient to the Accident & Emergency department of an NHS hospital.

[4]

’These are the forms that now have to be completed to admit *one* patient in Accident and Emergency.’

[5]

It's not uncommon, in my view, for large institutions, be they public or private, to lose sight of their original goals. After enough time these organisations' existence is taken as a given, and they cease to be judged solely on how good they are at achieving their stated objectives. In the case of NHS hospitals, the original goals would have been expressed in terms of clinical outcomes but, because of regulatory pressures from outside, those outcomes have ceased to be the over-arching measure of success.

This is where a Social Policy Bond regime could help. It would set down our long-term social and enviornmental goals and inject market incentives into their achievement. At every stage of progress toward achievement of our goals, investors in the bonds would have efficiency as their over-riding criterion. The bonds would always be owned by those who can maximise the speed and cost-effectiveness of the targeted goals.

A bond regime targeting the health of a country's population would express its goals in terms that are stable, and long term. A health bond would target a range of indicators that could include such goals as improvements in longevity, reductions in infant mortality, and improvements in Quality Adjusted Life Years. (It should exclude such indicators as five-year cancer survival rates, which can [6]mislead.) Broad measures such as those a bond regime target would be readily comprehensible to the public, and so would attract more [7]buy-in. Links to my work on applying the [8]Social Policy Bond concept to health can be found [9]here.

1. https://en.wikipedia.org/wiki/H%26E_naturist
2. https://drmalcolmkendrick.org/2023/11/27/what-is-wrong-with-the-nhs-part-3/
3. Wefoundthathospitalsthathadmoremanagersorspentmoreonmanagementwerenotratedashavinghigherqualitymanagementinthestaffsurvey,nordidthey
4. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEixRrSL9MpJjJWlpYIB7qZ5_0yzpOsTVbIRaGF-usFWw5-NIZTYz49I8Kbb0ueqpHMOT12HjlQ9ebZotXxXooE0p7IDyjUf7Du7xPA
5. https://drmalcolmkendrick.org/2023/11/27/what-is-wrong-with-the-nhs-part-3/
6. https://www.cancer.gov/about-cancer/screening/research/what-screening-statistics-mean
7. http://socialgoals.com/buy-in.html
8. http://socialgoals.com/
9. http://socialgoals.com/health.html

20.12 December

20.12.1 Make saving the planet profitable (2023-12-17 12:19)

> "Making oil is more profitable than saving the planet ..."

...says the [1]headline

,

accurately. There are many other activities that are more profitable than saving the planet: fomenting conflict, manufacturing, office work, mining...etc. We try to curb some of their

most obvious environmentally destructive by-products with taxes and regulation, but we also support activities that destroy the environment - to the tune of [2] $1.8 trillion, annually.

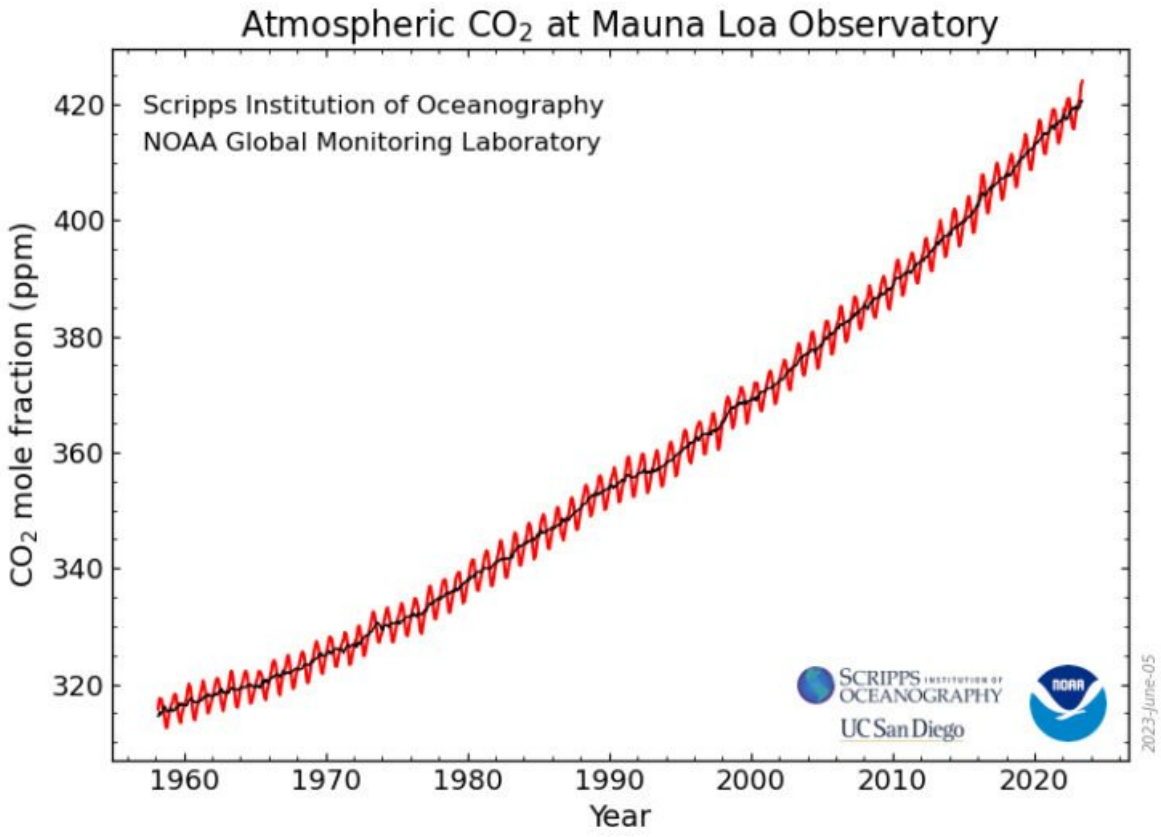
I don’t know whether making oil will destroy the planet: there are many negative externalities that accompany oil production and consumption, but there are also many positive externalities. Thus, Alex Epstein writes:

> There are many other positive externalities of fossil fuels that are almost never discussed—including ... clear benefits [arising from] warmer temperatures in many places where cold-related deaths far, far exceed heat-related deaths. To not consider these is pure benefit denial, regardless of whether you use a word like “externalities.” *[3]Fossil Future*, Alex Epstein, 2022

Whether the benefits of oil production and consumption outweigh all its costs to society, to the environment and to the long-term future of the planet can never be calculated in a meaningful way. With such urgent, hugely important and complex issues, I suggest that we set in place a range of acceptable outcomes and reward people for achieving them. These outcomes could be expressed, to take those relevant to oil, in terms of atmospheric composition and human, animal and plant well-being. That means that we should target reductions in polluting gases (not only greenhouse gases) while maintaining acceptable levels of human welfare and indicators of environmental well-being.

Doing that would recognise that there are trade-offs; that rapidly reducing oil production and consumption could drastically reduce the quality of life for millions of people. That is one reason why there’s been no discernible progress in actually cutting greenhouse gas emissions:

[4]



’Climate activism became a big public cause about halfway along this graph. Notice any effect?’ From
[5]*Riding the Climate Toboggan*, John Michael Greer, 6 September

Targeting atmospheric composition and, simultaneously, indicators of planetary well-being would, I think, be less unpopular and more attainable than the current efforts supposedly aimed at reducing climate change. My suggestion is that we achieve our aims by issuing bonds that would be redeemed only when all our targets have been achieved and sustained for some decades. This we could do by applying the Social Policy Bond concept to our targets. We do need, though, some [6]clarity about what we are trying to achieve: do we want to target the Earth’s climate, or the impacts of adverse climatic events or - to take the current focus - the concentration of greenhouse gases in the atmosphere? At this late stage it’s probably best to aim for more immediately verifiable goals, so I suggest that it might be preferable to target atmospheric composition rather than the [7]stability of the climate, which has been the focus of my previous work. If such an application of the Social Policy Bond concept were ever implemented then we’d go some way to making saving the planet more profitable than activities that have, as a by-product, accelerating its destruction.

To be frank, I don’t think anything like this will happen. Our political systems are incapable of solving global problems, even if our leaders had the will to do so. The Social Policy Bond concept has, to my knowledge, never been tried, and there are few incentives and commensurately few resources that are channelled into saving the planet. It’s sad.

1. https://www.npr.org/2023/12/11/1217802769/oil-prices-exxon-mobil-green-energy-solar-wind-cop28-climate-talks
2. https://www.theguardian.com/environment/2022/feb/17/world-spends-18tn-a-year-on-subsidies-that-harm-environment-study-finds-aoe
3. https://www.amazon.co.uk/Fossil-Future-Florishing-Requires-Natural/dp/0593420411/ref=sr_1_1?crid=397WIQYYUXL04&keywords=fossil+future+alex+epstein&qid=170276091
4. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhmDKJgqm37AM3QESDEflRdDe9Rd6whoneIP5y9NhAdLeFWW7JEWFaChgtBuHCFW5PPit1qhUnu8RJmLRLZ9aLfxJxEC6uMttyHsnJ
5. https://www.ecosophia.net/riding-the-climate-toboggan/
6. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
7. http://socialgoals.com/climate-change.html

20.12.2 Nobody wants nuclear war. So why is it increasingly likely? (2023-12-18 20:53)

Some recent reporting:lurk

> South Korea is again considering developing and manufacturing its own nuclear weapons. The cause is the growing instability of North Korea and South Korean fears that the United States won't fulfill its pledge to attack North Korea with nuclear weapons if the North attacks South Korea with nukes. [1]*source*
>
> Of the total global inventory of an estimated 12 512 warheads in January 2023, about 9576 were in military stockpiles for potential use—86 more than in January 2022. *[2]source*
>
> China, India, North Korea, Pakistan and the United Kingdom, as well as possibly Russia, are all thought to be increasing their stockpiles. *[3]source*

There are two things that we can be almost certain about:

1. Very few people want to see a nuclear conflict, and
2. the chances of a nuclear conflict are rising.

Why the disconnect between what most people want, and what we are very likely to get? In the nuclear policy arena, there is the self-entrenching idea of deterrence. 'If they were ever used they'd be failing in their purpose,' went the caption to a picture of UK nuclear-armed submarines lurking deep in the sea, in an advertisement for naval recruitment. Other countries have them, so we need them too. The logic is persuasive; the cost of not following it incalculably great - possibly. The problem is that very few of us have sufficient incentive to question this logic and to think of alternatives. There are organisations of all sorts, staffed by well-intentioned, hard-working people who do what they can, with their scanty resources, to minimise conflict. But they are institutionally bound to think and act along conventional lines.

What I propose is that we offer incentives for people to think of alternative approaches, all of which would have as their aim to reduce the likelihood of nuclear conflict as efficiently as possible. I have no idea how to halt the drift towards nuclear conflict, but I can suggest that we put in place a system that encourages and rewards people for researching, refining and implementing the most promising of such alternative approaches.

Nuclear Peace Bonds would be an ideal application of the [4]Social Policy Bond concept, which is a way of rewarding verifiable outcomes that we are currently failing to achieve. In this instance, the targeted outcome could be nuclear peace sustained for thirty years. 'Nuclear peace' could be defined as something like 'the number of people killed within 24 hours by the detonation of a nuclear device is less than 500'. The bonds would reward those who achieve such a sustained period of nuclear peace, whoever they are and however they do so: only the outcome would be stipulated. For a short piece on how Nuclear Peace Bonds would work, please click [5]here. For essays about applying the bonds to conflict in general, click [6]here.

As well as pursuing activities the exact nature of which we cannot anticipate, investors in Nuclear Peace Bonds could do things that cannot be done by existing organisations, constrained as they are by precedent, and their perceived need to maintain their existence and so satisfy the bodies that fund them. So, for example, in today's world, nobody would have any incentive to bribe people close to decision makers in politics or the military to advocate nuclear disarmament. Likewise, an existing body is unlikely to try to get religious extremists to tone down their rhetoric, even if it believed that were the most efficient way of reducing the probability of nuclear conflict. The risk and consequences of exposure and backlash are too great for current institutions to bear. Holders of Nuclear Peace Bonds, however, would not be deterred from whatever actions they think most effective: funds to redeem their bonds could be held in escrow. Once nuclear peace had been achieved and sustained, their reward would be guaranteed.

1. http://www.strategypage.com/htmw/htchem/articles/20231217.aspx
2. https://www.sipri.org/media/press-release/2023/states-invest-nuclear-arsenals-geopolitical-relations-deteriorate-new-sipri-yearbook-out-now
3. https://fas.org/initiative/status-world-nuclear-forces/
4. http://socialgoals.com/
5. http://socialgoals.com/nuclear-peace.html
6. http://socialgoals.com/conflict-reduction.html

2024

21.1 January

21.1.1 Tantrums, bribes and world peace (2024-01-06 22:38)

Nobody seems to have high expectations for this year, beyond any personal hopes and dreams. War, fear of new pandemics, environmental tipping points, nuclear proliferation: the possibilities are frightening. Yet the ingenuity of our species knows no bounds. Each day brings news of discoveries in every field of the sciences, medicine, technology including IT... All driven by our curiosity, intellect, skills and hours of dedication and hard work.

And - oh yes - by ample funding. Perhaps it's funding and the way it's allocated that explain the contrast between our boundless successes and the very real possibility that we are heading for at least one of a baleful array of potential calamities. We are collectively very happy to support research into activities that have identifiable winners, such as pharmaceutical companies, weapons manufacturers and also, to be fair, universities and research institutes. We are less happy to adopt the [1]Social Policy Bond approach by targeting outcomes, such as world peace, however desirable they are, where humanity - the biggest beneficiary - cannot monetise its wishes. Such goals as world peace, if we believe them attainable at all are, we think, best worked towards by bodies that might have founded with idealistic goals and hard-working, well-meaning employees, but have (often) been ossified by routine and cynicism, such that their over-arching goal is now self perpetuation. Those bodies that have escaped that fate are pitifully under-resourced and make only localised impacts.

We pay teachers, don't we? They receive salaries, as do doctors, nurses, and people who care for others. But we are squeamish about paying people for things that we think should be pursued solely for idealistic reasons. Example: paying people not to kill each other is a long way short of ideal, but I believe that, if it's the only or the best way of avoiding deadly conflict, then we should encourage it. It is one possible approach that investors in World Peace Bonds could follow; an approach that we eschew, not because it's been tried and failed, but because (I surmise) it's too crude, or too defeatist (as in 'are we really so degenerate that we have to bribe adults not to have murderous tantrums?'), or perhaps because it's never been tried before. Tried, tested and failed will always beat new, might-not-work and disruptive. In large institutions of any sort, things must never be done for the first time.

[2]World Peace Bonds would allow for the possibility that such unsubtle measures as bribing or otherwise undermining those who foment conflict are the most efficient way of bringing

about peace. They would encourage research and experimentation of all potentially viable measures, and refinement and implementation of only the most promising ones. The goal is always to achieve peace as efficiently and speedily as possible and the way the bonds work would ensure that all activities, always, would be aimed at that goal. To this end, approaches would be necessarily diverse (what works in one part of the world won't work in another) and adaptive (what works in some conditions won't work in others). Such flexibility is beyond the imagination of any current organisation, be it private- or public-sector.

There are other advantages to this application of the Social Policy Bond principle: the bonds would take a long-term view, paying out only when the goal (world peace, in our example) had been achieved and sustained for a period of, say, three decades. They would divert funds away from socially neutral or negative activities as investors, with an eye only on their financial returns, would see the light. This does not mean that only self-interested investors would be rewarded: the gains from holding the bonds while working to achieve society's goals would cascade downwards, so that the number of, and rewards to all those working for bondholders would benefit, just as civil servants, teachers or workers generally, benefit from the success of their employers.

1. http://socialgoals.com/
2. http://socialgoals.com/world-peace.html

21.1.2 Nothing to report (2024-01-22 18:34)

There's very little happening with the Social Policy Bonds idea. At least, I'm not aware of any progress. In many ways we seem to be going backwards. With climate change, for instance, there appears to be less focus on defining the outcomes we want to achieve, and more on such surrogate indicators as numbers of electric vehicles on the road or generating capacity of wind and solar installations. Other environmental problems receive even less attention. Nuclear and non-nuclear weapons continue to proliferate. Our politicians are judged less by their achievements or competence and more according to soundbites, personality and tribal identity. Outcomes - verifiable meaningful outcomes - are rarely cited now as goals of policy. Politicians hang on to power for its own sake, or because they can't find better jobs, or because it gives them immunity from prosecution for corruption or war crimes. A capable, aspiring, idealistic man or woman would hardly choose to go into politics, where the entirety of your private life and those of your family are scrutinised by those looking to sell a story. There are more suitable positions in the private sector, NGOs or religious bodies.

So there's little to be optimistic about. The Social Policy Bond concept seems to be out of sync with today's realities. For the last thirty years I've been told that the idea is ahead of its time, but now I think it's behind its time, in that long-term goals are a yet lower priority than immediate concerns. The idea receives little attention now, and though such attention is welcome, it is invariably fleeting and unlikely to gain traction.

I still think the bonds they could play a role where we are confronting big, urgent crises, such as war and nuclear war and the many global and regional environmental depredations. When it comes to war, right now almost all the financial incentives favour those who wish to foment conflict or who would benefit (at least in the short run) from it. We need countervailing incentives; incentives that would divert talented people from activities with little or negative

social benefit, into improving the prospects for peace. It is disappointing that much of our undoubted human ingenuity is devoted to trading esoteric financial instruments, computer coding, advertising dog food etc, all of which would have their place if the probability of social and environmental catastrophes could be significantly lowered. I will carry on with publishing this blog, in the hope that, even if the ideas here and on my [1]SocialGoals.com site are not taken up immediately, they will be around for others to develop, refine and implement when I cease publishing.

1. http://SocialGoals.com/

21.2 February

21.2.1 The question nobody asks: are the cows actually better off? (2024-02-03 16:15)

> The effort highlights a glaring cow-related contradiction in the BJP's [Bharatiya Janata Party's] Hindu nationalist ideology. The party says it wants to protect cows, which are associated with divine beneficence and venerated by Hindus. Yet its pro-cow policies, including bans on cow slaughter, appear to be detrimental to cattle welfare. They are thought to be causing an increase in stray cows, typically male calves and aged milkers which, having little commercial value, are let loose by their owners. Abandoned, they feed on plastic bags and other rubbish, cause car crashes and raid farmers' crops. *[1]The Hindu right's pro-cow policies are terrible for India's cows,* the 'Economist', 3 February

It shouldn't surprise us. The stated aim of a policy in today's policymaking environment need have no relationship to its result. The two may, as here, even be conflict. Collectively, we rarely hold the people who make a policy responsible for its outcome. In the private sector it's different: there are the disciplines of the market and competition, and reliable, visible, constantly readable indicators of the success or failure of an enterprise. But in the public sector:

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies. *[2]Why States Believe Foolish Ideas: Non-Self-Evaluation By States And Societies* (pdf), Stephen Van Evera, Massachusetts Institute of Technology Political Science Department and Security Studies Program, 2002

So politicians can get away with selling their policies according to what they say they will achieve. In the absence of data we choose politicians who have lofty-sounding goals, or who look good on camera. We vote for people, or personalities, or out of tribal loyalty to political parties.

A Social Policy Bond regime would be different. We'd vote for social and environmental outcomes, rather than the people or policies who say they'll achieve them. Politicians would retain their roles of articulators of society's wishes and revenue raisers, but their role of allocating finance and determining the structure of bodies charged with achieving society's goals would be diminished. Those decisions would be taken by bondholders, who would make them according to the sole criterion of efficiency in achieving the targeted goal at minimum cost. Bondholders would face the discipline of the market: if they are inefficient, their bonds would be bought up by more efficient operators. A transition to such a regime should be made gradually, partly for pragmatic reasons, but partly also to give existing bodies a chance to evaluate and improve their performance. (I discuss such a transition in my [3]book.) There would be a gradual focus away from politicians and their antics, and more on the elements that make up society's well-being. So rather than be swayed by such rhetoric as how a particular policy would be good for cows in India, say, we'd look instead at whether things are actually improving for cows. Such a way judging is perfectly acceptable in the private sector; extending it to goals currently the remit of the public sector, could greatly benefit society.

1. https://www.economist.com/asia/2024/01/28/the-hindu-rights-pro-cow-policies-are-terrible-for-indias-cows
2. https://dspace.mit.edu/handle/1721.1/5533
3. http://socialgoals.com/the-book.html

21.2.2 In no-strings philanthropy I trust (2024-02-16 12:14)

The *Economist* writes:

> [T]he great expansion of higher education has coincided with a productivity slowdown. Whereas in the 1950s and 1960s workers' output per hour across the rich world rose by 4 % a year, in the decade before the covid-19 pandemic 1 % a year was the norm. Even with the wave of innovation in artificial intelligence, productivity growth remains weak—less than 1 % a year, on a rough estimate—which is bad news for economic growth. A new [1]paper by Ashish Arora, Sharon Belenzon, Larisa C. Cioaca, Lia Sheer and Hansen Zhang, five economists, suggests that universities' blistering growth and the rich world's stagnant productivity could be two sides of the same coin. ...
>
> Businesses had more responsibility for achieving scientific breakthroughs: in America during the 1950s they spent four times as much on research as universities. ...[W]hen it came to delivering productivity gains the old, big-business model of science worked better than the new, university-led one. ... Free from the demands of corporate overlords, [university] research focuses more on satisfying geeks' curiosity or boosting citation counts than it does on finding breakthrough that will change the world or make money. *[2]Universities are failing to boost economic growth*, the 'Economist', 5 February

To me, this speaks to the value of incentives. Research of the type done by universities is similar to the way that our social and environmental goals are pursued: they are done by large

organisations whose employees are not rewarded in ways that correlate with their success. Those who work for government or government-dependent bodies are, consciously or not, disinclined to rock the boat. The funding of these bodies is hardly, if at all, linked to their success in coming up with problem-solving initiatives. Sadly, most of our important social and environmental goals fall under the remit of such government-dependent bodies. These include the elimination of poverty and crime, the reduction of environmental depredations and, on a global level, the solution to such trans-national problems such as over-fishing and war. Research is just one of the activities that government has brought into its purview, with the disappointing results that Arora *et al* relate.

How is it that government constantly expands its remit? There is the sense that some things are too important to be left to the private sector, and that only government can be impartial as to the allocation of funding. This sense pervades such critical debates as to whether the UK's National Health Service should be partly or completely privatised. That debate rarely considers health outcomes or, indeed, any outcomes at all: instead, ideology and vested interests set the debate's terms. Some concerns are genuine: markets have been abused and undermined such that they, in many cases, are rightly discredited in the eyes of the public.

[3]Social Policy Bonds could combine the best elements of both the public and private sectors. Under a bond regime, government could articulate society's wishes and raise the revenue for their fulfilment; these are things that democratic governments can do well. But where they perform badly is in actually achieving society's goals, largely because of the incentive structures they put in place: the structures that reward activity regardless of outcome. The effect of a Social Policy Bond regime, however, would be to contract out society's goals to those best placed to the achieve them. In economic theory and on all the evidence, that is what competitive markets do best. An obstacle in the way of implementing the Social Policy Bond concept is the unwillingness of government and its funded bodies to relinquish their control over activities ostensibly directed at the public good. Rather than wait for government to do that, perhaps the best hope for a [4]no-strings philanthropist to get the ball rolling....

1. https://www.nber.org/papers/w31899
2. https://www.economist.com/finance-and-economics/2024/02/05/universities-are-failing-to-boost-economic-growth
3. http://socialgoals.com/
4. https://www.economist.com/leaders/2024/01/10/no-strings-giving-is-transforming-philanthropy

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21.2.3 Pournelle's Law (2024-02-24 17:03)

The *Economist* quotes Sir Keir Starmer:

> Policy churn is the 'single most important reason' for the [UK's] economic malaise.
> [1]Sir Keir Starmer: bureaucrat first, politician second, the 'Economist', 24 February

There is some truth there, but what explains policy churn? [2]Pournelle's Iron Law of Bureaucracy tells us that:

> [I]n any bureaucratic organization there will be two kinds of people:

> First, there will be those who are devoted to the goals of the organization. Examples are dedicated classroom teachers in an educational bureaucracy, many of the engineers and launch technicians and scientists at NASA, even some agricultural scientists and advisors in the former Soviet Union collective farming administration.
>
> Secondly, there will be those dedicated to the organization itself. Examples are many of the administrators in the education system, many professors of education, many teachers union officials, much of the NASA headquarters staff, etc.
>
> The Iron Law states that in every case the second group will gain and keep control of the organization. It will write the rules, and control promotions within the organization.

I've written ([3]here, for example) about the swerving of organisations away from their ideals and ultimately becoming self-perpetuation. I think it applies to every type of organisation, public- and private-sector. In my understanding, policy churn follows from this: it's a result of politicians wishing to retain control over their bureaucracies. Whereas, under a [4]Social Policy Bond regime, the incentives to achieve society's targeted goals would cascade downwards, under our current political systems the incentives of our publicly-funded bodies are to maintain their income in an environment that, thanks to policy churn, is constantly changing. The result is the short-term thinking and learned helplessness of our bureaucracies. A bond regime would encourage the creation of [5]a new type of organisation: one whose structure and every activity would be entirely subordinate to society's targeted goals.

1. https://www.economist.com/britain/2024/02/21/sir-keir-starmer-bureaucrat-first-politician-second
2. https://www.jerrypournelle.com/reports/jerryp/iron.html
3. self
4. http://socialgoals.com/
5. http://socialgoals.com/new-type-of-organisation.html

21.3 March

21.3.1 Black Out nights, climate and war: the need for verifiable goals (2024-03-11 18:30)

Stephen Bush writes about 'Black Out' nights in the US and UK, which are intended to encourage more black people to attend theatre performances by inviting an 'all-Black-identifying audience'. Mr Bush's opinion about this form of segregation is similar to mine (negative), but he is also ...

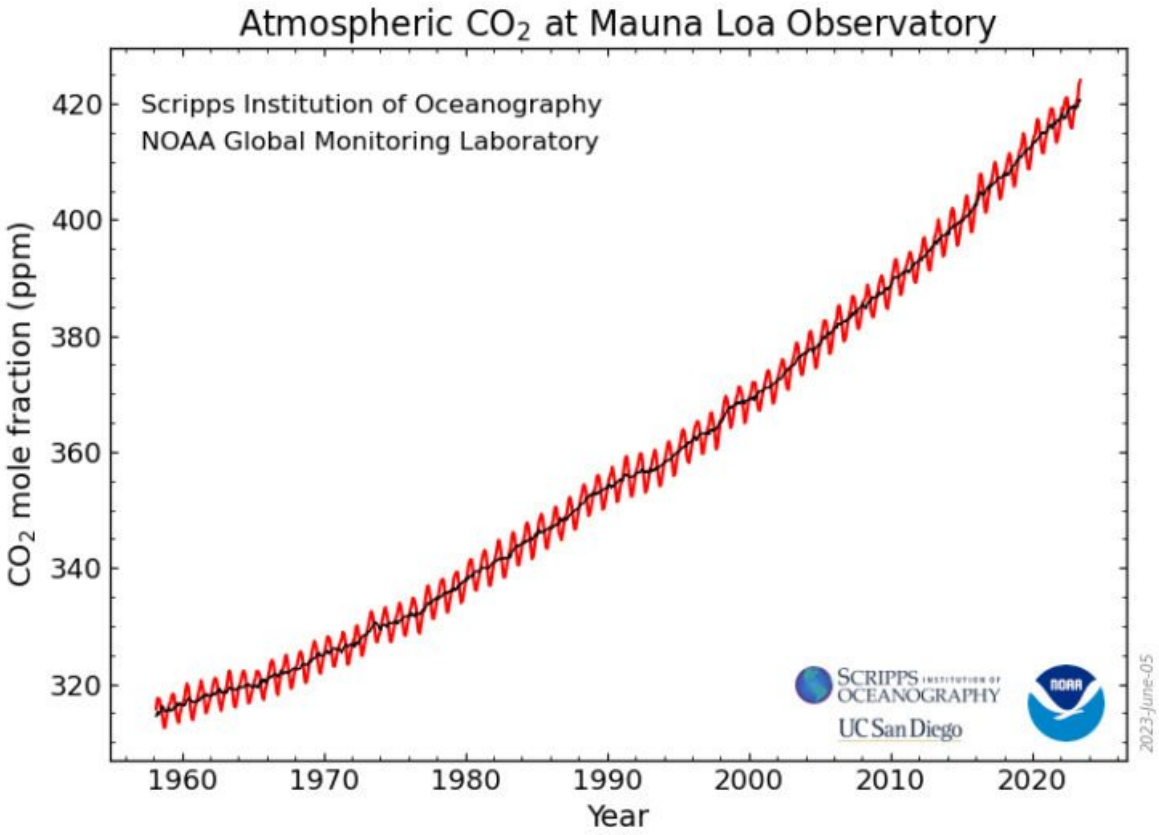
> ...struck by an equally important and more widespread problem: that no one involved either has any idea if the scheme works or any plan for measuring it. *[1]Even worthwhile causes need a metric for success* (paywall), Stephen Bush, 'Financial Times', 11 March

He concludes:

> All of us who criticise Black Out nights because we don't like the principle at stake are also guilty of failing to ask the first question we should pose to anyone doing anything, no matter how worthwhile. And that is: how, exactly, will we be able to tell if you've succeeded or failed?

It's a common failing, and one that is most grievous when it's made by policymakers. My [2]previous post refers to an [3]article written 22 years ago by Stephen van Evera, and I don't think things have improved since then. It's one of the reasons that I have posed [4]Climate Stability Bonds as an alternative to the current focus on reducing greenhouse gas emissions as the sole solution the climate change problem. We can target emissions fairly accurately, but we cannot reliably link any changes in emissions to changes in the things that matter to us. We need to specify exactly what are those concerns, and set up reliable measures of progress towards addressing them, before imposing heavy regulatory and financial costs on society. That's one reason, I believe, that despite heroic efforts (alongside those costs), nothing in the way of greenhouse gas emission has been achieved.

[5]



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From

[6]*Riding the Climate Toboggan*, John Michael Greer, 6 September 2023

It seems that charities and activists are following the government's lead: declaring grandiose, lofty-sounding goals that just happen to be so vague as to resist effective monitoring. Speaking out against initiatives that may well be futile and certainly cannot be shown to be successful, such as Black Out nights or, indeed, agreements to cut greenhouse gas emissions is, in today's politically polarised scene, risky. Potentially even more disastrous for humanity than the climate change circus is the failure to set and reward verifiable goals for eliminating deadly conflicts: wars and civil wars and their consequences. There are well-meaning, hard-working people working for bodies ostensibly aimed at reducing conflict levels, but nobody is in a position to judge how effective are any of their myriad approaches.

A [7]Social Policy Bond regime would not allow policymakers to get away with specifying goals that can't be measured. So, for example, we need to identify what exactly we want climate change policy to achieve. Our goals in that area could be defined in terms of a range of physical, ecological, social and financial indicators, all of which would have to fall within an approved range for a sustained period before the policy would be deemed successful, and holders of Climate Stability Bonds rewarded. That period could be decades long. All of this would be a sharp contrast to today's approach, which has as its sole goal a reduction in greenhouse gas emissions, which even if it were to be achieved, does not speak to the concerns of ordinary people, which is one reason why it has gained no real traction. Similarly, with conflict. Targeting broad, *verifiable*, meaningful, long-term outcomes, such as sustained period of a more benign climate or [8]world peace would not only be more effective than any current efforts to solve global problems; it would enjoy more public support and hence more buy-in; essential if we are to successfully meet the huge challenges humanity faces, of which climate change and war are two of the most urgent.

1. https://www.ft.com/content/86ad5b83-b60c-4036-aa9a-39671241d7f2
2. https://socialgoals.blogspot.com/2024/02/the-question-nobody-asks-are-cows.html
3. https://dspace.mit.edu/handle/1721.1/5533
4. http://socialgoals.com/climate-change.html
5. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEhmDKJgqm37AM3QESDEflRdDe9Rd6whoneIP5y9NhAdLeFWW7JEWFaChgtBuHCFW5PPit1qhUnu8RJmLRLZ9aLfxJxEC6uMttyHsnJ
6. https://www.ecosophia.net/riding-the-climate-toboggan/
7. http://socialgoals.com/
8. http://socialgoals.com/world-peace.html

21.3.2 Defining and rewarding peace (2024-03-24 13:06)

How do we define 'peace' in such a way it could be meaningfully targeted by such applications of the Social Policy Bond concept as [1]World Peace Bonds or [2]Middle East Peace Bonds?

It seems difficult at first. Peace, in the sense of absence of open conflict reigns, by definition, in the years before wars break out. But the opening sentence of [3]*Liddell Hart's History of the First World War* gives a clue:

> Fifty years were spent in the process of making Europe explosive. Five days were enough to detonate it.

A World Peace Bond regime would be targeting long-term peace. Bondholders therefore would be rewarded when they reduce the probability of conflict *before it becomes lethal*. As with most Social Policy Bond applications, our overall goal will be a set of subordinate goals, each of which has to be satisfied before the bonds will be redeemed. So, one such sub-goal could be to ensure that the 'number of people killed within 24 hours of an act of violence' falls below 5000 for a period of several decades. But this condition would have to be satisfied at the same time as others, such as the lethality of weaponry held by actors.

With a goal for peace that must be sustained over fifty or more years, metrics that target for elimination the use of deadly violence become more closely aligned with what we actually want to achieve. With such a decades-long outlook, bondholders would have incentives not merely to prevent the outbreak of violence, but also to prevent the precursors to violence. For example: the Cold War ended peacefully, but if World Peace Bonds issued in the year 1950 had targeted a period of sustained peace of just ten years then bondholders would have profited, despite the accumulation of ever more horrific atomic and nuclear weapons, during the period that preceded the Cuban Missile Crisis of October 1962. If the same bonds had been issued with a target of fifty years of sustained peace, then bondholders would have been motivated to reduce tensions, including by such means as reducing the weapons pile-up, or fostering better relations between the US and USSR. A ten-year goal would see the original bondholders making profits while the prospects for peace looked ever darker. A fifty-year goal would have seen the value of their holdings collapse before and during the Crisis.

The point is that rewarding peace sustained for a decades-long period encourages longer-term thinking. By choosing to target a decades-long period of sustained peace, we should do much to eliminate the much less quantifiable - but hugely important - precursors of violence.

Even more appealing as a target would be [4]nuclear peace. A goal such as 'fewer than 500 people killed by a nuclear device within one month of its detonation over a period of fifty years' would be even simpler to define robustly, and could be a top priority for organisations, or philanthropists perhaps, who wish to ensure nuclear peace, but have no means or wish to get involved in achieving it.

1. https://socialgoals.com/world-peace.html
2. https://socialgoals.com/middle-east-peace.html
3. https://archive.org/details/historyoffirstwo00lidd
4. https://socialgoals.com/nuclear-peace.html

21.3.3 Transcending identity geopolitics: Conflict Reduction Bonds (2024-03-28 12:38)

Gideon Rachman asks:

> What is it that causes some tragedies and conflicts to command the world's attention and others to pass almost unnoticed?

