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Kennedy School Review

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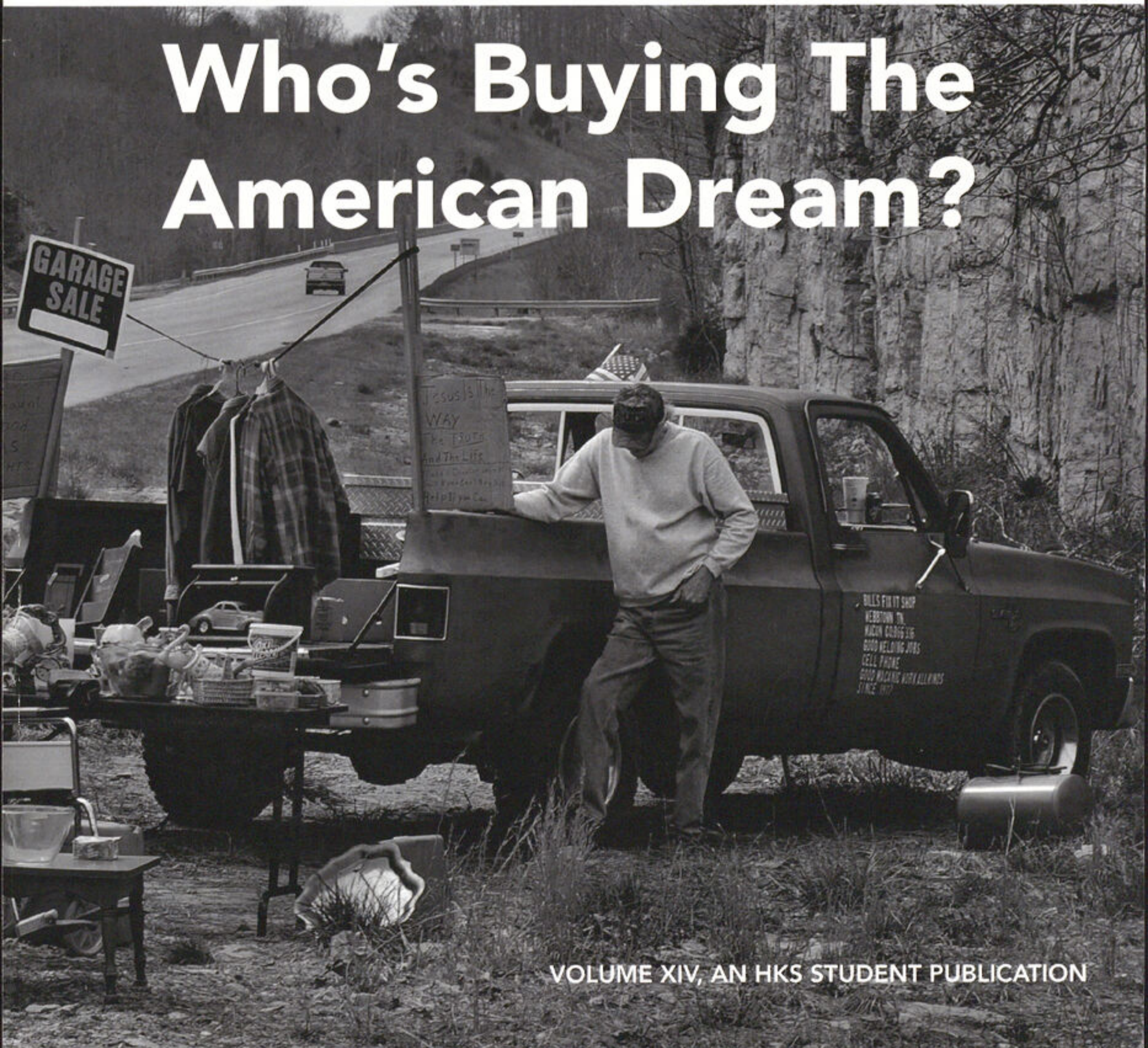
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Cover Photo by Michael Williamson

Cover Design by Monique Osius

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Community Colleges and Workforce Development in the 21st Century

Wading into the Debate

by Daniel R. Bowles

WHEN REX'S MOTHER passed away, he was lost. Just eighteen years old and only six days past his high school graduation, he had nowhere to stay and no good prospects for employment. He spent the next three years out of work. Without any real direction in life, he fell into depression and, in the words of a future advisor, he became “borderline suicidal.”¹

It was some stroke of luck that he found his way to Patrick Henry Community College (PHCC), a two-year school in his native Martinsville, Virginia. After entering counseling at the behest of program staff, he enrolled in a program specifically designed to train students in food services and culinary arts. Within days, Rex began to open up, becoming visibly more comfortable with his new surroundings. Within weeks, he had found his calling.

He enjoyed cooking—reading recipes, helping others with their dishes, preparing artfully designed and delicious meals. It seemed to give him peace in a way that few things had since his mother's passing. He quickly developed a newfound comfort and renewed confidence. Rex graduated the program and found employment with a local restaurant. Two years later, he's still working there as a cook.

“I have a job, a nice car,” he said. “I am happy—happy that I'm doing something I enjoy. I am absolutely glad that

I did this for myself. I am glad I had this option.”

The program that facilitated Rex’s turnaround is appropriately called HOPE, or High-Demand Occupational Programs for Employment. The partnership between PHCC and the aforementioned local restaurant is one of many that the school has entered into with local employers to help address a pervasive skills gap in Martinsville. This small city in southern Virginia once boasted a textile industry that produced clothing for a national market and employed one in five area workers.² Globalization was unkind to the region, and nearly 10,000 lost their jobs between 1993 and 2002.³ Now, more than a decade later, the unemployment rate remains the highest in the state at nearly double the national average.⁴

What makes the program unique is the direct involvement by local employers. Beginning with a needs assessment, local business leaders work directly with PHCC officials to design curricula that develop skills required to succeed in their industries. The involvement does not stop there. Once classroom work is underway, business leaders periodically teach classes and engage directly with students. This engagement often produces valuable interactions, which can result in full-time employment. While Rhonda Hodges, dean of workforce development at PHCC, is quick to point out that no graduates are guaranteed full-time employment, the 74 percent job placement rate among graduates is impressive, especially given the dire economic backdrop.⁵

This program is emblematic of the ways in which local community colleges are addressing chronic joblessness to support economic transformation in regions across the country. Community colleges, which enroll 45 percent of all undergraduates in the United States, offer a wide array of developmental curricula—in

math, science, English, etc.—and other courses that enable students to develop skills that prepare them for four-year schools.⁶ But their most socially impactful work is often done in workforce development and job readiness.

Community colleges sit at the nexus of academia, industry, and local government. This privileged position enables them to play a significant role not only in college preparedness, but also in economic development by training a workforce to meet the needs of local industry. Flexible and financially accessible, they have consistently provided an alternative to education at traditional

COMMUNITY COLLEGES [ARE] IN A CHALLENGING POSITION, TASKED WITH DOING MORE WITH LESS.

four-year colleges and, in many instances, have given a leg up to disadvantaged students.

However, economic transformation and the concomitant flight of traditional industries from many areas of the United States placed increasing stress on these schools. The well-publicized shift away from manufacturing in the United States in the latter part of the 20th century left empty factories, large blocks of unemployment, and a workforce unable to meet the evolving needs of new industry.

The Great Recession of 2008 and 2009 compounded many of these issues. The manufacturing flight disproportionately affected those who are already poor, the group from which many community colleges draw their attendees. According to a recent study on the demographics of postsecondary education, 58 percent of community college students in 2006 came from households in the lowest two socioeconomic

strata. This was up from 48 percent in 1982.⁷

The external economic conditions combined with internal pressures of perniciously high dropout rates, limited advisory services, and budget cuts at the state and local level have left community colleges in a challenging position, tasked with doing more with less. As of 2011, community colleges received approximately 74 percent of their funding from government sources, with state (16.1 percent) and local governments (28.1 percent) constituting the largest portion of revenue.⁸ State budget deficits have certainly led to reductions in overall government

expenditures, with educational expenditures suffering commensurately. But community colleges have borne a disproportionate share of the brunt: spending per pupil at community colleges was virtually unchanged on an inflation-adjusted basis between 1999 and 2009, while public and private research universities saw their average spending per pupil rise 11 and 31 percent, respectively.⁹

President Barack Obama has further upped the ante for community colleges, placing them front and center in his administration’s push to improve rates of postsecondary educational attainment. Yet his campaign included few financial resources. The American Graduation Initiative, put forth as part of the Student Aid and Fiscal Responsibility Act of 2009, was initially slated to include \$12 billion over ten years for schools to modernize facilities, improve access to educational software, and expand access to fund tuition.¹⁰ However, this initiative was pared back in sum-



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“THERE ARE CERTAINLY THOSE WHO ARE SKEPTICAL ABOUT WHAT WE’RE DOING”

—ANGELINE GODWIN, PRESIDENT OF PATRICK HENRY COMMUNITY COLLEGE

mer 2010—to \$2 billion over four years—and scaled down to include only career training.¹¹ This change created a dangerous dichotomy: greater demand for schools, yet with fewer resources to meet it.

But challenges extend beyond increased demand and constrained operating budgets. While there is disagreement about the graduation rates and measurement horizons at many two-year colleges (the National Cen-

ter for Educational Statistics estimated the completion rate within three years at 31 percent;¹² the National Student Clearinghouse puts the figure at 60 percent, though this only looks at students who transfer to four-year schools;¹³ and various other studies suggest still other figures and measurement methods), there is no question that many doubt the efficacy of these postsecondary learning institutions. Even for those who earn degrees, it often takes well beyond the two-year time frame to do so. Public opinion about community colleges is varied, though it tends to skew negatively. This is especially true among potential new students,

many of whom feel the social stigma surrounding their decision to not attend a traditional four-year school.

Further, advances in the application of technology in the education sector pose a threat to the brick-and-mortar business model employed by community colleges. MOOCs, or massive open online courseware, offer students a low-cost, at-home alternative to traditional classroom-based learning, and many courses offered are identical to those at community colleges. The convenience associated with this option certainly makes it a compelling choice for students who are also working. The move toward competency-based learning, in which specific skills matter more than traditional degrees, is part of a similar trend.

Each of these challenges alone could spell trouble for the sector. Taken together, these factors have the

potential to completely overwhelm an already taxed system in a manner that is bad for students and worse for the struggling regional economies that depend on these schools.

Rex's example should give many schools hope. PHCC's program is one of many that seek to proactively

address the skills gap that has kept the unemployment rate frustratingly high in recent years. This phenomenon, in which employers have too few applicants with qualifications sufficient to ensure success on the job, has hit areas of economic transition particularly hard. And it's not

just affecting Southside Virginia, but stretching to better-known locations in the Rust Belt.

To address the skills gap, many schools have taken a needs-based approach to develop a special curriculum. Courses are typically created with significant input from local employers. PHCC's HOPE program leverages partnerships with local businesses (termed Business and Industry Leadership Teams, or BILTs) to write curriculum and develop training programs that facilitate job readiness within a particular industry. While many schools have single industry groups (most often tied to local interests), PHCC has created several across advanced manufacturing, food services, and customer service. These programs provide students with a broad-based academic experience as well as meaningful credentials in a given industry while allowing employers to "road test" potential employees before making a hiring decision.

Grand Rapids Community College in Michigan offers a similar example. Under a partnership with a local employer, GRCC students spend four days a week on the factory floor and one day in the classroom. This apprenticeship model is often a multiyear commitment. Delaware County Community College in Media, Pennsylvania, has done much the same, working with Schramm, a manufacturer and supplier to the hydraulic drill industry, to conduct company-specific processes in their shop classes.¹⁴

Regardless of the specific arrangement, the key is that these offerings provide students with hands-on, practical experience in a way that prepares them for the rigors of the daily workforce.

This employer-centric approach to curriculum development is not without its critics. Writing in the monthly journal of the American Association of University Professors, journalist David McKay Wilson



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COMMUNITIES NEED JOBS . . . AND COMMUNITY COLLEGES ARE BETTER POSITIONED THAN ALTERNATIVES TO DELIVER ON THIS FRONT.

noted that “at some of the nation’s community colleges, faculty control over curriculum design is threatened by corporations that dictate course material for degree-granting programs.”¹⁵ He is not alone in his disapproval, and his claim raises a question about the overall purpose of community colleges. Designed as pathways to higher education rooted in the liberal arts, some fear that community colleges may become “captured” by local industry. The point is part of a broader narrative around compromised academic freedom at many community colleges, where more than two-thirds of faculty members are part-time employees.

In the case of PHCC at least, these concerns do not fall on deaf ears.