> The tragedies of Ukraine, Gaza and Israel all get far more attention than wars and humanitarian calamities in the rest of the world. ... [L]ast week the UN warned that "Sudan will soon be the world's worst hunger crisis" with 18mn people facing acute food insecurity. It highlighted an ongoing conflict that involves "mass graves, gang rapes, shockingly indiscriminate attacks in densely populated areas" and more than 6.5mn displaced people. [1]*War and the rise of identity geopolitics*, Gideon Rachman, 'Financial Times', 27 March

The answer appears to be something Mr Rachman calls identity geopolitics. But for my purposes, the 'why' doesn't really matter. A higher priority is, I believe, to target for reduction *all* deaths and depredations caused by human conflict, *impartially*; that is, without regard to people's identity, beliefs, or where they live. We have limited conflict reduction resources, and they should be deployed where they can relieve the most human suffering. When thinking rationally and compassionately, I believe most of us would agree.

One way of doing this would be to issue [2]Social Policy Bonds to target [3]conflict and the results of conflict. The bonds could target conflict in a particular region (the [4]Middle East, for instance), or the entire [5]globe, or (simpler to monitor), [6]nuclear conflict specifically, depending on the source, magnitude and interests of those funding the bonds. I will admit that the idea of issuing bonds targeting something the ancient Greeks and others have deemed an [7]inescapable aspect of human nature seems overly idealistic at first sight. But incentives can direct our goals and behaviour in unimaginably varied directions. Financial incentives, as offered by the bonds, aren't the only way of influencing our behaviour but, if they are sufficiently large and embedded in a very long-term vision, they could attenuate some of the more negative human traits that lead to deadly conflict. If that sounds far-fetched, consider the power of financial incentives to foment conflict: without weapons at every level of sophistication, tragedies of the scale at which we are seeing today would simply not occur. Manufacturers supply weapons in such copious quantities precisely because of the financial incentives on offer.

The links in the previous paragraph lead to pieces explaining how the bonds would work. In my view, issuing bonds with the goal of peace sustained for several decades would have two huge benefits:

- They would bring about more more efficient allocation of conflict-reduction resources, so minimising the human suffering that conflict brings about, including that measured in terms of deaths, injury, or homelessness.
- For that reason, people would be more inclined to invest in conflict reduction, in all its aspects, many of which will be innovate and that we cannot anticipate.

Greater effectiveness of peace making, and more resources devoted to peace making: I think it's worth a try.

1. https://www.ft.com/content/c9173148-22d9-444b-8a8c-b14585a7db26
2. http://socialgoals.com/
3. http://socialgoals.com/conflict-reduction.html
4. http://socialgoals.com/middle-east-peace.html
5. http://socialgoals.com/world-peace.html
6. http://socialgoals.com/nuclear-peace.html
7. https://english.elpais.com/opinion/2024-01-02/is-war-inevitable-for-human-beings.html

21.4 April

21.4.1 Betting markets and benign manipulation (2024-04-11 17:59)

Zachary Basu writes about the 'explosion of legalized gambling' in the US, which 'has set the stage for a provocative new frontier in the world of risk-taking — betting markets for everyday events, ranging from Taylor Swift streams to hurricanes hitting major U.S. cities.'

Punters...

> ...can bet on hundreds of real-world events — whether the Fed will cut rates, the high temperature today in Miami, Oscar nominations, the outcome of Supreme Court cases — on [1]Kalshi, the only federally regulated exchange dedicated to event markets.... Some ethics experts have raised concerns about the integrity of betting on natural disasters and other markets tied to human suffering, as well as those that could be subject to manipulation. [2]*America the slot machine*, Zachary Basu, 10 April

If there were a market that promised huge rewards for successfully predicting, say, a halving of the number of people killed by natural disasters in the US, then you can see how it would be in punters' (otherwise known as 'investors") interests to do whatever they can to improve US citizens' resilience to such disasters. And that explains how I came up with the idea of Social Policy Bonds: the aim is to reward not so much the successful prediction of future events, but successful efforts to *influence* future events to the benefit of society. Hence, in this example, [3]Disaster Prevention Bonds.

The [4]Social Policy Bond principle is a beneficial form of the manipulation to which Mr Basu refers, which can manifest itself in the sports world as match fixing. With governments (unsurprisingly) and philanthropists (disappointingly) taking only [5]tiny steps in the direction of rewarding successful achievement of beneficial outcomes, perhaps another approach would be to set up a market with Kalshi for a relatively unambitious goal. Those who stand to lose money from, say, high crime rates in a particular city, such as insurance companies, could bet that crime in that city will *not* halve in the next five years. Punters on the other side of that gamble, and would be motivated to do all they can to make sure that such a halving *does* occur. Everybody would gain from this benign form of manipulation. Such is the Social Policy Bonds differ only in that those setting up the bet would aim to reduce all forms of losses, not only those that can be valued monetarily.

1. https://kalshi.com/
2. https://www.axios.com/2024/04/10/us-legal-betting-prediction-market-events-kalshi
3. http://socialgoals.com/disaster-prevention.html
4. http://socialgoals.com/
5. https://en.wikipedia.org/wiki/Social_impact_bond

21.4.2 Another way of subsidising the rich (2024-04-18 17:53)

Environmental policy now seems focused almost exclusively on greenhouse gas emissions. Almost anything that *might* reduce the net emissions of those gases that are currently thought

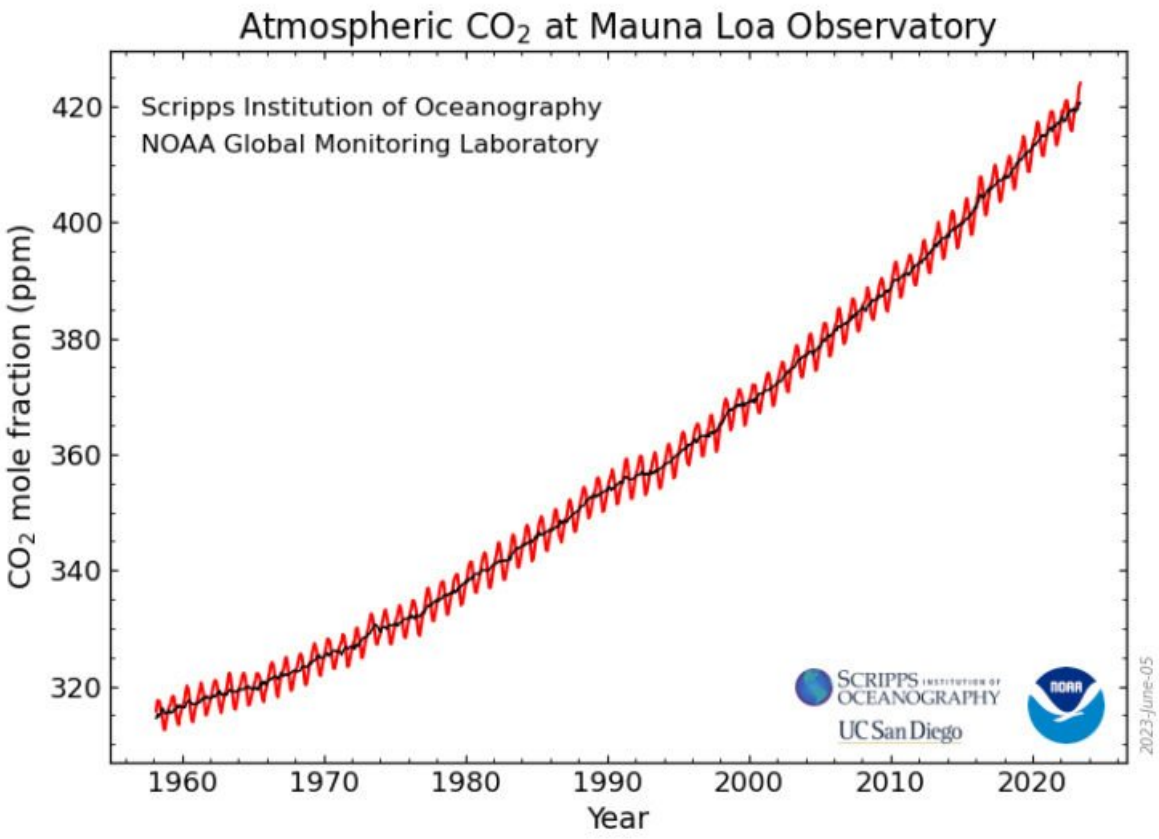
to be the instigators of global warming is lauded and, indeed, subsidised, regardless of its impact on land use, water quality, child labour, and the viability of public transport.

And inequality. Take Norway, which is...

> ...constantly being hailed as a frontrunner in the promotion of electric cars. It is true that there has been a real boom of BEV [battery electric vehicle] sales in the country – due to generous government subsidies. However, the overall picture is not so rosy - one might even consider it tragic. Namely, in 2010, there were 2,308,000 cars, while by 2022 this number jumped to 3,105,000 – in a country with a population of 5.4 million. During this period, the number of internal combustion engine (ICE) cars did not decrease at all. ... Many [Norwegians] think that it would have been more useful to invest more in public transport and encourage cycling and walking. Subsidies for electric cars have also increased social inequalities by primarily benefiting the wealthier individuals who usually bought one or more additional cars to the already existing one(s).
>
> [1]*Electric cars are a dead end*,
> András Lukács
> Aydan Gurbanova, 'The Ecologist', 16 April

There's something really cynical about this. If we are serious about wanting to reduce our impact on the climate, then we need to enact policies that reduce our impact on the climate. We need also to take into account the negative externalities of our policies, not only on distribution (of income or wealth), but also on the environment more generally.

My suggestion is that we focus on the outcomes that we want to achieve, rather than the supposed means of achieving them. [2]The fundamental question is whether we want to change the climate, or to reduce the adverse impacts of climate change. We could, for example, aim for a range of social, physical, biological and financial indicators (insurance claims for instance); all of which must fall within an approved range for a sustained period in order for our climate goal to be deemed achieved. The tunnel vision focus on greenhouse gas emissions won't do anything to bring about such a broad range of goals. In fact, despite vast expenditure of bureaucratic energy, technical advances, coercion and subsidies it's even failing to reduce greenhouse gas emissions:



> 'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From
> [4]*Riding the Climate Toboggan*, John Michael Greer, 6 September

Our scientific knowledge about the impacts of, and optimal solutions to, climate change is constantly expanding, and we need policies that allow for that. My suggestion is that we reward those who achieve an array of meaningful climate-related targets by backing and issuing [5]Climate Stability Bonds. These would stimulate research into, and implementation of the diverse, adaptive approaches that will be necessary to bring about an efficient solution to the climate change problem.

1. https://theecologist.org/2024/apr/16/electric-cars-are-dead-end
2. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
3. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEiilEBjMc0_zrnMBrKyGhwilVpaoqQms8hRSa7eeGJmXkJ6DKzmmaEr_02ASEqt4K2x6ZCGqZwTJVd1XmA8cBqOCf56kQPVLU1Qrav
4. https://www.ecosophia.net/riding-the-climate-toboggan/
5. http://socialgoals.com/climate-change.html

21.4.3 Sitting on the razor's edge (2024-04-29 11:16)

Concluding her recent book on nuclear war, Annie Jacobsen writes:

> Nuclear war is insane. Every person I interviewed for this book knows this. Every person. The whole premise of using nuclear weapons is madness. It is irrational. And yet here we are. Russian president Vladimir Putin recently said that he is "not bluffing" about the possibility of using weapons of mass destruction. North Korea recently accused the U.S. of having "a sinister intention to provoke a nuclear war." We all sit on the razor's edge. [1]Nuclear War: A Scenario, Annie Jacobsen, March 2024

Each step along this razor's edge was taken rationally given the incentives on offer, and historical precedent, which tells us that if someone else, enemy or not, has a decisive weapon in their artillery, then we had better acquire one too. These individually justifiable steps have taken us, collectively, to the brink of nuclear exchange. (The term 'nuclear war' isn't really apt, as it's likely the exchange would take place over hours rather than years.) It speaks to the madness of humanity's current condition that we are at a point where our best hopes for nuclear deterrence lie in having leaders who are, or who appear to be, [2]irrational (pdf).

Where do we go from here? The technology to develop and deliver nuclear weapons (which also doesn't sound right - they're not for fighting, they're for killing whole populations) can't be wiped from our collective memory - except by their use, which would wipe out our collective memory and all of humanity and most other life besides.

Under the current system, while the total number of weapons has shrunk, the number of countries that own them has risen. The knowledge and materials needed to build them are widely, and increasingly, available worldwide. There's little to deter state and non-state actors, from doing their best to acquire them.

[3]Numerous actors *are* making efforts to prevent nuclear proliferation. They aren't, though, rewarded in ways that are linked to their success or otherwise in their mission. This does not mean that they aren't working as hard as they can, nor that they are not sufficiently motivated. It means that they have fewer resources at their command with which to continue with their current efforts and to explore other, perhaps more effective, approaches.

My suggestion is that, with the need for diverse, adaptive approaches, interested governments, NGOs, and others collectively back and issue [4]Nuclear Peace Bonds. These bonds would reward the sustained achievement of nuclear peace, however it's brought about, and whoever helps achieves it. Effectively, the bonds would be paying people to stop other people initiating mass annihilation. It's some
way short of ideal, but it is better than where we appear to be heading. Ms Jacobsen continues:

> What if deterrence fails? "Humanity is just one misunderstanding, one miscalculation away from nuclear annihilation," United Nations Secretary-General António Guterres warned the world in the fall of 2022. "This is madness," he says. "We must reverse course." How true. The fundamental idea behind this book is to demonstrate, in appalling detail, just how horrifying nuclear war would be.

1. https://www.amazon.com/Nuclear-War-Scenario-Annie-Jacobsen/dp/0593476093
2. http://socialgoals.com/Rtimes%20letter.pdf

3. https://en.wikipedia.org/wiki/Nuclear_proliferation
4. http://socialgoals.com/nuclear-peace.html

21.5 May

21.5.1 'Flow-trimming': another deception (2024-05-11 16:51)

George Monbiot writes about UK rivers:

> I'd been wondering how, when [1]more sewage has been entering our rivers than ever before,
> some of the water companies have managed to improve the ratio of the sewage they treat v the sewage that pours untreated from their storm overflows into our rivers and the sea. Now we know. It's called "[2]flow trimming". Sounds innocuous, doesn't it? What it means is that sewage is diverted into rivers and ditches upstream of the water treatment works. By reducing the amount of sewage entering the works, the companies can claim to be dealing responsibly with a higher proportion of it. [3]*The one reliable pipeline*, George Monbiot, 10 May 2024

When goals are narrowly defined, it's easy to get away with stipulating outcomes that do nothing to achieve what society wants to achieve or, worse, that conflict with society's wishes. That's because narrowly defined goals are of little interest to most of us, so are not subject to widespread monitoring. As with much of the regulatory environment, they can be easily manipulated to mislead the public or to stifle competition. 'Flow trimming' is just another example.

My suggestion is that we become more familiar with defining society's environmental and social goals as broadly as possible. So that, instead of meaningless goals such as 'increasing the proportion of sewage entering the plant that's treated', we target indicators that actually *are*, or are *inextricably correlated*, with what we want to achieve. So, we should be targeting 'the health all of our rivers', as exhibited by an array of indicators of ecological well being. The benefits of doing so are not limited to making manipulation more difficult: goals that are too narrowly defined can be achieved by shifting problems from one realm to another. So, for example, the goal of reducing the level of several particular polyfluoroalkyl substances (PFAs - better known as 'forever chemicals') in our rivers could be readily achieved by replacing them with an untargeted set of such chemicals. The goal of improving the health of one river could be achieved simply by relocating a source of pollution to a different river a few miles away.

Expressing our goals in broad, meaningful, terms has advantages other than making our goals less susceptible to manipulation. It makes them more amenable to public participation in their construction and, for many goals, more public engagement in monitoring progress toward their achievement. It means we can more readily formulate long-term goals, so making it easier to optimise resource allocation over time, and providing policy certainty which, again, encourages long-term thinking.

The [4]Social Policy Bond concept would have these, and additional advantages: it would inject market incentives into the achievement of our social or environmental goals, maximising

efficiency as measured, in our example, by improvements in the health of the UK's rivers per pound spent. My work on applying the concept to environmental goals is linked to [5]here.

1. https://www.theguardian.com/environment/2024/mar/27/water-companies-in-england-face-outrage-over-record-sewage-discharges
2. https://www.theguardian.com/environment/2024/apr/20/dirty-secret-insiders-say-uk-water-firms-knowingly-breaking-sewage-laws
3. https://www.monbiot.com/2024/05/10/the-one-reliable-pipeline/
4. http://socialgoals.com/
5. http://socialgoals.com/environment.html

21.5.2 Poor countries have no incentive to deal with climate change (2024-05-23 17:32)

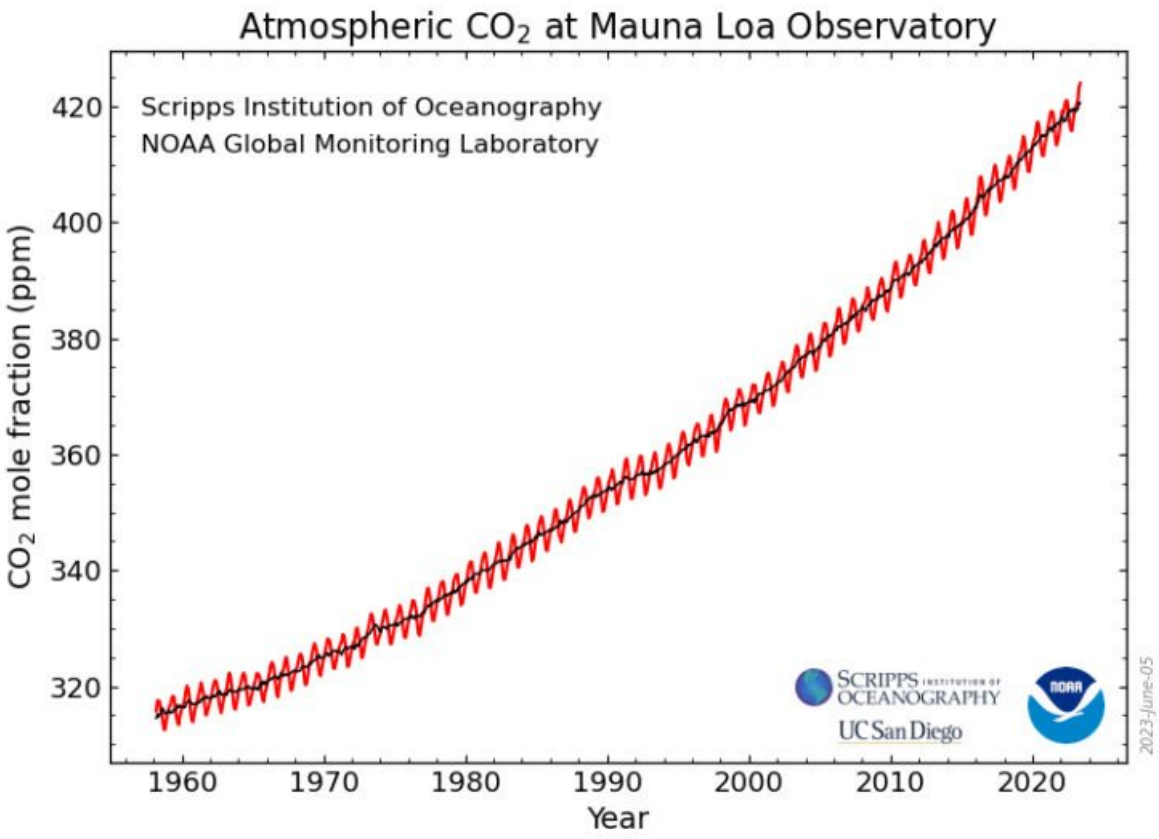
Bjorn Lomborg writes:

> Life for most people on earth is still a battle against poverty, hunger and disease.... Tackling global temperatures a century out has never ranked high among the priorities of developing countries' voters - and without their cooperation, the project is doomed. [1]*When the only problem was climate change*, Bjorn Lomborg, 'Wall Street Journal', 8 May 2024

Sad, but true. The intense focus on climate change and, in particular, greenhouse gas emissions is, I think, unfortunate, in that it's a global problem that requires global cooperation - which is not happening and is not going to happen. National governments should focus on improving the well-being of the people they are supposed to represent; there are plenty of country-level environmental problems that could be solved without the cooperation of other countries: I'd nominate clean water and air, and loss of habitat as a priority for most developed countries, but others will disagree.

But climate change, or climate breakdown, and the problems it gives rise to, is serious. I think it should be addressed by Climate Stability Bonds, which would be issued by a supra-national body, and backed by contributions for national governments, NGOs, and philanthropists. A crucial first step would be to define precisely, exactly what we want to achieve. The fundamental question is whether we want to try to change climate, or to mitigate climate-related adverse impacts on human, animal and plant life. I envisage a range of biological, ecological, financial and social measures would be targeted, all of which would have to fall within an approved range for a sustained period before the global climate stability goal would be deemed achieved, and after which bondholders would be paid. Such a scheme would have big advantages over the current approach, which is extremely expensive and achieving nothing at all: I refer (again) to this graph:

[2]



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From
[3]*Riding the Climate Toboggan*, John Michael Greer, 6 September 2023

I have written about the bonds and their advantages in papers linked to [4]here. For the purposes of this discussion, the one relevant advantage is that, once they have deposited their funds into the bonds' escrow account, governments need not try to persuade, cajole or threaten other governments to help achieve our climate change goals: all necessary actions would be undertaken by a shifting cast of highly motivated bondholders, working with each other in ways that we cannot foresee, over the requisite, long, time period. The bonds would set up a system of cascading incentives: bondholders would do what they can to ensure that, when global cooperation is absolutely required, reluctant national governments would have incentives to comply.

1. https://archive.ph/fVLK4
2. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEiilEBjMc0_zrnMBrKyGhwilVpaoqQms8hRSa7eeGJmXkJ6DKzmmaEr_02ASEqt4K2x6ZCGqZwTJVd1XmA8cBqOCf56kQPVLU1Qrav
3. https://www.ecosophia.net/riding-the-climate-toboggan/
4. http://socialgoals.com/climate-change.html

21.6 June

21.6.1 Outlook: scary (2024-06-07 19:23)

Post number 1397, and as good a time as any to discuss policymaking and Social Policy Bonds. On both counts, I think the outlook is gloomy. I'd be less concerned about the fate of the bonds if there were any sign that policymaking were becoming more responsive to ordinary people's wishes and well-being. I don't see such signs, either in the country in which I'm currently based (the UK) or in the wider world. Government agencies and large organisations of every sort - corporations trade unions, universities, religious bodies, charities, etc - work hand-in-hand to further their own goals, which are very often irrelevant to the interests of the people they are supposed to represent, or actually in conflict with them. This divergence is replicated at the supra-governmental level.

[1]

20 May 2024

Members of the Security Council
observe a moment of silence in the memory of Seyyed Ebrahim Raisi,
President of the Islamic Republic of Iran, aka as the 'Butcher of Teheran'.

[2]Source

The results of this divergence are apparent and disconcerting:

- increasing inequality of income and (especially) wealth within countries, leading to a loss of faith in government in democracies and autocracies alike,
- extreme polarisation of political factions,
- environmental disasters, in the seas, rivers, climate etc, and
- increasing [3]fears of a nuclear exchange.

Decades of all politicians' ignoring the wishes of ordinary people have led to a pervasive [4]nihilism and [5]learned helplessness as nobody thinks they can do anything to improve things at any level above the local.

The aim of Social Policy Bonds is to inject market incentives into the solution of our social problems. But the first essential element was to articulate and prioritise society's goals.

Free, competitive, markets have been manipulated and undermined by big organisations, including government regulatory agencies, but even more crucially, there's little discussion of, or priority given, to society's wishes. Vague suggestions that more economic growth will solve all our problems are made, though even given the narrow definition of growth, as measured (usually) by GDP, the poorest in most western countries have benefited little from decades of it. Politicians, prisoners of their paymasters or their [6]ideology, just don't identify with ordinary citizens.

Realistically, there's almost no chance that anything like Social Policy Bonds will be issued in the near future. There has been some interest in the non-tradeable version (with which I have no involvement) known as Social Impact Bonds or Pay-for-success Bonds, but nobody's made the leap to making them [7]tradeable, which I regard as essential to the achievement of society's goals. My main worry now is about a nuclear exchange. The taboo against threatening use of nuclear weapons has recently been [8]broken; the taboo against their use looks fragile. The other huge challenges - environmental and social - remain, but a sustained absence of a nuclear exchange is a necessary condition for addressing them. My forlorn hope is that some combination of government, NGOs, philanthropists and ordinary people, raise funds that would provide meaningful incentives for people to actually bring about (not simply to 'work towards') world peace. Applying the Social Policy Bond concept to [9]that goal is my suggestion, though I'd welcome any gesture in that direction.

1. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEjv5a2cbCbARlrH5Sm6MXzCTrodQ72LCug5zUBa7xbfUZclwLTLySHkNPXMrcwT1KItT2ANyWIvUNFeHOCLuC2IEKWoiZ5RhdO1XS_
2. https://media.un.org/photo/en/asset/oun7/oun71040637
3. https://www.foreignaffairs.com/united-states/return-nuclear-escalation
4. https://wheatonwire.com/the-crisis-of-meaning-the-roots-of-our-nihilistic-culture/
5. https://thoughteconomics.com/learned-helplessness-in-democracies-and-economies/
6. Germanelitesareputtingtheirideologicalcommitmentsabovetheirowncitizens
7. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3381728
8. https://socialgoals.blogspot.com/2022/04/world-peace-bonds-while-we-have-chance.html
9. http://socialgoals.com/world-peace.html

21.6.2 Social Impact Bonds: tradeability would change everything (2024-06-13 18:29)

I'm not a great supporter of [1]Social Impact Bonds (SIBs), with which I've had no involvement. They came on the scene after my first presentations of Social Policy Bonds and differ in that they are not tradeable. This seemingly minor difference is actually critical, and I've explained why [2]here.

So I agree with most of the aspersions cast on Social Impact Bonds by the authors of the paper excerpted below, which echo my own sentiments expressed [3]here and [4]here. However:

> The introduction of a profit incentive fundamentally alters the relationship between the service provider and user. The principal client

> and dominant stakeholder of any given SIB is its financier, not those who receive the services it finances and whose voice rarely figures into any discussion. The motivation propelling private investment in SIBs is profit or return on investment, rather than assisting or changing the circumstances of citizens in need. ... This does not seem to trouble SIBs' many proponents, who blandly assume that the interests of private financiers can be aligned with the needs of service users, and who are content to see the changing fortunes of citizens instrumentalized as payment triggers. SIBs thereby transform [5]citizens into commodities.... SIBs exemplify the financialization and
> privatization of social and public policy; they reduce the rights of citizens both as service users and as a polity. *[6]A Critical Reflection on Social Impact Bonds*, Michael J. Roy, Neil McHugh, and Stephen Sinclair, 'Stanford Social Innovation Review', 1 May 2018

Social Policy Bonds, being tradeable, can take a very long-term view: they can target goals that will depend on a shifting cast of investors for their achievement. Their goals can be meaningful not only to a clique of financiers, but to the public, who can participate in decisions about which goals shall be targeted and their relative importance. With such transparency about broad social and environmental goals, it is society as a whole who will be the principal stakeholders of a bond regime, and many will also be the direct beneficiaries of such goals as cleaner air, reduced crime rates, or similar large-scale goals that a Social Policy Bond regime can target.

I also think Social Policy Bonds would not lead to undue profits, as implied by the paper and as could readily be made in a SIB regime. It's true that organisations would make profits if they are successful in achieving the targeted goals - that is, those goals that society wishes to see achieved. But, again, tradeability and the ability to target long-term goals, mean that the identity of service providers, whether those invested in the bonds or their agents, can change over time. (See [7]here, for how Social Policy Bonds could lead to a new type of organisation, whose every activity would be aimed at achieving our social goals.)

And, because there would be no barriers of entry into investment in Social Policy Bonds, any profits would tend t o be competed away over time between the bonds' flotation and their redemption after long-term goals have been achieved. There would be profits, but they would not be excessive . I don't agree with the authors of the paper that such profits would transform citizens into commodities, any more than paying teachers or nurses transforms schoolchildren or patients into commodities.

All that said, I think SIBs could play a positive role if they serve as a stepping stone toward Social Policy Bonds. The danger is that their practical disadvantages might discredit the whole idea of contracting out the achievement of broad, long-term social and environmental goals to a protean cast of motivated investors.

1. https://en.wikipedia.org/wiki/Social_impact_bond
2. https://www.alliancemagazine.org/blog/make-social-impact-bonds-tradeable/
3. https://www.socialgoals.com/why-the-bonds-must-be-tradeable.html
4. https://www.socialgoals.com/why-i-don-t-like-social-impact-bonds.html
5. https://books.google.co.uk/books?id=1nlHDgAAQBAJ&lpg=PR1&dq=socialimpactbonds-evidence-basedpolicyorideology&pg=PA263#v=onepage&q=social%20impact%20bonds

6. https://ssir.org/articles/entry/a_critical_reflection_on_social_impact_bonds
7. http://socialgoals.com/new-type-of-organisation.html

21.6.3 AI enters politics (2024-06-18 18:50)

Some early applications of Artificial Intelligence (AI) are being reported. In the UK, Steve Endacott, or "AI Steve" is asking the constituents of Brighton and Hove to submit policy proposals:

> Endacott created the AI candidate's initial platform, for example, and the campaign wants to recruit 5,000 people to be "creators"—these are the folks who will have discussions with the chatbot—to surface potential policies. ...These people, everyday Brighton commuters, will review and rate AI Steve's policies on a scale of 1 to 10. *[1] Source*

I think asking people for their preferred policies is a missed opportunity: we should be asked what are our preferred goals. Policies are a means to an end. Very often they don't achieve their stated goals, or do so inefficiently and in conflict with other goals. For most of us, it's not policies that are important; it's how closely society's goals are met. (I've written to AI Steve along these lines.)

A political application of AI in the US looks more promising. Victor Miller, running for mayor of Cheyenne, Wyoming, has created a chatbot ("VIC") that would call the shots:

> Miller fed VIC the supporting documents - emails, public records, notices - from past Cheyenne Fity Council meetings... By analyzing these documents, Miller says VIC will learn to make policy recommendations, figure what's important and decide how to vote in council meetings. "It's unlikely that a human can read, say, 400-plus supporting documents between meetings," he says, "But VIC can do that[.] *[2]An AI Bot Is (Sort of) Running for Mayor in Wyoming*, Vittoria Elliott, wired.com, 12 June 2024

A possible danger of injecting AI into politics is that it could be used to entrench existing inefficient and opaque policymaking systems by making them easier to work with. My hope is that it can help in the articulation, prioritising and costing of society's goals - a necessary condition for implementing the [3]Social Policy Bond concept.

1. https://www.ai-steve.co.uk/
2. https://www.wired.com/story/ai-bot-running-for-mayor-wyoming/
3. http://socialgoals.com/

21.6.4 Why don't we trust politicians any more? It's (largely) our fault (2024-06-29 17:38)

In her article [1]*Why no one trusts politicians any more*, Camilla Cavendish writes about ways of closing the gap between politicians and the people they are supposed to represent:

The usual proposals - tightening the ministerial code, properly regulating the revolving door between public office and business and stopping abuses of the honours system - would all help. But they will not address the deeper issue of eroding faith in government: the lack of accountability for failure. Financial Times, 29 June 2024

I agree.

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies. *[2]Why States Believe Foolish Ideas: Non-Self-Evaluation By States And Societies* (pdf), Stephen Van Evera, Massachusetts Institute of Technology Political Science Department and Security Studies Program, 2002

Our politicians and bureaucrats can get away with this, because their stated goals are rarely expressed as meaningful, verifiable outcomes. They talk about vague, lofty ideals; or about policies, which are means to ends, rather than outcomes, which are ends in themselves, and which are more difficult to achieve. So low and entrenched are our expectations of our governments that even radical attempts to change things - see my previous [3]post about injecting AI into politics - ask for no more than policy proposals when, in my view, we should be discussing, costing and prioritising policy goals.

That's not the whole answer

Another explanation for why our politicians disappoint is one that perhaps nobody in the media really wants to cite: the very high costs of becoming and being a member of a democratic government. These costs, borne by aspiring politicians *and their families*, include the intense, unceasing and merciless scrutiny of their current and past behaviour, the constant threats to their physical security and consequent the loss of privacy - which will continue when they leave office. The opportunity cost of entering politics has also risen in line with the relatively great financial rewards from alternative professions, such finance, the law, computing. As a result, the pool of potentially highly capable politicians who care about their country has shrunk. We are left with the mediocre, the thick-skinned, the power-seekers, the ideologues and the ones who cannot find employment elsewhere. There remain few who have any appealing long-term vision for their country.

A [4]Social Policy Bond regime could help by taking away some of the powers of these democratic governments. Under a bond regime, governments would continue to do what they can do well: articulating society's wishes and raising the revenue for their achievement; but they would contract out the actual achievement of our goals to investors who would have incentives to achieve them efficiently and quickly. Politicians and officials would lose the power to allocate funding to their favoured bodies. That is a matter of resource allocation which in theory and practice has been shown to be best done by competitive markets.

1. https://www.ft.com/content/25aa771c-b3da-49e0-adc0-d750a917045e
2. https://dspace.mit.edu/handle/1721.1/5533
3. https://socialgoals.blogspot.com/2024/06/ai-enters-politics.html
4. http://socialgoals.com/

21.7 July

21.7.1 Incentives matter - more than we want them to (2024-07-17 16:52)

Theodore Dalrymple writes about the UK's public sector:

> Everywhere one looks, one sees evidence of things not done properly, but nevertheless expensively. It is as if the real purpose of public expenditure were first to assure the pensions of those working, or ever to have worked, in the public sector, and to assure the employment of hordes of consultants, special advisors and the like. With expenditure about 25 per cent lower than Britain's own defence, France has more than 33 per cent more soldiers, more than twice as many tanks, six times as many military satellites, and more ships in its navy. The cost of HS2 to Manchester [from London, a distance of 184 miles] is projected to be more than twice the whole of Spain's entire high-speed railway network (the largest in Europe). While there are good reasons why it is cheaper to build such railways in Spain, they surely cannot explain why in Spain it takes less than 5 per cent of what it costs in Britain to build a mile of such railway. [1]*Corruption legalised*, Theodore Dalrymple, the Salisbury Review, 21 March 2024

The *Consciousness of Sheep* explains why:

> [I]n the immortal words of Upton Sinclair, "It is difficult to get a man to understand something, when his income depends on his not understanding it." That is, if MPs [in the UK] had a financial interest in getting infrastructure projects done, they would do so. The fact that they do not is at best evidence of their turning a blind eye, and at worst of direct collusion. [2]*What would Xi do?*, Consciousness of Sheep, 17 July 2024

Financial incentives matter. Sadly, in my view, more than they should, more than we might want them to. But in our highly aggregated, increasingly diverse and mobile societies, they are almost the only thing that matters. It's a shame, I think, but it's a fact. The [3]Social Policy Bond concept is an attempt to inject financial incentives into the achievement of our social goals, channelling our self-interest into more socially beneficial ends than the mere accumulation of wealth gained by undertaking activities of no or negative social benefit.

In so many areas, the financial incentives to create social problems are immediate, highly visible and (still) socially acceptable. Two examples

- Selling weaponry without which large-scale war would be less likely, is highly profitable, while the rewards and resources on offer to peace makers are nugatory, and unrelated to their success of failure in preventing war.

- The social costs (negative externalities, in economics parlance) of mining, production and consumption are largely imposed on our air, water and land. In former times, such costs of exploitation might have been low, relative both to the planet's capacity to absorb them and to the benefits derived from doing so. But that doesn't apply today, and while we do try to regulate some of the environmental burdens, the incentives to forestall, undermine or ignore such attempts are huge, while the incentives for legislators and those trying to preserve the environment are both low and uncorrelated to their success or otherwise in doing so.

In both [4]war and the [5]environment, and in other policy areas, Social Policy Bonds could be issued that would go some way to rejigging the incentives. The bonds would enhance the rewards to those engaged in achieving our social and environmental goals and, importantly, divert resources away from those creating problems and towards those dedicated to solving them.

1. https://salisburyreview.com/corruption-legalised/
2. https://consciousnessofsheep.co.uk/2024/07/11/what-would-xi-do/
3. http://socialgoals.com/
4. http://socialgoals.com/conflict-reduction.html
5. http://socialgoals.com/environment.html

21.8 August

21.8.1 Funding drug trials (2024-08-02 11:04)

Monika Odermatt writes about the possibility of issuing Social Impact Bonds to fund certain drug trials:

> I had the pleasure of speaking with Dr. Rick Thompson, CEO [of [1]Reboot Rx]... [I asked] him about the
> drug repurposing social impact bond (SIB), the challenges he has
> encountered, and his perspective on the future of SIBs. According to Rick, the following ingredients are key to a successful SIB: flexibility, imagination, and funding. There is a need for flexibility in order to have an open mind and learn from the experiences of other organizations who have worked with SIBs before; imagination in order to overcome hurdles one encounters when trying to implement a SIB, and to find ways to collaborate with other countries and partners; and impact investors to fund the SIB and trials.
>
> [2]*Social impact bonds could fund drug repurposing clinical trials*, Monika Odermatt

I agree, and intend to contact Reboot Rx, along these lines: The flexibility I'd like to see is the sort that would make the bonds tradeable. Finding cures for the rare diseases mentioned is inevitably going to be a long-term endeavour. The incentives on offer should encourage efficient new approaches, and terminate failing approaches. Funds should be channelled into organisations that are most efficient at achieving goals along the way to success; likely to be a multi-step process, in which each step is best taken by organisations with specific strengths. The cast of actors should be flexible enough to encourage efficiency at every stage of the path to success, which means that those who succeed at one step should be able to benefit from the incentives without having to proceed to the next step, in which they may have little expertise.

I've written elsewhere about the need to make the bonds [3]tradeable for long-term goals such as those of Reboot Rx, and other goals that will inevitably take decades to realise. These include [4]nuclear peace and other forms of [5]conflict reduction, [6]climate stability and other [7]environmental goals.

1. https://rebootrx.org/
2. https://rebootrx.org/blog/social-impact-bonds
3. http://socialgoals.com/why-the-bonds-must-be-tradeable.html
4. http://socialgoals.com/nuclear-peace.html
5. http://socialgoals.com/conflict-reduction.html
6. http://socialgoals.com/climate-change.html
7. http://socialgoals.com/environment.html

21.8.2 Why bother with the root causes of anaesthesia - or war? (2024-08-10 20:04)

Saying that we need to find the 'root causes' of our social and environmental problems, in the belief that doing so is necessary to solve them, can be a sincere and necessary position. It can also be a distraction, unnecessary, or a cynical excuse for inaction.

> Despite the widespread presence of clinical anesthesiology in medical practice, the mechanism by which diverse inhalational agents result in the state of general anesthesia remains unknown. *[1]Mechanisms of general anesthesia: from molecules to mind,*
> George A Mashour, Stuart A Forman, Jason A Campagna, Best Pract Res Clin Anaesthesiol 2005 Sep;19(3):349-64.

And even when identifying root causes turns out to be a necessary condition for solving our problems, it needn't be carried out by government. [2]Social Policy Bonds work by rewarding the achievement of a targeted goal; how this is done, and by whom, are not specified - they don't need to be. Even the people who help achieve the goal need not necessarily know why exactly their methods work.

Take violent political conflict. It's still going on, killing, maiming and making homeless millions of people every year. We could spend years analysing past outbreaks of war, but still never get close to identifying root causes in ways that could be usefully be deployed to forestall future

outbreaks. Society is just too complex, diverse and fast-changing. Policymakers should begin by specifying society's desired outcomes, and then put in place ways of rewarding those who achieve them, rather try to identify any root causes. Society and the environment are not like simple chemistry or physics. The entities and their relationships are not static.

A bond regime wouldn't try to identify the root causes of war, which are a moving target anyway. Instead it would start by specifying exactly the outcomes we want to achieve, and then injecting market incentives into achieving those outcomes. The Social Policy Bond principle, applied to [3]conflict, are the means by which I propose we begin to end all war for all time. There are many organisations, staffed by hard-working, dedicated people, already aimed at ending conflict. But their resources and influence are pitiful compared to the scale of the problem. We should acknowledge that our current ways of trying to bring about world peace are insufficient at the global level, and that we need to encourage new approaches. In economic theory, and on all the evidence, competitive markets, of the sort in which Social Policy Bonds would be bought and sold, are the most efficient way of allocating society's scarce resources. Conflict Reduction Bonds would channel the market's incentives and efficiencies into finding cost-effective solutions. They would would increase people's motivation and attract more resources into solving the problem of conflict, and the principle could be deployed to solve our other social and [4]environmental problems. This is not idealism, of the sort that can be put into a box and hence ignored: it's giving incentives to motivated people to find solutions and rewarding only those who succeed in doing so.

1. https://doi.org/10.1016/j.bpa.2005.01.004
2. http://socialgoals.com/
3. http://socialgoals.com/conflict-reduction.html
4. http://socialgoals.com/environment.html

21.8.3 Avoiding Armageddon - an alternative approach (2024-08-17 17:45)

The *Economist* asks W*hat if South Korea got a nuclear bomb?* 'Public support is high....' and, after all,

> North Korea is believed to have dozens of nuclear weapons; its arsenal is already projected to grow into the hundreds by the end of this decade. ...Detractors counter that the [Korean] peninsula will inevitably become a much more dangerous place if South Korea goes nuclear. ....Untested leaders on both sides of the border will have their fingers on the nuclear trigger. The finale of this drama could see them stumbling into Armageddon. *[1]What if South Korea got a nuclear bomb?*, 'Economist', 17 August

'[T]hem or 'us'? Because a nuclear exchange would be a global catastrophe, even it it did not spark a wider conflict. How are we, that is, the non-existent 'international community', going about reducing the probability of a nuclear conflict? It's a subjective view, but I'd say we're failing. Along with everyone else in the world, I can't see how we could convince those in control of nuclear weapons not to use them. What I can suggest is that we put in place incentives that would reward people who can achieve a sustained period of nuclear peace. If there are such incentives in place today, they're too meagre, because they're not working.

We can’t yet identify the best approaches to nuclear peace, but we can encourage people to research, experiment and follow such approaches.

Ideally, we’d also channel the market’s efficiencies into efforts to bring about nuclear peace. We can do this, I suggest, by issuing [2]Nuclear Peace Bonds. These bonds would be redeemable for a fixed sum only when nobody detonates a nuclear device that immediately kills, say, 100 people; such a period of nuclear peace to be sustained for, say 30 years, before the bonds would be redeemed. Backed by a combination of governments, non-governmental organisations, philanthropists and ordinary people, they would encourage a number of peace-generating approaches. Some would be less promising than others: the way the market for the bonds would work means that these efforts would be terminated and resources diverted into the more promising initiatives.

A Nuclear
Peace Bond regime would reward those who achieve peace, whoever they are and however they do so. It’s an admittedly unconventional approach. In its favour is that the funds used to back the bonds could be payable only if the bonds succeed, and nuclear peace reigns. And, the relevant question is: what is the alternative? The current approach has brought us to the brink of nuclear catastrophe. The taboo against
threatening the use of nuclear weapons has already been [3]broken. It now appears inevitable that, unless we actively support and *pay for* nuclear peace, the taboo against their use will also be broken. It’s now time to encourage and reward diverse,
adaptive and *successful* ways of dealing with the looming nuclear threat.

1. https://www.economist.com/asia/2024/08/15/what-if-south-korea-got-a-nuclear-bomb
2. http://socialgoals.com/nuclear-peace.html
3. https://thebulletin.org/2022/03/read-the-fine-print-russias-nuclear-weapon-use-policy/

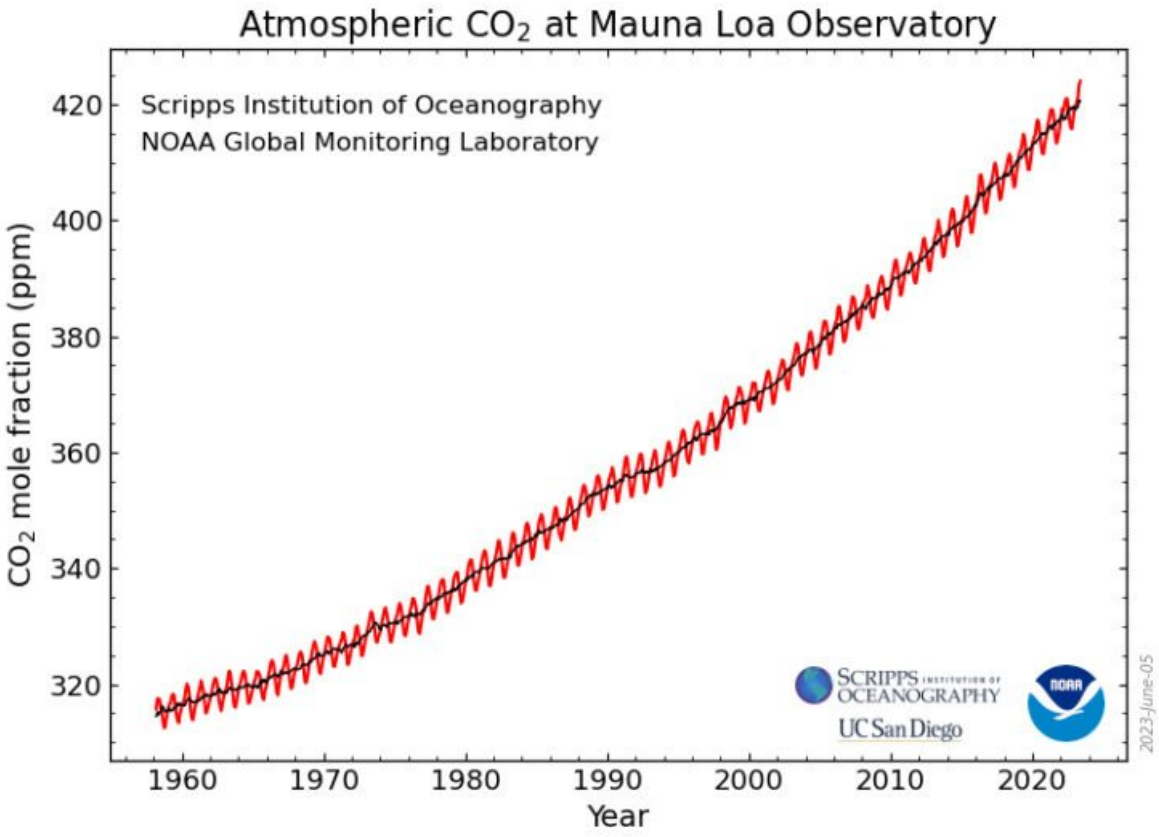
21.8.4 Most environmental and social policies are ineffective (2024-08-31 19:08)

[1]*New Scientist* says it bluntly, but truthfully:

Most climate policies aren’t effective

I have been suggesting for [2]many years now that, instead of enacting policies that are entirely focussed on cutting emissions of those gasses thought to contribute to climate change, we should be clear exactly what outcomes we wish to see, and then reward the people who do actually achieve those outcomes. Instead we have an array of divisive, expensive policies, such as subsidising the substitution of one type of car for another, that have done nothing to affect the climate. Even in their own terms - cutting greenhouse gas emissions - they have failed in their ostensible purpose:

[3]



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From
[4]*Riding the Climate Toboggan*, John Michael Greer, 6 September

If we were serious about tackling climate change we'd first answer the [5]fundamental question: do we want to stop the climate changing, or do we want to mitigate adverse events caused by the climate? Then we'd admit that, while we don't really know how best to achieve either of these outcomes, we do know that a multitude of diverse, adaptive approaches will be required. Then we'd put in place incentives for people to research, experiment, refine and then implement these approaches, terminate those that are ineffective, and invest in those that are most promising.

The problem is a wider one in the public sector: we do not express policy goals in terms of broad outcomes that are meaningful to ordinary people. Instead we put resources into existing institutions, which have their own agendas, top of which is usually self-perpetuation. These agendas may have little to do with the institutions' stated purpose, still less to do with bringing about meaningful improvements in environmental and societal well-being.

So we end up with the climate change bandwaggon, on which hordes of well-meaning, hard-working (for the most part), people are working in bodies whose finance depends on their carrying out specified activities, rather than actually improving the environment or society's well-being. Companies in the private sector - those that operate in a competitive market - don't have that luxury. When they fail, they go out of business. A [6]Social Policy Bond approach,

applied to the climate or to other goals, would impose such discipline on organisations that work in the public sector. Achieve what society wants you to achieve, and be rewarded. Fail and you disappear. It's not as harsh as it sounds, as everyone ultimately depends on our environmental and social policies being effective.

1. https://www.sciencedirect.com/science/article/abs/pii/S0262407924015537
2. http://socialgoals.com/climate-change.html
3. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEiilEBjMc0_zrnMBrKyGhwilVpaoqQms8hRSa7eeGJmXkJ6DKzmmaEr_02ASEqt4K2x6ZCGqZwTJVd1XmA8cBqOCf56kQPVLU1Qrav
4. https://www.ecosophia.net/riding-the-climate-toboggan/
5. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
6. http://socialgoals.com/

21.9 September

21.9.1 Bypass the generals and politicians: target nuclear peace (2024-09-12 12:44)

How do we get to the point at which the US has 14 US Ohio-class submarines, each one of which has the destructive power of 1250 Hiroshima bombs? It's a complicated, expensive, extremely dangerous way of achieving ...what exactly? I'm not singling out the US here: all countries are doing it. What I'm getting at is the disconnect between the stated goals of policies - in this case, presumably, national security - and the likely results of the way we go about achieving them.

As with other social and environmental problems, we really don't know the most efficient and effective ways of ensuring national security. But our decisions as to who gets to choose these ways embody the assumptions that the military, especially those generals who fought previous wars, are those who know best. I believe that there could well be other, less potentially disastrous, ways of achieving the security that we all yearn for, and that we should explore those ways. Actually, we can go further back and ask: who chooses the choosers? Those who delegate national security to the military are invariably politicians whose expertise lies in the acquisition and retention of power.

I suggest we explore alternatives; or rather, that we put in place incentives that would encourage people to explore alternatives. A goal that we should target immediately is, in my view, sustained nuclear peace. It's one that probably everyone on the planet would like to see, and one whose achievement or otherwise is easy to monitor. If it's a priority at all, it's one that only a few dedicated people have as their vocation and for which they receive derisory funding.

By backing [1]nuclear peace bonds, a combination of governments, non-governmental organisations, philanthropists and ordinary people could increase the rewards to existing bodies working to achieve nuclear peace, but also increase the resources available for them - and, crucially, others - to work with in support of the nuclear peace goal. It would be up to highly motivated investors in the bonds to research, experiment and eventually implement the ways in which they best think nuclear peace could be achieved and sustained. To be sure, they might decide that the best way of doing so is for big countries to pile up masses of nuclear destructive potential and hope that nothing goes wrong. But they might also look

into alternative approaches that pose less danger and that are being neglected by those who currently make all the relevant decisions.

We might then look at other social problems, and decide to target those directly, rather than via politicians and so-called experts working in organisations whose interests invariably [2]differ from those of society.

So, if we want to raise literacy, why not target [3]literacy directly? If we want to reduce [4]crime, why not reward people for reducing crime, however they do so? If we want to improve the [5]environment, why not target the well-being of human, plant and animal life? In short, why not target outcomes, rather than activities, institutions, inputs or outputs, and let the most effiicient operators, be they public- or private sector, rather than the taxpayer, be penalised for failure? Such would be the effect of a [6]Social Policy Bond regime.

1. http://socialgoals.com/nuclear-peace.html
2. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
3. http://socialgoals.com/women-s-literacy.html
4. http://socialgoals.com/crime-.html
5. http://socialgoals.com/environment.html
6. http://socialgoals.com/

21.9.2 Finance, like dog food advertising, is a low priority (2024-09-14 10:30)

Social Policy Bonds are intended to channel our ingenuity and ever more impressive technology into achieving our social and environmental goals. I often suggest that many of the activities into which we currently devote boundless energy and resources are socially useless or in conflict with society's wishes. It is not only the relatively minor indulgences that somehow win society's approval against which I inveigh: [1]advertising dog food for example, but such far more consequential resource sinks, such as nuclear weaponry (see my [2]previous post), or finance:

> That's finance. The total value of all the economic activity in the world is estimated at $105 trillion. …The value of the financial derivatives which arise from this activity – that's the subsequent trading – is $667 trillion. That makes it the biggest business in the world. And in terms of the things it produces, that business is useless. It does nothing and adds no value. It is just one speculator betting against another and for every winner, on every single transaction, there is an exactly equivalent loser. *[3]For Every Winner a Loser: What is finance for?*, John Lanchester, London Review of Books, 12 September 2024

We ought not to condemn those who choose financial trading as a career, whatever the net results of their
collective actions. These people are reacting rationally to the
incentives on offer. As Mr Lanchester says:

> [I]n our society the classic three ways of making a fortune still apply: inherit it, marry it, or steal it. But for an ordinary citizen who wants to become rich through working at a salaried job, finance is by an enormous margin the most likely path. And yet, the thing they're doing in finance is useless.

It's the incentives that are perverse, directing our efforts into socially useless, or worse, activities. One way of re-jigging the incentives would be to issue [4]Social Policy Bonds, which would inextricably link the rewards gained by efficient resource allocation to the achievement of our social goals. These non-interest bearing bonds would be redeemable for a fixed sum only when a specified social goal. These goals would be broad and, importantly, meaningful to ordinary people, who could thereby participate in which goals would be chosen, and which would have higher priority. Such goals could include: reduced [5]crime, an improved [6]environment or, at the global level, [7]nuclear peace, or a reduction in adverse [8]climatic events.

A Social Policy Bond regime would allow us to target broad global and national goals explicitly, while channeling the market's efficiencies into the best use of our limited resources. Given that the survival of the planet itself is [9]under threat, I think the case for such targeting is a strong one, even if financial markets lose a fraction of their liquidity in order for us to get there.

1. https://www.petfoodindustry.com/news-newsletters/pet-food-news/article/15458151/creator-of-freshpet-petfood-ads-wins-award
2. https://socialgoals.blogspot.com/2024/09/bypass-generals-and-politicians-target.html
3. https://www.lrb.co.uk/the-paper/v46/n17/john-lanchester/for-every-winner-a-loser
4. http://socialgoals.com/
5. http://socialgoals.com/crime-.html
6. http://socialgoals.com/environment.html
7. http://socialgoals.com/nuclear-peace.html
8. http://socialgoals.com/climate-change.html
9. http://www.amazon.com/Our-Final-Century-Survive-Twenty-first/dp/0434008095

21.9.3 Uncertainty is not an excuse for inaction (2024-09-19 16:17)

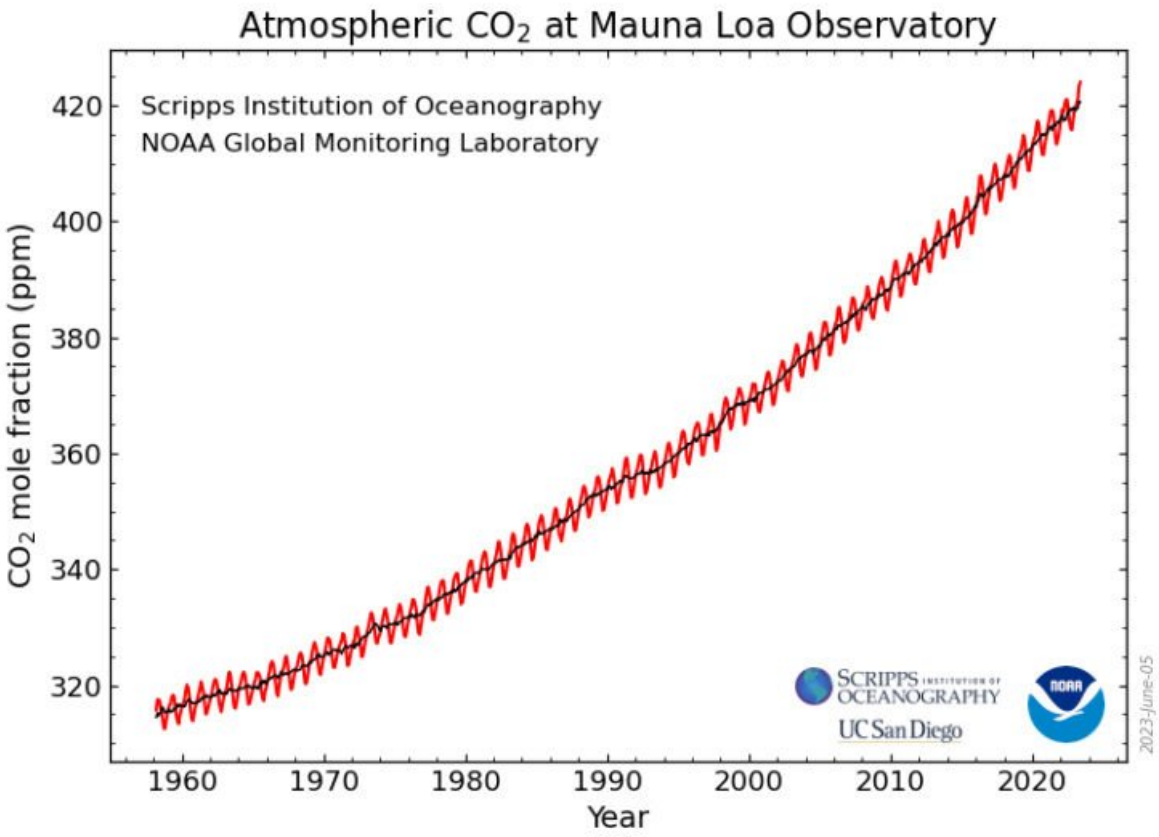
We need to recognize our limited knowledge. We don't know how best to solve many of our social and environmental problems. With some problems, we do acknowledge our limited capacity; war, for instance, has been thought to be an intractable aspect of our species, so that efforts to reduce it are sporadic, regional, incoherent and mostly ineffectual.

Similarly with climate change. We feel the need to 'do something' and so we use the tools at our disposal. With climate change, the main tool is ossified science. We know that our knowledge of the scientific relationships between our activities and the climate is not complete, yet we make policy as if it were. Most our efforts to reduce the pace of climate change are directed at reducing our emissions of greenhouse gases. It was only the Kyoto Protocol of 1997 that targeted for reduction gasses other than carbon dioxide, some of which, fluorinated gases for instance, are extremely potent.

There's a case for saying that the multitude of policies supposedly aimed at combating climate change are made cynically, and that they really have no such intention. Hence:

A [1]paper published in Science last month reviewed 1,500 climate policies around the world, and found that only 63 have delivered significant benefits. *[2]Perception-ware*, George Monbiot, 19 September 2024

With the predictable outcome:



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From
[3]*Riding the Climate Toboggan*, John Michael Greer, 6 September 2023

But just because our knowledge of the causes of climate change is incomplete, that is not a reason for inaction or - the chosen course - for making ineffective policy. We don't have to wait for certainty. My suggestion is that, instead of basing policy on fossilised and incomplete science, we target our desired climate goal. This could be expressed as an array of quantifiable outcomes, each one of which would have to fall within a targeted range for a sustained period, before the goal would be deemed achieved. And once it has been achieved, and only then, the people who helped achieve it would be rewarded. The outcomes targeted could be physical (eg, temperatures), social (eg people made homeless by adverse climatic events), ecological (eg fates of keystone species), or financial (eg insurance rates for homes in developed

countries). I suggest that governments, in conjunction with non-governmental organisations, philanthropists and others back Climate Stability Bonds, which would provide funds for the redemption of the bonds once the targeted outcomes had been achieved. The main advantages of such the bonds would be:

- the bonds would supply incentives for investors to explore, investigate and implement diverse, *adaptive* solutions to the climate change problem; and
- the bonds would use market incentives to motivate people to be efficient in their pursuit of successful solutions.

For links to much more about Climate Stability Bonds, see [4]here.

1. https://www.science.org/doi/10.1126/science.adl6547
2. https://www.monbiot.com/2024/09/19/perceptionware/
3. https://www.ecosophia.net/riding-the-climate-toboggan/
4. http://socialgoals.com/climate-change.html

21.10 October

21.10.1 Useless organisations (2024-10-07 12:17)

Adam Kogeman writes to the *Economist:*

> [T]he UN does some good through the provision of humanitarian aid, but it is a net negative contributor to global peace and prosperity. [It] prevents no conflicts and brings about no peace. Millions of Rwandans, Ukrainians, Sudanese, Lebanese, Syrians, Iraqis and Israelis, among others, can attest to that. It doesn't follow through on its grandiose but unserious pledges to heal the environment and improve the lot of the world's poorest. It provides diplomatic cover to the world's worst human-rights abusers and physical cover to terrorist groups. It is consumed by a rabid obsession with denigrating the world's only Jewish state. ...America's occasional inability to hold sway at such a compromised, ineffectual institution is a reflection of the UN's dysfunction and illegitimacy, not an indictment of its unmatched geopolitical influence. [1]Letter to the editor, Adam Kogeman, the Economist, 26 September 2024

Whatever their founding intentions, I believe that every institution, be it public- or private-sector, including government (at any level), trade union, church, university, charity or large corporation, eventually, inevitably, becomes consumed by one over-arching goal: self perpetuation. Vested interests get bedded in, acquiring the power to oppose meaningful reform. (See one of my previous posts [2]here about how, despite the many efforts of many organisations to reduce greenhouse gas emissions, nothing has been achieved.)

> [T]the National Institute on Drug Abuse in Washington has sometimes claimed greatly to have advanced human understanding of addiction, largely thanks to itself, at the same time as the country in which it is

> located has suffered from an unprecedented epidemic of deaths from overdose—of drugs of addiction. The total of these deaths far exceeds that of all American military deaths since the end of the Second World War, two major wars included. ...The vast increase in the study of crime has not resulted in the diminution of crime, on the contrary, though it has certainly increased the number of criminologists. ... Another field of study whose academics and practitioners have made claims to great strides in understanding is psychology. This study too has undergone a vast expansion, indeed out of all recognition. Psychology is now the third most popular subject in American colleges and universities, and no doubt elsewhere as well. ...Despite unprecedentedly large numbers of psychologists, the psychological condition of the population does not seem to have improved. [3]Finding a cure for psychology, Theodore Dalrymple, Quadrant, 30 September 2024

Whereas large private-sector corporations at least, in theory, are subject to the discipline of the market (which they do their best to undermine), those organisations whose supposed goals are to solve our social and environmental problems face no such restraint. All of which means, to me, that we need a new type of organisation: ones whose every activity is dedicated to achieving their stated goals. A [4]Social Policy Bond regime, targeting broad, long-term goals, would lead to the creation of such organisations. They'd be driven entirely by financial incentives, which need not be as mercenary as it sounds. We pay people to teach, for example, or to care for people, but that doesn't mean those professions should be regarded with the disdain that many feel when the concept of paying people to achieve social goals - a la Social Policy Bonds - is mentioned.

A bond regime would work by raising funds to pay investors in the bonds only when a targeted social goal had been achieved. Incentives would cascade down from investors to all those contracted to work to achieve the goal. In the long run, a new type of organisation would evolve with the sole function of funding the most promising approaches to achieving the goal and, importantly, terminating those that are failing. Payment is thus inextricably linked to achievement of the goal. For more about such an organisation see [5]here.

1. AdamKogeman
2. https://socialgoals.blogspot.com/2024/08/most-environmental-and-social-policies.html
3. https://quadrant.org.au/magazine/astringencies/finding-a-cure-for-psychology-anthony-daniels/
4. http://socialgoals.com/
5. http://socialgoals.com/new-type-of-organisation.html

21.10.2 Climate and the environment: it could have been so different (2024-10-11 17:10)

Several years ago Michelle Nijhuis reviewed [1]*Losing earth: the decade we almost stopped climate change*, by Nathaniel Rich. She wrote about missed opportunities to address climate change in the 1980s. In 1980 the US National Commission on Air Quality convened a meeting of climate and energy:

> [W]hen it came time to commit to specific solutions, the experts began to hesitate. China, the Soviet Union, and the United States were all accelerating coal production; [President] Carter was planning to invest $80 billion in synthetic fuels. Proposed laws or regulations would focus attention on the costs of emissions reduction, instantly politicizing the issue. "We are talking about some major fights in this country," said the economist Thomas Waltz. "We had better be thinking this thing through." By the third day, Rich recounts, the experts had abandoned solutions and were even reconsidering their statement of the problem, loading it with caveats. (Were climatic changes "highly likely" or "almost surely" to occur? Were said changes of an "undetermined" or "little-understood" nature?) In the end, the meeting's final statement was weaker than the language the commission had used to announce the workshop .... *[2]Early warnings*, Michelle Nijhuis, New York Review of Books, 27 June 2019

Then, as now, politicians' priority is to avoid difficult 'fights'. Much easier to move on to other, less contentious, issues.

One of the advantages of [3]Social Policy Bonds is that they put in place positive incentives. They channel self-interest into the public good. Sure, bondholders could lobby in favour of public funds being diverted to their target goal, but there is nevertheless a presentational advantage. With [4]Climate Stability Bonds, people would be rewarded for avoiding climate change and its negative impacts. The climate goal could be expressed as a range of physical, ecological,
financial and social indicators, all of which would have to fall into an approved range for a sustained period before the bonds would be redeemed. Importantly, the bonds could work well regardless of whether people believe or disbelieve (or say they disbelieve) that the climate is in fact changing. As with other goals that Social Policy Bonds could target, what matters is that the goal is achieved, not the effort required to achieve it, which means that, if the climate were somehow to revert to that deemed to be acceptable, bondholders would be paid out, even if they merely held the bonds and hoped for that outcome. Of course, if a bond regime were to target a goal seen as likely to be achieved, the float price of the bonds would be close to their redemption value.

I say all this knowing that it's unlikely Climate Stability Bonds are ever going to be issued. They would require a huge redemption fund, backed by governments the world over, and there's no will now for such an initiative. The missed opportunities abound also for other environmental issues. Thus, the current *Economist* tells us that:

> One study found the average size of wildlife populations had shrunk by 95 % since 1970 in Latin America and the Caribbean - more than in any other region of the world. [5]*The drug lords' side-hustle: smuggling macaws, jaguars and frogs*, the Economist, 10 October 2024

It's to be expected that vested interests will oppose policies that threaten their short-term financial goals. It's more of a tragedy that those who should be showing leadership back down in the face of such opposition. The Social Policy Bond principle, with their focus on rewarding meaningful social and environmental outcomes, could help, but inspired leadership would still be required. I'm not holding my breath.

1. https://www.amazon.com/Losing-Earth-Decade-Stopped-Climate/dp/1529015820
2. https://app.nybooks.com/2019/06/06/early-warnings/content.html
3. http://socialgoals.com/
4. http://socialgoals.com/climate-change.html
5. https://www.economist.com/the-americas/2024/10/10/the-drug-lords-side-hustle-smuggling-macaws-jaguars-and-frogs

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21.10.3 Now let's try to solve terrestrial problems (2024-10-22 15:40)

The *Economist* explains how NASA is reducing costs and enhancing efficiency in space exploration:

> Over the past ten years NASA has started to move away from the time-honoured model which sees it tell private industry exactly what it wants built and then pay the price, with a handsome guaranteed profit added on. Instead NASA tells companies what it wants done; lets them say how they would do it, how much new stuff they will have to develop and what that will all cost; and then offers fixed-price contracts to the best bids. The enlightened goal is to build up a thriving competitive market in such services. *[1]SpaceX is NASA's biggest lunar rival*, the 'Economist', 17 October 2024

This is exactly the model I've been advocating for many years: stipulate the outcome and let market incentives decide who shall achieve it and how they do so. As it's working successfully for space exploration maybe we could think about applying it to terrestrial problems. I'm not sure why we don't. It could be that the politicians and bureaucrats who control spending on social and environmental problems are reluctant to relinquish the power to determine which bodies receive government funding and how they go about achieving our goals. But they would still have the remit to help articulate society's goals and raise the revenue for their achievement. Democratic governments are quite effective in doing those things, but they will persist in dictating both which bodies receive their funding, and how they are to go about achieving our social and environmental goals. That model can work well when the causes of our social problems are easy to identify, but it's less successful when our problems are inescapably complex and long term in nature. Such problems include crime, poor health, climate change and - most deadly of all - war. They probably all require a wide range of diverse, adaptive approaches to their solution, and these are exactly the approaches that government cannot follow. Nor can any single conventional organisation, whose stated goals inevitably get forgotten over time in favour of self perpetuation.

[2]Social Policy Bonds would do what NASA's doing: contract out the achievement of our long-term social and environmental goals to investors in the bonds, who would have incentives to co-operate with each other with the sole aim of achieving these goals. When the bonds are issued, I envisage that a [3]new sort of organisation will form, whose every activity will be devoted to maximising the efficiency with which investors solve, or pay others to solve, society's problems. Society's goals and those of investors would exactly coincide.