“There are certainly those who are skeptical about what we’re doing with programs like HOPE and our business and industry leadership teams,” noted Dr. Angeline Godwin, president of PHCC, in a conversation with the author. “Community colleges serve a wide variety of students with an incredibly diverse set of needs and circumstances. Many students come to us looking for tangible skills that will help them enter the workforce and earn a living wage to support themselves and their families. Integrating local employers’ perspectives into our curriculum is one way in which we can meet their needs and serve the interests of the community overall.”

Dr. Godwin added, “We do maintain a top notch developmental curriculum, which is created and administered by our faculty. We view the HOPE program as complementary to our overall offering.”

At the root of this work is a legitimate concern about the role of community colleges in an ever-changing economy. The aforementioned challenges have placed many schools in an incredibly difficult position. Typically, students are older (the average age is twenty-eight) and nearly four in ten are the first in their family to attend college. Moreover, 60 percent of students attend school part-time, creating difficult environments for many to adopt the traditional liberal arts-based curriculum.¹⁶ Some students arrive seeking extra credits before starting or finishing at a four-year school; others use two-year schools as a stepping stone to a career. It seems as though their privileged position has actually created a dilemma in which two-year schools now must be all things to all people.

The technological advances presented by MOOCs raise another interesting question about the role that traditional classroom learning will play in the 21st century. While MOOCs have proven popular, especially among those seeking access to top-tier four-year academic institutions (programs offered by Harvard, Stanford, and MIT, to name a few), the overall effectiveness of these tech-enabled classroom environments remains up for debate.

MOOCs are perhaps the most prominent form of competency-based and student-directed learning available today. By allowing students to select a single course, participate in learning online, and gain either a certificate or an outright degree, many MOOCs offer a compelling value proposition to students: Drive your own schedule and determine your own route.

The data, however, demonstrates that this value proposition lacks validity for low-income students, who now make up the majority of enrollees at community colleges. In general, the completion rate at many MOOCs is incredibly low: A January 2014 study from Harvard and MIT indicated that completion rates in their MOOCs were approximately 5 percent.¹⁷

It seems that the very services that the MOOCs deem unimportant—direct engagement with faculty, rigorous in-class discussion, and hands-on learning—are the very skills that many low-income students desperately need to succeed in the classroom. This is especially important in the work environments that community colleges have historically attempted to serve. How does a worker gain the skills he or she will need to apply on the job in advanced manufacturing or food services by attending a class taught by a professor thousands of miles away?

Community college leaders find themselves in quite a predicament. Global economic changes, increasing budget constraints, and greater demand for higher education have all placed greater stress on these institutions. Furthermore, many are struggling to devise new strategies to confront the changing context in which they operate.

But some basic truths remain that should give proponents of the existing system hope. Communities are in need of jobs—especially those negatively impacted by offshoring and the flight of manufacturing—and community colleges are better positioned than alternatives to deliver on this front. The aforementioned skills gap requires a varied and direct

approach; community colleges are especially well equipped to manage this variety. And the biggest opportunity may come from a potential threat: increased attention by the federal government may lead to much needed resources but, more importantly, attention that many schools will need to adopt meaningful change.

Programs like those mentioned above leverage employers for both curriculum and resources; in fact, it seems that the biggest win for all parties involved may be the significant buy-in that these programs generate from the private sector. Though the magnitude is limited at present, concerns around compromising academic freedom appear overblown.

It has to come down to the impact on students like Rex. Despite the debate around the involvement of private sector actors in the delivery of state-funded education, Rex and countless others are realizing tangible benefits that make a positive impact on their lives. And though MOOCs and other “disruptive” technologies may currently be in vogue, the learning with the most immediate impact on students’ lives may actually exist in a more familiar form. *DR*

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- 1 Note: A false name has been used to protect Rex’s true identity.
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Rebalance to the Asia-Pacific

A New U.S. Defense Strategy for the 21st Century

by Gregory H. Whitten and Erum R. Jilani



Secretary of Defense Chuck Hagel with South Korean Defense Minister Kim Kwan-jin, pointing out a location in North Korea during a tour of the DMZ. Photo courtesy of Erum Jilani.

THE UNITED STATES HAS EMBARKED on a new defense strategy: the rebalance to the Asia-Pacific region. Moving forward, the United States will play a deeper and more enduring role in promoting security and prosperity in the region. The rebalance to Asia, involving multiple actors within the U.S. government, is designed to sustain our leadership in the region and protect our diplomatic, military, economic, and strategic interests.

During the past six decades of U.S. military presence in the Asia-Pacific, U.S. allies and partners have ushered in an unprecedented era of security and prosperity. Asia will play an even greater role in these areas in the 21st century. The region is home to the world's largest populations and some of its biggest militaries and fastest-growing economies, including India, China, and Indonesia.

After a decade at war in the Middle East, the United States is at a turning point, and the Obama administration has made the Asia-Pacific region a priority. The rebalance does not imply that the United States has turned its back on the Middle East or other priority areas. Indeed, the administration has moved away the label of "pivot" to that of "rebalance" specifically to make clear that the United States is not abandoning its commitments in other parts of the world.

Instead, the administration is rebalancing U.S. inter-

ests and resources toward a region that is increasingly important for our prosperity and security. Asia encompasses one-third of global trade, including \$1.5 trillion annually in trade with the United States.¹ Recognizing these realities, the Department of Defense (DoD) is pursuing two major efforts to protect and advance U.S. interests in the Asia-Pacific region: first, strengthening alliances and partnerships, and, second, investing in new capabilities.²

As we move away from a decade of ground wars to drastically different threats in the Asia-Pacific region, DoD will need to examine how it approaches the acquisition and procurement of cutting-edge technologies. We see new challenges in the Asia-Pacific on a daily basis in cyberspace, maritime security, and proliferation. The Department has moved to focus on the air, sea, and cyber domains, shifting away from large multibillion-dollar land-based engineering programs. The Department will still maintain large engineering projects, but the coming years will see a significant shift into enhancing resources to meet 21st century challenges.

ALLIANCES AND PARTNERSHIPS

The United States and its allies in the Asia-Pacific face a vast array of threats that require us to build a highly educated, mobile, and flexible force with dominance in air

THE UNITED STATES IS AT A TURNING POINT, AND THE OBAMA ADMINISTRATION HAS MADE THE ASIA-PACIFIC REGION A PRIORITY.

and sea.³ A higher proportion of U.S. military assets will be allocated to the Pacific in coming years. For instance, Secretary of Defense Leon Panetta announced in 2012 that 60 percent of the U.S. Navy will be home-ported in the Pacific by 2020⁴—a significant shift from the current fleet structure, which is focused on supporting conflicts in the Middle East.

A foundational element of DoD's rebalance to the Asia-Pacific is an increasing network of alliances and partnerships in the region. The Department is striving to modernize and deepen treaty alliances to ensure that they remain relevant to future challenges, while also balancing the fiscal restraints the United States is currently facing. DoD's three focus areas are: security cooperation, building capacity in Southeast Asia, and strengthening multilateral institutions.

Security Cooperation

With security alliances, the Department is working to increase security cooperation. In Northeast Asia, DoD is modernizing long-standing alliances with Japan and South Korea. In Japan, this includes realigning the Marine Corps' presence in Okinawa to ensure sustainability over the long term, as well as revising the defense guidelines that underpin our cooperation.

In South Korea, DoD just completed a cost-sharing agreement with the government to ensure that we have the resources necessary for the combined defense of the Korean peninsula.⁵ We have increased our interoperability with Australia while fighting with their military in Iraq and Afghanistan. The Department will also rotate up to 2,500 Marines and aircraft to Australia's Northern Territory, furthering our presence in the region.⁶

These efforts build upon the United States' commitments to the region since World War II. While building capacity among our allies, we have also strived to ensure that our investments promote U.S. interests, which include managing an unstable North Korea and strengthening multilateral institutions such as the Seoul Defense Dialogue.

Building Capacity in Southeast Asia

DoD is building capacity in Southeast Asia through increased humanitarian assistance and disaster relief (HADR) and via investments in maritime security cooperation.

Led by the U.S. Agency for International Development, the U.S. government underscored its commitment to the region with the recent mobilization of forces and assistance during Typhoon Haiyan in 2013. As part of the U.S. effort, DoD transported more than 1,700 tons of aid, assisted with the transfer of nearly 18,000 people out of affected areas, and deployed 3,700 personnel as well as several ships and aircraft.⁷

With a rise in climate change-induced catastrophes in Southeast Asia, it is critical that the United States continues to provide HADR resources to allies and partners in the region. DoD is expanding cooperation on this front with the Philippines, Vietnam, and Indonesia. Building this capacity will shorten the amount of time that lapses between disasters and responses, potentially saving thousands of lives.

Maritime security cooperation is another critical



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SIXTY PERCENT OF THE U.S. NAVY WILL BE HOME-PORTED IN THE PACIFIC BY 2020.

component of DoD's strategy, particularly given the competing territorial claims in the South and East China Seas. Additionally, one-third of the world's transit passes through the South China Sea, making it one of the most important shipping lanes in the region. The South China Sea's resources, including fisheries and possible crude oil and natural gas, make it one of the most contested bodies of water in the world. Increased Chinese patrols in the South China Sea have raised regional fears that Beijing may develop the same type of air defense zone that exists around the islands claimed by Japan in the East China Sea.⁸ These territorial claims have led to tension in the region that must be addressed diplomatically and through regional institutions such as the Association of South East Asian Nations (ASEAN). Both Secretary of State John Kerry and Secretary of Defense Chuck Hagel have worked to negotiate a peaceful settlement calling for greater transparency on sovereignty claims.

Strengthening Regional Institutions

The United States is committed to regional peace and stability, including establishing norms and regional institutions to prevent acts that could lead to conflict. The Obama administration is working through regional institutions to promote U.S. values and interests. One of Secretary Hagel's strategic priorities is to make our defense engagements around the world more collaborative.

In support of this goal, DoD has increased multilateral work through institutions such as ASEAN and trilateral cooperation between partners (for instance, the United States, Australia, and Japan). Hagel will also host the first ASEAN Defense Ministers Meeting in April 2014 in Hawaii. Ten defense ministers from the region will gather for three days to discuss future avenues for cooperation. This type of regional forum facilitates greater understanding of shared challenges and efforts to build joint capabilities.

Another arena in which joint capabilities are being developed is through multilateral exercises. The United States hosts the Rim of the Pacific (RIMPAC) exercise, which gathers over twenty nations for a maritime warfare exercise to build interoperability and military-to-military relationships. This year, China will participate for the first time in the RIMPAC exercise.⁹ China's participation moves us closer to the fundamental goal of building a U.S.-China military-to-military relationship that is stable and transparent. Military exercises also help build the relationships and cooperation that are integral during times of conflict.

INVESTING IN NEW CAPABILITIES

As DoD moves forward in the rebalance to the Asia-Pacific, threats will evolve, making it crucial that the Department equips the force with cutting-edge technologies in the space, cyber, and maritime domains.¹⁰ Bringing these types of capabilities to the forefront of the acquisition process will inherently change how we approach defense acquisition in the 21st century.

In a recent effort to mainstream acquisition, Deputy Secretary of Defense Ashton Carter directed the Undersecretary of Defense for Acquisition, Technology, and Logistics to revise DoD Instruction 5000.02, "Operation of the Defense Acquisition System."¹¹ The rewrite will focus on making the acquisition process more efficient. The Department will also begin implementing the Better Buying Power initiative in Major Defense Acquisition Programs (MDAPs).¹²

Defense acquisition is evolving and will continue to do so as we move farther along in the rebalance. This change can be seen in the shift away from counterinsurgency technologies over the last five years in favor of platforms and weapons systems focused on air and sea capabilities. At the 2013 Shangri-La Dialogue, an annual Asia-Pacific's Defense Ministers meeting, Hagel stated that DoD will "prioritize deployments of [its] most advanced platforms to the Pacific, including the F-22 Raptor [jet fighter] and F-35 Joint Strike Fighter deployments to Japan, and a fourth Virginia-class fast attack submarine forward [deployed] to Guam."¹³

The cyber threat is one of the greatest challenges



Photo: flickr/DVIDSHUB

for the rebalance. Secretary Hagel has noted that cyber threats pose a “quiet, stealthy, insidious”¹⁴ danger to the United States and other nations and has called for “rules of the road”¹⁵ to guide behavior and avoid conflict on global computer networks. His comments, along with the Department’s investment in more cutting-edge technologies, demonstrate how DoD is looking to invest in innovative technologies for the 21st century.

As DoD works toward investing in new capabilities, it will also have to look at how to reform the bureaucracy and budgets of the past. The Department has made significant investments in cyber, but still lags behind some of the technological innovations seen in the private sector. The initial steps to reform the Federal Acquisition Regulation and requirements system will open the door to conversations with untraditional defense industry partners, such as Silicon Valley companies. However, it will take significant work to equip our forces with the most current technologies to combat the threats they will face in the Asia-Pacific.