1. SpaceXisNASA%E2%80%99sbiggestlunarrival
2. http:/socialgoals.com
3. http://socialgoals.com/new-type-of-organisation.html

21.10.4 Climate change policy: another way of subsidising the rich (2024-10-30 19:22)

I will persist in believing that, if governments were serious about doing anything to combat climate change, they'd target for reduction some of the adverse impacts of climate, and either legislate appropriately, or put in place some incentives that would help mitigate those impacts. That they are not serious, can be clearly seen by the UK Government's Zero Emission Vehicle (ZEV) mandate, which...:

> ...sets out the percentage of new zero emission cars and vans manufacturers will be required to produce each year up to 2030. [Eighty] % of new cars and 70 % of new vans sold in Great Britain will now be zero emission by 2030, increasing to 100 % by 2035. [1]Source

There are some loopholes, of course:

> If a manufacturer fails to meet this target, it could be fined £15,000 per car it sells that's outside the allowance. This is unlikely to happen, though, as there are several ways to avoid this. Non-compliant manufacturers can buy 'credits' from manufacturers that do comply, for example. Manufacturers that do comply can also 'bank' sales that can be traded in years where they may not comply. This system was introduced in 2023 as a part of the ban on fossil-fuel powered cars being pushed back from 2023 to 2035. [2]EV bargains: why some nearly new electric cars are being heavily discounted, 'Which? News', 25 October 2024

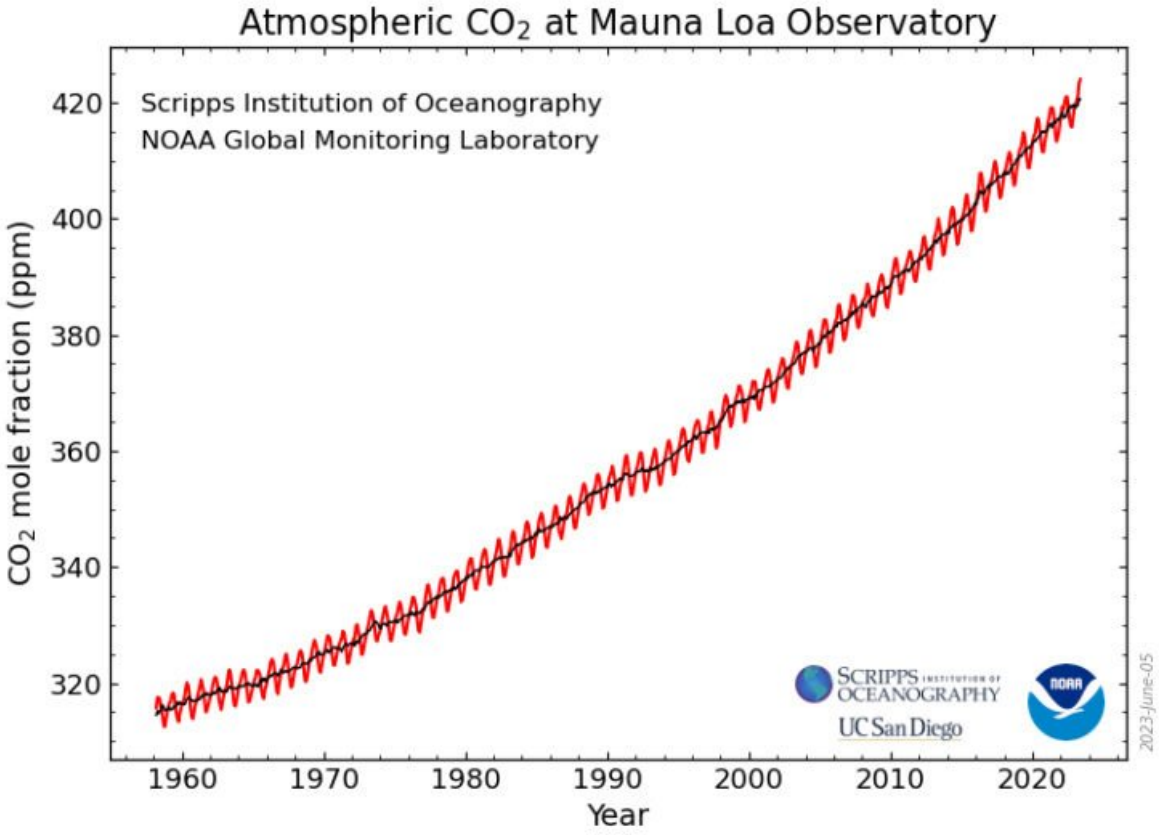
and subsidies to that fortunate part of the population that can afford to own cars and vans:

> The government's schemes to lower the upfront and running costs of owning an EV [Electric Vehicle] includes the plug-in van grant of up to £2,500 for small vans and £5,000 for large vans until at least 2025 and £350 off the cost of homeplace chargepoints for people living in flats. [3]EV bargains: why some nearly new electric cars are being heavily discounted, 'Which? News', 25 October 2024

This is the usual complex, faintly corrupt, totally ineffectual policy that, sadly, is the norm. It might do something to change the ratio of EVs to other vehicles, but it is guaranteed to do nothing positive for the climate. Our politicians are more concerned with placating large corporations (those that make, sell and service vehicles), and motorists; and, as in agriculture (just one example), continuing to transfer funds from the poor to the wealthy. At least there's some consistency: amidst the tax hikes announced in the UK's budget today, we read that:

> Fuel duty stays frozen
>
> Rates on fuel duty – a tax included in the price you pay for petrol, diesel and other fuels – will be kept the same in the next financial year. The temporary 5p per litre cut introduced in 2022 will remain for one more year. [4]Autumn Budget 2024, 'Which? News' 30 October 2024

What would a meaningful attempt to combat climate change look like? First, we'd have some idea of what we want our policies to achieve. My thinking is that our goals would be expressed as an array of scientific, social and financial indicators of the climate and its impacts, each of which would have to fall within an approved range for a sustained period before they could be deemed achieved. What we have today is an exclusive focus on atmospheric composition. The plethora of policies supposedly aimed at influencing that over the years have had precisely zero effect:



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From

[5]*Riding the Climate Toboggan*, John Michael Greer, 6 September 2023

For my suggestion as to how we can combat climate change or its adverse impacts on plant, animal and human life, please see the papers linked to

[6]here

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1. https://www.gov.uk/government/news/pathway-for-zero-emission-vehicle-transition-by-2035-becomes-law
2. https://www.which.co.uk/news/article/ev-bargains-why-are-some-nearly-new-electric-cars-being-heavily-discounted-aVjuZ4v1e0sM
3. https://www.which.co.uk/news/article/ev-bargains-why-are-some-nearly-new-electric-cars-being-heavily-discounted-aVjuZ4v1e0sM

4. https://www.which.co.uk/news/article/autumn-budget-2024-when-is-it-and-what-will-it-contain-aigiU1B4OmeE?mi_u=217328524&mi_ecmp=M_EM_AutumnBudget__20241030
5. https://www.ecosophia.net/riding-the-climate-toboggan/
6. http://socialgoals.com/climate-change.html

21.11 November

21.11.1 The tragedy of the Common Agricultural Policy (2024-11-11 18:03)

All countries have bad policies. What matters is whether we have systems in place that will reform or abolish them. Few policies are as unambiguously bad as the rich countries' agricultural policies.

1. They are capitalised into land values, thereby intensifying agriculture, and so worsening the environment and animal welfare, as well as making the entry of young people into farming impossible.
2. They benefit wealthy landowners at the expense of consumers, taxpayers and food-rich developing countries.
3. They generate overproduction of [1]unhealthy products, which are then disposed of to the detriment of people's health.

These policies have been widely challenged for [2]decades; there's been some tinkering but, we still see, focusing on point (2):

> [3]Revealed: billionaires are 'ultimate beneficiaries' linked to €3bn of EU farming subsidies
>
> Thousands of small farms have closed according to analysis of official but opaque data from EU member states. ...The European Union gave generous farming subsidies to the companies of more than a dozen billionaires between 2018 and 2021... including companies owned by the former Czech prime minister Andrej Babiš and the British businessman Sir James Dyson. Billionaires were "ultimate beneficiaries" linked to €3.3bn (£2.76bn) of EU farming handouts over the four-year period even as thousands of small farms were closed down, according to the analysis of official but opaque data from EU member states. ..."It's madness," said Benoît Biteau, a French organic farmer and MEP for the Greens in the last European parliament. "The vast majority of farmers are struggling to make a living." Ajit Niranjan, the *Guardian*, 3 November 2024

The stated objectives behind these corrupt policies sound grand: to secure the food supply (with huge quantities of imported oil) and, laughably, to protect the family farm.

Perhaps the most important advantage of a [4]Social Policy Bond regime would be that politicians would have to bind the financing of their policies inextricably to their stated goals. Under the current systems, they can get away with burying the actual goals (transferring money from the poor to rich individuals and, increasingly, corporations), under grandiose rhetoric and reams of legislation and regulation. Under a Social Policy Bond regime, policy outcomes and financing for their achievement would be exactly congruent. Unfortunately, the lobbies that resist reform can afford to do so precisely because of the subsidies they receive. So much so that, as Mr Niranjan points out:

> The EU gives one-third of its entire budget to farmers through its common agricultural policy (Cap), which hands out money based on the area of land a farmer owns rather than whether they need the support.

Agriculture is one sector with which the governments have enmeshed themselves for decades. Government involvement, though, need not be corrupt nor corrupting. A bond regime could ensure that governments would intervene to bring about only the outcomes that are supported by a consensus of the people they are supposed to represent.

1. https://www.learnliberty.org/blog/how-government-subsidies-encourage-bad-diets/
2. http://socialgoals.com/vetscrip.html
3. Revealed:billionairesare%E2%80%98ultimatebeneficiaries%E2%80%99linkedto%E2%82%AC3bnofEUfarmingsubsidies
4. http://socialgoals.com/

21.11.2 The corruption of every body (2024-11-19 18:41)

The current *Economist* writes about the militias and gangs in Brazil:

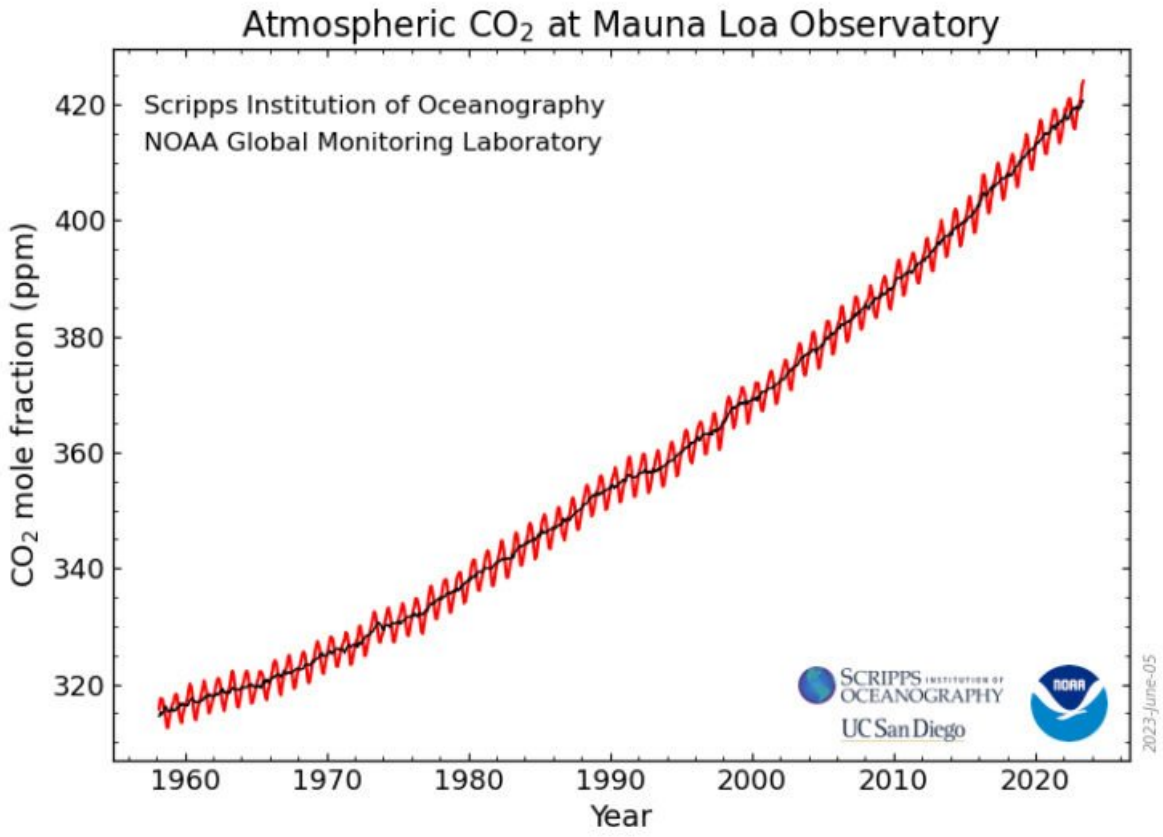
> Founded by former policemen, Rio's militias gained prominence in the 1990s by hunting down drug traffickers, winning the support of terrified residents and forging links with local politicians. Yet today they extract a security tax in areas they control and charge residents for access to gas, internet, transport services and electricity. More recently, they have started trafficking the drugs themselves. Brazil's criminal groups are walking the militias' path in reverse. Gangs are increasingly funding politicians, paying off local prosecutors and bureaucrats, and laundering their assets through the legal economy. *[1]Brazil's gangsters have been getting into politics,* the 'Economist', 14 November 2024

At any scale above the smallest, we rely on organisations, be they public- or private-sector, to solve our social and environmental problems. However, organisations, once they've been going for a while, tend to develop priorities other than, and often in conflict with, their stated goals. Their over-arching goal becomes [2]self perpetuation. It happens to all types: not only government bodies and Rio's militias, but also to religious organisations, trade unions, political parties etc.

Which is why I advocate a [3]new type of organisation: ones whose structure and composition are entirely subordinated to their stated objective. Under a [4]Social Policy Bond regime, investors in the bonds would form a protean coalition, whose every activity would be devoted to achieving verifiable outcomes. Those outcomes, at the national level, could include, reduced [5]crime, and better physical and mental [6]health. At the global level, we aim to improve the [7]environment, reduce [8]climate change (or its adverse impacts) or, more ambitiously, we could aim to bring about [9]world peace.

There are plenty of organisations ostensibly devoted to these goals, but my contention is that they too frequently lose sight of their original intentions, despite their being staffed by, in many cases, hard-working and well-meaning employees. A case in point could be the United Nations Climate Change conferences. The current one, with 67 000 attendees, is the 29th. Much of their attention over the years has been focused on greenhouse gas emissions, chiefly carbon dioxide. This graph showing the level of atmospheric carbon dioxide over time, tells us how successful they have been:

[10]



> ’Climate activism became a big public cause about halfway along this graph. Notice any effect?’ From
> [11]*Riding the Climate Toboggan*, John Michael Greer, 6 September

1. https://www.economist.com/the-americas/2024/11/14/brazils-gangsters-have-been-getting-into-politics

2. https://socialgoals.blogspot.com/2024/10/useless-organisations.html
3. http://socialgoals.com/new-type-of-organisation.html
4. http://socialgoals.com/
5. http://socialgoals.com/crime-.html
6. http://socialgoals.com/health.html
7. http://socialgoals.com/environment.html
8. http://socialgoals.com/climate-change.html
9. http://socialgoals.com/world-peace.html
10. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEiilEBjMc0_zrnMBrKyGhwilVpaoqQms8hRSa7eeGJmXkJ6DKzmmaEr_02ASEqt4K2x6ZCGqZwTJVd1XmA8cBqOCf56kQPVLU1Qrav
11. https://www.ecosophia.net/riding-the-climate-toboggan/

21.11.3 Resistance is futile. Incentives are fruitful. (2024-11-24 18:09)

Writing in 2019, Roy Scranton reviews books by Bill McKibben and David Wallace-Wells:

> And at this point — after the 2003 protests against the Iraq War, the "largest anti-war rally in history," which saw millions of people in hundreds of cities across the world protesting the American invasion of Iraq and which utterly failed to stop the war — after the "People's Climate March" in 2014, the "largest climate change march in history," which utterly failed to have any noticeable effect on global climate policy — after decades of failed protests against institutional racism, gun violence, sexism, nuclear weapons, abortion, war, environmental degradation, and a raft of other issues — only the deluded and naïve could maintain that nonviolent protest politics is much more than ritualized wishful thinking. In the end, McKibben's argument falls into the same vague preaching as does Wallace-Wells's. Human beings are special, McKibben insists, because we have free will: "We're the only creature who can decide not to do something we're capable of doing." Asking hard questions about who that "we" is, how "we" make decisions, how power works, and the limits of human freedom are beyond the reach of both writers, because such questions lie outside the narrative they're both trapped in. [1]*No Happy Ending: On Bill McKibben's "Falter" and David Wallace-Wells's "The Uninhabitable Earth",* 'Los Angeles Review of Books', 3 June 2079

One thing we can take away from this is that sufficiently large financial incentives can outweigh the informed wishes and protests of millions of ordinary people. Dr Scranton is writing about climate change, but the same applies to any of a multitude of other threats to our well-being and even our existence. The incentives take the form not only of profits to large corporations but of salaries to hard-working employees of conventional organisations ostensibly devoted to improving the environment and society's welfare. My thoughts about such organisations are [2]here, but we have only to look at the state of the planet's human, animal and plant life to realise how little they are actually achieving. I do not see any of this changing, which is why I advocate Social Policy Bonds, which will encourage the formation of a [3]new type of organisation, whose every activity will be aimed at achieving society's goals most efficiently.

The predicament that we're in results from incentives that are mis-aligned, in that they favour existing wealthy corporations and existing bodies, be they public- or private sector, all of whose

interests differ from and, indeed, are often in conflict with the long-term interests of everyone including, I believe, the individual members of these bodies themselves. The 'we' to which Dr Scranton refers does, I believe, refer to all rational beings, despite their working in a system that is at odds with their real needs and wishes. Given that large-scale protests are ineffectual, the most effective way of re-orienting society such that we give a higher priority to solving our with social and environmental problems would be to re-jig the incentives. [4]Social Policy Bonds would do that. They would start out by defining exactly those goals we want to achieve in terms of verifiable outcomes that are meaningful to ordinary people, who could therefore participate in their selection and relative priority. These goals would not presuppose who will achieve them and how they will be achieved. So, we could target so-called 'intractable' goals, such as the [5]ending of war. Or, once we have defined exactly which climate goals we want to see, we could target a combination of indicators of the climate and its impact on plant, animal and human life, and issue bonds that would supply incentives for people to solve the climate change problem. (See [6]here or search this blog for my work on climate change.)

There are various possible problems arising from the implementation of a Social Policy Bond regime, which I've tried to address [7]here. No question: the bonds are not a panacea and will need trials, experimentation and refinement. I advocate them because (1) Our current trajectory means we are collectively facing urgent, huge crises: social, environmental, nuclear..., and (2) I think Social Policy Bonds, with their combination of clear, meaningful outcomes and market efficiencies are the best option.

1. https://lareviewofbooks.org/article/no-happy-ending-on-bill-mckibbens-falter-and-david-wallace-wellss-the-uninhabitable-earth/
2. https://socialgoals.blogspot.com/2024/11/the-corruption-of-every-body.html
3. https://socialgoals.com/new-type-of-organisation.html
4. http://socialgoals.com/
5. https://socialgoals.com/conflict-reduction.html
6. https://socialgoals.com/climate-change.html
7. https://socialgoals.com/criticism.html

21.12 December

21.12.1 Elites should manage ends, not means (2024-12-29 08:18)

John Michael Greer writes about the costs of economic growth:

> the cascading failures of the managerial elite that claims just now in the teeth of the evidence to be able to lead the world to a better future. Those failures have happened, and are continuing to happen, because the world is too complex to understand rationally. It is so full of unpredictable variables and intricate feedback loops that no degree of human expertise, no set of abstract principles, no concept of world order can provide accurate predictions and allow the creation of a viable and productive order on a global scale. [1]*The laughter of wolves*, John Michael Greer, 20 March 2024

I agree wholeheartedly - except that I don't believe 'accurate predictions' are necessary. The Social Policy Bond approach does not require accurate predictions: it requires and encourages constant adaptation to changing circumstances in order to achieve targeted outcomes. An evolutionary path towards society's ends. As Mr Greer says, the managerial elite (government, big corporations) can't do this: their interests are not the same as society's and they are too wedded to existing structures and ways of doing things. But what our managerial elite can do is articulate society's wishes and raise the funds for their achievement. No - I agree with Mr Greer - it can't actually achieve them: the complexities make that impossible. But it can reward their achievement, and this is what Social Policy Bonds would do.

Mr Greer has another suggestion:

> That doesn't mean that human beings can't co-create a relatively stable, successful, thriving order in the world. It just means that this project is best pursued on a local level, relying on personal experience, folk wisdom, and close attention to local conditions. Those are exactly what the effete managerial aristocracy that thinks it runs the world can't provide.

It's an appealing idea and, actually, not necessarily different from Social Policy Bonds which, if issued with care could encourage exactly such local level initiatives, though with more co-ordination and coherence. Sadly, both ideas require our elites to target society's goals (rather than their own), and to relinquish the power to dictate how things shall be done and whom shall be rewarded for getting them done. And that would require our elites to change their thinking, or to be replaced. Both are unlikely, unfortunately.

1. https://www.ecosophia.net/the-laughter-of-wolves/

1500

2025

22.1 January

22.1.1 Mediocrity and the lust for power: why politicians aren't going to issue Social Policy Bonds (2025-01-02 20:07)

The Economist writes about the career choices of some of the brightest US students:

> Look at where graduates of Harvard, for example, end up. In the 1970s, one in 20 who went straight into the workforce after graduation found jobs in the likes of finance or consulting. By the 1980s, that was up to one in five; in the 1990s, one in four. ...[I]n the past quarter-century there has been an even more pronounced shift: in 2024 fully half of Harvard graduates who entered the workforce took jobs in finance, consulting or technology.... More than before—more even than when your correspondent entered Harvard less than a decade ago—life on campus feels like a fast track to the corporate world. [1]*Finance, consulting and tech are gobbling up top students*, the Economist, 19 December 2024

Why become a politician? Your past and present private lives will be scrutinised and anything unfavourable that you have done or said will be made public. You and your relatives will need more security. You will lose your anonymity and you won't (legally) make a lot of money. So it's understandable, though regrettable, that most of our top intellects forgo a career in politics for careers that are less exposed, less personally dangerous, and more lucrative. There will always be some who, at least initially, go into politics for noble, idealistic reasons. But it does seem likely that the majority of politicians are only moderately talented people whose main goal is to be close to, and acquire power. That's one reason, in my view, why the remit of governments tends to expand over time.

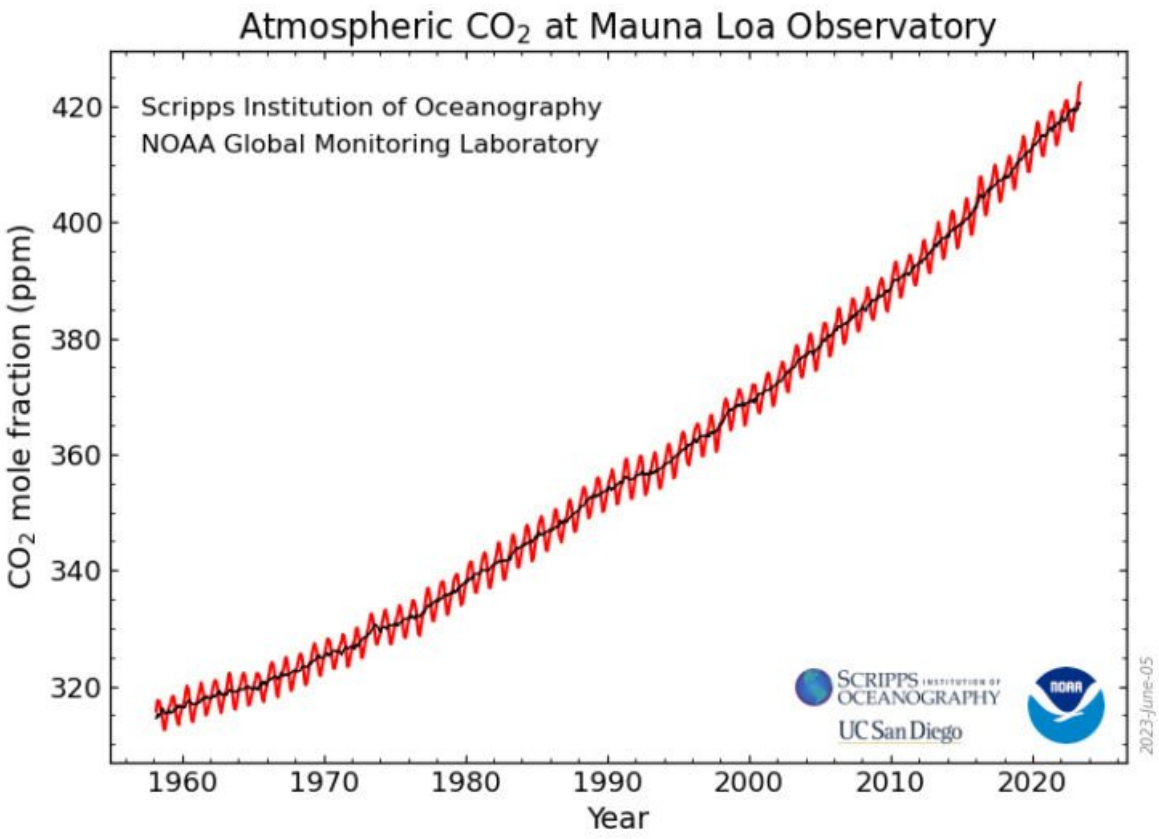
It's also one reason why governments are unlikely to be the first to issue [2]Social Policy Bonds. While a bond regime would allow or, indeed, require governments to articulate society's wishes and to raise the revenue for the achievement, the bonds would see private-sector bodies competing with government agencies to be rewarded for actually achieving them. Only the most efficient investors in the bonds would benefit from holding them. Idealistic politicians would perhaps be interested in Social Policy Bonds, and investigate whether the efficiency gains that I foresee would in fact occur, to the benefit of a society's citizens. But today's crop of politicians would be reluctant, I imagine, to consider issuing the bonds unless they had been tried, tested and shown to be successful by private-sector bodies. Since the bonds would work best for goals considered very long term, it's going to be a long time

before our politicians would consider issuing them. Even then, they'd struggle to relinquish the power they currently possess, and greatly value, to fund favoured bodies and to let the market make those decisions on the basis of efficiency. Realistically then, I'm hoping some private-sector body, be it a non-governmental organisation, a group of philanthropists, or a charitable foundation, will show some interest in the concept.

1. https://www.economist.com/christmas-specials/2024/12/19/finance-consulting-and-tech-are-gobbling-up-top-students
2. http://socialgoals.com/

22.1.2 Dealing with real or purported doubt about climate change (2025-01-08 19:32)

What should policymakers do when they face a challenge where the evidence appears to indicate a huge, urgent problem - but some purport to be convinced that it's not a real problem and doesn't require any action? I'm thinking here of climate change, but the same conundrum can apply to other challenges. Politics always implies trade-offs, and any attempt to solve a slow-moving, long-term problem will mean that other demands for government funds must go unsatisfied. So it's perhaps inevitable - at least in countries whose citizens' views count - that governments will do what they can to postpone taking effective action. Greenhouse gas emissions have been the focus of policies aimed at dealing with climate change and it's fair to say that the aggregate effect has been nil:



'Climate activism became a big public cause about halfway along this graph. Notice any effect?' From [1]*Riding the Climate Toboggan*, John Michael Greer, 6 September 2023

The policymaking conundrum is a genuine one. Even for politicians who believe that climate change is happening and that we need to address it, the temptation instead to fund health, education and housing and other short-term social needs must be almost irresistible. We could, of course, fund yet more research with the aim of proving beyond all doubt that anthropogenic climate change is happening and that we must do something about it, but some would say that's already being done and that the interest groups opposed to, for example, cutting back on greenhouse gas emissons will always be able generate enough doubt in the minds of the public to ensure that their business can carry on as usual.

So what can those policymakers who are convinced that climate change is real and urgent do? One approach would be to issue Climate Stability Bonds. The market price of the bonds would embody investors' continous assessments as to the likelihood and magnitude of climate change, and the costs of efforts to deal with it effectively. As such, governments would need take no action beyond articulating society's desired climate outcomes and providing the funding necessary to reward investors for achieving these outcomes. There's a lot more, of course, and there are links to my work on the bonds [2]here, but the important point here is that regardless of whether climate change is happening; *regardless of whether enough people* ***believe*** *it's happening, Climate Stability Bonds would stimulate the most efficient ways of achieving our climate goals.*

1. https://www.ecosophia.net/riding-the-climate-toboggan/
2. https://socialgoals.com/climate-change.html

22.1.3 'The outcomes were terrible but the process was immaculate' (2025-01-10 12:54)

'The outcomes were terrible but the process was immaculate'

Social Policy Bonds aim to achieve social and environmental goals as efficiently as possible. For many years, I've written about how politicians and the public are distracted, cynically or otherwise, from these goals to the supposed ways of achieving them (see [1]here, [2]here, [3]here and [4]here for some random examples). So we fuss over funding arrangements or the composition and structure of the bodies whose ostensible remit is to help achieve these goals, but whose over-arching objective is almost invariably [5]self perpetuation. When it comes to politics, we focus on the politicians: their personalities, their looks, soundbites, what they may have said when they were decades younger. In short: anything except the outcomes we want to see. The current *Economist* looks at how Britain uses process, often in the form of committees of enquiry, as a delaying mechanism: 'When the choice is between doing and discussing, British politicians instinctively opt for the latter.'

[6]Social Policy Bonds would be completely different. Their starting point would be the social and environmental outcomes that society wants to see. Politicians would retain the power to articulate and prioritise society's wishes, and to raise the revenue that would reward their achievement. But they'd relinquish the power to decide how our goals would be achieved, and which organisations would achieve them. That would be left to investors in the bonds, who would be rewarded for choosing only the most efficient approaches to solving our social problems. Most of our goals are long term in nature: slashing [7]crime rates, reducing [8]unemployment, improving [9]health, for instance at the national level; ending [10]conflict, mitigating the effects of [11]climate change, and improving the [12]environment at the global level. Today's politics, with its focus on politicians, personalities and process, is ill equipped to address our long-term needs. I suggest that Social Policy Bonds could be the way forward. They would lead to the creation of a [13]new sort of organisation, whose sole focus would be on the achievement of our desired outcomes. I hope the article in the *Economist* ([14]*How means conquered ends*, 9 January 2025, from which the quotes above are taken) is a portent of a necessary shift of policymakers' focus from means to ends.

1. https://socialgoals.blogspot.com/2013/07/procedures-or-outcomes.html
2. https://socialgoals.blogspot.com/2024/12/elites-should-manage-ends-not-means.html
3. https://socialgoals.blogspot.com/2024/12/elites-should-manage-ends-not-means.html
4. https://socialgoals.blogspot.com/2018/01/ends-and-means-in-energy-policy.html
5. https://socialgoals.blogspot.com/2024/10/useless-organisations.html
6. http://socialgoals.com/
7. https://socialgoals.com/crime-.html
8. https://socialgoals.com/employment.html
9. https://socialgoals.com/health.html
10. https://socialgoals.com/conflict-reduction.html
11. https://socialgoals.com/climate-change.html
12. https://socialgoals.com/environment.html

13. https://socialgoals.com/new-type-of-organisation.html
14. https://www.economist.com/britain/2025/01/08/how-means-conquered-ends

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22.1.4 What do we really want? (2025-01-15 13:06)

Guy Standing, in a letter to the *Financial Times*, argues that, contrary to what statistics appear to be saying, inequality in the UK has, in fact, risen. As well as pointing out that official income statistics, by ignoring the very highest and lowest earners, tend to underestimate inequality, he writes:

> For most of the 20th century, state benefits represented a rising share of workers' social income. ...But, since the 1980s [they] have withered to a fraction of the average wage.... The same applies to community benefits, which come from the commons. The commons includes ...parks, libraries, childcare, allotments, a subsidised justice sytem, schooling. Most are worth a lot, and are withering. Guy Standing, [1]*letter* published in the 'Financial Times', 13 January 2025

As well '[w]ealth relative to GDP has soared' and 'stronger property rights means [*sic*] a rising share of GDP goes to owners of physical, financial and intellectual property.'

To me, this points to the need to develop and target indicators that are inextricably correlated with societal well-being. Statistical measures of financial inequality, as Mr Standing writes, fails this test. It matters because, in the absence of coherent policymaking, badly thought out indicators become a *de facto* targets. Probably the most important such measure is GDP; its [2]flaws as an indicator of well-being are well known but governments worldwide target it implicitly and explicitly ('economic growth'), though it has no necessary link to well-being and, indeed, can show an increase even as there is more activity that conflicts with well-being.

It is, perhaps, regrettable that, on the national and global levels, we require numerical indicators to get an idea of what's really happening. But, accepting that, we need to develop broad measures that are inextricably linked to whatever we actually want to measure; these we can then explicitly target. Targeting outcomes, rather than the alleged means of achieving them, would add some much-needed transparency to the policymaking process. Stability too: broad social and environmental goals are more stable over time than the many different policy approaches ostensibly aimed at achieving them. This matters because most of our broad social and environmental goals will necessarily take many years to achieve. We might also clarify whether supposed goals such as 'reduced inequality' are ends in themselves or rather a less precise way of targeting a perhaps more noble aim: the elimination of poverty.

[3]Social Policy Bonds are one way in which we can focus on outcomes rather than, as now, personalities, funding arrangements, sound bites and ideologies, when making policy. They would oblige us to clarify what we really want to achieve. And, as well as their being explicit and transparent, they would inject market incentives into the achievement of our goals. Opinions will differ, but a big plus of targeting outcomes is that they
can be understood by ordinary citizens, and so can generate public
engagement and, hence, public [4]buy-in: an important but currently neglected aspect of policymaking.

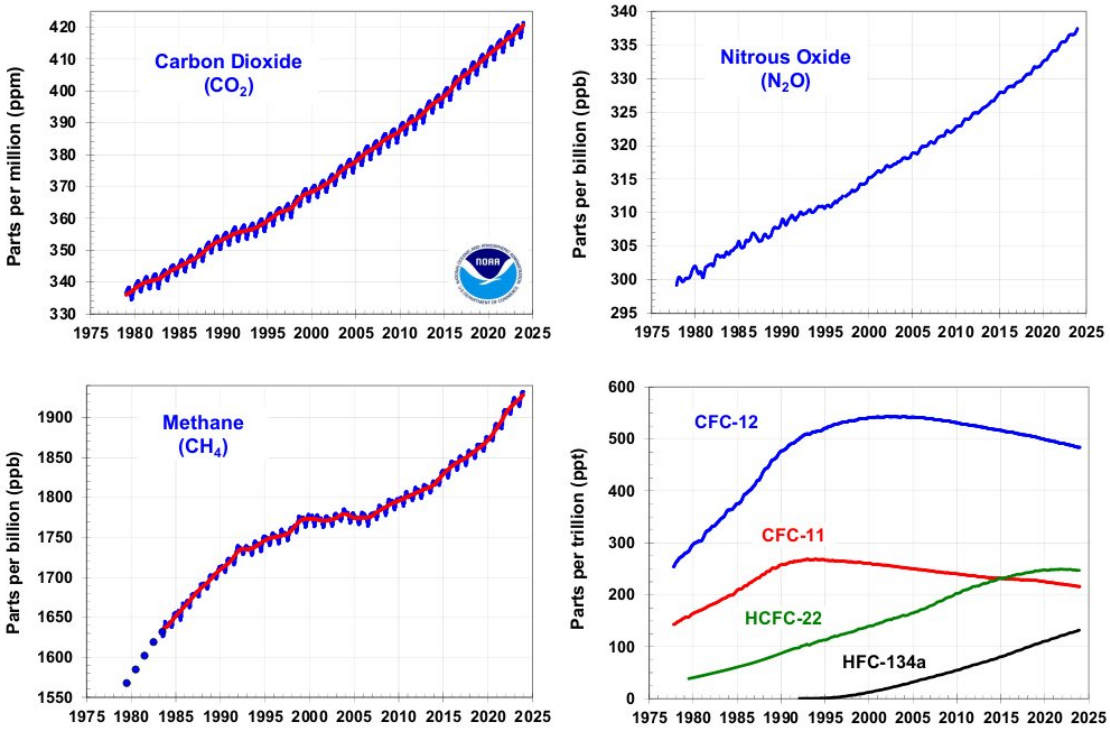
1. https://www.ft.com/content/d3492e84-2fb2-40ea-8f73-317899a889a2
2. https://www.scientificamerican.com/article/gdp-is-the-wrong-tool-for-measuring-what-matters/
3. http://socialgoals.com/
4. https://socialgoals.com/buy-in.html

22.1.5 Climate change theatre (2025-01-18 12:14)

Jonathan Hinkles writes in the UK magazine, *Airliner World*:

> Talking to a major bus operator earlier this year, I was astonished to learn that the hydrogen powering the buses that Virgin HQ's building every few minutes comes from Saudi Arabia. It's converted to ammonia pellets, which are shipped to the UK, then converted back into hydrogen for use in buses. A mind-boggling amount of energy is expended in that process to achieve 'emissions-free travel', as the bus slogan proudly complains. *[1]Sky View*, Jonathan Hinkles, 'Airliner World', dated February 2025

This is what happens when we target micro-objectives devoid of any link to our environmental goals. The micro-objective here is 'a reduction in greenhouse gas emissions per bus journey', which has nothing to do with 'a reduction in total greenhouse gas emissions'. I'd go further and say that instead of targeting greenhouse gas emissions, we should clarify exactly what we want to achieve: a halt to climate change? Or a reduction of the frequency and severity of adverse climatic events? Either way, national targets, let alone bus journey targets, are useless. Without a broad, global, specification of our goals, we'd have...well, what we have now: targets for reductions in local emissions of greenhouse gases that are politically divisive, expensive, have no buy-in, and are failing even in their stated aim:



Global average abundances of the major, well-mixed, long-lived greenhouse gases - carbon dioxide, methane, nitrous oxide, CFC-12 and CFC-11 - from the NOAA [US National Oceanic and Atmospheric Administration] global air sampling network since the beginning of 1979. These five gases account for about 96 % of the effective radiative forcing by long-lived greenhouse gases since 1750. The remaining 4 % is contributed by 17 other halogenated gases including HCFC-22 and HFC-134a, for which NOAA observations are also shown here. [3] Source

My suggestions are that we first clarify [4]whether we want to target the climate itself, or the effects of adverse climatic events on plant, animal and human life. Next, I suggest we issue Climate Stability Bonds that would specify exactly the goals that what we want to achieve, *at a global level and over the very long term*, and then reward the people who achieve them. I envisage that our goals would take the form targets for many variables, including those measuring features of the climate, and biological, physical, financial and social variables, all of which would have to fall into an acceptable range before the bonds could be redeemed. There are many posts relating to these suggestions on this blog, as well as links to my writings on the subject [5]here.

1. https://pocketmags.com/us/airliner-world-magazine/february-2025/articles/1494341/sky-view
2. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEjiaWq5fBCAXet0qHpJlvaOtp1OTBnN7YaEvLSR114PE6rPri9upYfibDbsE2eAySJK35Y4zw3GYzEec0yHRBcZIGQcBo_x34Jzsj0
3. https://gml.noaa.gov/aggi/aggi.html
4. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
5. https://socialgoals.com/climate-change.html

22.1.6 Market signals to inform those who achieve social goals (2025-01-29 18:05)

The market for [1]Social Policy Bonds would generate extremely useful information that would enhance the efficiency of a bond regime. Price signals would be of immense value to investors in the bonds. At flotation, the bonds would be auctioned, and difference between the sums raised at flotation and the total redemption value of the bonds would supply the market's best estimate of the cost of achieving the targeted goal at that time. This estimate would vary over time, depending on many factors including bondholders' performance in undertaking or financing goal-achieving projects as well as changing economic, scientific and social circumstances. The market for Social Policy Bonds, then, as with all markets, plays a vital role not only in allocating resources but also in signalling to investors and policymakers the market's best estimates of the costs of achieving social goals.

A competitive market for Social Policy Bonds as well as signalling the total cost of achieving a specified objective, would minimise it. More subtly, and more technically, it would also indicate the marginal cost of achieving further improvements. Say one million crime reduction bonds issued by a local authority were to sell for $5 each. This would tell the issuing body that the present value of the expected maximum cost, including bondholders' profits, of reducing the crime level from, say 50 to 40 units, would be $5 million. The local authority might then suppose that it could afford to be more ambitious, and aim for a further fall to 30 units. It could issue a million additional bonds redeemable when this new lower rate were reached. These would (probably) have an initial market value of less than $5, reflecting the (probably) diminishing returns involved in preventing crime. The point is that, by letting the market do the pricing of the bonds, the local authority would be getting an informed view of the marginal cost of its objectives. So if the bonds targeting the new level of 30 units were to sell for $4 each, then the maximum cost of achieving that objective would be $11 million, being equal to: $5 million (paid out when the level fell from 50 to 40 units) plus $6 million (paid out when the level fell from 40 to 30 units). The marginal cost of a 10-unit drop in crime would thus have been revealed to have risen from $5 million to $6 million. Should the local authority aim for a further fall to 20 units? Following such crime rate-targeting bond issues it would have robust information about the cost of doing so.

This is, of course, a simplified example and in fact the bond market would continuously update its pricing information. Say that new research, of the sort that might be stimulated by an initial bond issue targeting crime, suggested new ways of reforming or deterring criminals. Bondholders may, for example, have financed successful research into more effective reform programmes, or set up more appealing alternative lifestyles for especially hardened criminals. How would the market react to such developments? Once their effectiveness had been revealed, the value of all the bonds would rise. Instead of being priced at $5 and $4, the two crime reduction issues of the example might sell for $8 and $7. The total cost to the government of redeeming these bonds would not change: it would remain at $11 million (though redemption would most probably occur earlier). But the market would be generating new information as to the likely cost of future reductions in the crime rate. The market would now be expecting reductions of 10 units of crime to cost $2 million (from 50 to 40 units), and $3 million (from 40 to 30 units). The new research would have reduced the costs from $5 million and $6 million (respectively). So the cost of any further crime reductions would also fall, and by following market price movements policymakers could gauge approximately by how much.

These figures are hypothetical, but they do indicate the role that markets for Social Pol-

icy Bonds could play in helping the government, and taxpayers, decide on their spending priorities. This sort of information is just not available to today's policymakers, which is one reason why the costs of major projects are almost invariably much higher than initial estimates. (There are, of course other reasons rooted in cynicism and political expediency.) The point is that the market for the bonds is elegantly efficient in conveying information about the cost of achieving objectives and, crucially for investors and policymakers, how this cost varies with time and circumstances. I discuss this in chapter 5 of [2]my book.

1. http://socialgoals.com/
2. https://socialgoals.com/the-book.html

22.1.7 The apotheosis of process (2025-01-31 11:16)

In a [1]long post, the entirety of which is well worth reading, Dr Malcolm Kendrick contrasts the ongoing UK public enquiry into Covid with that done by the Swedes:

> In the UK we have massive Covid enquiry going on. It consists of ten 'modules', one of which has been finally completed, the other nine grind on. The chair hopes to conclude public hearings by the summer of 2026. Yes, 2026… Four years after it the enquiry started. (I would place a small wager that this deadline will be missed.) After this, a majestic report shalt be written. Which will take several more years, no doubt? By which time we will all have lost interest or died of old age. Last time I looked, the enquiry had cost well over one hundred million pounds ($125m). I guess it will end up costing close to quarter of a billion by the time it is finished. All taking longer to complete than WWII. Sweden wrapped up their enquiry by February 2022, in well under two years. Done and dusted, before ours even got started. …
>
> In meeting its aims, the Inquiry will:
>
> a) consider any disparities evident in the impact of the pandemic on different categories of people, including, but not limited to, those relating to protected characteristics under the Equality Act 2010 and equality categories under the Northern Ireland Act 1998.
>
> b) listen to and consider carefully the experiences of bereaved families and others who have suffered hardship or loss as a result of the pandemic. Although the Inquiry will not consider in detail

individual cases of harm or death, listening to these accounts will inform its understanding of the impact of the pandemic and the response, and of the lessons to be learned;

c) highlight where lessons identified from preparedness and the response to the pandemic may be applicable to other civil emergencies;

d) have reasonable regard to relevant international comparisons; and

e) produce its reports (including interim reports) and any recommendations in a timely manner. (A *timely* manner…ho, ho.)

Dr Kendrick asks what's missing from these aims?

Just about every question you would wish answered. Plucking a few from the air:

- What is the evidence that lockdowns did any good
- What is the evidence that lockdowns were harmful
- What is the evidence that wearing masks provided any protection
- Were the models created by epidemiologists inaccurate, if so why, and why did we listen to them – and should we do so in the future
- Should we have had a behavioural unit within SAGE (Scientific Advisory Group for Emergencies) which used messages of fear to control the public response
- Were the vaccines rushed through without sufficient consideration to safety

- Were experts who disagreed with the official narrative attacked and silenced when it would have been more effective to listen to them

> Yes, these sort of questions. The sort that you probably would like to have answered. Questions that the UK enquiry will go out of its way to avoid. Instead, it will be almost entirely concerned about process. Which departments should have spoken to each other. Should there have been a different oversight committee. Not, God forbid, any analysis of outcomes. [2]*What went on during Covid?*, Dr Malcolm Kendrick, 29 January 2025

Exactly. By setting up these endless reviews of process, politicians can distract us from their failings and anyway wait till we've all lost interest before they're exposed. It's a systemic problem. Our political debates centre round peripheral issues: personalities, sound bites, funding arrangements, institutional structures and, yes, process. Everything except outcomes.What do I suggest? At the national level, I propose [3]Tradeable Health Outcome Bonds, which would take a panoptic view of a country's physical and mental health, and reward people for improving it. (A shorter version is [4]here.) The focus needs to be on outcomes, about which there is room for legitimate debate and discussion - the sort of discussion that ordinary people can understand and in which we could participate. Such discussion would be an [5]end in itself, as well as generating a level of [6]buy-in - essential when it comes to complex matters such as health and the environment, but which is largely absent from our current policymaking environment. Focusing on outcomes has other benefits as well as efficiency and transparency: especially in complex policy areas like health or the environment, where our knowledge is expanding rapidly, our goals are far more stable over time than the best means of achieving them. The Social Policy Bond concept is entirely aimed at achieving society's goals. The essential first step is to clarify exactly what are these goals, in consultation with experts *and the public*. You would think this would be a priority for every democratic government, but, sadly, it rarely happens. The result? Politics has become a circus, and policymaking a farce.

1. https://drmalcolmkendrick.org/2025/01/29/what-went-on-during-covid/
2. https://drmalcolmkendrick.org/2025/01/29/what-went-on-during-covid/
3. http://www.socialgoals.com/tradeable-health-outcome-bonds.html
4. https://socialgoals.com/health.html
5. https://socialgoals.blogspot.com/2020/01/input-legitmacy-swiss-approach.html
6. https://socialgoals.com/buy-in.html

22.2 February

22.2.1 World Peace (2025-02-08 18:37)

Targeting long-term goals means that we can greatly extend the realm of achievable oucomes compared to those available to today's policymakers.

For example: world peace. Today that simply means an absence of war or civil war - violent political conflict. So the current definition of peace can (and does) allow for: piling up of all sorts of weaponry; including weapons of mass destruction; and hateful and provocative propaganda in the media, schools, and religious institutions. These increase the probability of deadly conflict in the long run, but would still technically be defined as 'peace' today. Rewards under this short-term vision accrue to arms merchants and others intent on fomenting conflict to take place some time beyond the horizons of today's politicians. Today's incentives then do little to prevent conflict.

[1]World Peace Bonds would be different. They would be issued with a very long time horizon: perhaps five decades. Any outbreak of large-scale violence would see investors in the bonds the prospect of losing money. But if they are effective in ensuring world peace, then they stand to benefit - as does everyone else on Earth. World Peace Bonds, with sufficient backing, would outweigh today's incentives. With such a long-term view, it would be in the interests of bondholders to eliminate the hateful indoctrination of schoolchildren and everyone else, and to control the sales and lethality of armaments. Bondholders would have incentives also to research, experiment and implement new approaches to conflict reduction, concentrating on those that are most promising and efficient.

The goal of 'world peace' is readily categorised as unrealistic, utopian, idealistic and, of course, impossible. That's partly because we have only to look at human history in confirmation. But incentives have unleashed such human ingenuity that the quantity (population and longevity) and quality (standard of living) of billions of our species have risen spectacularly in recent decades. Long-term challenges threaten our achievements. We urgently need to supply incentives commensurate with the magnitude *and long-term nature* of those threats.

1. https://socialgoals.com/world-peace.html

22.2.2 The widening gap between politics and people (2025-02-14 19:37)

Unlike many economists I have no view on the size of government. Government is a means to various societal ends and those should be decided by people. I don't believe that taxation is theft, nor that economic freedom is the most important consideration. It is the large and widening gap between government and people that I believe needs to be addressed.

The gap would narrow if more people participated in policymaking. One reason, I believe, why we're not very interested is that policy is formulated in terms that are difficult to relate to outcomes that are meaningful to us as natural persons, as distinct from corporate bodies. Policymakers seem to concern themselves with decisions about funding for different government agencies, dispensing patronage to big business and other lobbies, presenting themselves in the best light ... almost anything, in fact, except outcomes that mean something to real people.

A government that issued [1]Social Policy Bonds would, from the outset, have to think clearly about social and environmental outcomes, rather than the supposed means of achieving them. Its main roles would be to articulate society's wishes regarding social and environmental outcomes, and to raise the revenue that would fund these outcomes. Unlike most of the current determinants of policy, the language of outcomes and the necessary trade-offs between them is comprehensible to people other than politicians, bureaucrats, lawyers and public relations experts. For that reason, more people would be drawn into policymaking - an end in itself, as well as a means toward getting greater public [2]buy-in to the resulting policies.

Expressing policy in terms of outcomes, and the consequent closing of the gap between public and policymakers would be one valuable benefit arising from a Social Policy Bond regime. The other would be the much greater efficiency in achieving social and environmental goals once the market, rather than a handful of government employees, decides who shall achieve these goals, and how they shall be achieved.

1. http://socialgoals.com/
2. https://socialgoals.com/buy-in.html

22.2.3 'Complexity is fraud' (2025-02-22 12:23)

The late P.J. O'Rourke once [1]wrote, in *The Atlantic* in April 2002, that: 'Beyond a certain point complexity is fraud.... when someone creates a system in which you can't tell whether or not you're being fooled, you're being fooled.'

When people's wishes clash with vested interests it's the vested interests (the political class and those groups that can afford expensive lobbyists) that win every time. Our political systems are too complex, arcane or corrupt for ordinary people to stand a chance. The result is clear: an ever-rising gap between politicians and the people they are supposed to represent.

Voting makes little difference. And, while we don't really know the intentions of the people in power, I suspect that whoever they are doesn't make much difference either. The vested interests are too powerful. They have perpetuated a policymaking process that effectively excludes influence from people outside their exalted circle. They have weaponised the complexity and obscurity of our systems of government for selfish ends.

They can get away with this because our political discourse centres on sound-bites, personality, and image. Actual policymaking is an entirely distinct process: much of it focuses on the structures and funding of government bodies, law and regulation; all of which are opaque to non-professionals - which is to say, ordinary people. The only people who now really understand policymaking are those who are paid to do so, and the only people who influence it are those who have the millions of dollars necessary to pay them.You might even think the system has been specifically designed to keep ordinary citizens out of it.

Bernardo Mueller's 2019, *Why public policies fail*, is perhaps less cynical:

> The failure of public policies is ubiquitous.This paper ascribes this failure to the complex system nature of public policies. A key characteristic of complex systems is that they cannot be closely controlled or predicted. Yet the traditional approach to public policy is fundamentally based on both control and prediction, as it proceeds

> by comparing the expected costs and benefits of a postulated set of alternatives. In this paper I provide five pathologies of complex systems and show how they cause the failure of the traditional approach. If a public policy is recognized as taking place within a complex system, it is necessary to use instruments that can work within those informational and epistemological constraints. I provide several examples of the types of policies that meet these demands. But when dealing with complex systems, even with appropriate instruments it is nevertheless necessary to adjust the expectations of what can realistically be achieved. *[2]Why public policies fail: Policymaking under complexity*, Bernardo Mueller, September 2019

I believe that we can set up a system that solves our long-term problems by bypassing government decision-making and rewarding solutions however they are achieved and whoever achieves them. Social Policy Bonds would work by giving incentives to people to try many different approaches to problems, such as crime, conflict, climate change, and pursue only those that are most promising. Such a system would resemble biological evolution, in that there would be constant pressure, in the form of incentives, to select only the most successful approaches to achieving our social and environmental goals.

A bond regime would require that policymaking focus on outcomes, rather than the alleged means of achieving them. Outcomes are more meaningful to ordinary people than the current policymaking emphasis on legal pathways, funding arrangements, institutional structures and composition, and other arcana.

Meaningful outcomes are one essential element of the [3]Social Policy Bond idea. The other is the injection of market incentives into their achievement: rewarding those who achieve our goals according to their efficiency in actually achieving them. The idea might sound outlandish at first hearing: handing over the solution of our social and environmental problems to investors. But government would still articulate our goals and raise the revenue for their achievemnt - things that democratic governments can actually do quite well. Only their achievement would be subject to the market, which economic theory and all the evidence suggest is the most efficient way of allocating society's scarce resources. No doubt the Social Policy Bond idea could do with some discussion and refinement. But the real question is: what is the alternative? To continue as we are doing, where the gap between vested interests and ordinary people grows ever wider, risks, in my view, social collapse.

1. https://www.theatlantic.com/magazine/archive/2002/04/how-to-stuff-a-wild-enron/302468/
2. https://www.sciencedirect.com/science/article/pii/S1517758019300931?via%3Dihub
3. http://socialgoals.com/

22.2.4 Betting on socially desirable goals (2025-02-27 18:54)

The Social Policy Bond idea materialised when I thought about how, when betting big money on an uncertain outcome you could use some proportion of your expected winnings to make that outcome more likely. Fixing horse or greyhound races that way would be illegal, but could the same principle be used legitimately for society's good? Perhaps new betting markets are a way in which we could effectively issue Social Policy Bonds.

Let's take a look at [1]Polymarket, 'the World's Largest Prediction Market'.

Today (27 February 2025) we see that you can bet on whether [2]Timothee Chalamet will take his mother to the Oscars ceremony. This is a simple one-off event that's easy to verify. It's not difficult to imagine that, having placed a sufficiently large bet, a group of punters could persuade Mr Chalamet to bring about the outcome they desire, if necessary with the promise of a significant proportion of their expected winnings. One of the difficulties of the Social Policy Bond principle is that of setting up an experiment. The bonds have their biggest advantage over conventional policymaking when the desired social or environmental outcome is likely to be complex, long-term in nature and require the investigation of a range of diverse, adaptive approaches for its solution. Such socially desirable outcomes could include the slashing of crime rates, significant improvements in the physical and mental health of a country's citizens or, at the global level, a reduction in the adverse impacts of natural disasters. We can't test the efficacy of Social Policy Bonds against current policymaking aimed at achieving such outcomes.

But what some high-minded philanthropists could conceivably do is to take out a large bet against a readily verifiable one-off outcome like, say, the detonation of a nuclear device that kills more than, say, 500 people within 30 years? They could then use their influence and funds, predicated on their winning the bet, to make such a detonation less likely. At first sight, this sounds tempting: indirectly channelling resources into the achievement of an unambiguously positive social goal. In net terms: yes; nuclear peace is hugely and unambiguously positive. But Polymarket is merely a platform that facilitates peer-to-peer trading, so that people are betting against each other. So for every $1 million bet on achieving nuclear peace, there would be people on the opposing side of that bet who would lose that much. If governments collectively decided to supply the funds that would be paid out on redemption of Nuclear Peace Bonds, then millions of taxpayers would, in effect, be paying for that outcome: a diffuse set of people, none of whom would benefit in any discernible way from a nuclear detonation. The Polymarket is different: it's likely there would be few people on the opposing sides of the bet of our philanthropists, and they could lose substantial amounts if sustained nuclear peace were achieved. They would be well placed and highly motivated, then, to co-ordinate efforts to foil any attempts to achieve that goal.

Social Policy Bonds would be best issued to encourage goals that are not only almost universally desired, but that also do not create a small group of highly-motivated people who would oppose those goals. The goals I [3]discuss are all like that, but it's also important that they be issued in such a way that any losses from successful achievement of the targeted goals would be spread so thinly that nobody would be motivated to take action to frustrate the targeted goal. So, for instance, halving crime rates could reduce the prospects for lawyers, jailors and nurses, but I don't think that would motivate them actively to oppose that goal.

The quest for a way of experimenting with Social Policy Bond continues...

1. https://polymarket.com/
2. https://polymarket.com/event/will-timothe-chalamet-bring-his-mom-to-the-oscars?tid=1740568160899
3. http://socialgoals.com/

22.3 March

22.3.1 Government of the people, by the bureaucrats, for the bureaucrats... (2025-03-07 18:46)

One of the advantages of a [1]Social Policy Bond regime is that it would oblige democratic governments to do what they do well: articulate society's wishes and raise the revenue to fund their achievement. Sadly, much of the choosing and prioritising of society's goals has shifted from our elected representatives to bureaucracy:

> Bureaucrats no longer saw their role as "looking for methods to fulfill responsibilities defined by the public through politics," wrote University of Chicago historian Barry Karl in a 1976 essay, but rather as "fulfilling the demands of interests defined by their own growing expertise." ...The "public good" is now explicitly defined by the bureaucracy, not elected leaders. Defending democracy means defending the right of bureaucrats to ignore elected leaders. [2]*Denizens of the Deep State*, Bruce Gilley, 'The American Mind', 26 February 2025

Reasons why this shift occurred are not hard to find: politicians have to react, and be seen to react, to daily events. With frequent opinion polls, their time horizons are even shorter than the period between elections. Bureaucracy is more permanent. So we have the 'deep state', whose over-riding interest, as with all institutions, is [3]self-perpetuation. Its goals are formulated, explicitly or not, without reference to - and perhaps in conflict with - public opinion.

A Social Policy Bond regime would be different. It would take as its starting point those social and environmental goals that are of interest to a country's citizens. These goals would be long term in nature and meaningful to ordinary people, who could therefore participate in their selection and prioritising. As a result, we'd have greater public [4]buy-in. That's in stark contrast to today's policymaking systems, in which debate centres around the supposed means of achieving unarticulated or vague goals rather than the goals themselves. By default, then, decisions as to what society wants and where it's going are made by bureaucrats. It's not healthy.

1. http://socialgoals.com/
2. https://americanmind.org/salvo/denizens-of-the-deep-state/
3. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
4. https://socialgoals.com/buy-in.html

22.3.2 Nobody takes a panoptic view (2025-03-10 12:08)

Peter

Gøtzsche writes:

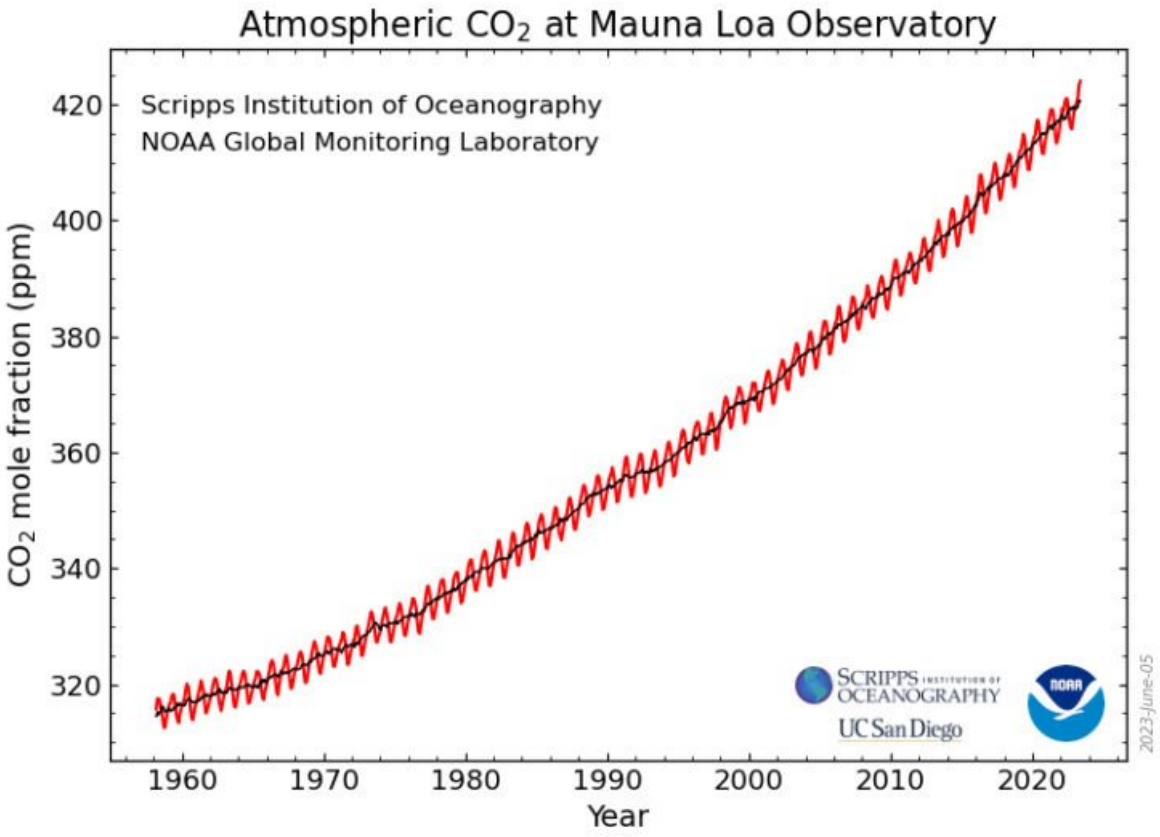
> In 2024, PubMed indexed 1,728,666 articles. Compare this with the little progress there is in healthcare from year to year and consider also that most research results are unreliable or outright false.

> *[1]Ridiculous names for predatory journals* (clicking the link will download a docx file), Peter C Gøtzsche, Institute for Scientific Freedom, 7 March 2025

This is exactly the sort of overview we need to take in health and other policy areas: a comparison of the resources devoted to a goal and the actual outcomes achieved. Unfortunately, few people have the incentive or capacity to make such comparisons. Professor Gøtzsche himself has [2]been [3]vilified for questioning the role that the pharmaceutical industry plays in psychiatry. Yet taking a panoptic view makes it clear that there's something very wrong with the world's healthcare. It's not just healthcare:

> From 2004 to 2014, aid spending increased by 75 %. "There was a real feeling," says Stefan Dercon of the University of Oxford, "that if there was a time things were going to get going, this was it." Things did not get going. From 2014 to 2024, the world's 78 poorest economies grew more slowly than in the decade to 1970, when aid was first emerging. This is perhaps unsurprising, given earlier studies. In 2004 William Easterly of New York University and co-authors found that, from 1970 to 1997, aid was just as likely to shrink the world's poorest economies as to help them grow. [4]*Aid cannot make poor countries rich*, the 'Economist', 6 March 2025

Again, how many people take this sort of overview, and what influence do they have over policy? Very few, and negligible, I'd say. Arguably, the same failings occur in education in some of the rich countries. Certainly they apply to [5]climate change if we take greenhouse gas emissions as an indicator of policy success:



Why are we so hopeless at making effective and efficient policies? One answer is that we rarely evaluate their effectiveness:

> [G]overnment bureaucracies non-self-evaluate. At a minimum, agencies with evaluative responsibilities are not invited to evaluate - they are kept out of the loop, their opinions unsought. At a maximum, government agencies actively suppress their own internal evaluative units and are discouraged from evaluating the beliefs and policies of other agencies. *[6]Why States Believe Foolish Ideas: Non-Self-Evaluation By States And Societies* (pdf), Stephen Van Evera, Massachusetts Institute of Technology Political Science Department and Security Studies Program, 2002

Another answer is that our policies do not adapt to changing circumstances, nor are national policies sufficiently adapted to different regions. From the same article in the *Economist*:

> [D]isillusioned economists have turned to the work of Esther Duflo, a Nobel laureate at the Massachusetts Institute of Technology, who uses randomised controlled trials to study interventions. Yet she has come to a dispiriting conclusion: there is no reason why what works in one neighbourhood will do so in the rest of a district, let alone on another continent. In one Indian village, for instance, giving women pensions made their granddaughters (if not their grandsons) healthier; in another, handouts failed to improve health or even raise household consumption. Ms Duflo's findings chime with other research....

Especially for long-term goals, we need policies that are diverse and adaptive. [7]Social Policy Bonds, as well as injecting market incentives into the solution of our social and environmental problems, would encourage investors to explore different approaches, to refine those that are most promising and, importantly, to terminate failing approaches.

For more about how the Social Policy Bond principle could be applied to health, see [8]here. For how it could be applied to development see [9]here.

1. https://www.scientificfreedom.dk/wp-content/uploads/2025/03/2025-Gotzsche-Ridiculous-names-for-predatory-journals.docx
2. https://www.scientificfreedom.dk/2024/12/05/what-really-happened-to-peter-gotzsche/
3. https://www.science.org/content/article/hospital-s-suspension-evidence-based-medicine-expert-sparks-new-controversy
4. https://www.economist.com/finance-and-economics/2025/03/06/aid-cannot-make-poor-countries-rich
5. https://socialgoals.blogspot.com/2025/01/dealing-with-real-or-purported-doubt.html
6. https://dspace.mit.edu/handle/1721.1/5533
7. http://socialgoals.com/
8. https://socialgoals.com/health.html
9. https://socialgoals.com/human-development.html

22.3.3 (2025-03-11 18:16)

RE: "taking a panoptic view makes it clear that there's something very wrong with the world's healthcare. It's not just healthcare"

There is a panoptic view" that explains the reasons for this — carefully study the scholarly essay The 2 Married Pink Elephants In The Historical Room –The Holocaustal Covid-19 Coronavirus Madness: A Sociological Perspective & Historical Assessment Of The Covid "Phenomenon" at https://www.rolf-hefti.com/covid-19-coronavirus.html

Yet...

"The masses have never thirsted after truth. They turn aside from evidence that is not to their taste, preferring to deify error, if error seduces them. Whoever can supply them with illusions is easily their master; whoever attempts to destroy their illusions is always their victim." — Gustave Le Bon, in 1895

It's WHY you "very few" panoptic overview are around: they show the ugliest truth about advanced humans, and extremely few individuals WANT the real truth (see cited essay above).

If you have been injected with Covid jabs/bioweapons and are concerned, then verify what batch number you were injected with at https://howbadismybatch.com

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22.3.4 Whipping up a tempest (2025-03-21 17:48)

From the current *Economist*:

> Mr Trump is expanding his threats, promising to hold Iran to account for the Houthis' attackes and warning them of 'dire' consequences. Yet his approach is only hardening the mullahs' hearts. They may seize the chance to rally their embittered people against a common enemy and go for confrontation and a nuclear momb. Israel might then join the fray. The Houthis would come to their patron's [Iran's] aid and fire again at Gulf cities and oil terminals. It is all too easy to imagine the worst. *[1]America's strikes on the Houthis could whip up a regional tempest*, the 'Economist', 20 March 2025

Indeed. I keep returning to the possibility of a nuclear exchange, because it would be a catastrophe in its own right, as well as a terrible portent. We could rely on some combination of world governments to make nuclear conflict less likely but, in today's political environment, I think we should look for a complementary solution.

My suggestion is that we [2]issue our own (pdf) Nuclear Peace Bonds. All it would take would be for some interested philanthropist to put up the funds, and let the market for the bonds do the rest. Of course, once the ball got rolling, contribution from other bodies and members of the public could be solicited, which would swell the total redemption rewards. Even governments, if they could put aside their short-term interests for a moment, could add to the pot.

The goal of sustained nuclear peace would actually make an ideal target for the Social Policy Bond idea. One, because it's a complex, long-term goal that will require diverse, adaptive solutions. Two, it's an easy goal to verify. And lastly, it's a goal that, on all the evidence, including that of the above excerpt from the *Economist*, is unlikely to be reached under current policy. The idea would be to issue bonds that reward a sustained period of nuclear peace. This could be defined, as, say the non-detonation of a nuclear device that kills more than 100 people for 40 years - the long time period is necessary so that systems are put in place that work in the long term. With sufficient backing the bonds would help offset and (one hopes) outweigh the incentives currently on offer to the military-industrial complex and to ideological and religious fanatics.

Those billions of us who would benefit from nuclear peace are presumably a massive numerical majority, but we currently have few means of channel our wishes effectively. The tendency is to assume that governments will do what's necessary, with the support of hard-working, well-intentioned people in the private sector. But the rewards to all these people are not linked to their success. This is unhelpful in itself but, more importantly, it discourages investors who, seeing little opportunity to benefit from working to reduce nuclear conflict, will focus instead of less edifying enterprises. Most important of all is that our current strategy is just not working.

We need to reward those who achieve nuclear peace at least as much as those working to undermine it. We don't know exactly how to reduce the chances of a nuclear exchange, nor who will be best placed to do so, over the long period during which our goal is to be achieved, but we have no excuse for not encouraging people to find out. Nuclear Peace Bonds would apply the [3]Social Policy Bond principle to this goal. Investors in the bonds would form a [4]protean coalition of people dedicated to achieving it as efficiently as possible. Their goal would be exactly the same as society's. Human ingenuity knows no limits. Currently, too much of it is devoted to relatively unimportant or socially questionable goals. Nuclear Peace Bonds would channel our ingenuity, and stimulate more of it, into minimising the risk of a global catastrophe.