Efforts to develop and invest in new capabilities in the Asia-Pacific region will also involve Congress, which must approve the Defense Budget. The National Defense Authorization Act (NDAA) of 2014 clearly defines Congress’s support for the rebalance. For instance, Congress has approved updates to the capabilities of the United

States Pacific Command (PACOM), such as facility improvement to bring new V-22 Osprey squadrons to Marine Corps Base Kaneohe and updates to the Pearl Harbor Navy Shipyard to allow maintenance to continue on Nuclear Submarine fleets.¹⁶ The NDAA also allows for updates to Fort Shafter in Hawaii so that the Army may move forward with construction of a new PACOM Control Facility.¹⁷ Congress has also approved investments of \$494.6 million to update our force structure in Guam and \$85.7 million to build a Marine Corps Hanger and Andersen Air Force Base to strengthen the Marines’ forward deployment presence in the Asia-Pacific.¹⁸

CONCLUSION

Throughout the coming year, Secretary Hagel will continue to travel to the Asia-Pacific region to strengthen diplomatic ties, specifically through the ASEAN Defense Ministers Forum and the annual Shangri-La Dialogue. As we move forward and set the stage for engagements in the Asia-Pacific, a solid foundation has been built in modernizing security cooperation with traditional allies while building capacity and enhancing our presence in Southeast Asia. We are fully engaged in the region’s multi-lateral institutions and have an active role in empowering institutions such as ASEAN to ensure future conflicts are settled in accordance with international law.

A more flexible defense acquisition system will be developed through 5000.02, allowing the Department to develop the capabilities needed to sustain our dominance in the air and sea. DoD has aligned itself to develop a more flexible and adaptable force to face 21st century threats across the globe through the Asia-Pacific rebalance. The rebalance to the Asia-Pacific will be an ongoing effort in the coming years, but DoD has developed a strong foundation from which to begin implementing the rebalance strategy. We will continue to invest time and energy to sustain American leadership and interests in one of the most important strategic foreign policy shifts of our time. *KR*

The views expressed in this article are those of the authors and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

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Underwater and Feeling Wet

The Limits of Economic Theory in Valuing the Arctic National Wildlife Refuge *by Patrick Garrity*



The Arctic National Wildlife Refuge. Photo: flickr/madpai

We too are culturally myopic and often forget that we represent not the absolute wave of history but merely a world view, and that modernity—whether you identify it by the monikers westernization, globalization, capitalism, democracy, or free trade—is but an expression of our cultural values. It is not some objective force removed from the constraints of culture.

— Wade Davis, *The Wayfinders*¹

PEOPLE LOVE TO SHARE what they know about the world. In fact, some people make normative claims incessantly: smoking is bad for you; honesty is the best policy; hard work pays off; you can't buy happiness. Citizens of the "developed" world cannot walk down the street without encountering assertions like "America runs on Dunkin"; "Jesus saves"; "Only you can prevent forest fires"; and "If you see something, say something." Yet the validity of any one of these claims depends on both the type of assertion and the intellectual community within which the speaker makes the assertion. Different communities have different rules governing the boundaries between what constitutes fact and opinion, or substantiated and unsubstantiated information. Economists are no exception, and it's time that they begin to examine the underlying assumptions that drive their policy prescriptions.

EPISTEMIC COMMUNITIES AND HIGHER ORDER KNOWLEDGE CLAIMS

Differences in conceptual frameworks delineate what scholars refer to as "epistemic communities."² Evangelical Christians and

evolutionary biologists exemplify two such opposing epistemic communities. But while such divisions often fall along religious, ethnic, or geographical divides, they also separate generations, political groups, and academic disciplines. Despite these significant, normative discrepancies, every epistemic community structures its mindset around self-evident truths that do not require the same type of proof as other claims within the same system. Some claims are explicit—*God made the earth in seven days*—and some are implicit—*the scientific method leads to the most accurate understanding of the world*. Academics refer to these axiomatic statements as "higher order knowledge claims."³

Higher order knowledge claims derive power from two sources: their invisibility and their unassailability. Individuals submerged in cultural norms often have trouble recognizing their own group's higher order knowledge claims: someone completely underwater does not feel wet. This means that people in insular epistemic communities can go through their lives without ever recognizing—let alone questioning—the assumptions underpinning their worldviews. Along with this, the axiomatic nature of higher order claims leaves these tenets im-

pervious to refutation. No type of evidence can disprove a higher order claim—not even the type of evidence required to substantiate or disprove lower order claims within the same system. For example, a religion does not employ randomized control trials to prove the existence of its God; God's existence constitutes the irrefutable truth upon which that religion rests.⁴

The power of higher order knowledge claims plays an important role in governing interactions between these different epistemic communities. The consolidation of political and economic power in the modern era occurred alongside a division of worldviews into different modes of inquiry. A single unified mindset no longer allowed humans to engage with the "primal questions of the seen and unseen, the known and un-



Arctic ground squirrel. Photo: flickr/madpai

known.”⁵ Over time, Western powerbrokers came to privilege certain types of knowledge claims over others, championing their own preferred epistemological frameworks.

In the realm of policy, the social sciences, especially economics and econometrics, gained near monopoly status in determining what counted as substantiated truth, forming the foundation of modern economic development logic. As Harvard public policy lecturer Michael Woolcock puts it, “Modernity is about shrinking this epistemic space and testing the truth or falseness of everything on empirical grounds. We want to delegitimize everything that happens outside of this space and label it as superstition.”⁶ Yet, econometrics—which uses applied math and statistical techniques to isolate causal relationships—can measure only a minute portion of the human experience. Randomized control trials offer a useful way to investigate the causal impact of deworming pills on school attendance in Kenya⁷ but often fall short in the face of complex social phenomena. What makes people love (and hate) one another? If randomized trials cannot answer these questions, does it mean that answers do not exist?

UNFAMILIAR TERRITORY

Other societies base their cultures around very different higher order knowledge claims and values. As Wade Davis recalls: “A lama once told me that Western science and efficiency has made a major contribution to minor needs. We spend all our lifetimes trying to live to be a hundred without losing our hair or teeth. The Buddhist spends his lifetime trying to understand the nature of existence.”⁸ The logic of modern economic development—undoubtedly responsible for wondrous developments and an unparalleled increase in basic standards of living for a large portion of the planet—approaches the world as a technical problem that scientists can solve with resources and brainpower. Unfortunately, this same logic devalues opposing knowledge claims and worldviews, shrinking the epistemological space to a single restrictive framework.

Navigating a world of rival epistemic communities requires individuals to exist simultaneously in various knowledge systems, interpreting and responding to statements on

a context-dependent continuum. They do this not only to make sense of others’ assertions, but also to exercise authority and gain credibility within different thought communities. Ideally, this dynamic would foster a zeitgeist that compelled citizens to continuously reshape and enrich their collective frameworks for understanding the world.

BECAUSE ECONOMICS CANNOT ACCOUNT FOR THINGS THAT ARE NOT CONSUMED, THE DISCIPLINE FAILS TO PROVIDE AN APPROPRIATE MODEL FOR THE ARCTIC NATIONAL WILDLIFE REFUGE ANALYSIS.

In reality, however, epistemic “code switching” often becomes a tool of domination in the hands of the powerful, enabling them to slam the door on opposing thought communities. In the world of international development, many “messengers of modernity”⁹ become proficient in other knowledge systems and then use this proficiency to dismantle beliefs that fail to substantiate their own higher order claims. Building on the work of postcolonial scholars like Edward Said, Homi Bhabha, and Ania Loomba, Davis offers an account of the modern era’s global hegemony, fueled by postcolonial conceptions of what it means for non-Westerners to become civilized. As a finite number of powerful countries impose their way of life on indigenous peoples across the globe, “modernity provides the rationale for disenfranchisement, with the real goal too often being the extraction of natural resources on an industrial scale from territories occupied for generations by indigenous peoples whose ongoing presence on the land proves to be an inconvenience.”¹⁰ The implicit values underpinning classical economic theory, if left unquestioned, can enable the powerful to dominate the powerless.

Perhaps the most insidious and irrefutable higher order claim advanced by classical economic theory is the conflation of value

with consumption. All discernable objects in this universe exist as “goods” in a marketplace. The value of a good begins and ends with the amount that people, “consumers,” are willing and able to pay for it. Utility (or happiness) increases with consumption, albeit with declining marginal returns, so individuals consume as many goods as their money allows in order to become as happy as possible.

This cult of consumption contrasts sharply with the higher order knowledge claims of the Penan culture. Davis describes the Penan as a society structured around normative conceptions of wealth and value unrelated to consumption and accumulation. They exist in “a society in which there is no incentive to accumulate material possessions because everything has to be carried,” meaning that “the Penan explicitly perceive wealth as the strength of social relations among people, for should these relationships weaken or fray, all will suffer.”¹¹ Here, social relationships—an unquantifiable value in Western economic frameworks—determine an individual’s wealth. Whereas refusing to share constitutes the “greatest transgression” in Penan culture, standard economic theory regards giving away valuable goods as irrational behavior, or at least as a display of preferences inconsistent with orthodox theory.¹²

THE ARCTIC NATIONAL WILDLIFE REFUGE AND THE LIMITS OF ECONOMIC THEORY

The debate over oil extraction in the Arctic National Wildlife Refuge (ANWR) offers a

stark example of how the politically powerful can use economic consumption narratives to justify natural resource extraction. In “Should We Drill in the Arctic National Wildlife Refuge? An Economic Perspective,” Matthew Kotchen and Nicholas Burger assert that the possibility of drilling for oil in “one of the last great wilderness areas on the planet” has generated much controversy but has lacked “reasoned debate.”¹³ Because “careful and balanced analysis is surprisingly absent,” they “argue that the economic perspective taken in [their] paper is central, and that the empirical findings will contribute to greater evidence-based decision making on the future of the ANWR.”¹⁴ For Kotchen and Burger, the government’s inability to make a decision around drilling stems from a lack of rigorous analysis. To them, people have not been using the type of evidence necessary to substantiate or refute an argument—a lack of valid knowledge claiming.

The previous controversy around drilling does not constitute legitimate debate within their epistemological community of economics. To find the correct solution, economists need only to put their heads together, crunch some numbers, and establish “careful,” “balanced,” “empirical,” and “evidence-based” findings. Their diction here reflects the epistemological givens of economics and exemplifies their adherence to what Woolcock characterizes as “the conceit of high modernism: if we just double down on getting the best and the brightest, we will have everything we need to solve any social problem.”¹⁵

Although their diction implies otherwise, Kotchen and Burger do pay lip service to the limitations of their discipline, asserting that

FAITH IN THE ABILITY OF TOMORROW'S TECHNOLOGY TO PICK UP THE BILL FOR TODAY'S ENVIRONMENTAL DAMAGE AND CULTURAL DEGRADATION REFLECTS THE UNSUSTAINABLE LOGIC OF PERPETUAL CONSUMPTION THAT UNDERPINS THE MODERN DEVELOPMENT PARADIGM.



A polar bear keeps close to her young along the Beaufort Sea coast in Arctic National Wildlife Refuge. (Susanne Miller/USFWS).
Photo: flicker/usfwhq

“economics is not the only perspective that matters.”¹⁶ They point out that “calculating the benefits and costs of drilling in the ANWR is not straightforward” because it forces economists to engage with questions like: “What are the environmental impacts of drilling? How can we place a monetary value on the environment? And what problems might arise from putting a price on something that many people consider priceless?”¹⁷ Kotchen and Burger seem to intuitively grasp the limitations of their discipline but remain unable or unwilling to conceive of another legitimate form of evidence.

Instead, they introduce the concepts of “use value” and “nonuse value,” clumsy attempts within the discipline of economics to account for nonmonetary costs. Use value refers to the value that local inhabitants and tourists derive from their actual consumption, or use, of the wildlife refuge. In con-

trast, the nonuse value, which the authors say greatly exceeds the use value, reflects the “satisfaction” that people get from knowing that the refuge will continue to exist.¹⁸ While use value fits within a traditional economics framework by equating value with a form of consumption, nonuse value compresses everything outside of consumption into a flat conception of satisfaction. The catchall nature of this formulation involves a dangerous degree of reductionism that reflects the evangelical promotion of an unquestioned viewpoint.

Because economics cannot account for things that are not consumed, the discipline fails to provide an appropriate model for the ANWR analysis. The term “nonuse value” cannot capture the rich complexity of the region’s biological and cultural diversity. Goods that people cannot use have to be shoehorned into economic analysis; they are foreign concepts to the discipline, which makes their

inclusion an afterthought grafted onto “real” economic analysis.

Instead of recognizing these significant limitations, the economists sidestep the messiness by leaving it up to policy makers to assign value to the nonmonetary costs of drilling. They then double down within their own knowledge system. Using “economic sensitivity analysis,” they calculate the economic costs of extraction and the financial benefits for oil companies and the state government.