My short piece on Nuclear Peace Bonds is [5]here. The links in the right-hand column of that page point to papers on similar themes: [6]Conflict Reduction, [7]Disaster Prevention, and [8]Middle East Peace

1. https://www.economist.com/middle-east-and-africa/2025/03/20/americas-strikes-on-the-houthis-could-whip-up-a-regional-tempest
2. http://socialgoals.com/handbook.pdf
3. http://socialgoals.com/
4. http://socialgoals.com/new-type-of-organization.html
5. http://socialgoals.com/nuclear-peace.html
6. http://socialgoals.com/conflict-reduction-.html
7. http://socialgoals.com/disaster-prevention.html
8. http://socialgoals.com/middle-east-peace.html

22.3.5 Pdfs of past blog posts (2025-03-22 12:26)

Posts on this blog from October 2024 to yesterday, 21 March 2025 can now be downloaded as a pdf from [1] here .

All posts on this blog from December 2004 to yesterday, 21 March 2025 can now be downloaded as a - large - pdf file from [2]here.

1. https://socialgoals.com/blogoneyear.pdf.
2. https://socialgoals.com/blogentire.pdf

22.3.6 Buy-in: just as important as efficiency (2025-03-28 17:52)

In my efforts to promulgate Social Policy Bonds I've usually emphasised their efficiency, which arises from a number of sources, including their harnessing of market forces, their encouragement of diverse, long-term approaches, and their capacity to adapt to changing circumstances. All these attributes are, in my view, essential if policymakers are going put in place systems that solve our urgent social and environmental problems.

Less obvious, but just as important, would be a bond regime's transparency: the bonds would target outcomes that are meaningful to ordinary people. So: if we are targeting national levels of crime, instead of arguing over funding, structures and operations of police forces, or surveillance cameras, or street lighting, etc, a bond regime would target crime, as experienced by the country's citizens. Yes, there would be arguments about how to weight different crimes, and how to define crimes in terms that could be robustly quantified, but the important point is that ordinary people understand the outcome and can (if we want) participate in the targeting process. As well, there's more consensus over outcomes than the supposed means of achieving them.

Even if we take no real interest in the targeting process, our having the opportunity to make a contribution gives us something critical - but sadly missing - in today's political environment: [1]buy-in.

This would apply even if our views are over-ridden by others: at least, we'd have been consulted. If people have the chance of participating in such discussion, we shall come to understand the limitations and trade-offs that are intrinsic to public policymaking. This means quite a few things, but to my mind buy-in is the most important. It could reconnect citizens with our policymakers; it would entail the sharing of responsibility and concern for policy initiatives.

This matters hugely when government has to do things that hurt people's narrow, short- or medium-term interests: improving our air and water quality, for instance. The current system discourages buy-in because it's difficult and tedious to follow. As such, it's easily influenced by the wealthy or powerful, be they in the private- or public sector, who can afford to pay people to follow the process. The lack of transparency does much to widen the gap between politicians and the people they are supposed to represent. Social Policy Bonds, because of their focus on outcomes, would help close that gap.

1. https://socialgoals.com/buy-in.html

22.4 April

22.4.1 Incentives for peace (2025-04-01 09:38)

The good people at [1]antiwar.com *took just a few hours to reject this brief essay, so I'm free to post it here. For followers of my work there's little new. Readers who wish to know more about applying the Social Policy Bond concept to war should please see* [2]this page *and the links thereon.*

1522

Incentives for peace

We are,
understandably, not quite rational about war. We regard its opposite, peace, as an ideal: as unattainable as it is desirable; something to aspire to from afar - something that will never actually happen. War appears to many of us, as it did to the ancient Greeks, to be part of the natural order of things. I think we can do better. What I am suggesting is that we put in place incentives for people to end war; to bring about permanent world peace through diverse, adaptive and efficient approaches.

We have to focus
on our ultimate goal: *sustained* world peace. 'Sustained', because ceasefires, truces and other short-term measures often just postpone conflict. Our goal is peace that lasts for generations. We need to reward the successful achievement of this goal, rather than activities that are supposedly aimed at achieving it. There are too many people with a vested interest in keeping conflict going. While almost everyone would like to see a permanent end to war, there are too many in positions of power or influence who are half-hearted about peace, who feel threatened by it or who, for whatever reason, actively promote violence.

Ideally,
then, we need a way of promoting peace that can modify or circumvent these people's uncooperative or obstructive behaviour. We need to mobilise the interests of the vast majority of people who want peace. We need to find ways of converting, bypassing, distracting, or undermining those opposed to our goal.

Ideally
too, we would use market forces. In economic theory, and on all the evidence, markets are the most efficient means yet discovered of allocating society's scarce resources. But markets have been undermined, corrupted and abused such that they are nowadays mainly invoked only to defend extremes of wealth and poverty, or to further degrade the environment. So it is important to remind

ourselves that competitive markets can serve society, rather than billionaires and large corporations.

World Peace Bonds

World Peace
Bonds are a new way of channelling the market's incentives and efficiencies into what must be our highest priority: the permanent end of violent political conflict.

My
suggestion is that a combination of NGOs, philanthropists, governments and ordinary citizens put up initial funding for a new type of financial instrument: World Peace Bonds. Funds for the redemption of the bonds could be further swelled by non-governmental bodies, and the wider public. The bonds would be floated by auction and redeemed for a fixed sum only when the number of people killed by violent political conflict fell to, say, 50 000 a year, for a sustained period. Importantly, the bonds would make no assumptions as to how to bring about peace, nor who would do so: these decisions would be made by bondholders. Unlike normal bonds, World Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that peace is achieved quickly.

Some years
ago I envisaged a tradeable version of the now widely deployed Social Impact Bonds, which are
increasingly accepted as a way of stimulating suppliers of social services to do better. World Peace Bonds, because they would be tradeable on the open market, would be closer to my original idea. People would buy bonds only if they expect to make a profit on them. If they're tradeable, they wouldn't have to hold them to redemption to make a profit. The bond issuers could therefore target very long-term goals, such as our world peace goal, sustained for several decades.

Buyers of
the bonds would work together, tacitly or otherwise, to improve the prospects for peace in the long term. As they did so, the market price of their bonds

would rise, and they could realise a gain in value of their assets. This is the key: as the level of violence falls, so the bond price would rise. Bondholders would have incentives to do what they could to achieve peace, then to sell their bonds at a higher price to those who will take the next steps to our ultimate goal.

The bond's
backers, who supply the bonds' redemption funds, need decide only on the definition of peace to be targeted - not on how to achieve it. That would be left up to investors in the bonds, who would have every incentive to maximise their, and the backers', reduction in violence per unit outlay. So a sufficiently-funded World Peace Bond regime would stimulate research into, and implementation of, ever more cost-effective ways of achieving peace.

Bondholders
would be in a better position than governments to undertake a range of peace-building initiatives. They could lobby or work with governments to, say, change and enforce laws that make wars at home or overseas a less likely prospect. They could finance sports matches between potential protagonists, promote anti-war programmes on TV, or set up exchange schemes for students and schoolchildren. They could try to cajole the financial supporters of conflict into redirecting their funds along more edifying lines. They could offer poor countries innovative forms of aid, including education and scientific aid, and measures aimed at enlightening populations. They might even subsidise intermarriage between members of different ethnic or religious groups. The crucial point is that bondholders have more freedom and incentive to explore and carry out such diverse, adaptive and *long-term* initiatives than governments or other international bodies.

In today's
emotional climate decision-making is too often reactive. It is too easily swayed by those with a propensity for violence or those who benefit from it, whether financially or emotionally. There *are* enlightened, hard-working, people and organisations currently working for peace, but their ability to deploy resources effectively is constrained. The funding of the United Nations and other publicly-financed conflict-reduction bodies is conditional on their carrying out a range of activities limited by the bureaucracy and insecurities of their sponsoring governments. Private peace-building bodies work in admirable and diverse ways, but their efforts are small-scale and uncoordinated. For neither type of organisation are the financial rewards from building peace correlated with their effectiveness in actually doing so. Some of their approaches will be more effective than others but in the current environment nobody has incentives to find out which. World Peace Bonds, in contrast, would explicitly reward movement toward a sustained peace outcome, however it is done, and whoever does it. They would focus on an identifiable outcome and channel market efficiencies into exploring ways of achieving it.

They could be the most effective means of achieving the peace that people all over the world yearn for and deserve.

1. https://antiwar.com/
2. https://socialgoals.com/conflict-reduction.html

22.4.2 Going beyond root causes (2025-04-06 17:39)

One strength of the Social Policy Bond idea is that it doesn't try to, nor need to identify relationships between cause and effect, between policy and outcome. It's not always efficient necessary to look for root causes. Indeed the perceived need to look for them can be an excuse to delay or ignore the social problem. Take war: it can have multiple causes, ranging from the childhood experiences of political leaders to ethnic rivalry, or the real or imagined need of a country for more resources, the insecurities of military commanders....

Rather than seek to identify, weight and address any of its myriad possible causes, a [1]Social Policy Bond regime would instead target war itself. Holders of [2]World Peace Bonds *could* choose to look for root causes, but only if they think that approach is worthwhile compared to alternatives. When the goal is peace sustained for, say, four decades, then alternative approaches could include: making the educational materials of schoolchildren less belligerent; encouraging student exchanges; influencing media outlets to tone down inflammatory propaganda; distracting, deposing or otherwise undermining leaders who foment violence and hatred.

Policymakers, if they choose to, can do a good job of solving simple social and environmental problems, whose causes are obvious. But our complex society, with its multitude of variables, feedback loops and time lags makes it difficult for any single, conventional organisation - even ones as powerful as national governments - to deal with problems such as war, violence, crime, air pollution or poverty. Even if the causes of these problems were unchanging and invariate over geographic region, such a task would be difficult and contentious. But they aren't static nor uniform: they change over time and vary from one locality to the next. We need diverse, adaptive approaches, that no single conventional organisation, however rich and powerful, can possibly address: such organisations and the people working for them have their own agendas which often deviate from, or even conflict with, their ostensible goals.

Social Policy Bonds would lead to the creation of a [3]new sort of organisation: ones whose sole remit is to solve targeted problems as efficiently as possible, and whose every activity would be in the service of society's targeted goal. Having a protean structure and composition, it would be motivated to respond rapidly to changing circumstances. Importantly too, it would not subscribe to any ideology that would limit the range of approaches it could explore.

1. http://socialgoals.com/
2. https://socialgoals.com/world-peace.html
3. https://socialgoals.com/new-type-of-organisation.html

22.4.3 Climate change: I don’t need to know (2025-04-13 18:24)

I don’t know whether the climate is changing. Most of the essays, books, articles, I read do make me believe that anthropogenic greenhouse gas emissions are causing the climate to break down. But then I see papers like this, and I realise I just don’t know:

> The anthropogenic
> CO_2-Global Warming hypothesis, as articulated by the Intergovernmental Panel on Climate Change (IPCC) and supported by researchers such as Mann, Schmidt, and Hausfather, lacks robust empirical support when subjected to rigorous scrutiny. This analysis integrates unadjusted observational data and recent peer-reviewed studies to demonstrate that the assertion of human CO_2 emissions as the primary driver of climate variability since 1750 is not substantiated. Instead, natural processes—including temperature feedbacks, solar variability, and oceanic dynamics—provide a more consistent explanation for observed trends.
>
> *[1]A Critical Reassessment of the Anthropogenic CO_2-Global [2]Warming Hypothesis*, Grok 3 beta1, Jonathan Cohler et al, ’Science of Climate Change, vol 5.1 (2025)

Judging by the [3]absence of any meaningful attempts to reduce greenhouse gas emissions, it seems that governments don’t know either, or they regard climate change as a low priority for themselves or their citizens. What, then, is the best approach when confronted with what might turn out to be a hugely important and urgent problem - but might not? Our current policymaking systems require that we have a good idea as to the likely impact of a problem, and that we then take measures to reduce that impact. But climate change isn’t like that. We just don’t know enough to take actual (as against performative) measures to deal with it. Too many of us are unconvinced of the need to do anything and, for many of us, it’s against our interests to believe anything to the contrary.

One of the reasons I advocate applying the Social Policy Bond concept to the climate is that we can confront this lack of certainty by, in effect, contracting out the risk to those prepared to take it on. Let’s assume that governments collectively decide to back Climate Stability Bonds; that is, to put up funds for redemption of the bonds once our climate goals have been achieved and sustained for a period, of, say 40 years. If the consensus of the market for the bonds is that the climate is unlikely to change very much, then the bonds would sell for a quite high price. The governments would not lose much by redeeming the bonds, as the bonds would not appreciate very much. But if the market believes climate change is happening and that therefore climate stability will be difficult to achieve, investors will attach a low value to the bonds when they are issued. Bond purchasers would stand to make large sums if they help bring about climate stability.

The crucial point is that under a Climate Stability Bond regime it would not be up to governments, the United Nations, or any panel of experts to make a one-time only assessment of the seriousness of climate change. Under a bond regime it would be the market that would be highly motivated to inform itself about all aspects of climate change, because it stands to gain most if they get it right. And investors in the bonds would be so motivated on a continuous basis, as the market for the bonds would be constantly generating opportunities for gain to successful gatherers and interpreters of the flow of data about climate change.

A Climate Stability Bond regime would thereby bring onside the skeptics, or those who are just reluctant to pay large upfront costs for an uncertain gain. It would contract out not only the achievement of climate stability, but also the assessment of how serious a problem it is. The costs of a poor assessment would be borne by investors in the bonds, rather than taxpayers. Action to bring about climate stability – significant action rather than what we've seen so far – would, I believe, therefore be more forthcoming.

I've written in depth about Climate Stability Bonds on this blog and on my [4]main site there there are links to other essays here. The same reasoning applies to other potentially devastating events to which we just cannot
assign a probability; nuclear war for example, and I propose a similar
application of the Social Policy Bond idea to address that and conflict in general: links are [5]here.

1. https://scienceofclimatechange.org/wp-content/uploads/SCC-Grok-3-Review-V5-1.pdf
2. https://scienceofclimatechange.org/wp-content/uploads/SCC-Grok-3-Review-V5-1.pdf
3. https://socialgoals.blogspot.com/2025/01/climate-change-theatre.html
4. http://socialgoals.com/
5. https://socialgoals.com/conflict-reduction.html

22.4.4 Why we should target environmental outcomes (2025-04-18 11:32)

'Don't overlook the many benefits of plastics', writes the *Economist*:

> Plastic packaging prevents perishable foodstuffs from spoiling, making possible global trade in meat, fish, fruit and vegetables. It enables essentials like rice, cooking oil and powdered milk to be stored and distributed safely and cheaply. A one-litre plastic bottle weighs 5 % as much as a glass one; plastic packaging thus reduces shipping costs and emissions. ... When properly managed and well monitored, [landfill] is far less environmentally ruinous than often portrayed, and can be simpler and more effective than poorly executed recycling. [1]*Don't overlook the many benefits of plastics*, the 'Economist', dated 19 April 2025

The sort of [2]life-cycle analysis required to establish the environmental benefits or otherwise of shifts in our behaviour are bedevilled by boundary issues, measurement difficulties and the difficulty of weighting one type of environmental impact against another. They are better than blandly assuming that rail is 'better' than air travel, that solar power is better than coal-fired power stations, but for the making of robust policy they would need to be continually reassessed in the light of our ever-expanding knowledge of the environment and our ever-changing environmental priorities. Government policy cannot be so responsive: if government did use life-cycle analysis with the aim of altering our behaviour, it would probably do so on the basis of a one-time, necessarily limited, and (probably) subjective assessment of environmental costs and benefits. It's not good enough, but even worse would be what we largely have now: government environmental policy based on corporate interests, media stories and the launching of visually appealing initiatives that look good but otherwise achieve nothing.

Social Policy Bonds would take a different approach. They would subordinate environmental policy to society's desired environmental outcomes. Say we wish to reduce our use of plastics. A Social Policy Bond issue that rewarded achievement of such a reduction would generate incentives for bondholders to bring it about at least cost. They might well carry out life-cycle analyses in their attempt to do so. But there is an important difference between the way do they would conduct their research and the way government would do so: bondholders have incentives to achieve their goal efficiently. This is likely to mean responding to - and stimulating - increased knowledge of scientific relationships and technical advances.

A single environmental goal, such as reduction in use of plastics will necessarily require diverse, adaptive responses. These are precisely the sort of responses that government does very badly. Government can and should articulate society's environmental goals, and can help pay for their achievement: in the democratic countries it performs these functions quite well. But most of our environmental goals require complete and responsive understanding of complex relationships, and actually achieving such goals requires continuous, well-informed and impartial decisions to be made about the allocation of scarce resources. For that purpose, Social Policy Bonds, with their incentives to achieve targeted outcomes efficiently would, I believe, be far better than the current ways in which environmental policy is formulated.

For more about Social Policy Bonds please see [3]here. For applying the Social Policy Bond idea to environmental problems, see [4]here.

1. https://www.economist.com/leaders/2025/04/16/dont-overlook-the-many-benefits-of-plastics
2. https://en.wikipedia.org/wiki/Life-cycle_assessment
3. http://socialgoals.com/
4. https://socialgoals.com/environment.html

22.5 May

22.5.1 Translation doesn't need grammar; policy solutions don't need root causes. (2025-05-01 18:08)

An excerpt from a letter published in the *Financial Times*:

> Translation is one of the many positive revolutions brought about by artificial intelligence, but, surprisingly it has gone largely unnoticed. While machine translation has made constant but slow progress since the first Georgetown-IBM experiment in 1954 the shift by Google by 2016 from structural rule-based systems relying on grammatical structures to statistical models and neural machine translation was a major breakthrough. Automated translation now takes into account the context to solve the ambiguity of some words or phrases, and to grasp the tone as well as the style in order to find the right vocabulary and the most suited idiomatic forms. Being trained on vast datasets, it is also very unlikely that it will get stuck on a rare or technical expression that a human translator will in turn struggle to find in a paperback

> dictionary. *How AI is overcoming Europe's language barriers*, Philippe Huberdeau, 'Financial Times', 30 April 2025

To me, this has application in the world of policy. Our current policymaking system relies on being able to trace the causes of our social problems, to do so continously, and then to try to deal with them. This identification-based model works well when cause and effect can be reliably identified, and don't change much over time, nor differ much over space.

In today's complex societies, it isn't good enough. There are too many variables; and feedback loops mean that implementation of policies changes how people and systems respond. The current model cannot address such complexities, so we get fossilised policies that also tend to be one-size-fits-all.

I don't propose that we try to use AI techniques to solve policymaking goals such as reducing crime, improving health or, at the global level, eliminating war. Trying to condense all of human history into the context according to which effective policies could be made is impossible. Reducing the human experience into terms that machines can understand can't be done. Partly because it's too great, partly because it's too subjective and partly because it keeps expanding.

But what we can learn from the application of AI to language translation is that we don't need to fully understand everything about how a language works - its grammar - to translate it effectively. And this is where the Social Policy Bond concept, with its focus on outcomes, enters the picture. Investors in the bonds don't necessarily need to identify and deal with any supposed 'root causes' of crime, war or any of our other social or environmental pathologies in order to address them effectively. Trying to do so would be a Herculean task and so can readily be invoked as an excuse to do nothing. What we can do, and what a Social Policy Bond regime would do, is give incentives to investors to look for the best ways of solving our problems on a continuous bases. That might, in some cases, mean looking for root causes. But it might simply mean researching, trialling and refining many diverse potential solutions and adopting those that are most promising - *constantly*. Achieving our social goals requires diverse, adaptive approaches. The current policymaking system delivers neither.

For more on this theme see [1]here and [2]here.

1. `https://socialgoals.blogspot.com/2015/09/the-root-causes-of-war-dont-bother.html`
2. `https://socialgoals.blogspot.com/2016/02/the-root-causes-fallacy.html`

22.5.2 EVs and air pollution **(2025-05-11 18:07)**

Society and the environment are complicated. There are vast numbers of variables, feedback loops, and time lags, all of which make our current systems of regulation ineffective. Here's the *Economist* writing about electric road vehicles (EVs):

> In addition to being less well regulated than exhaust fumes, non-exhaust particles are also less well studied. That is changing. One study published in February ... found that some brake-pad dust seems to be more damaging to dish-grown human lung cells than diesel-fume particles. This was in part because of its higher levels of copper, which can damage cells and DNA. Though exact figures are elusive, scientists estimate that EVs produce more of these non-exhaust particles than other cars. This is because their batteries make them heavier, causing them to generate more friction. [1]*Electric vehicles also cause air pollution*, the 'Economist', 11 April 2025

Our knowledge of complex scientific relationships is always going to be incomplete and, most likely expanding. Failing to recognise that, leads to the sort of disastrous regulation that, in the UK, stimulated diesel consumption:

> In 2001, the then Chancellor Gordon Brown introduced a new system of car tax aimed at protecting the environment. In actual reality it fostered a popular move towards highly polluting diesel cars - a trend which according to [2]some experts has been associated with thousands of premature deaths a year. *[3]Why officials in Labour government pushed 'dash for diesel',* Martin Rosenbaum, bbc.co.uk, 16 November 2017

Our politicians need to resist the temptation to latch on to some relationship that they think they understand and regulate accordingly. The fact is that we simply don't know whether, for instance, EVs are better for the environment, just as Gordon Brown didn't really know whether diesel or petrol is worse for the environment.

This is where Social Policy Bonds could help. The scientific facts change, along with our understanding of those
facts. We need policies that can respond effectively to those changes. Current policymaking cannot handle the complex relationships that characterise the environment, nor can they take account of our expanding knowledge about those relationships.

Social Policy Bonds would take a different approach. Rather than focus on the means of achieving, in this example, a reduction in air pollution, they would reward the achievement of reduced air pollution. Doing so would generate incentives for bondholders to bring it about at least cost. They might well carry out life-cycle analyses in their attempt to do so. But they would do so on a continuing basis, investigating and even financing the research they deem necessary to reduce air pollution as quickly and cheaply as possible. They would both stimulate and respond to increased knowledge of scientific relationships and technical advances.

As important, though, is that a [4]Social Policy Bond regime would compel clarity over society's real goals. In this case, we'd have to answer the question: is reducing fossil fuel use an end in itself, or a means to other ends? And if the latter, what are those ends? Let's say those ends include, inter alia, improving air quality. Now, is improving air quality an end in itself, or is it the effects that air pollution has on human, plant and animal life that we really want to be targeting? And, if the latter, why not target these ends directly? There might be good reasons, involving the costs of monitoring, for targeting indirect means of achieving our goals, but we do need to keep our goals clearly in mind. Those goals, unlike the focus of today's regulatory environment, would have a long-term focus. There'd also be more agreement about them - and hence more [5]buy-in from the public - than there is about the supposed means of achieving them.

For more about applications of the Social Policy Bond concept to the environment, please see [6]here.

1. https://www.economist.com/science-and-technology/2025/04/11/electric-vehicles-also-cause-air-pollution
2. https://www.eea.europa.eu/en/analysis/publications/air-quality-in-europe-2016
3. https://www.bbc.co.uk/news/uk-politics-41985715

4. http://socialgoals.com/
5. https://socialgoals.com/buy-in.html
6. https://socialgoals.com/environment.html

22.5.3 Climate change: "The silence of these writers is dreadfully expressive" (2025-05-20 19:31)

Concluding his thorough and, to my mind, convincing argument against the findings of several researchers into the economics of climate change, David Barker writes:

> We are forced by this pattern of errors to consider the possibility that some of the body of research I have critiqued is less than honest. It appears to be the result of bias—implicit collaboration of authors, reviewers and editors to promote socially and politically acceptable ideas leading to conformity and suppression of alternative ideas. Additional evidence of bias in academia can be found in surveys of literature on the effect of climate change on the economy. Two recent surveys ... discuss hundreds of papers, including the papers I critiqued, but neither of them cite my critiques. In the 2020s, it is impossible that the authors of survey pieces like these would have been unaware of my work. The authors also knew that my critiques have not been answered. The irresponsibility of failing to provide a balanced review of the literature in these articles can only be explained by ideological bias. [1]*Reflection after five papers about climate change*, David Barker, 'Econ Journal Watch', March 2025

I'm not sure which comes first: ideology or competition for funding or recognition. Either way, there are incentives in the academic world to be dishonest. When there's too much dishonesty or ideological bias (see [2]here, for instance) then we see what we are experiencing now: a [3]backlash against the entire scientific enterprise.

My position on climate change doesn't rely on knowing whether it's actually happening or what's causing it. In that sense, it transcends ideology. We need to decide what aspects of the climate we want to target. Especially, we need to [4]decide whether to focus its adverse impacts on human, animal and plant life, or to target such physical variables as area of sea ice, temperature, or some combination. Under a Climate Stability Bond regime, we could target an wide array of variables, each of which would have to fall within a stipulated range for a period of decades before the bonds would be redeemed. Investors in the bonds would have incentives to prioritise the efficiency with which research (along with all the other necessary steps) will help achieve our climate change goal, rather than the ideology or status of the relevant scientists, and to do so continually.

I've written copiously about climate change on this blog ([5]here and [6]here, for example) and there are links to my longer pieces on [7]Climate Stability Bonds on my [8]main website.

1. https://econjwatch.org/articles/reflection-after-five-papers-about-climate-change
2. https://journaltalk.net/articles/5713/the-ideological-profile-of-harvard-university-press-categorizing-494-books-published-2000-2010
3. https://www.science.org/content/article/how-trump-administration-dismantling-science-u-s

4. https://socialgoals.blogspot.com/2015/10/climate-change-fundamental-question.html
5. https://socialgoals.blogspot.com/2023/09/climate-policy-has-failed.html
6. https://socialgoals.blogspot.com/2025/01/climate-change-theatre.html
7. https://socialgoals.com/climate-change.html
8. http://socialgoals.com/

22.5.4 Vortices of bureaucracy: the masonic model (2025-05-28 18:20)

A fascinating article about the United Nations confirms my thinking that any long-lasting conventional organisation, be it public- or private-sector, gradually loses sight of its initial mission, such that its over-arching goal becomes self-perpetuation:

> Over the past eight decades, the United Nations has expanded to encompass an alphabet soup of humanitarian agencies and subsidiary organs with colossal, overlapping ambitions, supported by layers and layers of middle managers. There are endless commissions and centers and conferences and committees, departments and offices and institutes and forums tangled up in abstruse rules and regulations and tasked with eliminating world hunger, sheltering displaced people, adjudicating international disputes, solving climate change, facilitating trade, reducing poverty, and much, much more. UNICEF, the World Health Organization, the International Monetary Fund: all are part of the United Nations. There is a Counter-Terrorism Committee and an Office of Counter-Terrorism; a Department of Peace Operations and a Department of Political and Peacebuilding Affairs. The organization has become so unwieldy that even its most well-meaning workers describe being caught in a culture of toxic inefficiency, hamstrung by problems of accountability, organization, and funding. “The U.N. is a vortex of bureaucracy,” Anadil Hossain, a former senior adviser at the U.N. Refugee Agency, told me. “Something needs to change. It’s embarrassing.”
> ...
>
> Nondiplomatic employees told me that working at the United Nations had a way of changing them, too, by draining them of motivation. Good work, I heard again and again, was never rewarded, and bad work never punished. “The culture is really, really shocking,” said Salil Shetty, who directed the U.N. Millennium Campaign from 2003 to 2010. “It’s not based on performance and all that. It’s: How do you keep the bosses happy?” Amanda Chicago Lewis, [1]*Wishful thinking*, ’Harpers’, dated June 2025

I think we need to disaggregate the ostensible aims of organisations like the UN from their other, more human functions. Very often, the two conflict. I’ll explain:

I recognize the need of all humans to engage with each other, to discuss, argue, sing or dance together, to share our hopes, to be in fellowship with people who have a similar world view, to identify with symbols, ritual, hierarchy, a clan or tribe or an organisation; above all: to belong. So, while we might have expected that the economic and social shambles that was Marxism would expire with the old Soviet Union, it survives in China and elsewhere, not as an economic

system, but as an extraordinarily potent ideology *about* an economic system. Freudian psychoanalysis, though discredited as a therapy, survives as a cult revolving around the life and work of Sigmund Freud.[1] There is not a single proven example of a visit to Earth by an alien spacecraft – yet opinion polls consistently show that more than half of adult Americans believe in such an event.[2] Members of such organisations may have some belief in their ostensible aims or underlying ideology but those fellowship benefits of belonging to a body of like-minded people are at least as important.

The 'rightness' of such belonging, the elation and joy that come with satisfying a genuine human need, can lead participants in organisations to fail to see the organisation's malign effect on outsiders. Gareth Gore, in an interview, explains the origins and subsequent history of Opus Dei:

> The organization was founded by a Spanish Catholic priest, Josemaria Escrivá, in the 1930s in pre-civil war Spain, when society was deeply divided. He was born in northern Spain in 1902. The best way of getting a really good education in those days was by joining the church, joining the seminary. That really opened up your options. So he went to the seminary and he became a priest, but his passion really was law. For a long time he considered just leaving the priesthood entirely. He applied for various jobs.
>
> But then one day, while he was on retreat, he had what he called a vision from God. He said that God had effectively spoken to him and given him the outlines of this new organization. He'd received this vision from God of how ordinary Catholics could better serve God in their ordinary lives.
>
> ... In the early 1930s, Spain was on the brink of civil war. The country is deeply divided. The workers have risen up against the monarchy. They're demanding new rights for themselves. And—critically for this story—they're beginning to turn their backs on the church.
>
> And Escrivá, as a priest, as a conservative man, he's appalled by this. He starts believing all of these conspiracy theories. He blames it on the communists, on the Bolsheviks, on the Jews and the Masons. And this organization that he'd founded just a few years earlier, on this quite benign philosophy of serving God through striving for perfection in your daily lives, begins to take on this sinister and deeply

political hue. Gareth Gore, *[2]Opus Dei, embezzlement, and human trafficking*, ARC, 21 January 2025

'How can this organisation', well-meaning, hardworking employees ask, 'which is so necessary to my well-being, possibly be corrupt, corrupting or destructive to society?' And so begins the movement away from its stated ideals and towards the enshrinement of [3]self-perpetuation as its primary goal.

I think we'd all be better off by explicitly dividing the roles, such that we have the new type of organisation solely devoted to achieving our social goals, and other organisations that explicitly put our other human needs first. The ostensible reasons for our polarized, dysfunctional politics, are not so much about our goals, but about the ways we think they shall be best achieved. We could instead debate social and environmental outcomes, about which there is more consensus and more objectivity. My suggestion is that, in setting up a [4]Social Policy Bond regime that would target our long-term social goals, explicitly and unwaveringly, we'd bring new organisations into being; organisations whose structure, composition and all activities would be subordinate to their targeted goal. I have written about this new sort of organisation [5]here. This new type of organisation would, I believe, be the most efficient way of achieving our goals but because its composition would be fluid, its structure protean, and many of its activities short lived, would fail to satisfy our need for fellowship and belonging.

To complement such loose collections of capabilities as these organisations would embody, I think we'd see more organisations solely devoted to satisfying our fellowship needs, with perhaps some occasional overspill into charitable works. These fellowship bodies could retain the name, symbols, buildings and initial membership of organisations, like the United Nations, that have failed in their ostensible aims, yet still fulfil their fellowship functions.

There is a precedent, and it is the world of Freemasons. Some groups of working or 'operative' stonemasons began to allow non-masons into the guilds. Operative masonic lodges raised money by charging the gentry for admission to their "mysteries". (See [6]here.) The guilds and mysteries persisted after the great British and European cathedrals had been built. Operative masons declined in number; 'speculative' masons took over, and today there are around six million freemasons worldwide.

Could the governments of the United Nations, or members of Opus Dei or our politicians and everyone else with a vested interest in the power-structures to which they belong and from which they derive inspiration be persuaded to give up their dysfunctional organisations and divisive politics, and become 'speculative' policymakers? Social Policy Bonds would take on their current duties, while 'masonic' versions of the UN etc would fulfil their need for fellowship, ritual and hierarchy.

I think everyone - politicians and public - would be happier if our failing 'operative' organisations were nudged toward the 'speculative' role, and the real work of achieving our more vital and mundane social and environmental goals were, in effect, contracted out to motivated investors in Social Policy Bonds.

References:

[1] See, for example, *Final Analysis*, by Jeffrey Masson, Harper Collins, 1990.

[2] *For the flying saucer myth, it will always be January 1950*, Robert R Young, 'Skeptical Inquirer', volume 18, number 5, Fall 1994.

1. https://harpers.org/archive/2025/06/wishful-thinking-united-nations-amanda-chicago-lewis/
2. https://arcmag.org/opus-dei-embezzlement-and-human-trafficking/

3. https://socialgoals.blogspot.com/2007/01/institutional-goa-par-excellence-self.html
4. http://socialgoals.com/
5. https://socialgoals.com/new-type-of-organisation.html
6. https://en.wikipedia.org/wiki/History_of_Freemasonry#Early_Masonic_sources

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22.6 June

22.6.1 Blundering toward catastrophe (2025-06-08 17:46)

Gillian Tett interviews Rafael Grossi, head of the International Atomic Energy Agency:

> ...Russia's full-scale invasion of Ukraine has put civilian nuclear plants in the line of fire; meanwhile Vladimir Putin has repeatedly threatened to use nuclear weapons. "This is worrying because it normalises this," Grossi admits with masterly understatement. "In the past, this was quite taboo, but now people talk about tactical nuclear weapons like something which could be contained or permissible." Grossi also faces a nuclear-armed North Korea, rising tensions between India and Pakistan, both nuclear powers, and his "biggest preoccupation": Iran. *[1]Lunch with the FT*, 'Financial Times', 7 June 2025

The taboo against
threatening the use of nuclear weapons has been broken.

It now appears
inevitable that, unless we are determined to establish long-term nuclear peace, the taboo against their
use will also break. There are few incentives not to threaten use of nuclear weapons, and plenty of incentive to acquire them. We need to offer meaningful and effective incentives for people to do everything they can to deter the acquisition and use of nuclear weapons.

For many of our social goals, one difficulty is reliably monitoring progress toward their achievement. That certainly applies to the [2]Social Policy Bond concept - but not in the case of nuclear peace. Use of a nuclear weapon that kills, say, more than 500 people, or that creates a serious electromagnetic pulse, is something that we could unequivocally detect. There are other reasons why maintaining nuclear peace would be an ideal goal for the Social Policy Bond concept:

- existing initiatives don't seem to be working,
- the goal is long term, and
- the goal is likely to require a multiplicity of diverse, adaptive approaches.

There *are* bodies, including the IAEA, that are working toward nuclear peace either as their main activity or indirectly, but they are typically short of resources and - relatedly - have little financial incentive to succeed.

Given that a nuclear conflict is one of the worst scenarios imaginable, dwarfing even our serious, urgent social and environmental problems, it's worth exploring new approaches to

nuclear peace. I don't know a way out of any impending nuclear conflict, but what I can propose is that we offer incentives for people to find such ways. Rather than leave everything to the politicians, ideologues, military men and the war-gamers, or even the well-meaning, dedicated professionals at bodies such as the IAEA, we could encourage the issuing of [3]Nuclear Peace Bonds that would be redeemed only when there has been a sustained period of nuclear peace. Backers would contribute to the funds for redemption of the bonds, which would occur only when nuclear peace, defined as, say, the absence of a nuclear detonation that kills more than 500 people (or a serious electromagnetic pulse) has been sustained for three decades. The bonds could be backed and issued by any combination of governments, international organisations, non-governmental organisations and philanthropists, and their funds could be swelled by contributions from the public.

Nuclear Peace Bonds could run in parallel with existing efforts. Indeed, it's likely to channel more resources into those existing bodies whose activities are most promising. It would also encourage new approaches, the precise nature of which we cannot and need not know in advance.

A
Nuclear
Peace Bond regime would reward those who achieve peace, whoever they are
and however
they do so. It's an admittedly novel approach, but the relevant question is 'what is the alternative?'. The [4]Doomsday Clock is currently at 89 seconds to midnight.

1. https://www.ft.com/content/60cfc646-ab56-4347-ad85-687e871426c4
2. http:/socialgoals.com
3. https://socialgoals.com/nuclear-peace.html
4. https://en.wikipedia.org/wiki/Doomsday_Clock

22.6.2 Cesspits are also stable: how to bring about peace in the Middle East (2025-06-16 10:13)

Aljazeera reports:

> [German] Chancellor Friedrich Merz urged both Israel and Iran to avoid any "further escalation". Both sides should refrain from steps that could "destabilise the entire region," said Merz...
>
> Australia said it was "alarmed by the escalation between Israel and Iran". "This risks further destabilising a region that is already volatile.
> We call on all parties to refrain from actions and rhetoric that will
> further exacerbate tensions," said Foreign Minister Penny Wong. [1]*How the world is reacting to Israel attacks on Iran nuclear, military sites*, Aljazeera.com, 13 June 2025

One great advantage of a Social Policy Bond regime is that it would oblige us to choose real, meaningful goals. Cesspits are generally stable, but a social environment as stable a cesspit is hardly aspirational.

[2]

Ahh, stability: a cesspit in New Zealand

I’m convinced that, for most of us, a stable Middle East is not a goal. A peaceful, prosperous, enlightened Middle East would surely be a more desirable goal for the vast majority of the region’s population, but getting there will mean change. Instability is a necessary condition for movement towards our goal, but it’s not sufficient. It needs to be guided and that is where a Middle East Peace Bond regime could help.

Now peace in the Middle East - a lasting, warm peace - might seem an outlandish goal, and so it is if we take a short-term view. But a regime would have as its goal a peace sustained for, say four decades. How to achieve that? No single approach will work by itself. My suggestion is that we put in place incentives to research, experiment and implement the most promising of a range of diverse approaches, always with the ultimate goal of a lasting peace in mind.

While robust definitions of ’peace’ will
need to be thought through, a long-term peace means more than the absence of war. We could issue Middle East Peace bonds redeemable
only when there had been no significant numbers of people in the region killed, injured or forced to flee their homes during our four decades. That would necessitate not just the minimisation of casualties, but *elimination of the threat* of such casualties: only a warm peace would bring that about, circumventing the need for a definition of such a concept.

Middle East Peace Bonds would be an application of the Social Policy Bond concept. They would, in effect, contract out the achievement of long-term peace to those who are most efficient at bringing it about. Bondholders have incentives explore and implement new, more diverse options than are currently being undertaken, and they could divert funding into the most promising of these. They would have more latitude for action than existing - failing - efforts undertaken by governments. For example, bondholders could subsidise intermarriage between members of different religious or territorial communities. They could sponsor school exchange visits, sports matches or the broadcasting of peaceful propaganda. They could arrange for the most virulent warlords and preachers of hate to take one-way, first-class journeys to luxurious holidays in remote resorts with limited access to communication facilities. There *are* well-meaning and hard-working bodies working today in imaginative and helpful ways (see [3]here for example), but they lack resources: bond regime would channel funds into the most promising of these bodies.

Whatever holders of bonds targeting war and terrorism do, they will have successes and failures. But they will also have incentives to terminate projects that are failing and to refine and replicate their successes - to be efficient, in other words. Government has no such direct incentive. It cannot offer direct financial rewards for success, and its talent pool is limited, partly for that reason. It has a short-term focus, too often resorting to military action, and it would get into trouble if it advocated things like intermarriage, or sponsored sybaritic retirement for the region's warmongers. Its actions tend to be one-size-fits-all, slow to adapt and advocated mainly because they have been done before, rather than because of their putated efficiency: government will always prefer tried, tested and failed solutions to innovative, promising, and successful initiatives that entail relinquishing some of their powers.

The field of conflict is one area where the private sector can and should be given the chance to operate more freely. Sadly, it is largely private, short-term incentives - to arms dealers and fanatics - that keep conflict going. A well-funded bond regime would redress the balance.

Under a [4]Middle East Peace Bond regime, government could still play a role in defining our peace goal and raising some of the revenue for its achievement, but I am more convinced now that the private sector will have to take the initiative. That could mean a combination of NGOs, interested corporations, philanthropists and ordinary citizens. Probably all of these, with perhaps some neutral governments, would be needed to raise sufficient funding. The goal of long-term, warm peace, would benefit tens of millions and if that means making the current iteration of the region less stable than a cesspit, then so be it.

1. https://www.aljazeera.com/news/2025/6/13/how-the-world-is-reacting-to-israel-attacks-on-iran-nuclear-military-sites
2. https://blogger.googleusercontent.com/img/b/R29vZ2xl/AVvXsEiyvjC0nzIsdvnl4V8ygnyuShjZ61OUQpPo0GwfUJD8QcYycMqH0la43ImLHcs0IzOlJMy5ws6vkc4YrAQ1yojnu7ByuNIR6zxIwQo
3. https://www.seedsofpeace.org/
4. https://socialgoals.com/middle-east-peace.html

22.7 July

22.7.1 World Peace Bonds: setting the scene (2025-07-04 10:45)

I’m writing a book about [1]World Peace Bonds - the application of the [2]Social Policy Bond concept to war and political violence. This is my draft introduction to the book.

Market
incentives to end war: World Peace Bonds

We are, understandably, not quite rational about war. We
regard its opposite, peace, as an ideal: as unattainable as it is desirable;
something to be worshipped from afar, and something that will never actually
happen. War appears to many of us, as it did to the ancient Greeks, to be part
of the natural order of things.

This book is different. It assumes nothing about either the
inevitability of conflict, or its causes. It will take as its starting point
only the reality of conflict. It will not assume that the idealists and
ideologues, the politicians, the generals, and the men of religion are the best
people to bring peace to the world, but neither will it assume that none of
them have any contribution to make. It will propose not a single solution to
the horror of violent political conflict, but rather a way of encouraging
people to explore an array of diverse, adaptive solutions. We do not need to
know the exact nature of these solutions in advance, but we can put in place a
mechanism that will encourage and reward people for finding them. Conflict
Reduction Bonds ae a new financial instrument designed, in effect, to contract
out to whoever is most capable, the achievement of lasting world peace. They
aim to bridge the gap between humanity’s undoubted flare and genius and the
seemingly remote ideal of a world without war.

In t he single year 2024 war
directly killed 161 000 people;

[1]

about 0.27 percent of all world deaths. But this understates the potential for
catastrophe: while fewer
people have died in conflicts in recent decades than in most of the 20th
century, three-quarters of all war deaths since 1800 happened in World Wars 1
and 2, and 90 % in the biggest ten wars, which is why the downward trend in war
deaths cannot be relied on to continue. As well, raw figures massively
understate the suffering wars cause. Indirectly, armed political conflict kills
many more.

1540

[2]

In
the 1990s 3.6 million people, most of them civilians, were killed in conflict.

[3]

In
the entire 20th century, an estimated 191 million people lost their lives
directly or indirectly as a result of conflict—and well over half of them were
civilians.

[4]

This amounts to about one in 22, or 4.5 per
cent of all human deaths during tha t
century. (Rough calculations suggest that this is a higher proportion of deaths
attributable to conflict than in the 19th century.

[5]

)

And, of course, war also maims and sickens people. It
destroys social fabrics and coping mechanisms. As well, resources devoted to
the military or to peacekeeping are unavailable for life-enhancing sectors of
the world economy. World military expenditure rose to $2718 billion in 2024,
meaning that spending has increased every year for a full decade, going up by
37 per cent between 2015 and 2024. Average military expenditure as a share of
government expenditure rose to 7.1 per cent in 2024 and world military spending
per person was the highest since 1990, at $334.

[6]

War
traumatises non-combatants, and fear of war, fed by the endless accounts of war
worldwide, adds to people’s anxiety, however distant they may be from current
conflict. The possibility of war leads to underinvestment of people and
resources in places that sorely need them. It accelerates the migration of
blighted countries’ best and brightest to stable countries, governed by law.

Meanwhile the *potential* for violent political
conflict, represented by nuclear weapons proliferation, is increasing. in January 2025, about 9614 were
in military stockpiles for potential use. An estimated 3912 of those warheads
were deployed with missiles and aircraft and the rest were in central storage.
Around 2100 of the deployed warheads were kept in a state of high operational
alert on ballistic missiles.

[7]

‘The era of reductions in
the number of nuclear weapons in the world, which had lasted since the end of

the cold war, is coming to an end,' said Hans M. Kristensen, Associate Senior Fellow with SIPRI's Weapons of Mass Destruction Programme and Director of the Nuclear Information Project at the Federation of American Scientists (FAS). 'Instead, we see a clear trend of growing nuclear arsenals, sharpened nuclear rhetoric and the abandonment of arms control agreements.' Economic growth, the dissemination of current technology, and research into new technology will mean that access to weapons of mass destruction will widen still further. Now it is not only nation states, but also well-funded and well-organised terrorist groups that have the capability to acquire and use, for example, atomic or chemical weapons. The need for new solutions to violent political conflict, as urgent as it is today, is fast becoming an absolute necessity.

War therefore is a major social, health and economic problem. It's not our only problem, of course. For instance, the World Health Organisation estimates that in 2023 there were around 263 million acute cases of malaria resulting in 600 000 deaths.

[8]

Of all humankind's many troubles, however, war is perhaps the most disheartening because it is not a natural disaster or an unavoidable 'Act of God'; its casualties result from human beings' deliberate use of force on one another.

It is worth briefly pointing out *why* world peace is a worthwhile goal. Essentially it is because the costs of conflict almost always outweigh the 'benefits'. These costs and benefits are to be interpreted broadly; they include, in no particular order, the humanitarian, social, economic, environmental and distributional impacts of violent political conflict. But there are benefits too, and they are not limited to those that flow directly from military spending. They also include the freedoms won from tyrannies deposed by conflict. There *are* instances, such as the war to defeat Hitler, where the benefits of waging a successful war are almost universally thought to outweigh the very grievous costs. It is arguable that any means of reducing conflict should not discourage wars that generate such net benefits. But it would also be far better to avoid the circumstances that precipitated 'necessary' or 'just' wars on violent regimes ever arising in the first place. These invariably comprise the use of force on populations either within or outside the regimes' borders. Ending war, permanently, then does not mean only the temporary cessation of violence: the goal should be the sustained achievement of world peace.

Most people need no convincing that violent political conflict adds to the burden of human misery. These include especially the countless millions currently caught up in hostilities, who would like nothing more than to live their lives undisturbed by conflict. As well, it is safe to

assume that a large proportion of those in governments, religious bodies, non-governmental organisations (NGOs), and other positions of authority also prefer peace to conflict. Tragically though, there are many in positions of power or influence who are half-hearted about peace; others who feel threatened by it, and others who, for whatever reason, actively promote violence. Conflict often serves the ends of a minority of actors, who may profit from instability and violence within a country that often precedes inter-state conflict.

[9]

This book will take as it as axiomatic that any ‘benefits’ arising from violent political conflict enjoyed those who foment violence are heavily outweighed by the costs imposed on the far more numerous victims.

This book is entirely focussed on that desired outcome. It will introduce a means of rewarding successful achievement of world peace, rather than activities that are supposedly aimed at achieving this goal. It will describe and explain a new financial instrument, World Peace Bonds aimed at stimulating an array of adaptive ways of ending war, each appropriate to the highly variable circumstances of particular conflicts.

Definitions of conflict are crucial, and will be discussed in more detail below. But, in general, ‘violent political conflict’ refers both to wars between different states and to domestic political conflict, while ‘peace-building’ and ‘conflict reduction’ or ‘conflict minimisation’ can be taken as synonymous.

[1]

Uppsala Conflict Data Program, [3]https://ucdp.uu.se/year/2024, sighted 3 July 2025.

[2]

Civil wars kill and maim people-long after the shooting stops, Ghobarah H., Huth P., Russett B. (Draft 29 Aug 2001). Center for Basic Research in the Social Sciences. One statistical assessment, based on a cross sectional analysis, indicates that the total disability-adjusted life

years lost in 1999 owing to the indirect effects of military conflicts occurring between 1991 and 1997 was about the same as the number lost owing to the direct effects of all wars in 1999.

[3]

Saferworld, UK http://saferworld.org.uk.

[4]

World Report on Violence and Health, World Health Organization, September 2002.

[5]

For a list of compilations of violent conflicts, see *Violent Conflicts 1400 A.D. to the Present in Different Regions of the World*, Peter Brecke,

The Sam Nunn School of International Affairs, Georgia Institute of Technology Atlanta, GA, United States, http://www.inta.gatech.edu/peter.html.

[6]

SIPRI Fact sheet April 2025, https://www.sipri.org/sites/default/file s/2025-04/2504 _fs _milex _2024.pdf.

[7]

SIPRI, 16 June 2025, https://www.sipri.org/media/press-release/2025/nuclear-risks-grow-new-arms-race -looms-new-sipri-yearbook-out-now

[8]

World Health Organisation, Global Health Observatory, https://www.who.int/data/gho/data/themes-/malaria
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and the Probability of International Conflict.”

Daxecker, Ursula E.

Conflict Management and Peace
Science 28, no. 5 (2011): 543–65. http://www.jstor.org/stable/26275345.

1. https://socialgoals.com/world-peace.html
2. http://socialgoals.com/
3. https://ucdp.uu.se/year/2024

22.7.2 Meaningless targets and hidden agendas (2025-07-12 16:42)

This is what can happen when targets have nothing to do with society’s well-being:

> Stephen Miller, the [US] president’s deputy chief of staff and the architect of his immigration policy, wants ICE to arrest 3,000 people a day. In early June the agency was averaging roughly 1,100, according to the Deportation Data Project, a group that collects immigration statistics Mr Homan and DHS insist that the administration is prioritising criminals and national-security threats. But the pressure to ramp up arrests is leading to indiscriminate round-ups of day labourers and taco-sellers. An analysis of the Deportation Data Project’s figures by Mr Bier suggests that nearly half of the migrants arrested during the first week of June had no criminal record. [1]*ICE’s big payday makes mass deportation possible*, the ’Economist’, 12 July 2025

Why 3000? Why not 300...or 30 000? Numerical targets are probably essential for governments of our large, complex societies, but they need to be meaningful. The case for [2]Social Policy Bonds rest on two pillars. One is the
channelling of market forces into the achievement of our goals. The
other, though, is the precise definition of these goals. For any
quantitative measures of progress, our goals should not only be
meaningful to ordinary people. They should be *ends in themselves or inextricably linked to those ends*.
They need to be broad and long term, so that solving one problem can’t
occur simply by creating others, or shifting the problem into another
region, or kicking the can down the road.

So, if the perceived problem in the US is criminality, then target crime. If the target is the number of criminal migrants then, OK, target the number of criminal migrants. But that’s not what’s happening here. These targets, and other unfocused [3]micro-targets, might have started out as well
intentioned. But they are too easily devised or perverted by people with
an interest in avoiding effort or, as seems to be happening here, fulfilling an unstated, more

sinister, agenda. People can get away with this because
few of us will challenge the stated goal, or because we share the unstated agenda. Only in retrospect do we see how the targets and indicators associated with such
ideals are so poorly or cynically designed that they have little do with achieving society's real goals.

1. https://www.economist.com/united-states/2025/07/07/ices-big-payday-makes-mass-deportation-possible
2. http://socialgoals.com/
3. https://socialgoals.blogspot.com/2019/05/a-mickey-mouse-micro-objective-from.html

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22.7.3 World Peace Bonds: first chapter (2025-07-14 17:29)

I'm writing a book about World Peace Bonds - the application of the Social Policy Bond concept to war and political violence. This is a first draft of Chapter 1. The draft introduction was [1]here.

Chapter 1: Preventing conflict

The best way of reducing conflict
is to preventing it from starting. This chapter looks at efforts to identify the root causes of conflict, and current institutional attempts to prevent conflict.

Root causes

To those of us
fortunate to be distant spectators of violent political conflict it all seems very simple. War between country A and country B is inevitable, we think, because they both want the same piece of land. Or the inhabitants of country A believe in X while the inhabitants of country B believe in Y. Or within country C the ruling party are of ethnic group D and rich, while the masses are of ethnic group E and poor. Once conflict is actually happening, it is not difficult for outsiders to give plausible reasons for its occurrence, or even

its inevitability.

Poverty, ignorance,
despair, and differences of wealth, ethnicity, religion,

[i]

class, culture or ideology: all these are
thought to be some of the ‘root causes’ of war and violence. So are inequalities in access to resources, scarcity and economic decline, insecurity, the violation of human rights, exclusion or persecution of sectoral groups, and state failures including declining institutional and political legitimacy and capacity. Other key foundations for conflict could be historical legacies, regional threats, the availability of weapons, economic shocks, and the extension or withdrawal of external support.

[ii]

Large numbers of unemployed males may also
catalyse conflict.

Inward factors are
also cited; such as individual pathologies, like a history of being abused that predisposes someone to take up violence in later life. Often blamed too are the media, and the frequency with which our children are exposed to images of violence - especially when violence is presented as an acceptable and effective way of solving problems.

No doubt all these
factors can and do play a part in fomenting and fanning the flames of conflict. But even aside from the impossibility of eliminating every potential cause of conflict, there is no *inevitability* that these causes will lead to war. Selective memory has strengthened these linkages in the collective mind, but for each of these ‘root causes’ there are examples that disprove any simple cause-and-effect relationship. There are dozens of countries in which people of different ethnicity and religion live happily side-by-side. There are also thousands of decent, peaceable and fulfilled adults who as children were horribly abused. One researcher into child abuse concluded that it does increase the risk of later criminality - but not always. The ‘intergenerational transmission of violence is not inevitable,’ she wrote.

[iii]

There are many instances of land disputes
that have ended. Take, for example, the border between Scotland and England, once the setting of a 300-year old series of bloody conflicts, now as peaceful as any border in the world. The Swiss have a high rate of gun ownership and an enviable absence of internal political conflict, as well as a low rate of gun crime. Japan is still a relatively peaceful society, but one in which lurid

depictions of violence are avidly produced, promulgated and consumed, and have been for many years. Paul Collier and the World Bank, examining the world's civil wars since 1960, concluded that although tribalism is often a factor it is rarely the main one. They also found that societies composed of several different ethnic and religious groups were actually less likely to experience civil war than homogeneous societies.

[iv]

It would seem likely, then, that political violence cannot be *inextricably* linked to one, or even several, root causes. What could be a root cause of conflict in one region can be irrelevant in another. Elimination of supposed root causes, such as poverty, could alleviate tension in one particular conflict, but it could conceivably by, say, allowing more to be spent on weapons, inflame conflict in another. Availability of small arms in most societies probably does inflame conflict, but t

he low Swiss murder rate, for example, is underpinned by strict gun control laws. There is no formula connecting any alleged root cause with conflict in ways that can be meaningful in the sense that removing it will always and inevitably lessen the chance of conflict.

As well, the factors that generate conflict may differ from those that make it feasible. In general, the existence of some form of grievance, whether economic, political, or social in nature, whether well founded or not, appears to be the most persuasive motivation for conflict. Of these, economic motivations appear most significant in initiating, prolonging, and transforming conflict. Valuable natural resources can inflame conflict when grievances already exist, as they offer a ready means of financing rebellion. But they can also become a source of grievance in themselves, if state institutions responsible for their management instead engage in corruption.

[v]

The United Nations estimates that, in the last 60 years, at least 40 per cent of all intrastate conflicts have a link to natural resources, and that this link doubles the risk of a conflict relapse in the first five years.

[vi]

The exploitation of natural resources and climate- and ecological-related stresses, are becoming significant causes of violent conflict.

It is not always
clear in which way is the direction of causation. In some cases, resource competition can exacerbate civil war. In others, civil war can exacerbate competition over resources.

Neither is it always clear which
particular ‘root causes’ are operating even once a conflict has started. Explanations for the civil war in Lebanon from 1975-90 centred on ethnic or ideological causes of the conflict. But since the end of the conflict, economic developments, and rampant corruption in particular, seem to imply that economic opportunities were probably more important.

The civil war resulted in
the entry of new actors and an unprecedented rise in the level of social and political power, financial accumulation, and exercise of violence surrounding pre-existing, illegal drug-related activities. For local militias, drugs not only provided a means by which to pay wages, procure arms, and materiel, but also a source of capital accumulation among their leaders and middlemen. This trade resulted in trans-communal, regional cooperation between producers and militias, who negotiated the division of labour and took a share of the profits. These groups, therefore, had a collective interest in prolonging the war. The authorities have since done little to dismantle the drug networks and their factories. As a result, there has been long-term integration of these networks into the international drug market. Satisfaction of ‘greed’ in the name of ‘creed’ would have been impossible if not for cooperation across allegedly ‘intractable’ communal boundaries.

[vii]

These findings echo the pioneering work of Lewis Fry
Richardson, who

gathered data on all the wars of
recent times, that is from 1820 to 1949. Rather than ranking wars by historical importance, or by relevance to later events, he picked the most objective measure he could find: the number killed, and focussed on those conflicts that killed more than 3000, for which the data were reasonably complete. There were 108 such conflicts during the 130-year period of study described in his

seminal *Statistics*
of Deadly Quarrels.

[viii]

World
Wars I and II together accounted for some 36 million deaths, or about 60 percent of all the deaths of his study period. (This total excludes those caused by famine and disease associated with wa

r.

[ix]

1550

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While compiling his list of wars,
Richardson noted the various items that historians mentioned as possible irritants or pacifying influences, and then he looked for correlations between these factors and belligerence. The results were almost uniformly disappointing. There were tendencies or correlations, but no unambiguous causal relationships. So states tended to become
involved in wars in proportion to the number of states with which they have common frontiers, though in proportion to their possible contacts for war-making, sea powers seem to have been less belligerent than land powers.

Richardson's own suppositions
about the importance of arms races were not confirmed; he found evidence of a preparatory arms race in only 13 out of 315 cases. Richardson was also a proponent of Esperanto, but found that similarity and difference of language appeared to have little influence on the occurrence of wars, contrary to the belief of some advocates of universal languages. Economic indicators were equally unhelpful: economic causes seem to have featured directly in fewer than 29 per cent of the wars since between 1820 and 1949. The statistics neither confirm nor refute the ideas that war is mainly a struggle between the rich and the poor or that commerce between nations creates bonds that prevent war.

[x]

So it is not always
obvious, even after a long conflict has ended, what its 'root causes' were, and perhaps the very notion of a 'root cause' needs questioning. It implies that factors such as 'poverty' or 'ethnicity' can be removed from their social context, and somehow dealt with, and that then a desired result will follow. But human societies are complex. Poverty can feed grievance, but grievance can be a result of poverty. No single formula, no single set of parameters will always lead to conflict, and guarantee freedom from conflict. Indeed, even the notion of 'causation' in this context is questionable. Perhaps we should leave the last word to Tolstoy:

The
deeper we delve in search of these causes the more of them we discover, and each single cause or series of causes appears to us equally valid in itself, and equally false by its insignificance compared to the magnitude of the event.

[xi]

Conflict prevention: vortices of bureaucracy

If the intellectual underpinning of a root causes approach is fragile, so too is the institutional structure that exists to prevent conflict.

While there has been increasing emphasis on preventing conflict, government agencies and international organisations concerned with conflict are still mainly geared towards dealing with conflict once it has become violent, rather than preventing it arising in the first place. Too often the international community becomes involved in such conflict-prevention activities as mediation and peacekeeping only when the protagonists are facing each other or have actually begun armed conflict. There is also some institutional reluctance to become involved. Many development professionals, for example, see the more immediate causes of national conflicts as 'getting into politics' and thus something that should be left to military agencies, or as interference in a country's internal affairs.

The United Nations been criticised for institutional weakness and inflexibility in this area. There is no single UN agency responsible for conflict prevention.

Over the past eight decades, the United Nations has expanded to encompass an alphabet soup of humanitarian agencies and subsidiary organs with colossal, overlapping ambitions, supported by layers and layers of middle managers. There are endless commissions and centers and conferences and committees, departments and offices and institutes and forums tangled up in abstruse rules and regulations …. There is a Counter-Terrorism Committee and an Office of Counter-Terrorism; a Department of Peace Operations and a Department of Political and Peacebuilding Affairs. The organization has become so unwieldy that even its most well-meaning workers describe being caught in a culture of toxic inefficiency, hamstrung by problems of accountability, organization, and funding. "The U.N. is a vortex of bureaucracy," Anadil Hossain, a former senior adviser at the U.N. Refugee Agency, told me. "Something needs to change. It's embarrassing." Harper's Magazine (calibre)

Perhaps the single official whose mandate is solely conflict prevention is the Organization for Security and Co-operation in Europe's High Commissioner on National Minorities, and his charge allows him to act only in pre-crisis situations; if they heat up, he must disengage. Another example: the UN High Commissioner for Refugees can only alleviate refugees' plight, not address the forces that caused it. More fundamental criticisms concern the structure of the UN Security Council, set up 80 years ago . And t he Security Council, though technically empowered to act on threats to international peace and security that arise within member countries, has mainly concerned itself with inter-state conflicts. Yet there is a growing trend in the number of intrastate conflicts: According to the Uppsala Conflict Data Program (UCDP), the vast majority of the **61 active conflicts that involved at least one state in 2024 (**the highest number recorded since statistics began in 1946) are **intrastate conflicts**—armed conflicts occurring within a single country, often between government forces and non-state groups or between multiple non-state groups.
[xii]

Many overseas aid programmes have, as an implicit objective, conflict prevention. But few donors exert the leverage that they could. In fact, development assistance can contribute to conflict. A systematic review of 36 cases of aid given by the US, the World Bank and non-governmental organisations found that **aid increased violence in 14 cases** , had no effect in eight, reduced violence in seven, and had mixed effects in five. No type of aid was immune: every type, depending on context, could increase violence.
[xiii]

Discussion

There are no mechanisms in place to monitor, in an over-arching way, the distribution of conflict-reduction resources to make sure that they are achieving the best possible return for their outlay; nor are there incentives to set up such monitoring systems. The widespread presence of violent political conflict, the human cost of conflict, the potential for further conflict, and the obvious inadequacies of existing peace-making bodies; all suggest that it is worth investigating new approaches, even in the absence of definitive proof that anything new will work.

There are many government and non-governmental bodies that have as their aim the prevention or reduction of conflict.

[xiv]

None of these organisations, nor the people that work for them, either permanently or on short-term contracts, are paid according to results. They have only indirect incentives to seek out and develop those ways of minimising conflict that are most cost-effective. They might even be subconsciously discouraged from achieving their stated goals: if too successful, their funding might be curtailed. There is no question that the people who work for these organisations are competent and well meaning and hard working. But, however well-intentioned, neither these bodies nor their agents are rewarded in ways that correlate with its success in maintaining peace or achieving peaceful resolution of political conflict. They behave rationally given the incentives they face, but these incentives do not consistently reward the achievement of desired outcomes.

Lack of pecuniary incentives has two other dimensions. First, the funding of these bodies bears no relationship with their success or otherwise in reducing conflict. This means that the net resources at each organisation’s command including the number of professional and support personnel, and non-labour resources, are unrelated to their efficiency or effectiveness in reducing conflict. Second, while there are well-intentioned and highly motivated people who work for these organisations without expecting (or wanting) high financial compensation, there are also others who would be more willing and able to work for these organisations, even on short-term contracts, if there were more funds available either for their own compensation, or for expanding the range of personnel and other resources at their disposal, which would make it easier for them to do their job effectively.

It cannot be proven, but given the current number of conflicts in the world and the potential for more, and more

catastrophic, it can be taken that current funding levels are inadequate. This may be because or a sense of fatalism: a sense that conflict is inevitable, so why bother trying to prevent it? But it may also be a result of the inefficiency of current conflict prevention methods. Since they are so ineffective, it is rational to channel limited resources into other areas, where they will bring about a better return. It follows that increasing efficiency, as measured by conflict-reduction per unit outlay would bring double benefits: the efficiencies would be valuable in their own right, but they would also lead to more resources being deployed to reduce conflict in the future.

Our quick look at
root causes and conflict prevention makes clear that:

- Conflict prevention requires diverse, adaptive approaches; and
- Increased efficiency, in terms of peace achieved per dollar spent, could bring huge benefits.

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[i]

'The conviction that any one group has exclusive possession of truth and goodness is a root cause of prejudice and boundaries that allow for discrimination and worse.' Oliver McTernan, *War Cries*, 'the Times', 12 August 2003.

[ii]

From reaction to conflict prevention, Fen Osler Hampson and David M. Malone, editors, Boulder: Lynne Rienner, 2002.

[iii]

The cycle of violence, Cathy Widom, ‘Science’, vol 244, pages 160-66, 1989.

[iv]

The global menace of local strife, ‘The Economist’, 24 May 2003 (page 26).

[v]

The economics of war: the intersection of need, creed and greed, Conference Report, Woodrow Wilson International Center for Scholars, Washington, D.C. 10 September, 2001.

[vi]

United Nations Peacekeeping: Conflict and natural resources: [2]https://peacekeeping.un.org/en/conflict-and-natural-resources, sighted 4 July 2025.

[vii]

Elizabeth Picard

of the Institut de
Recherche et d'Etudes sur le Monde Arabe et

Méditerranéan, speaking at:

The economics of war:
the intersection of need, creed and greed, Conference Report, Woodrow Wilson International Center for Scholars, Washington, D.C. 10 September, 2001.

[viii]

Statistics
of deadly quarrels , Richardson, Lewis F. Edited by
Quincy Wright and C. C. Lienau. Pittsburgh: Boxwood Press, 1960

.

[ix]

Ibid.

[x]

Ibid.

[xi]

War and peace, Leo Tolstoy (translated by Ann Dunnigan), New York: Signet Classic, 1968 (page 730).

[xii]

UCDP: *Sharp increase in conflicts and wars*, 11 June 2025.

[3]https://www.uu.se/en/news/2025/2025-06-11-ucdp-sharp-increase-in-conflic ts-and-wars. Sighted 4 July 2025.

[xiii]

The impact of development aid on organised violence: A systematic assessment, Christophe Zurcher, August 2020, International Initiative for Impact Evaluation (3ie). [4]https://www.3ieimpact.org/sites/default/files/2020-08/WP37-Systematic- Review-Aid-Violence.pdf.

[xiv]

I've approached many of these bodies with my World Peace Bonds idea, but not one has shown any interest, nor even replied to my emails.

1. https://socialgoals.blogspot.com/2025/07/world-peace-bonds-setting-scene.html
2. https://peacekeeping.un.org/en/conflict-and-natural-resources
3. https://www.uu.se/en/news/2025/2025-06-11-ucdp-sharp-increase-in-conflicts-and-wars
4. https://www.3ieimpact.org/sites/default/files/2020-08/WP37-Systematic-Review-Aid-Violence.pdf

22.7.4 World Peace Bonds: Chapter 2 (2025-07-20 17:59)

This is the first draft of the second chapter of a book I'm writing on World Peace Bonds. I don't expect to find a publisher in the book industry, so I will probably end up publishing it myself. I will make all chapters freely available for download as pdfs once the book is finished.

Comments are welcome.

Chapter 2: Toward a solution: markets and outcomes

The previous chapter touched on some of the difficulties of identifying causal relationships between conflict and its possible precursors and looked at some of the real-world institutional rigidities that bedevil the prevention and ending of conflict. All these difficulties point to the need for a rational, flexible and adaptive mechanism for allocating conflict-reduction resources. This chapter makes the case for channelling market forces into efforts aimed at achieving sustained world peace.

Markets

The resources for all conflict-reduction activities are limited and, in economic theory, and on all the historical evidence, markets are the most efficient means yet discovered of allocating society's scarce resources. Unfortunately, many believe that market forces inevitably conflict with social goals. Understandably so, since in recent decades deregulation of some economies and an enhanced role for markets has led to staggering and disturbing levels of inequality of income and wealth, while and many social and environmental problems appear to have worsened. As well what ought to be free, competitive markets are often undermined or distorted by powerful bodies, and the terms 'free markets' and 'competition' are invoked in support of activities that have little to do with raising societal well-being.

So it is important to remind ourselves that market forces and self-interest can be channelled into achieving

public, as well as private, goals. Often, these private goals coincide with social goals, so that, for instance, the market routinely performs vital tasks such as food distribution and the provision of such indispensables as home medicines, baby needs, furniture and other consumer goods. These are exceedingly complex tasks but, left to the multiplicity of agents operating in reasonably competitive markets, they are accomplished in ways that fulfil not only the private goals of the firms and consumers involved but also society's goal of efficient supply of goods and services. This feat results from the combination of the self-interest of large numbers of market players, and their ability to react appropriately to ever-changing circumstances. Some would attribute the triumph of the western market economies over the state-controlled, centrally-planned economies of the Soviet Union and its satellites to the victory of materialist motivations over political ideals. But it is more likely that the market's efficiencies and incentives had won out over central direction; that decentralisation had triumphed over dirigisme.

Governments tend to be centralist
in their instincts. In practice, this has meant that market forces are rarely allowed to play a significant role in organising the production and distribution of those goods and services that governments supply. Government agencies also operate in a non-competitive environment, which discourages self-evaluation.

[i]

Since governments in the developed countries now spend on average about 42 % of their Gross Domestic Product

[ii]

these are significant deficiencies.
One result is that public services, such as health, education and housing, seem perpetually to be in crisis.

What about world peace? Are
government-backed organisations like the United Nations any more efficient in allocating conflict-reduction resources? Unfortunately all these bodies' decisions about conflict reduction are subject to the same deficiencies as those of their contributing governments. They are centralised, unexposed to competition and rarely carry out meaningful self-evaluation. Most of the time governmental conflict-reduction activities are also uncoordinated with those of non-governmental organisations (NGOs), whose own spending is probably more flexible and efficient.

The tragedy is that market
incentives operate all too freely in the market for the weaponry that creates so much horror and misery. We saw in the Introduction that world military expenditure in 2024 reached $2718 billion. By contrast, extraordinarily few global resources are committed to the prevention, management, or resolution of the world's most prevalent wars, almost all of which take place in poor countries. Nor, in relative terms, is much spent on peacekeeping and post-conflict reconstruction. The annual budget for UN peacekeeping is about $5.6 billion.

[iii]

Preventive diplomacy missions cost
only a tiny fraction of this amount: the United Nations Department of Political and Peacebuilding Affairs (DPPA), which leads the UN's preventive diplomacy and conflict prevention work, operates on an annual budget of approximately $80 million.