DESTROYING WILDLIFE REFUGES MEANS DESTROYING ECOSYSTEMS. IT MEANS REDUCING BIODIVERSITY AND KILLING LIVING ORGANISMS. IT MEANS DESTROYING AN ANCIENT CULTURE AND LOSING A PIECE OF WHAT MAKES US HUMAN. DOLLARS AND CENTS CANNOT ACCOUNT FOR THESE COSTS.

Eventually, they emerge with an estimate of potential benefits (usually profits) and a “willingness to accept” dollar amount that, if paid by all U.S. citizens of voting age, would theoretically make drilling worthwhile.¹⁹

Their assessment of “technically recoverable oil” and “economically recoverable oil” draws directly from an economic consumption narrative. In estimating the costs of extraction, “much of the oil, if not most, is simply out of reach with existing technologies, and much of the oil we do know about is not profitable to recover.”²⁰ But their faith in what Davis refers to as “technological wizardry” leads them to the conclusion that “as oil becomes more scarce, its price will increase, and the result will be better technologies and an expansion of profitable reserves.” This faith in the ability of tomorrow’s technology to pick up the bill for today’s environmental damage and cultural degradation reflects the unsustainable logic of perpetual consumption that underpins the modern development paradigm. As Davis puts it:

Extreme would be one word for a civilization that contaminates with its waste the air, water and soil; that drives plants and animals to extinction on a scale not seen on earth since the disappearance of the dinosaurs; that dams the rivers, tears down the ancient forests, empties the seas of fish, and does little to curtail the industrial processes that threaten to transform the chemistry and physics of the atmosphere.²¹

Although Kotchen and Burger acknowledge that many view the ANWR as “America’s Serengeti . . . one of the ‘Last Great Wilderness Areas,’” they fail to engage with the value systems that these concerns reflect—perhaps because these values involve more complexity than a satisfaction/no satisfaction binary. What’s more, the analysis of potential costs does not even mention the indigenous inhabitants of the region, whose traditional way of life depends on the existence of a robust caribou population. This omission further underscores the inability of economics to properly account

for nonmonetary phenomena like cultural and anthropologic diversity. Such valuation becomes even more hopeless when cultural destruction occurs as a byproduct of consumption, because it directly pits opposing higher order knowledge claims against one another.

Here, the economists should acknowledge the limitations of their analytical toolkit and pull in thinkers from other disciplines—political theory, sociology, philosophy, anthropology, ethics, even literature—with instruments better calibrated to measure the nonmonetary cost side of the equation. Destroying wildlife refuges means destroying ecosystems. It means reducing biodiversity and killing living organisms. It means destroying an ancient culture and losing a piece of what makes us human. Dollars and cents cannot account for these costs.

Unfortunately, instead of recognizing the inability of their discipline to analyze the situation, the economists calculate a monetary environmental cost at a breakeven

point that would perfectly balance costs with benefits and permit drilling within the net present value benefit-cost analysis:

Surprisingly little research has been conducted to place an economic value on the potential environmental costs. Consequently, rather than estimate these costs and conduct a standard benefit-cost analysis, we calculate the costs that would generate a breakeven result against the benefits. We find that the average breakeven willingness to accept compensation to allow drilling in the ANWR ranges from \$582 to \$1,782.²²

Here, the researchers' analysis recommends an especially problematic process of "contingent valuation," which involves using survey-based measures to determine an average "willingness to accept" drilling amount among adult, voting-age Americans. In economic terms, the land's value equates directly to the amount of money that "rational" consumers collectively assign it. At this point it becomes painfully clear that Kotchen and Burger lack the epistemological tools to comprehend the inadequate nature of their nonmonetary valuation techniques. Fully submerged in their discipline, they no longer feel wet.

Anthropologist Margaret Mead feared that "the entire imagination of humanity . . . might be confined within the limits of a single intellectual and spiritual modality. Her nightmare was the possibility that we might wake up one day and not even remember what had been lost."²³ A dominant development paradigm that myopically promotes continuous consumption as an unquestioned norm evokes the realization of Mead's nightmare. Those who possess the wealth, mobility, and power to broker knowledge claims across epistemic boundaries must step outside of their own disciplines and engage with the prescriptions of opposing belief systems. This means that economists, sociologists, and others must reach across the knowledge aisle in order to better incorporate the full richness of human experience into policy analysis. If development professionals fail to undertake this necessary self-examination, we'll all be underwater soon—if we're not there already.

KJR

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Right to Work and Health

What the Most Recent Attack on Organized Labor Will Mean for American Workers' Health and Safety *By Danyaal Raza*

ORGANIZED LABOR IS UNDER ATTACK. In 2011, in the depths of an icy Midwestern winter, roughly 100,000 Wisconsinites descended upon their state capitol. Just one month into his term, Governor Scott Walker's ultimately successful attempt to strip state workers of labor rights provided the rallying cry. His unassumingly titled Wisconsin Budget Repair Bill sought to buoy the state budget by restricting collective bargaining and changing union membership rules. While Walker's bill did reduce the state deficit, it did so like a chemotherapy drug gone wrong.

Since its passage, the Wisconsin Budget Repair Bill has devastated public sector unions, with some unions hemorrhaging up to two-thirds of their members.¹ The Act also proved to be the patient zero for conservatives across the United States seeking to reinvigorate America's union-busting movement. Just one year after its passage, Michigan and Indiana enacted more sweeping and

speciously named "right-to-work" policies extending to both public and private sectors. While much of the debate focused on economic issues and low wages, many on both sides of the issue are missing the critical health dimension of outlawing public sector unions. Conservatives in Oregon, Missouri, and Ohio are agitating to follow in Walker's footsteps, while Senators Mitch McConnell and Rand Paul are making efforts to kick the door open nationally on this issue.^{2,3} In the shadow of a historic year for American health care, they would do well to heed the effect of right-to-work policies on the health of American workers.

Before this underappreciated consequence is examined, it is worth covering the basics of right-to-work legislation. Unions represent all employees in workplaces they organize, not just those who pay dues. As a result, federal law permits contracts that, as a condition of employment,

SINCE ITS PASSAGE, THE WISCONSIN BUDGET REPAIR BILL HAS DEVASTATED PUBLIC SECTOR UNIONS, WITH SOME UNIONS HEMORRHAGING UP TO TWO-THIRDS OF THEIR MEMBERS.

require all workers to pay membership dues. The requirement ensures unions are adequately resourced to represent the interests of workers during collective bargaining.

Right-to-work laws make these membership agreements illegal. When they do, unions become subject to a phenomenon known to any economics student—a prisoner's dilemma. When not compelled to pay union dues, many will be tempted to withhold their contribution. This leaves unions in a bind. While they are duty-bound to represent everyone in the workplace, they are unable to collect dues from the entire workforce. They have fewer resources available to protect the health and safety workers and are at risk of being hollowed out.

At present, right-to-work laws are on the books in twenty-four states and apply to both the public and private sector. Though Wisconsin served as a flash point in battle, Governor Walker only changed legislation for public sector unions. Nonetheless, Wisconsin's decimation of public sector unions provides a lesson for future combatants in this fight.

To see where we're going, it's instructive to see where we've been. Approving its constitution in 1890, the United Mine Workers of America is one of the oldest unions in the United States. As part of the broader labor movement, it secured an eight-hour workday and retirement benefits.⁴ Despite these victories (or perhaps because of them), some commentators dismiss unions as relics from a different age. Yet even in con-

temporary America, these so-called old-world unions play a critical role in ensuring worker safety.

Alison Morantz, a Stanford Law School professor, examined the relationship between unionization and coal mine safety from 1993 to 2010. Using historical data from the Mine Safety and Health Administration, Morantz found that unionization predicted a substantial and significant decline in fatalities and traumatic injuries. For traumatic injuries, this difference ranged from 13 to 30 percent, while 28 to 83 percent fewer fatalities occurred.⁵ If unionization were a prescription medication and Pfizer got its hands on this data, you can bet you would hear "talk to your doctor about unionization" in every timeout during Monday night football. Interestingly, Morantz also reported that unionized mines

had a higher number of injuries—a phenomenon she credits to more stringent injury reporting practices in union versus non-union mines.

Though many Americans' minds turn to places like coal mines and automotive assembly plants when unions are discussed, it is important to recognize that as the nation's economy changes so does its workforce. Increasingly, workers like hotel maids and coffee shop baristas are reflected in America's workforce and in its unions.^{6,7}

UNITE HERE Local 2 represents hotel workers in San Francisco. In the late 1990s, the union began noticing an abnormally high number of musculoskeletal injuries among its members. Some had suffered injuries requiring surgery, while others became permanently disabled. Suspecting that many of these injuries

Photo: flickr/gatewaytechnicalcollege



may have been work related, union leadership contacted the University of California, Berkeley, to investigate.⁸ Union leadership, Berkeley's Labor Occupational Health Program, maids, and housekeepers worked together to collect credible statistics on workplace health. Of these hotel workers, more than three in four reported work-related pain or discomfort, and one in two required time off work to recover. Coupled with data on increasing workloads and shorter breaks to deal with demand, this study empowered workers to turn these findings into action.⁹

union bosses who are bullies. But to use these examples to justify a systematic dismantling of organized labor is akin to removing a quarter-inch skin cancer by amputating an entire limb.

In states where right-to-work laws have performed such radical surgery, the implications for worker health are not just theoretical. Michigan economist Roland Zullo focused on America's construction industry to dig deeper into this connection. From 2001 to 2009, Zullo examined the construction industry and its occupation fatality rates

IF UNIONIZATION WERE A PRESCRIPTION MEDICATION AND PFIZER GOT ITS HANDS ON THIS DATA, YOU CAN BET YOU WOULD HEAR "TALK TO YOUR DOCTOR ABOUT UNIONIZATION" IN EVERY TIMEOUT DURING MONDAY NIGHT FOOTBALL.

As a result of the study, workers approached management with confidence and discussed their grievances with credibility. In 1999, the union brought this data to the bargaining table and began citywide hotel negotiations. The hotel wrote a reduced maximum workload—from fifteen to fourteen rooms—into the new contract, and the union also won commitments for future health and safety studies for food servers, kitchen workers, and others employed in the hotel.

Both of these cases are exemplars of what unions do for their membership. While it is important to celebrate them, it is also important to recognize that the labor movement is not without its problems. Conservatives from think tanks like the Heritage Foundation take special pleasure in highlighting cases of union corruption and examples of

from fifty states and the District of Columbia. In states with right-to-work laws, workplaces suffered from low rates of union density, meaning fewer workers belonged to unions. In these states, rates of unionization linked closely with workplace safety. The rate of industry fatalities was 40 percent higher, and the rate of occupational fatalities was 34 percent higher in right-to-work states than in those without right-to-work policies that strip union membership.¹⁰ Though similar to Morantz's findings for coal miners, Zullo was unique in his specific interest in right-to-work. He concluded that "Passing RTW [right-to-work] laws may have the unintended consequence of elevating workplace fatalities. States attempting to reduce construction-related fatalities should consider encouraging trade union growth and repealing RTW laws."



Photo: flickr/ari

THE RATE OF INDUSTRY FATALITIES WAS 40 PERCENT HIGHER AND THE RATE OF OCCUPATIONAL FATALITIES WAS 34 PERCENT HIGHER IN RIGHT-TO-WORK STATES THAN IN THOSE WITHOUT RIGHT-TO-WORK POLICIES THAT STRIP UNION MEMBERSHIP.

In the landmark achievements of old labor and the emerging ones in new labor, it is worth considering what the universe of possibilities may have been in an environment of more ubiquitous right-to-work legislation. Would San Francisco's hotel workers have been appropriately resourced to notice an abnormally high rate of workplace injuries, commission a study with UC-Berkeley, and ensure safer work environments for their colleagues and successors? To what extent would American coal miners be protected from deadly working environments if not for the United Mine Workers of America?

Ultimately, these are thought exercises, since it is impossible to know what could have been. Yet their consideration gains urgency when viewed in light of the already tattered state of American unions. In 1979, union membership stood at 24.1 percent of the workforce. In 2013, it was an historic low, just 11.2 percent.¹¹ Latino workers have occupational fatality rates 14 percent higher than the national average,¹² while

an increasing number of experts raise concerns over underreporting of workplace injuries.^{13,14,15} The cost of occupational death and injuries in America is estimated between 250 and 300 billion dollars a year.¹⁶

As the momentum builds to take apart the legislative scaffolding that served to protect the health of America's workers, the relevance of unions to worker well-being is still a question worth considering. *FR*

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Social Finance

Sorting the Hope from the Hype

by Julia Fetherston

ADAM SMITH WOULD HAVE BEEN mystified by the bankers, government officials, analysts, and activists assembled in the City of London for the inaugural G8 Meeting on Social Impact Investment, a meeting convened at the behest of U.K. Conservative Party Prime Minister David Cameron. Smith, the pioneer of free market political economy, wrote in his 1776 book the *Wealth of Nations*, “By pursuing his own interest [the merchant] frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.”

The recent enthusiasm for social finance derives from a claim contrary to Smith’s: that by intentionally promoting the interest of society, the merchant or the investor may advance his or her own self-interest as a consequence. It has manifested itself worldwide in the creation of dozens of so-called social impact bonds, the establishment of a Social Stock Exchange in the U.K., and in social impact funds inside mainstream investment banks. The possibility that the application of private capital to pressing social needs can generate both a financial return and an improvement in some of government’s most challenging problems is understandably appealing. For governments continuing to feel the fiscal pinch of the global financial crisis, it offers a new source of revenue without an unpopular increase in taxation. For banks seeking to reclaim their place in polite society after the financial crisis, social investment offers a way to “do good by doing well.” For charities weary of the endless cycle of fundraising and spending, social finance offers the possibility of a sustainable funding stream, in return for rigorously documented achievement against a pre-agreed set of metrics.

Whether social finance deserves, and can live up to, the hype it has generated is the subject of considerably less attention. The sector holds enormous promise—but its promise will likely not be realized as rapidly or as fully as its champions would wish. The sector will face some fundamental challenges to its ability to grow in the coming decade. In particular, investor expectations will need to be better understood and calibrated to likely returns, and subordinate or catalytic capital will need to be created. Additionally,

the capacity of the social sector to take on repayable financing will need to grow, and the entire sector will need to learn to tolerate failure when that capacity isn’t enough.

WHAT SOCIAL FINANCE IS—AND IS NOT

To date, social finance’s observers have been prepared to be fairly catholic in their definition of which investments do—and do not—constitute social finance. It is by now a running joke at conferences that there is not an accepted definition of social finance or impact investment (terms used virtually synonymously and interchangeably).

This article will proceed with the following definition of social finance: the deployment of private capital (whether investor or philanthropic funds), sometimes in combination with government funding, to address a specified social need, in exchange for a positive expected financial return. This

THOSE WHO INSIST THAT SOCIAL FINANCE HOLDS THE PROMISE OF BETTER, FASTER RETURNS WOULD DO WELL TO ATTEND TO HISTORY.

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definition includes the work of fully for-profit investment funds, like Generation Investment Management, headed by former U.S. Vice President Al Gore and U.K. financier David Blood.¹ It also includes the Rikers Island Social Impact Bond—a joint investment between Goldman Sachs, Bloomberg Philanthropies, and the New York City Department of Correction—to reduce juvenile reoffending at no cost to the taxpayer.² It includes revenue-generating businesses as well as traditionally grant-dependent charities. The expectation is that social financing will create

INVESTOR EDUCATION

Investors—including the mainstream investment banks and asset managers—are some of social finance's most vocal champions. In 2010, J.P. Morgan went so far as to declare impact investment “an emerging asset class,” alongside more traditional asset classes such as debt or equity.³ Investors talk about the possibility of realizing a better-than-market-rate return on a portfolio of social investments. Chairman of Big Society Capital and “grandfather of social investment” Sir

IT IS NOT OBVIOUS THAT TO PERMIT SUCH A FAILURE WOULD BE THE MORAL ACT OF A COMPASSIONATE GOVERNMENT. BUT IN THE ABSENCE OF SUCH FAILURES, SOCIAL FINANCE WILL REMAIN IN A PERMANENT NEVERLAND BETWEEN CHARITY AND THE MARKET.

a positive benefit; it is therefore distinct from the larger category of “socially responsible investment,” which seeks to reduce negative impact by, for instance, not investing in firms associated with the production of tobacco or armaments.

To date, governments have been the major players in the social finance market, but they have been increasingly joined by foundations, dedicated social impact investment funds, and mainstream investment houses. The U.S. Small Business Administration has committed \$2 billion to impact investment funds. The United Kingdom capitalized the world's first social investment bank, Big Society Capital, with GBP600 million (US \$1 billion). Those funds are typically available on a matching, or co-investment, basis with money from private investors. Some context to these promising numbers: \$2 billion is just less than six-hundredths of 1 percent (0.058 percent) of the U.S. federal government's 2013 expenditures. None of the U.K.'s social impact bonds have yet reached maturity. Big Society Capital's chairman acknowledged that the fund would like to be able to make more investments more rapidly than it has been able to thus far.

Ronald Cohen likens the excitement surrounding social investment to the early days of venture capital in the United Kingdom. Such a comparison is inexact at best—the adrenalin-filled hype surrounding venture capital in the 1970s was fueled largely by the generation of super-normal profits. It is not a given that investors will realize even the risk-free rate from social investments, nor that social finance will create its first billionaire anytime soon.

The quality that will move social finance into the eye-line of mainstream investors and asset managers will be the ability to demonstrate that the sector's returns are uncorrelated to those of market equities. That quality will allow those investors with a fiduciary duty to maximize shareholder return to invest in social finance projects as part of a diversification strategy, even if the returns are otherwise uncompetitive. Investors and regulators alike acknowledge that proving social finance's non-correlation to market is the sector's analytical holy grail.⁴ Attempts are ongoing but data is limited, and the boundaries of the asset class are still murky. Until the non-correlation condition is satisfied, directors acting without an explicit mandate to in-



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vest in social ventures risk being in violation of their obligation to maximize shareholder value.

CREATING CATALYTIC CAPITAL

One of the reasons that investors and governments have been unable to allocate capital as swiftly as they might like is an unsettled debate over the rightful provider of “catalytic capital.” The purpose of catalytic capital in social finance is exactly what it sounds like—to stimulate further investment, either by capping the losses of other investors or providing seed capital to a promising venture or organization. Governments have continually asserted that philanthropic foundations, with their substantial endowments and limited fiduciary obligations of directors and trustees, are the ideal providers of risk capital. Some foundations agree; the Rockefeller Foundation has published extensively on the topic and is also investing significantly. But for many others, the proposition is an unattractive one: they are being urged to switch from their traditional role, a benevolent provider of free money, to effectively underwriting government and corporate investments. It is understandable that they might find such a proposition unappealing. Indeed, by insisting that Big Society Capital funds may not be invested on terms subordinate to any other investor, the government has demonstrated that it finds the underwriter role unappealing for itself. It should not be surprised if foundations agree.

BUILDING THE SECTOR'S CAPACITY—AND ITS APPETITE FOR FAILURE

One place where there is a consensus that both governments and foundations play a role is in building the capacity of the social sector to take on financing. At present, the pipeline of deals (in the United States and the United Kingdom) is relatively thin, and transaction costs remain high. Many social sector organizations are unfamiliar with or unable by virtue of their structure to take on repayable financing. Most nonprofit organizations cannot give away equity, many will not have sufficient collateral for debt financing, and others are simply unwilling to pursue an unfamiliar stream of funding.⁵

This is changing: the wave of “venture philanthropy” in the late 1990s and early 2000s considerably professionalized the sector and inculcated the notion that the metrics and management styles more common to the corporate sector are also valuable in the

THE SECTOR HOLDS ENORMOUS PROMISE—BUT ITS PROMISE WILL LIKELY NOT BE REALIZED AS RAPIDLY OR AS FULLY AS ITS CHAMPIONS WOULD WISH. THE SECTOR WILL FACE SOME FUNDAMENTAL CHALLENGES . . . IN THE COMING DECADE.

world of charitable giving. But just as in the early days of microfinance, investees had to be educated about the power of debt as a vehicle for growth, nonprofits need to be persuaded that a revolution in their fundraising model is desirable—for their organizations and those they serve.

Much of this work is underway and will be tremendously useful regardless of the evolving size and shape of the social finance market. The Global Impact Investment Rating System (GIIRS) is a subscription service that provides data and analysis to investors and firms comparable to the for-profit analyst services. The U.K.'s Social Stock Exchange has been created with a mandate to improve

liquidity, reduce transaction costs, and increase the availability of information.

One other differentiator between the heyday of venture capital, and indeed of microfinance, and social finance is the sector's tolerance for failure. One test of the robust operation of a social investment market will be the failure of some deals—some investors will lose their money, some ventures will be permitted to fail. To anticipate such a failure in the context of for-profit enterprises is to believe in the robust operation of market capitalism. To hope for it in the social finance context is to wish greater ill on those to whom the excesses of our competitive, profiteering societies have already been unkind. It is not apparent that governments will have the appetite to allow the costs of failed deals to fall on the disadvantaged young people or the disenfranchised minority groups who are the targets of social finance projects. It is also not obvious that to permit such a failure would be the moral act of a compassionate government. But in the absence of such failures, social finance will remain in a permanent Neverland between charity and the market. It may simply be that patience is the order of the day; the microfinance industry did not turn a profit for the first twenty years of its existence, and even then, returns were modest. Those who insist that social finance holds the promise of better, faster returns would do well to attend to history.

CONCLUSION

Social finance is tremendously promising. The appeal of deploying private capital in the service of public good—and simultaneously turning a profit—is undeniable. Adam Smith, who suggested that such approaches were “an affectation, indeed, not very common among merchants and very few words need be employed in dissuading them from it,” would be surprised to encounter the CEOs and bankers who have apparently been very thoroughly persuaded. But social finance is not a panacea, nor a replacement for government intervention. It has yet to deliver the results that its cheerleaders say are possible. Few have been willing to assume the role of killjoy in the face of so much enthusiasm. But in the efforts to harness private capital for social good, temperance is a virtue. *JR*

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Special Operations Advisory Groups

A Case Study in Organizational Change *by Dave Coughran*

ON 24 NOVEMBER 2013, Afghan President Hamid Karzai surprised the world by indicating that he will not sign the bilateral security agreement.¹ The decision will have a critical effect on the future of the country because, without a clear blueprint and formal legal authorization, future U.S. troop numbers for Afghanistan are now in question.² Whether or not a grand bargain can be struck, news agencies report that special operations units plan to inherit the Afghanistan mission and become the enduring military presence.³ In March 2013, NATO Special Operations Component Command-Afghanistan (NSOCC-A) began reorganizing itself so that it could better respond to this as-yet-unknown future requirement. One of its most important decisions was the creation of Special Operations Advisory Groups, or SOAGs.

A SOAG's mission is to train, advise, and mentor a senior staff headquarters within the Afghan security

forces. Essentially, they signal a shift in strategy from U.S. and NATO leadership; military commanders believe that future success hinges on developing senior Afghan planners and logisticians who can effectively manage the enormous security apparatus that the international community helped create over the last twelve years. NATO believes that, at this stage in the conflict, it is best to develop the capacity of the senior headquarters to ensure that the lower-level formations are employed properly.⁴ Most importantly, the relationships that the SOAGs cultivate will help the United States and NATO maintain influence with senior decision makers as foreign forces withdraw from Afghanistan.

Incidentally, SOAGs are fascinating case studies in how to successfully create and sustain organizational change in overseas institutions. Their lessons are applicable to any situation where someone is trying to work with



U.S. Air Force photo/Tech. Sgt. Gloria Wilson. Photo: flickr/isafmedia

SOAGS ARE FASCINATING CASE STUDIES IN HOW TO SUCCESSFULLY CREATE AND SUSTAIN ORGANIZATIONAL CHANGE IN OVERSEAS INSTITUTIONS. THEIR LESSONS ARE APPLICABLE TO ANY SITUATION WHERE SOMEONE IS TRYING TO WORK WITH A FOREIGN COUNTERPART TO INFLUENCE A PARTICULAR OUTCOME.

a foreign counterpart to influence a particular outcome. Diplomats, overseas investment firms, nongovernmental organizations (NGOs), and missionaries share many of the challenges that the SOAGs face, in that the operative question all of these groups encounter is, “How can I overcome cultural, political, and bureaucratic barriers in this foreign institution to achieve a result that is favorable to me?”

I served in a SOAG from June through November 2013, working for Commando-SOAG, the advisory group that mentors the Afghan National Army Special Operations Command (ANASOC). ANASOC controls the Afghan Commandos, highly trained infantry units designed for rapid deployment, and Afghan Special Forces, small teams that operate throughout Afghanistan gathering intelligence and living among the population. This article distills the most salient learning points of Commando-SOAG’s experience and offers them as proscriptive guidelines to other organizations working in a foreign advisory field.

SELECTION, SELECTION, SELECTION

Working with a foreign culture requires a different approach. Techniques or styles of management that work in your native country may be completely ineffective overseas. For example, the most gifted investment banker from the United States may fail to persuade a boardroom in Saudi Arabia, even if his or her insight into the financial market is flawless. So, persons operating in a foreign culture must have acumen in their specialized field (security, investment, technology, etc.), along with the cross-cultural communication skills to get their point across.