[iv]

Given the huge benefits that
sustained world peace would generate: financial as well as humanitarian, it's an indictment of the way things are currently being done that we spend so little, collectively, on trying to eliminate conflict. It speaks to the failure of the current conflict reduction systems that we don't think it worthwhile to devote funds to conflict reduction at anything like sums commensurate with the potential benefits of sustained world peace.

The manifold complexity of
conflicts, the proliferation of possible root causes, the intricacies involved in conflict-reduction: virtually all aspects of conflict cry out for a diverse, adaptive solutions of the sort that competitive markets can provide. The key, I believe is to find a way of channelling the market's efficiencies and incentives into bringing about world peace.

Inputs, outputs and outcomes

Always taking peace as our goal,
some definitions are required:

Inputs

into conflict-reduction activities and organisations would comprise such items as expenditure on conflict prevention, numbers of full-time equivalents of organisations devoted to conflict reduction, or spending on peacekeeping.

Outputs

are products or services that are directly attributable to the performance of a conflict-reduction agency. Examples include: the number of patrols carried out by peacekeeping forces; firepower of weapons withdrawn from conflict areas by a decommissioning agency; proportion of time that communications and Information Technology services to a conflict-reduction agency are up and running. Outputs however efficiently supplied, do not necessarily lead to more favourable, or more efficiently supplied, outcomes.

Even if market forces were introduced into the supply of conflict-reduction outputs, there would be a major problem: outputs do not necessarily bring about better outcomes.

Outcomes

are desirable sets of circumstances, which are likely to be influenced by both an agent's outputs, and by factors outside agents' control. Targeted conflict-reduction outcomes could include: numbers of people killed by violent political conflict; numbers of refugees from conflict - see discussion in text below. Our world peace goal would include these, and other metrics that are meaningful to human populations. The terms 'objectives' and 'goals' are used synonymously in this text to mean outcomes.

Governments have tried to introduce more-market methods into achievement of some of their objectives. But they have been less willing to experiment with the stipulation of outcomes, as against

outputs or other simple numerical targets. There have been efforts to link payments and other rewards such as autonomy to outcomes in, for example, the UK,

[v]

Kenya,

[vi]

and Indonesia.

[vii]

These and other similar efforts have been successful – but limited in scale and application. Part of the difficulty with extending outcome-based incentives is that *the existing conflict-reduction institutions are taken as given*, which drastically limits range of outcomes that can be considered, for two related reasons:

- Existing institutions are unlikely to encourage innovative approaches. This is partly because they have established ways of doing things: innovation has upfront costs: staff need to be retrained or recruited. And partly because the time scale on which they operate makes such investment in innovation unattractive.
- Institutional inertia of this kind bedevils innovation in many areas. Sometimes institutions achieve their ostensible objectives but, for obvious and understandable reasons, do not dissolve themselves. In so many institutions, be they government bodies, aid organisations, religious organisations, trade unions or universities, self-perpetuation becomes an end in itself – and one that often overrides all others. We shall say more about the need for a new type of institution below.

More charitably, it is fair that bodies should not be penalised if the outcomes they are charged with achieving are not reached because of circumstances that are beyond their control. But that means that these bodies have little incentive to look at these circumstances to try to bring them within their control, nor to manage the risks and so maximise their performance against those circumstances that cannot be controlled. Most organisations simply are simply not big enough to take on these tasks.

The result is that institutions charged with reducing conflict aren't rewarded according to how successful they

are in actually achieving them. Even at the individual level actual outcomes matter little: nominees for the Nobel Peace Prize included Benito Mussolini in 1945 and Joseph Stalin in 1948, while more recent awards to Henry Kissinger (1973), Yasser Arafat (1994), Aung San Suu Kyi (1991) and Barack Obama (2009) have been, to say the least, controversial.

A new paradigm

Consider those conflict-reduction operations that are currently performed by the United Nations, national governments or other inter-governmental bodies: conflict assessment, conflict mediation, peacekeeping, arms verification, reconciliation, and re-integration of combatants. In some cases their efforts to reduce conflict are by-products of programmes focused on other social problems. But more importantly, such resources as are devoted specifically to conflict-reduction are allocated to activities or institutions, rather than any targeted outcome. And, unfortunately, the most important of these bodies are organised along the same lines as the governmental bodies in the developed countries that are charged with social and environmental responsibilities:

- they are centrally run, either by governments, or by intergovernmental agencies,
- they do not explicitly reward the reduction of conflict, and
- they subordinate the achievement of outcomes to existing institutional structures and payment mechanisms.

The many non-governmental organisations, working diligently in conflict-reduction and related areas, suffer from similar problems. They are small, and while their own resources might be very well managed, and allocated in ways that maximise returns, they do not receive funds in proportion to their success or otherwise in their chosen field of endeavour.

No single solution is going to work. The world's conflicts arise from a multiplicity of causes. What is needed then is a way of preventing or defusing war that is flexible enough to identify and deal with root causes when doing so will be the most practical and efficient way of reducing conflict, but that can also operate even when the causes or aggravating factors are obscure, unknown or intractable. For some conflicts there might be nothing wrong with current methods: all that is needed are more resources. But for other conflicts, totally new approaches and institutions might be necessary, and people must be motivated to look for, find and use them. We cannot prejudge whether this conflict or that can best be solved by any particular method. Circumstances are always changing, and no conflict is exactly like any other.

An ideal solution then would encourage a range of diverse and responsive approaches. It would mobilise the interests of the large majority of people in every country of the world who want peace. It would find ways of co-opting or subsidising those people in positions of authority and power who want to build peace, and at the same time it would bypass, distract, or otherwise undermine, those opposed to that goal. It would operate on a large scale, so that variables outside the control of smaller bodies can be brought under control, and so that resources can shift to where they will be most efficient.

Ideally too, it would use market forces: the multiplicity of causes of armed political conflict, and the need for a wide range of diverse, adaptive solutions strongly suggest that market approach could be effective. If market forces could be harnessed into the achievement of a specific, targeted conflict-reduction goals, their pluralism and incentives would work better than current methods at directing scarce resources into their most efficient use. Greater efficiency in terms of conflict reduction per unit outlay could bring about double benefits: it would be an end in itself, but it could also attract more resources into conflict reduction.

The rest of this book describes a new financial instrument, World Peace Bonds, which are intended to channel the market's incentives and efficiencies into ending for all time what must surely be the world's most urgent and terrible social problem: war.

[i]

Why states believe foolish ideas: non-self-evaluation by states and societies, Stephen Van Evera, Massachusetts Institute of Technology, Political Science, Department and Security Studies Program, 10 January, 2002.

[ii]

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22.8 August

22.8.1 World Peace Bonds: Chapter 3 (2025-08-01 11:31)

This is the first draft of the third chapter of a book I'm writing on World Peace Bonds. It is quite long. I will make all chapters freely available for download as pdfs once the book is finished. Comments are welcome.

Chapter 3: World Peace Bonds: an overview

This chapter describes a new financial instrument, World Peace Bonds, designed to inject market incentives into the elimination of violent political conflict.

World Peace Bonds

World Peace Bonds would be issued by a trusted financial institution. Funds for their redemption would be raised by a combination of governments, charitable bodies, non-governmental organisations, corporations, philanthropists and ordinary citizens – anyone, in short, with a genuine interest in peace. These would be the backers of the bonds: those who contribute funds for their redemption. The bonds would be issued on the open market and would become redeemable for a fixed sum *only when the goal of world peace had been reached and sustained* for a defined period, which I envisage to be at least thirty years. The targeted outcome of world peace would be rigorously defined, most probably in terms of an array of quantifiable elements, each of which would have to fall into a specified range before the bonds could be redeemed. Importantly, the bonds would make no assumptions as to how to minimise conflict—that would be left to bondholders.

Normal bonds are redeemable at a fixed date, for a fixed sum, and so yield a fixed rate of interest. World Peace Bonds would not bear interest and their redemption date would be uncertain. Bondholders would gain most by ensuring that the targeted elements of world peace were being achieved quickly. (Unless otherwise stated, hereafter ‘bonds’ refer to World Peace Bonds, rather than conventional bonds.)

The backers of the bonds, with the help of the United Nations, academic bodies, non-governmental

organisations and charities, would collectively decide on the exact specification of the world peace goal. The bonds would be issued by open tender, as at an auction; those who bid the highest price for the limited number of bonds would be successful in buying them. Each bond would become redeemable for, say, $1 billion once the targeted level of peace, as certified by objective measurements made by independent bodies, had been achieved and sustained. Once issued, the bonds would be freely tradable.

Assume that World Peace Bonds, each redeemable for $1 billion, had been issued, and that they each sold for $100 million. People, or institutions, now hold an asset that gave them a return of 900 percent once the targeted peace level had been achieved. It is the prospect of this capital gain that would give bondholders a powerful incentive to do what they can to prevent and end deadly conflicts, and to do so as cost-effectively as possible.

Once issued the bonds would be freely tradable on the open market. Governments—including those currently engaged in deadly conflicts—might decide to buy World Peace Bonds. So too might non-governmental militant organisations and others who are currently financing violence. Or the issuers might give the bonds to certain of these bodies as a form of aid. Ownership of World Peace Bonds would enable these bodies to reap financial rewards by ceasing to foment conflict. They could do by taking on new roles that they have not even considered because they have had no incentive to do so.

But World Peace Bonds, being tradable on the open market, could be bought by other institutions or individuals at any time until redemption. Whenever potential investors in the bonds thought they could reduce conflict more effectively than current bondholders, then they would be in a position to offer more than the current market value of the bonds to the existing bondholders, and buy them. The financial costs of failing to reach the required target would be borne by bondholders, rather than those contributing to the redemption funds.

Bondholders would have the means, motive and opportunity then to use their own capital, or borrow on the strength of the redemption value of their bond holdings, or on the strength of any increase in the value of their bonds, to support projects that will prevent, or lower the level of violent conflict.

Note that the bond mechanism would be helped by the support and participation of

governments or organisations actually engaged in conflict, but *it would not rely on such support*. The bonds might give rise to new, specialist organisations devoted to minimising violent political conflict as cost-effectively as possible. These organisations could use their anticipated capital gains from bondholding to finance those people or organisations, whether or not they are active participants in conflict, who could do most to build peace.

What would determine the price of the bonds? Most obviously, the market's assessment of how close the peace target were to being achieved. The bonds would sell for small fractions of their issue price if people thought there were virtually no chance of world peace being achieved in their lifetime. People would differ in their valuation of the bonds, and their views would change as events occurred that made achievement of the targeted peace objective a more or less remote prospect. But the bonds, once issued, would be transferable at any time. Bondholders, having contributed to a lessening of the conflict, would see the value of their bonds rise. They could then sell their bonds and realise a capital gain.

The market prices of World Peace Bonds would be publicly quoted, just like those of ordinary bonds or shares. These prices would change over time, depending mainly on the market's perception of the likelihood and timing of the world peace goal being achieved. (Expected returns from other financial instruments will also be a factor.) The bond price, and its changes over time, would be a source of information that would help those allocating conflict-reducing resources to do so as effectively as possible - this feature is discussed in the next chapter.

The importance of the long term

Peace in the short term can signify nothing more than a temporary lull in overt hostilities, giving opposing sides time to accumulate more weaponry and continue to intensify hatred of each other. A temporary cessation of conflict could just be the precursor to an explosion of hostilities later on. But, a decades-long absence of conflict could be qualitatively different, in that it would help bring about a warm peace – difficult to quantify and define, but achievable simply because, with a long time horizon, bondholders would invest in, and benefit from generational changes in education, media influence, and the

possibilities of forgiveness. Bondholders, in working towards a decades-long peace, *could* create a warm peace. Not always – Egypt and Israel have had a long period of peace marred by some degree of antipathy but even so, simply because of the length of that peace, war is less likely to occur: the military's mindset and capabilities have atrophied over time.

Whatever holders of World Peace Bonds do, they will have successes and failures. But they will also have incentives to terminate projects that are failing and to refine and replicate their successes - to be efficient, in other words. Government has no such direct incentive. It rarely offers direct financial rewards for success, and its talent pool is limited, partly for that reason. It has a short-term focus, too often resorting to military action, and it would get into trouble if it advocated things like intermarriage, or sponsored sybaritic retirement for the world's warmongers. Its actions tend to be one-size-fits-all, slow to adapt and advocated mainly because they have been done before, rather than because of their putated efficiency: government will always prefer approaches with which it's familiar over innovative, promising, and successful initiatives that entail relinquishing some of their powers.

The field of conflict is one area where the private sector can and should be given the chance to operate more freely on the side of peace. Sadly, it is largely private, short-term incentives - to arms dealers, the military, politicians and fanatics - that keep conflict going. A well-funded bond regime with a long-term perspective would redress the balance.

Under a World Peace Bond regime, government could still play a role in defining our peace goal and raising some of the revenue for its achievement but, rather than wait for that to happen, the private sector could have to take the initiative. That could mean a combination of NGOs, interested corporations, charitable organisations, philanthropists and ordinary citizens. Probably all of these, with perhaps some government backing, would be needed to raise sufficient funding. A well-crafted issue of World Peace Bonds should gather support from a wide range of players: sustained world peace would benefit every person on the planet.

What to target?

The
precise definition of World Peace Bonds' goals is crucial.

The bonds
could target a Conflict Index comprising a wide range of indicators of conflict and peace simultaneously, over the entire world. An index could comprise various components including:

- Number of direct and indirect deaths resulting from armed conflict.
- Numbers of refugees fleeing armed conflict areas.
- Military spending, on both materiel and personnel.
- Numbers of people in the military.

These
individual components would all be targeted simultaneously and all have to fall within a specified range for a sustained period before the bonds would be redeemed. None of these components is simple to measure, so all would need to be carefully thought through, but that should not deter us from trying. The main focus could be on obvious, undeniable conflicts, where numbers killed directly can be relatively easily estimated; an example would be the war between Ukraine and Russia.

Key
criteria are that components of a targeted conflict-reduction objective should:

- Represent, when targeted, ends in themselves, or be strongly and inextricably correlated with such ends, and
- Be possible to measure objectively, reliably and accurately.

These
criteria will have some bearing on whether the goal of world peace is too ambitious, at least at first.

Variants

World
Peace Bonds are
the most ambitious variant of the application of the underlying bond principle. Because the scope of World Peace Bonds is so wide, it might appeal less to potential backers than more focused variants. As well, monitoring the progress toward achievement of world peace could be more difficult than for more focussed variants described below, depending on how the peace outcome is specified. It might be that one of those variants could be ideal as first application of the bond principle; a stepping stone toward the ultimate goal of world peace.

Regional
Peace Bonds or
bonds focusing on any region. Such bonds aimed at reducing conflict in a particular region would require less funding than World Peace Bonds and so are more likely to gain backing from those with an interest in that region. Conflicts would be easier to monitor for the region than for the entire world. The bonds could be issued for different continents or regions, with different targeted definitions of peace to suit local conditions. For instance, bonds targeting peace in the Middle East could readily target numerical indicators of dead and injured, as these figures are well-documented in comparison to other conflicts. In regions where casualty numbers are unreliable, other indicators would have to be targeted. These could encompass quality of life indicators, such as literacy, or the numbers of people moving across certain boundaries, or the value of weapons purchased by potential participants in conflict. Or conflict-related deaths could be estimated through demographic analyses of census data before and after conflicts, or through indirect mortality measurements such as survey questions on survival of siblings, parents, or spouses.

When appropriate, targets could
be specified on the basis of random sampling of populations, with such components as ’proportion of interviewees who have lost one family member to violence’ used, rather than unreliable aggregate casualty figures.

Nuclear
Peace Bonds would

be the easiest to monitor. Redemption could be conditional on there being no use of a nuclear device that kills more than, say 500 people. They could also aim to eliminate all testing of nuclear devices.

Defined end point : World Peace Bonds could have a time limit, such that if the defined goal isn't reached by a certain specified date, their redemption value decreases.

Variable redemption value : the escrow account into which redemption funds are placed can be swelled by further contributions. Instead of each bond being redeemable for a fixed sum, it could be redeemable for a fixed proportion of the funds at the time of redemption. One example: a group of governments or philanthropists could get the ball rolling by contributing to a redemption fund, then ask ordinary citizens to add to the total.

Which variant is chosen will depend mostly on the views of those who back the bonds, and how much backing the bonds attract.

Paying for peace

Before each issue of World Peace Bonds, the bonds' backers would have to decide approximately on the maximum they would be prepared to pay to see the targeted outcome achieved. Some backers, especially governments, might be primarily interested in the financial benefits of sustained peace. If world peace were being targeted, most governments would, ideally, contribute to the redemption funds, perhaps in proportion to their Gross Domestic Product. If reductions in a regional conflict were targeted, governments and private-sector bodies in, or adjacent to, that region would probably be the largest backers.

Even if the full benefits could not be achieved until several decades had elapsed, bondholders

would benefit from progress toward that goal. Peace, most would agree, is a worthwhile goal independent of its economic or, seldom mentioned in the literature but increasingly significant, its environmental benefits.

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We should be aiming to
eliminate the human cost of violent political conflict, even though it resists quantification. Indeed, estimating any of the benefits from conflict reduction is going to be problematic but, fortunately, those backing a World Peace Bond issue need not be overly precise in their calculations. They could start by issuing bonds redeemable for as much as they can reasonably afford to spend on reducing any particular conflict. From then on, much of the work necessary to quantify any reduction in conflict per dollar outlay would be done by bidders for World Peace Bonds on the open market.

To see
this, assume again that bonds were to be used exclusively in pursuit of a 50 per cent reduction in some targeted measure of conflict, and that one thousand World Peace Bonds are issued, each redeemable for $1 billion once this measure had halved and sustained. If the market decided that the issue value of each of these bonds were $100 million, then the net cost to the backers of achieving the targeted objective (ignoring administration costs and inflation) would be $900 billion. In other words, the market at the time of issue believes that the cost, including its profit margin, of achieving the objective would be $900 billion.

But
suppose the bond issuers are in the dark about how much it will cost to achieve a targeted objective and instead of issuing 1000 bonds they issue 10 000, each with the same redemption value of $1 billion. They would then be liable for a maximum cost of $10 000 billion ($10 trillion). However, the market would still reckon that it could achieve the targeted objective for around $900 billion. So instead of valuing the bonds at $100 million each, it would bid up the issue price of each bond to around $910 million. The upshot of this is that the backers of
the bonds would not have to estimate with any accuracy how much a targeted objective might cost to achieve, and they would put a cap on their total liability by limiting the number of bonds issued.

So the World
Peace Bond mechanism would ensure that the market, rather than a handful of experts, decides roughly how
much it would cost to reach a specified reduction in the level of violent political conflict. Participants in the market would do this when they bid for

the bonds at issue and at all times afterwards. This fact, and the would-be bondholders' incentive to minimise their costs, contrast with the current system in which the costs of reducing conflict, if they are calculated at all, are not widely known nor subject to competitive bidding. Under the current system, in fact, many of the organisations charged with reducing conflict have subtle incentives to inflate the costs of their doing so. They will not do this maliciously, and might not even do so deliberately, but it is probably fair to say that they are unlikely to be allocating their conflict-reduction resources with maximum efficiency simply because their livelihoods depend on their not doing so.

Note that the bonds' backers could add to the redemption funds after floating at any time if it wanted to boost the efforts going into the reduction of worldwide conflict. They could do so from their own resources, or seek funding from others.

Getting governments on board

While the prime motivation for those backing the bonds would be the benefit to humanity, governments could have a more pecuniary interest. Depending on which governments are contributing to the bonds' redemption funds, and which area of (potential) conflict they are targeting, they might well be interested in financial benefit they might gain by reducing conflict. A significant reduction in worldwide or regional conflict could allow the governments backing the bonds to divert spending away from the military and toward more edifying social or environmental services, or to lighten the tax burden on their populations. Added to this, though, would be the indirect financial benefits to participating governments (and others) who backed a Peace Bond issue. Even if these governments did not envisage any reduction in their own military spending as a result of a reduced level of conflict, their economies could benefit financially from the greater political stability of their region. If, for example, some countries found it possible to reduce their military expenditure, their economies could grow, their imports would increase, and the rewards to bond backers in other countries could take the form of expanded exports.

What could bondholders do?

Some
people might buy World Peace Bonds as they would a lottery ticket, or a publicly quoted company share. They would think that their bonds' value might rise even if they did nothing to help achieve peace. Such passive investors would want to become 'free-riders' hoping to benefit from any increase in the bond price without actually participating in any peace-building activities. But the way markets work would limit the opportunities for this sort of investor. The more bonds these would-be free riders collectively owned, the more remote the targeted lower level of conflict would become, and so the more they would stand to lose as the aggregate value of their bond holdings fell. (A fuller discussion of free riding appears in chapter 5.) At some point, then, it would become worthwhile for these passive investors either to become, or to sell their bonds to, active investors.

Active
investors would finance initiatives aimed at ending conflict. They could use their own capital, or borrow on the strength of the redemption value of their World Peace Bonds, or on the strength of any potential increase in the value of their bonds, to support projects that help reduce political violence. They would have every incentive to co-operate with each other to help achieve the targeted peace objective, and to do so as cost-effectively as possible. Their motivation would arise from the expected capital gain they would experience as the value of their bonds rose in line with the enhanced probability of the early reduction of targeted conflicts.

The lower
the targeted level of political conflict the more likely bondholders would be to undertake projects that would pay off only in the long term. It would be unsatisfactory to achieve a low level of violence just for a short period. The ultimate objective is a sustained low level of political violence, and that is how the targeted objective must be specified. \

Bondholders
could work to influence governments, including those of countries that supply the weapons that fuel conflicts. They could try to influence financial supporters of conflicts to redirect their funding into less malevolent activities.

Bondholders
could also lobby, or work with, governments to, say, give a higher priority to peace studies in schools, but they could also develop peace-teaching projects of their own. While immediate peace might not result, much more could be done to enhance the prospect of *peace in the future*. Bondholders could, for instance, make strenuous efforts in conflict-ridden regions to have some mixed classes of children of different nationalities, religion or ethnic origin at kindergarten and school. They could finance sports matches between opposing sides of current or potential conflicts. They could promote anti-war messages on social media or set up exchange schemes for children or students of opposing sides. They could arrange for the most virulent warlords and preachers of hate to take one-way, first-class journeys to luxurious holidays in remote resorts with limited access to communication facilities. They might even subsidise intermarriage between members of different nationalities, tribes or religious communities.

Bondholders
would be open to trying out these and other trust-building and conflict prevention measures that would be viewed with suspicion when undertaken by officially approved bodies.

They could
lobby western governments to improve trade access to poorer countries, or promote foreign direct investment into, conflict-ridden regions, so as to give the populations of these countries some means of becoming prosperous other than by plunder. Economic development would give people a chance to build trust and take a stake in a peaceful future and a better life for their children-a chance that many regimes still deny to their own people. It could open the eyes of people to the virtues and rewards economic growth and give them stakes in a brighter future. But, as we saw above,

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economic growth can also
make conflict *more* likely: bondholders would have continuous incentives to look for instances where that is happening, and to follow alternative conflict prevention measures where it is.

There are
plenty of other activities that bondholders could support, including such mundane measures as promoting adherence to international treaties and laws, and improving data collection on violence. These are only examples, of course, though they do illustrate the potential for those in authority to undertake peace-building initiatives that they currently cannot, or do not want to, consider. In reality, bondholders would be likely to undertake a range of initiatives, *the precise nature of which need not be known in advance*.
It would be up to bondholders to decide on those programmes that would give

them the best return for each dollar they spend, and this means they would look for and put into action ways of achieving peace that they believe will be most effective.

Many NGOS and aid organisations already pursue some of these activities but they typically operate on a small scale and are underfunded in relation to the tasks required to ensure long-lasting peace. Under a bond regime bondholders would have powerful incentives to divert funding into the most promising of these activities, or into existing or new conflict-reduction projects, regardless of who is carrying them out: the sole criterion would be the likely conflict reduction achieved per dollar spent.

An ambitious conflict-reduction target would encourage bondholders to undertake indirect activities that have a long-term payoff. They could divert more funds into existing efforts at poverty reduction, improved governance and the strengthening of the rule of law. There is an emerging, though not unanimous consensus that democratic forms of governance are conducive to certain public goods including not only peace, but also human rights and economic development. So bondholders might lobby governments to rule fairly and to represent all segments of their population in a reasonably equitable manner. Such efforts could help diminish the appeal of extremist views that can lead to terrorism.

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Other activities could be undertaken in regions already torn by conflict, and that could erupt in violence again. These could include the disarmament, demobilisation and reintegration (DDR) of ex-combatants, considered crucial to achieving lasting peace after conflict.

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Bondholders could encourage the inclusion of DDR programmes in peace agreements, and help finance rehabilitation and re-insertion packages for ex-combatants. They can forestall future conflict by helping ensure that all ex-combatants are treated equally regardless of former affiliations.

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Trading the bonds

World
Peace Bonds, once floated, must be readily tradable at any time until redemption. The operation of such a ‘secondary market’ would be critical to the working of the bond mechanism. Many bond purchasers would want, or need, to sell their bonds before redemption, which might be a long time in the future. With a secondary market, these holders would be able to realise any capital appreciation experienced by their holdings of World Peace Bonds whenever they chose to do so. Tradability would make the bonds a more attractive investment in the first place.

As the
bonds were traded, they would tend to flow towards those who would be most able to help reduce the targeted components of conflict. In fact, though, an actual flow of bonds would not be necessary. Large bondholders might decide to subcontract out the required work to many different agents, while they themselves could hold the bonds from issue to redemption. The important point is that the bond mechanism would ensure that the people who allocate the finance for conflict-reducing projects had an incentive to do so efficiently and to reward successful outcomes, rather than merely to pay people for undertaking activities. At the limit we can conceive of just one single buyer of all the bonds. If this buyer were determined to hold on to the bonds until redemption, then the bonds would function as a sort of performance-related contract, with the backers paying only when the objective had been achieved. The buyer could contract out most or all of the work required to achieve the objective, with the incentives given by the World Peace Bonds for speedy accomplishment cascading down from the bondholder to those subcontracted to do carry out conflict reduction.

Too large
a number of small bondholders could probably do little to help achieve peace by themselves. If there were many small holders, it is likely that the value of their bonds would fall until there were aggregation of holdings by people or institutions large enough to initiate effective peace-building projects. As with shares in newly privatised companies the world over, World Peace Bonds would mainly end up in the hands of large holders—be they individuals or institutions. Between them, these large holders would probably acquire the majority of the bonds. Even these bodies might not be big enough, by themselves, to achieve much without the co-operation of each other. They might

also resist initiating projects until they were assured that other holders would not be free riders. So there would be a powerful incentive for all bondholders to co-operate with each other to help bring about peace. They would share the same interest in seeing targeted objectives achieved quickly. So they would share information, trade bonds with each other and collaborate on conflict-quelling projects. They would also set up payment systems to ensure that people, bondholders or not, were mobilised to help build peace. Bondholders would either trade bonds or make incentive payments to ensure that any proceeds from higher bond prices, or from redemption, would be channelled in ways most likely to reduce conflict. Large bondholders, in co-operation with each other, would be able to set up such systems cost-effectively.

Box: a new type of organisation

Most of our social and environmental goals are the responsibility of organisations, be they large or small, public- or private-sector. Much of their energy is, in my view, devoted to self-perpetuation; so much so that, for our chronic social problems in general, and for war in particular, I believe a new sort of organisation is required. World Peace Bonds could lead to the creation of such an organisation.

How would this happen? Consider what people buying bonds targeting world peace might do. They would want to see some appreciation of the value of their

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World Peace Bonds

even if they have no intention of holding on to them until the long-term target of sustained world peace has been achieved. While they would have competed against each in the market to buy their bonds, they would quickly see that their bonds will lose value unless they can, tacitly or otherwise, collude with other bondholders to help achieve our peace objective. Their interests would be best served by setting up systems to vet potential conflict-reduction projects and to oversee existing ones. Importantly, too, they would set up payments systems, so that those working to achieve world peace are paid according to their contribution toward that goal.

The bondholders themselves might
run this organisation but it would differ from conventional organisations in that composition (bondholders) could be constantly changing. If it decided to employ more-permanent staff members to oversee some or all aspects of the work being done to bring about peace, that would be done only if it would help accelerate achievement of that goal. There need be no such body: that would be up to bondholders themselves. At every level of decision-making, the over-arching concern would be efficiency: the maximisation of peace-achievement per dollar spent. Under the bond regime the structure, composition and activities of everybody from bondholders, any oversight organisation they might set up, down to contractors and subcontractors would be entirely subordinated to the efficient, rapid achievement of sustained world peace.

Give
greed a chance

Bondholders
might not have to be terribly sophisticated in their choice of projects. World Peace Bonds would work on the principle that both bondholders and the people whom they pay (whether as contractors or as recipients of, to put it bluntly, bribes) are highly motivated by financial incentives. Chapter 1 mentioned the conflicts in Lebanon, whose economic dimension has generally been underestimated. There are other cases, as complex as Lebanon in which economic incentives, while not a root cause, can prolong conflict.

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In Sudan and west Africa currently (2025)

internal wars are
prolonged by competition for natural resources—oil, gold, diamonds, minerals—with armed groups and state actors alike seeking to exploit the chaos for financial enrichment, often at the expense of civilians.

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In
conflicts such as these, bondholders might be able to reduce conflict quite directly and unsubtly simply by making appropriate financial transfers to certain individuals.

Bidders
for the bonds could invest any sum they choose in the bonds. If their bond holdings are small, they might not be able then individually to do much about achieving peace, and most likely their bonds would be bought up by larger players. But derivatives in the bonds could magnify the opportunities to, for example, corporations that currently benefit from armament sales or private militias: they could buy call options or futures in the bonds; their holdings could moderate their opposition to conflict-reduction activities, or serve as insurance against serious reductions in military spending.

Under a
bond regime, bidding for the right to benefit financially from conflict-reduction would not be limited to a few likely operators, but would be open to all who are prepared to undertake, or to finance the undertaking of, projects that would help achieve the targeted objective. And it would be open continuously, from the time the bonds were issued until the time they were redeemed.

This
continuous opportunity to buy and sell what are, in effect, fractions of the contract to achieve sustained world peace (or derivatives in the bonds) would imply a liquid market for the bonds; their prices being openly quoted would, as we shall see in the next chapter, generate information of great value to a broad range of decision makers.

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[i]

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22.8.2 Market Incentives to End War: ebook now available (2025-08-02 10:04)

My book *Market Incentives to End War: World Peace Bonds*, is now available as an [1]ebook at Amazon. It is short, at about 24000 words. A softback printed version should be available soon. I will make pdfs of the chapters available at SocialGoals.com for no charge, but if you would like to support my work please consider buying the ebook or the printed version when that becomes available.

1. https://www.amazon.com/dp/B0FKWGHDKX

22.8.3 Planet Pay for Slay (2025-08-08 15:54)

Applying the Social Policy Bond concept to war would go some way to offsetting the current system in which arms merchants and others are richly rewarded. World military expenditure in 2024 reached $2718 billion. But, regrettably, financial incentives to keep conflict going aren't limited to suppliers of weapons. Strategy Page writes about the Palestinian Authority's (PA) Pay for Slay program, which the US is trying to end:

> Last year [2024] the PA continued using its Pay For Slay program to reward Palestinian terrorists. Since October 2023, the PA declared nearly 10,000 imprisoned Palestinian and Hamas terrorists as eligible for Pay for Slay money. The PA also recognized an additional 39,000 families of dead terrorists as eligible for Pay for Slay payments. While the PA agreed to the American demands, it is believed that the PA would seek to find a way to make the payments anyway. ... The most recent payment totaled $142 million for 738 Palestinian terrorists. That averages $193,000 per terrorist. *[1]Information Warfare: Pay For Slay Forever*, Strategy Page, 8 August 2025

We now also have the 'gamification' of war whereby, under a scheme dubbed *Army of Drones: Bonus*, Ukrainian military units can earn points for each
Russian soldier killed or piece of equipment destroyed. By contrast, few global resources are committed to the prevention, management, or resolution of the world's most prevalent wars, almost all of which take place in poor countries. Nor, in relative terms, is much spent on peacekeeping and post-conflict reconstruction. The annual budget for UN peacekeeping is about $5.6 billion. Preventive diplomacy missions cost only a tiny fraction of this amount: the United Nations Department of Political and Peacebuilding Affairs, which leads the UN's preventive diplomacy and conflict prevention work, operates on an annual budget of approximately

$80 million. World Peace Bonds, about which I've written in a short piece [2]here, and in my [3]book, just published would be an attempt to redirect the market's incentives and efficiencies into preventing and ending conflict. With more efficient conflict reduction, it's likely in my view people would be more willing to put more resources into it. Of all the many urgent social and environmental problems that we face, I now believe that conflict and in particular the threat of nuclear conflict, is the biggest threat to humanity.

1. https://www.strategypage.com/htmw/htiw/articles/2025080893846.aspx#gsc.tab=0
2. https://socialgoals.com/world-peace.html
3. https://socialgoals.com/market-incentives-to-end-war.html

22.8.4 Creating countervailing coalitions (2025-08-21 20:26)

Max Wilbert writes:

> As the climate crisis accelerates, as the 6th mass extinction spirals further, as chemical pollution reaches record levels day after day, as our overshoot predicament worsens, as more land is paved and more wild places bulldozed, bank accounts continue to rise. We — that is, anyone with a retirement or investment account, and anyone who cheers when the economy booms and groans when it falls — have become business partners in the apocalypse. [1]*We've Become Business Partners in the Apocalypse*, Max Wilbert, 'Counterpunch', 21 August 2025

We are, effectively, all part of a coalition that has a vested interest in an economy that takes no account of things that are not, or cannot, be measured: the environment and social cohesion, most importantly. Regulation can help, but it's usually too late and is itself influenced by powerful players in the economy, often with the goal of resisting changes that, while benefiting society as a whole, would diminish their income or influence.

[2]Social Policy Bonds could be a way of creating a countervailing coalition, with goals that explicitly and inextricably linked to societal and environmental well-being. By rewarding the achievement of, say, a cleaner [3]environment they would channel funds into that goal and away from activities that currently pay well, but have little, no or negative social benefit. It's not about raising the incomes of those currently engaged in cleaning up the environment - though they would probably do that, at least at first: it's also about raising the level of resources pumped into improving the environment. There *are* hard-working organisations that are dedicated to improving our environment, but they operate at too small a scale and are not rewarded in ways commensurate with their efficiency - not financially, that is, and financial resources are necessary: simply, more funding means that could do more. By applying the Social Policy Bond concept to the environment we could create a coalition with a [4]shifting cast of characters, dedicated to the long-term improvement of human, animal and plant life. The bonds would encourage diverse, adaptive approaches, all with a decades-long perspective, to the targeted environmental goals. The way the bonds work would ensure that only the most promising approaches would be pursued, while failing approaches would be terminated.

1. https://www.counterpunch.org/2025/08/21/weve-become-business-partners-in-the-apocalypse/
2. http://socialgoals.com/
3. https://socialgoals.com/environment.html
4. https://socialgoals.com/new-type-of-organisation.html

BlogBook v1.2,
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