How do you select the right people to send into that boardroom? The first step is to cast a wide net. And more importantly, cast that net into pools you wouldn’t naturally consider. In Commando-SOAG, the commander frequently joked that he was creating “an island of misfit toys” to acquire all the unique skill sets needed to properly mentor the ANASOC headquarters. The SOAG consisted of servicemen from all branches of the U.S. military, NATO, civilian specialists, and technocrats under government contract. The SOAG also activated people from the National Guard with special skills in their civilian fields to assist the mission: construction managers, engineers, corporate coaches, federal agents, police officers, lawyers, political attaches, and so on. The people in Commando-SOAG spoke six different native languages, and the unit was as culturally diverse as the Afghan staff it mentored. This gave the commander a wide set of skills and personalities that he could match with the Afghan staff officers. Oftentimes, he found the optimal pairing outside of particular technical fields. For example, the commander paired a Rhode Island police officer with the commander

of the Afghan construction unit when he saw a unique chemistry develop between the two.

Second, the Commando-SOAG commander also had a list of qualities he used when considering his recruits. After expertise in a particular craft, enthusiasm for the job was critical. Military advisors measure success over months and have to find gratification in small achievements, like teaching their Afghan counterparts to file reports in three-ring binders. Those working in a SOAG had to be patient negotiators, have a deep understanding of the political/strategic environment, and be at ease working with Afghans. Therefore, initial turnover in the unit was very high as the Commando-SOAG commander removed people who couldn't connect with the Afghans.

The third criterion that the commander looked for in his recruits was the ability to function in an ambiguous environment and with minimal supervision. ANASOC operated under very dynamic and evolving conditions, so the SOAG commander could not offer definitive guidance or detailed instructions to his new personnel. Instead, he merely communicated his priorities and allowed his subordinates to develop their own goals and plans. This necessitated that he find "self-starters" who could think on their own.

The steps taken by SOAGs would be helpful for NGOs operating in dangerous parts of the world. Here, altruism is not enough. Aid workers and their leadership must be able to understand their operational environment and stay abreast of social or political shifts that could put them in danger. In an instant, conditions may change and they may no longer be welcome in a certain area. Like a SOAG, civilian organizations have to think on their feet and be able to make quick decisions with relatively little guidance.

THEIR GOALS, NOT YOURS

At some point during the first three months of his or her tour, every new recruit in Commando-SOAG received a brief from Brigadier General Christopher Burns, a Green Beret in the National Guard whose civilian job is corporate coaching. His business firm supervises millions of dollars in assets, and he has worked one-on-one with high-powered executives throughout the private sector. The single most important lesson he emphasized in his lectures was this, "If it is *your* goal, and only something that you want to happen, your Afghan counterpart will not follow through. But if it is *his* goal, and something *he* wants, it has a chance." Burns's point is that the military advisor's time should be spent goal setting with the mentee and encouraging him along a plan of action, not simply persuading him to perform some desired action.

This methodology sounds simple enough, but the effort is easily lost in the routine grind. In Commando-SO-

ADVISING IS NOT A BINARY OPERATION, NOR DOES IT HAVE ONLY ONE END STATE. ADVISING IS A CONSTANT STRUGGLE FOR LEVERAGE AND INFLUENCE, AND EVEN THOUGH THE MENTEE MAY CHOOSE NOT TO FOLLOW YOUR ADVICE, HE MAY STILL LEARN FROM IT.



Photo by U.S. Army SFC Matthew Chlosta, ISAF PAO.
Photo: flickr/isafmedia



Photo by U.S. Army SFC Matthew Chlosta, ISAF PAO. Photo: flickr/isafmedia

AG, priorities from our superiors could change overnight, or some new emergency could surface requiring immediate action. Spending time on goal setting can seem like a waste of time, especially if one is under immediate pressure to achieve a certain result. However, *goal setting* is important if for no other reason than to fight the dangerous mental trap that can snare even a seasoned military advisor—adopting the mindset that “my job is to give advice, and it is up to my counterpart to decide if he follows it.” That approach is dead wrong. Advising is not a binary operation, nor does it have only one end state. Advising is a constant struggle for leverage and influence, and even though the mentee may choose not to follow your advice, he may still learn from it. Goal setting in the SOAG gave both the mentor and the mentee a direction to follow as time passes in the give-and-take of the relationship.

INFLUENCING THEIR GOALS: CONSENSUS, DEMONSTRATION, OR INTERVENTION

While serving in Commando-SOAG, my Afghan counterpart was Colonel Farris, ANASOC’s Director of Operations.⁵ Through my own experience, I came to realize that my methods to advise him fell into one of three categories;

consensus, demonstration, and intervention. Typically, if I was trying to influence his decision making, I would start with consensus and build up to intervention, until I had effectively changed his goals.

Consensus

Consensus is short for consensus building. This is the idea of having a discussion with the mentee, making a recommendation, and allowing him to realize the merits of the suggestion on his own. If the mentee values the potential outcomes, his goals will change, and the behavior follows. I would classify the overwhelming majority of my advising efforts with Colonel Farris as consensus building.

Demonstration

Colonel Farris’s unique handicap was his lack of experience working in special operations units. By training, he was an artillery officer who had studied gunnery in India. This left him ill prepared to manage the surgical-strike infantry missions, helicopter raids, and the intelligence work that characterized ANASOC. I knew that I could not make up for the years of training he lacked in my limited weekly sessions with him, nor could I give him a

reading list and expect him to study during his free time. This was where demonstration became important.

As an example, one of Colonel Farris's problems was taking intelligence reports, analyzing them, and then giving proper guidance to his units in the field. So the SOAG demonstrated a technique to make this more manageable. We dissected Afghanistan into smaller sections by geography and numbered them. The SOAG then chose one of these sections and intensely studied it for a matter of weeks until we understood everything about the people, terrain, government, and enemy in that area. We next shared the results of our analysis with ANASOC and then moved on to another section of the map, repeating the process over and over until larger trends across Afghanistan came into focus. After two iterations led by Commando-SOAG, Colonel Farris's staff adopted the technique.

Intervention

On the far end of the scale was intervention. If consensus and demonstration failed, and I still needed Colonel Farris to adopt a recommendation (in perhaps a life-or-death situation), I would liaise with a different member of Commando-SOAG to advocate for me. For example, I could explain my issue to the ANASOC Chief of Staff through the intermediary of his Commando-SOAG advisor. If the Chief of Staff agreed with the *recommendation, he would usually intervene with a direct order to Colonel Farris. To the best of my ability, I attempted to avoid going around my counterpart to further my agenda. It implied a lack of trust and damaged the rapport that I had built with him over a long period of time.*

Coincidentally, my experiences in the SOAG are similar to those in organizations such as the State Department, who work to build professional skills in impoverished nations. A colleague of mine at the State Department explained that he often works with a counterpart who lacks the right credentials or training. In these cases, he too was mixing consensus, demonstration, and intervention in attempts to nudge his mentee in the right direction. His advice for me was to always use the technique that was minimally intrusive when trying to influence my counterpart's goals.

FOCUS ON THE ENDS, NOT THE MEANS

On my first day of advising in the ANASOC Tactical Operations Center (TOC), I walked by a door with two

locks on it. I turned to a colleague and asked what the Afghans stored in there. It turned out to be a computer system purchased by the United States, and it was incredibly expensive. The Afghans only turned the system on once a week to see if it worked, but then they immediately locked it back up again. If they actually used the system, it would greatly improve their staff work.

For the next five months, I made it my goal to see that the Afghans properly employed this system. The more I learned about all of its features, the more I realized that it was exactly what ANASOC needed all the time, and not just once a week for a diagnostic check. The conclusion I reached was that the Afghans did indeed value the system; however, their fears were that if the computers and hard drives ever left the locked room, the

information could be compromised and put people in danger. To them, it was better to secure it in a storage room and use it only in cases of extreme emergency. This decision generally corresponded with an Afghan military culture that does not freely share information with one another and prizes compartmentalization over coordination.


After a considerable amount of effort, I reached a compromise with ANASOC where the computer system would stay locked in the closet, but the Afghans allowed Commando-SOAG to drill a hole through the wall so that cables from the system could be hooked up to monitors and projectors in the main room. The system stayed

turned on in the storage room, and an officer could shut down just the displays with a flip of a switch if he so desired. The overall setup was ridiculous by American standards, but to the Afghans, it made perfect sense.

The important lesson that Commando-SOAG learned from this is that outcomes are far more important than processes. The experience is reminiscent of Homer Atkins in the 1958 political novel *the Ugly American*.⁶ In the story, the protagonist builds an unwieldy water pump with bicycle parts to help irrigate a village in Southeast Asia. The author intended the vignette to demonstrate that aid workers were more effective when they understood the specific needs of the people they worked with and did not push ideas on them. Both the water pump and the computer system were strange to observe, but effective in their outcome. Ultimately Commando-SOAG learned that we could achieve greater results in developing ANASOC by improving "their" Afghan systems rather than forcing our methodology upon them.

THE IMPORTANT LESSON THAT COMMANDO-SOAG LEARNED FROM THIS IS THAT OUTCOMES ARE FAR MORE IMPORTANT THAN PROCESSES.

CONCLUSION

At the present time, SOAGs continue to carry out one of the most important missions in Afghanistan. These special operations units are a long-term insurance that the security gains the United States and our NATO allies worked so hard to achieve in Afghanistan don't come undone. The best practices learned from SOAG can be applied to business, politics, and statecraft on the world stage, since these professions rely on working with and advising foreign counterparts as well. 

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When Glass Ceilings Meet Glass Walls

by Melissa Sandgren

MEGAN SMITH GREW UP around engineers. Her grandfather helped build roads and bridges throughout the early 20th century and contributed to large portions of the transportation system in Indiana. Yet, when the young Smith enrolled at MIT in the early 1980s to study mechanical engineering, the question her grandfather asked her mother was, “Well, why would she want to do *that*?”¹

Smith, now the vice president of Google[x], the arm of Google responsible for innovations like the driverless car, Google Glass, and Project Loon, shares the vignette to add color to one of the many unconscious biases individuals bring into the tech ecosystem. “We inherit the weight of history, of inherent bias. First, there was conscious bias, now there is unconscious bias. Just things your brain fills in . . . It’s no one’s fault—it’s not like anyone is actively doing this. It’s just that we inherit it, we have it, it’s systemic. So we need to become highly educated. . . . Once you know that, then you can act differently.”²

In Silicon Valley, gender disparities permeate every tier of participation, from entry-level programmers to executive-level positions, from initial pitch competitors to early-stage investors, from hackathon participants to conference speakers. While many claim it’s a pipeline problem—women earned only 18 percent of the computer science (CS) degrees in the United States in 2008³—further analysis finds a lengthy negative

feedback loop compounding these inequalities throughout the entire cycle. For example, just a year before Smith graduated from MIT in 1986, 37 percent of computer science graduates in the United States were female; by 2008, this number had dropped to 18 percent. In 1991, women held 37 percent of all computing-related occupations; by 2012, this number was 26 percent.⁴ What is happening in the tech ecosystem, what is driving it, and what can we do to collectively address it?

DEBUGGING THE DATA

Women are woefully underrepresented within the technical side of the sector, comprising only:

- 2 percent of open source developers⁵
- 6 percent of mobile application developers⁶
- 23 percent of programmers⁷

These percentages extend to the founding and investing of companies as well, where women comprise just:

- 5 percent of technology company founders⁸
- 11 percent of venture capitalists⁹
- 22 percent of angel investors¹⁰

Why are these numbers so low, and where do they begin?

According to the National Center for Women & Information Technology (NCWIT), a collective

Photo: flickr/vauvau



of more than 250 affiliates aimed at increasing the number of girls and underrepresented groups in computer sciences, the average girl gains access to computers at age 14.5 while the average boy does so at age 12.¹¹ Furthermore, girls are more likely to first own a computer at age 19, much later than the average of 15 for boys.¹² However, it is more than access and ownership that is affecting girls' interest in computer science; it is also social constraints.

Young girls lack prominent technical role models in everything from children's books to toys to media. A study from the *Journal of Educational Computing Research* found that by high school, boys have "much more sex-stereotypical attitudes to computing than girls." This, compounded with more experience in computing, means that, "girls not only have to deal with being a minority in computing classes [in high school], but they also face a majority of students who believe men do computing better than women."¹³ The study further asserts that when "women are encouraged by role models or a mentor, they . . . are more motivated to study comput-

A MAN IS 46 PERCENT MORE LIKELY TO HAVE A SPONSOR THAN A WOMAN.

ing."¹⁴ It appears that female mentors and positive imagery, along with encouragement from parents and teachers, are essential for girls to continue studying computer science. Yet, prominent female computer scientists are difficult to find in the American mainstream media. "Technical women remain largely invisible and behind the scenes despite important and often elite contributions," says Smith.¹⁵ Programming heroines like Ada Lovelace, Grace Hopper, Anita Borg, and the ENIAC Programmers

remain largely unknown outside the tech community.¹⁶

However, images of women in media are beginning to change. Non-profits like Miss Representation and the Geena Davis Institute on Gender in Media aim to improve the portrayal of women and girls. In addition, a recent partnership between Getty Images and Leanin.org, the foundation established by Facebook CFO Sheryl Sandberg, aims to empower women through increased imagery in traditionally male-dominated professions.¹⁷ "When we see images of women and girls and men, they often fall into the stereotypes that we're trying to overcome, and you can't be what you can't see," says Sandberg.¹⁸ Yet, even with increased positive imagery, current norms leave many young girls and boys unable to list even a single female computer scientist.

THE 0.3 PERCENT

For the young women who defy these stereotypes and go on to pursue computer science and engineering degrees, the classroom presents another challenge. In the United States, only 0.3 percent of females list computer

science as their intended major upon entering college.¹⁹ When beginning their first computer science course, young girls find themselves outnumbered and report feeling the need to prove themselves or endure sexist remarks from male classmates or professors.²⁰ They describe struggling silently alongside male peers who, often enjoying more support from their families and society, have spent summers attending coding camps or hours working on side projects.²¹ Yet, when universities

revamp their curriculum, positive trends emerge. In 2006, Harvey Mudd College, an elite math, science, and engineering university, conducted extensive research to determine how to attract more female CS students. Its findings encouraged the university to adopt a three-prong approach that overhauled its CS curricula.²² The result? By 2010, female representation in computer science went from 10 percent of the class to almost 50 percent.²³ While Harvey Mudd College may naturally attract more young women interested in science, engineering, and technology (SET), the basic reform strategies of tailoring incoming CS courses to student backgrounds, increasing collaborative projects, and updating its programming curricula should be noted by other universities across the country.

Increasing the number of women and girls that pursue degrees in SET is not the only challenge, however. Once in the profession, women leave these fields at almost twice the rate of men—over 52 percent leave the profession—with the attrition rate spiking ten years into their career.²⁴ The 2008 study "The Athena Factor: Reversing the Brain Drain in Science, Engineering, and Technology" found the top five reasons women left their professions were due to "unconscious bias, isolation, supervisory relationships, [unclear] promotion processes, and competing life responsibilities."²⁵ Women reported feeling isolated as the only female and often "stuck" in positions with unclear promotional paths. One reason for this is the lack of female mentors and (often male) sponsors. While a mentor can provide guidance and feedback, a sponsor is usually a senior person within the organization who will advocate for the individual and potentially risk his or her reputation on the person's performance. At least 45 percent of the women in the study lacked formal mentors and *more than 80 percent* lacked sponsors.²⁶ However,

the masculine culture itself often prevents male-female sponsorship, especially amongst younger women. Recent findings from “The Sponsor Effect: Breaking Through the Last Glass Ceiling” finds “the majority of senior men (64 percent) at the level of vice president and above are reluctant to have a one-on-one meeting with junior women—and half of junior women likewise avoid seeking out such contact.”²⁷ Overall, the perception of an illicit romance is enough to keep both parties distant, which also means that a man is 46 percent more likely to have a sponsor than a woman.²⁸

WHEN GLASS CEILINGS MEET GLASS WALLS

While issues of representation, unconscious bias, and engrained culture might perpetuate the glass ceiling, several other constraints appear to be impacting women’s technological trajectory.

According to the Kauffman Foundation, many high-growth firms—the ones creating the most jobs and generating the highest revenues—are startups in science and technology. While women comprise 35 percent of startup founders, they account for only about 5 percent of technology startups.²⁹ Why is this?

Most research agrees that, at least in the sciences, the pipeline is not the issue. According to the report “Overcoming the Gender Gap: Women Entrepreneurs As Economic Drivers,” “[Women] have earned about 60 percent of the bachelor’s degrees in the biological sciences, 41 percent of those in the physical sciences, and 35 percent in chemical engineering.”³⁰ One argument, according to the Kauffman Foundation, is that, “What it takes to succeed in business is not necessarily the same as what it takes to succeed in *starting* a business. While women have made great strides in breaking through the proverbial ‘glass ceiling’ to advance



Photo: flickr/oh_you

to high rank within corporations, few have made similar strides in breaking out laterally—through what might be called the ‘glass walls’—to start their own high-growth firms.”³¹ This could be the desire to take academic leave from leading institutions to found high-growth companies or leaving high-profile positions within a firm “to start something big.”³²

Furthermore, a breakthrough study entitled “Gender Differences in Patenting in the Academic Life Sciences” followed more than 4,000 life science researchers for a thirty-year period and found several prominent trends. First, women patent their research at about 40 percent the rate of men, which presents “a very significant narrowing of the field at one of the first major steps along the road to creating a startup company from one’s research.”³³ Second, of the women in the study, only 6.5 percent were on the science advisory board of a high-tech company, compared to more than 93 percent of the men.³⁴ What this implies is that “women were less likely to have the connections—or make the connections—

that can help scientists recognize the commercial potential of their research in the first place and then help them to commercialize it effectively.”³⁵ It found that men had networks outside traditional academic channels and were also more likely to use these networks informally to discuss potential ideas and opportunities.

However, the importance of a network goes beyond the advisory board. Large and diverse networks play a critical role in being able to capitalize on opportunities, secure initial funding, and accelerate professionally. Often these networks are honed through boardroom meetings, speaking engagements, and professional sponsors. Yet, women comprise only 16.9 percent of board memberships in the Fortune 500,³⁶ 19 percent of CIOs in the Fortune 250,³⁷ and an estimated 10 percent to 14 percent of speaker positions at tech conferences.³⁸ Roughly 49 percent of all publicly traded information technology companies do not have a single woman on their board, compared to 36 percent of the largest public companies in the country.³⁹ As

board members are usually former CEOs of other tech companies or venture capitalists, this pipeline proves challenging.⁴⁰

THE CAPITAL CYCLE

Women are also less likely to secure funding compared to their male peers. According to the Center for Venture Research, in the first six months of 2013, only 24 percent of female-led businesses received angel investment and a mere 7 percent received venture capital.⁴¹ Investors often invest by “pattern matching” or by looking for startups that have historically proved successful. In Silicon Valley, this often plays out with investors picking entrepreneurs from a traditional cohort where “founders had held a senior position at a big technology firm, worked at a well-connected smaller one, started a successful company already, or attended one of just three universities—Stanford, Harvard and Massachusetts Institute of Technology.”⁴² In fact, Reuters recently analyzed “Series A” funding given by the top five Silicon Valley venture firms and found that almost 80 percent fit the above description.⁴³

Sharon Vosmek, CEO of Astia, a nonprofit focused on getting women into high-growth ventures says, “VCs [venture capitalists] hold clear stereotypes of successful CEOs. [T]hey call it pattern recognition, but in other industries they call it profiling or stereotyping.”⁴⁴ Yet, pattern matching does more than promote the traditional cohort. “The consequence of starting a pattern of white males-only rooms is that patterns tend to repeat themselves—after patterns and norms are well-established, it would take a lot of imagination for some of the boardrooms and lunchrooms in Silicon Valley to try to look or feel drastically different,” observes tech reporter Elise Hu.⁴⁵

One extreme of this is the “brogramming” culture that is beginning

to rise in Silicon Valley. Derived from a mashup of the fraternity greeting “bro” and the traditional “programmer,” this culture attracts a more “testosterone-fueled breed of coder,”⁴⁶ or one that parties like Sean Parker’s character in the movie *The Social Network*. This culture increasingly alienates women. “Anything that encourages the perception of tech as being male-dominated is likely to contribute to this decline,” says

TIME TO STOP FIXING THE WOMEN, AND START FIXING THE INNOVATION ECOSYSTEM.

Sara Chipps, who cofounded Girl Develop It, an organization offering software development programs to women.⁴⁷

Additionally, investors are likely to miss opportunities based on personal and institutional biases. Debbie Sterling is the founder of GoldieBlox, a toy company established to tackle gender disparities within engineering. She remembers, “My very first investor pitch was a perfect example of this. I presented to two men and one woman. The woman totally got it, and the men didn’t get it at all. They just couldn’t relate to my idea in the way that the woman could.”⁴⁸ Kathryn Minshew, founder of a site dedicated to professional women called The Muse, had a similar experience. “I went into one meeting with a venture partner and he said, ‘yeah, I pulled up the site yesterday, but honestly, it just isn’t compelling to me at all.’ . . . [I would like to have replied], ‘It doesn’t matter that it’s not compelling to you. It’s not built for you.’”⁴⁹

This reality is reflected in data as well, in that, “firms with at least one woman investment partner are 70 percent more likely to lead investments in a woman entrepreneur than

those with only males.”⁵⁰ In general, less diversity in founders means both fewer ideas coming from women and underrepresented groups as well as fewer channels for these groups to become angel investors or venture capitalists themselves, thereby perpetuating the cycle.

It appears that although Silicon Valley prides itself on its ability to laud great ideas and hard work, many have begun to call out the

systemic biases for what they really are: the Myth of Meritocracy. After all, with all this glass, it’s almost as if women are the proverbial mimes—stuck in a box.

PROMISING TRENDS AND SOLUTIONS

Luckily, one thing that continues to influence Silicon Valley is numbers, and recent data suggests promising financial and social trends for women:

- Compared to peers, companies with women in upper management positions reported 35 percent higher return on equity and 34 percent better overall return to shareholders.⁵¹
- Women-led startups are shown to have higher revenue returns, around 12 percent, and they use one-third less capital than their male peers.⁵²
- The odds of a venture-backed company’s success increase with more female executives at director and vice president levels.⁵³
- Venture-backed startups that went public, were acquired,

or turned profitable were found to have twice as many women in senior roles than their peers, at 7.1 and 3.1 percent respectively.⁵⁴

While these financial trends provide cues to venture capitalists and angel investors to seek out women-led startups, they are also being met by positive social trends. Vosmek, in her ten years at Astia, senses the cultural shift as well. “I am excited to see that the conversation has changed dramatically from when I came to Astia [in 2004],” Vosmek affirms. “I find that everyone is asking themselves why they don't see more women in their deal flow [and], at Astia, we are now leading to the next level in the conversation—one that focuses the attention on what we see the opportunity for change to be—rethinking and redesigning the ecosystem. Time to stop fixing the women and start fixing the innovation ecosystem.”⁵⁵ Vosmek encourages intentional changes that can be measured and replicated throughout the entire ecosystem.

One example of a recent disruption to this ecosystem was the departure of two prominent female Silicon

Valley venture capitalists in early 2014. Theresa Gouw and Jennifer Fonstad left their respective firms to found Aspect Ventures, an investment firm specifically targeting mobile startups and diverse teams.⁵⁶ “There’s tons of data showing that diversity on boards, both public and private, and in management teams, leads to better financial returns,” highlights Gouw.⁵⁷ “If you’re a consumer-facing service, half of your audience is going to be male and half of your audience is going to be female.”⁵⁸ The creation of Aspect Ventures sends a signal to others in the space: diversity is an asset.

Another disruption to this ecosystem is crowd-funding platforms like Indiegogo and Kickstarter. Danae Ringlemann, the founder of Indiegogo, says the company's goal is to “democratize finance” by giving the power to fund back to the people.⁵⁹ One way they do this is by utilizing social networks, an area where women display a clear advantage over men. Women spend roughly 30 percent more time on Facebook, drive 62 percent of the sharing, and have a network that is 8 percent larger than men.⁶⁰ These

networks may prove helpful for crowd-funding. “Communities are really important—almost 30 percent of the founder's overall fundraising goal will come directly from the individual's personal network,” says Breanna DiGiammarino, director of causes for Indiegogo.⁶¹ By removing traditional financial barriers, women increase their funding options. The data reinforces this: 47 percent of fully funded Indiegogo campaigns are run by women, compared to only 13 percent of venture-backed companies.⁶² Furthermore, for large-scale and successful campaigns, “Angels and VCs can look to crowd-funding as proof of demand for concepts, and founders can show demand through the success of their campaign,” highlights DiGiammarino.⁶³

An additional promising social trend is the number of groups dedicated to women and girls in technology. Dozens of groups around the country like Girls Who Code, Women 2.0, and Black Girls Code aim at increasing coders, building networks, and providing sponsors and mentors. Angie Chang, cofounder of Women 2.0, recalls, “One of the reasons we started Women 2.0 in 2006 was, almost selfishly, to have more women in our networks. Of course, we also wanted to highlight women as creators and allow this conversation to become more mainstream.”⁶⁴ Women 2.0 is now in seven countries and twenty cities, offering monthly online and offline events for female founders to network, learn, and connect. As these groups work to increase the number of coders and networks, dozens of accelerators' programs like Women Innovate Mobile, NewMe, and Astia aim to increase the number of female entrepreneurs.

For women who are already established in the tech scene, advocating internally proves fruitful as well. After identifying two main constraints around women in tech—unconscious bias and visibility—Megan Smith began to institute



Photo: flickr/oh_you

a training for 46,000 Googlers in unconscious biases and began to highlight prominent women in the sector through Women Techmakers.^{65,66} Sheryl Sandberg, in writing *Lean In*, sparked an extensive and necessary dialogue around women in the workplace, leading to everything from “Lean In Circles” at the office

tions emerge. While this list is not exhaustive, many would agree that in order to increase the representation of women in technology, we must do the following:

- Recognize prominent female figures in technology at all stages, from historical figures to entrepreneurs to investors

ROUGHLY 49 PERCENT OF ALL PUBLICALLY TRADED INFORMATION TECHNOLOGY COMPANIES DO NOT HAVE A SINGLE WOMAN ON THEIR BOARD.

to nuanced cultural critiques around childcare and patriarchy.

This cultural element may be more deeply rooted than we want to admit. Parents and society encourage young boys to pursue computer science, whereas research finds that girls view it as “boring” or they “don’t think they’d be good at it.”⁶⁷ Chang, a longtime resident of San Francisco, says, “Even in Silicon Valley, parents are still only enrolling their boys in extracurricular coding programs.”⁶⁸ Most recently, in 2011 the affluent school district of Los Altos outside of Silicon Valley began a program to teach over five hundred sixth-graders how to code. At that age, the feedback from students showed girls had the same level of interest as boys and that “special girls-only programs [were] unnecessary. . . because the stereotypes may not have yet set in.”⁶⁹ It appears that if we really want to tackle the gender divide, it may start with us.

WILL IT MAKE A DIFFERENCE?

The discussion around “women in tech” is ongoing; however, several prominent themes and recommenda-

- Introduce coding at an early age through school programs and other educational opportunities
- Encourage universities to update their CS curricula to increase and support the number of young women interested in pursuing the degree
- Expand programs aimed at increasing professional networks, female conference speakers, and board memberships
- Address unconscious biases and identify institutionalized norms that prevent diversity from naturally emerging, including male-female sponsorships
- Increase the number of female venture capitalists and angel investors
- Continue and join the dialogue around gender norms to create an environment open to ongoing analysis and critique

While the three decades of trends around women in technology might appear to display a negative feedback

loop, the beauty of this engineering term is that it can be, by definition, self-regulating. In fact, just the right amount of intervention can often stabilize the circuit. *JR*

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The Power of Illicit Networks in the World's Most Isolated Country

by Jieun Baek and Joseph Park

Jieun and Joseph cowrote this article to describe how North Korea's state-sanctioned illicit networks and activities unintentionally gave way for people inside and outside North Korea to exchange information, goods, and money. The two will switch back and forth in voice. Joseph's writings are italicized; Jieun edited Joseph's writings and translations.

IN JUNE 2008, I RECEIVED an urgent phone call from North Korea while preparing for an anatomy final for school in Seoul. My mother was on the other line and told me that my sister had contracted tuberculosis. I had already lost a sister to tuberculosis and couldn't imagine another sibling succumbing to this curable disease. Well, curable in South Korea, where nutrition and medicine are abundant. But North Korea is different. Even with the help of [the World Health Organization] and several tuberculosis-centered nongovernmental organizations (NGOs), North Koreans suffer from a constant shortage of medicine, especially for tuberculosis.

I was born in the Democratic People's Republic of Korea in 1981. During high school, I realized the impossibility of materializing my ambitions due to my social class within a hierarchical society that rewards ancestral loyalty and patriotic actions dating back to the anti-Japanese Independence Movement and the Korean War (1950-1953).¹ To survive, I started to trade whatever I could—usually foreign goods—on the black market in exchange for food.

As I roamed the country, my eyes were opened to the reality of North Korea as I saw dead bodies line roads and trains. Certain that I was destined for a different future, I decided to leave my country. Leaving without the regime's permission is considered high treason and can result in the execution of not only the defector, if caught, but prison camp sentences for the traitor's family. To pro-

tect my family, I left my home without saying goodbye. My journey took me through China, Vietnam, Cambodia, and Thailand to reach my final destination: South Korea. After a four-month-long interrogation process to ensure that I was not a North Korean spy and a cram session on capitalism, I was given an ID card and a stipend to live on my own. I paid \$200 for a broker to connect me with my family with a mobile phone. I spoke to my mother for the first time in seven years. Through another broker, I smuggled a cell phone to my family and through their illegal usage of the Chinese cellular network, we have been able to speak sporadically over the past eight years.

THE TWO KOREAS

After Japan surrendered to the Allied Forces in 1945, the Korean peninsula was divided into two parts, with the South administered by the United States and the North managed by the Soviet Union. The Korean War broke out in 1950, when the North breached the 38th parallel. Three bloody years and 2.5 million lives later, the two sides signed an armistice. Technically they are still at war today, divided by the 2.5-mile-wide Demilitarized Zone. As North Korea celebrates its sixty-sixth year, the regime has managed—and will most likely continue to manage—to survive despite international isolation and sanctions. North Korea achieves this in part through state-sanctioned illicit activities.

North Korea criminalizes leaving the state without permission. Those who are caught are either shot on sight by border guards or captured and severely punished.² The most common route that North Koreans take to flee the country is via the Tumen River between North Korea and China. North Koreans hiding in China live in fear of repatriation and lack basic rights. Over 80 percent of women and girls are sexually trafficked at the border and forced into prostitution, work at karaoke bars, or marriages to Chinese men.³ If a North Korean is able to evade arrest in China, she will most likely start the long and dangerous journey through China and other countries such as Thailand, Cambodia, Vietnam, or Mongolia. Many desire to reach South Korea.

There are approximately 28,000 North Koreans who have successfully made their way to South Korea, and 30,000 to 40,000 North Koreans living in hiding in

AS THE STATE LOST ITS GRIP OVER ILLICIT NETWORKS, ORDINARY PEOPLE . . . BEGAN TO USE THE NETWORKS TO ACHIEVE THEIR OWN ENDS.

China. China refuses to recognize North Koreans seeking political asylum as refugees, instead labeling them as illegal economic migrants. The Chinese government works to capture North Koreans inside China and forcibly repatriate them to North Korea, despite being aware that those who are returned face horrific treatment and even execution.

Of the thousands who have reached safety in South Korea, such as Joseph Park, many have figured out how to send money, medicine, and information to those inside North Korea, relying in part on the illicit networks that North Korea itself created.

NORTH KOREA'S RELIANCE ON STATE-SANCTIONED ILLICIT ACTIVITIES

North Korea's involvement in criminal activities was first noted by the international community in 1976.⁴ Activities included buying North Korean-produced drugs for resale abroad and using counterfeit currency in foreign transactions. In the following two decades, North Korea's portfolio of illicit activities expanded. The state increasingly depended on third parties, including non-North Korean transnational criminal rings, to distribute

counterfeit goods abroad. This pattern has escalated since the 1990s, when North Korea experienced a series of natural disasters in combination with an end to aid from most of its communist trade partners, excluding China. As a result, the state lost its grip over the illegal networks used to raise cash for the regime.

Drug trafficking has been a substantial source of revenue for the North Korean state. In the early 1990s, the regime issued a national public order to collectively manufacture opium for export.⁵ Farmers were required to switch from growing agricultural crops to growing poppies. Today, methamphetamine, or "ice," is exported by North Korea, along with heroin, amphetamines, and rohypnol ("date rape drug"). Annual estimates of drug revenue for North Korea range from \$600 million to \$1 billion.

In addition to drugs, North Korea exports the "supernote," a counterfeit U.S. \$100 bill.⁶ Depending on the seller, supernotes can be purchased for \$40 to \$70 real U.S. dollars. The U.S. Secret Service estimates that North Korea has produced an estimate of \$45 million in counterfeit dollars since 1989.

As the state lost its grip over illicit networks, ordinary people who were not part of state-sanctioned illicit activities began to use the networks to achieve their own ends. Many are North Koreans who have risked their lives to escape the country in search for freedom.

HOW NORTH KOREAN ILLICIT NETWORKS FACILITATE INFORMATION EXCHANGES

All media and information is centrally controlled by the state. Foreign media consumption warrants severe punishment. Additionally, the State Security Department operates a highly sophisticated network of informants who peer-monitor and report suspicious activities. However, as both charitable and mercantilist brokers enter the black market to help facilitate information exchanges, foreign materials are entering North Korea's increasingly porous information blockade.⁷

Nongovernmental organizations, including those run by North Korean defectors, and religious organizations secretly broadcast radio programs into North Korea and send USB thumb drives and DVDs filled with "illicit" content. The materials include foreign news articles, South Korean dramas, and Biblical text. Distribution is usually tasked to Chinese brokers, who charge hefty transaction and delivery fees.⁸

THE POWER OF A CELL PHONE

Defector groups estimate that 3,000 private (and there-



Figure 1 — This is a care package that a refugee residing in Seoul sent to his family in North Korea via a Chinese broker. The broker charged 500 Chinese RMB (U.S. \$83) to deliver this package to the family. Photo courtesy of authors.

fore illegal) phone calls are made each day between North and South Korea. Many of these private conversations take place between defectors in South Korea, such as Joseph, who are trying to communicate with their families inside North Korea. Sometimes calls are dedicated to sharing personal updates, while other times defectors work to convince family members to escape. Some family members decide to commit treason to escape.

Beyond communication, cell phones can be used to send money to those still in North Korea. For instance, Joseph uses his phone to send his family money. He notes that “defectors wire money to South Korean bank accounts held by brokers in Dandong or Yanji, China, who charge the 20-30 percent commission, and then wire it to North Korean brokers with delivery instructions to specific families. Brokers confirm the completed transac-

[THROUGH] THE INCREASE OF INFORMATION INFILTRATION INTO NORTH KOREA, THE KIM FAMILY IS SLOWLY LOSING ITS AIRTIGHT GRIP.

Others refuse to waver in their loyalty to the Kim family, much less flee the country. The communication carries high risk.⁹ Joseph notes that, if caught, his family could face punishment ranging from “huge fines to prison camp sentences to public executions.”

Despite the risks, a growing number of people are smuggling Chinese phones into North Korea. According to one refugee, there is a Chinese cellular tower less than one kilometer from the Chinese-North Korean border, which people in North Korea can access for several miles into the country. North Koreans are also starting to use 3G repeaters to extend wireless connections from China.

tion by phone. Inevitably, not all brokers are trustworthy, and payments often get ‘lost,’ especially when large sums of money are involved.”

POLICY IMPLICATIONS

The landscape of North Korean illicit networks and the activities that the networks have been conducive to—both good and bad—raise difficult policy questions. First, if illicit networks are allowing the North Korean regime to survive despite international sanctions, should UN member states already participating in sanctions take even more austere actions to damage North Korea economi-

cally? If China continues to support North Korea, this may not matter. Because China has the potential to be a spoiler, international pressure should be put on China to give up its relationship with North Korea.

Second, what policies could permit South Koreans to communicate with divided family members who reside in the North? North Koreans are forbidden to contact people outside the country in any form, without the state's permission. Similarly, South Koreans must obtain permission from the Ministry of Reunification to communicate with North Koreans. These restrictions prevent people—even Koreans who immigrated to other countries, such as the United States—from speaking with their relatives.



Joseph in Pyongyang, North Korea, with his father in 1991. Photo courtesy of authors.

Jieun and several HKS classmates in Pyongyang, North Korea, in August 2013. Photo courtesy of authors.



While recognizing that *anything* having to do with North Korean policy is political, we hope that the two Korean governments could exclude family communication from political struggles and approach this issue as an isolated nonpolitical matter.

Third, while denuclearization remains at the forefront of America's foreign policy with North Korea, there should be space made for less conventional diplomatic engagements. In light of North Korea's track record of false promises and expansion of their nuclear program, the United States should consider an unconventional approach for this unconventional opponent. As controversial as it could be, six-party talks in the United States might have value. Perhaps, Kim Jong Un could be invited for a tour of the United States. There are numerous ideas that pundits and experts have proposed over the years.

Given the international community's lack of success, it may be worth testing new diplomatic techniques.

Lastly, given the rise of black markets that are conducive to private capitalistic ventures, and the increase of information infiltration into North Korea, the Kim family is slowly losing its airtight grip over its country. As the international community continues to (1) reveal North Korea's systematic human rights violations, (2) bring attention to brutal operations to concentrate power into the Kim family, and (3) help grassroots initiatives and covert operations educate people who have been trained to be loyal to the state and the Kim family, change is bound to take place inside North Korea.


AN UNHAPPY ENDING?

The cell phone is how my family contacted me to desperately seek help for my sister. After asking several medical evaluation questions, I recognized the need for prescribed antibiotics. The pharmacist refused to provide the prescription, so I contacted a friend at Harvard Medical School, who was able to use his networks to prescribe a year's worth of TB medication. Through a Chinese broker, I sent the medication directly to my sister, who took the medication and was able to beat her disease. The power of what my cell phone has enabled me to do is beyond what ordinary people could imagine.

Reading about how outside information is eroding a more than sixty-year-old information blockade may pro-

vide some hope to readers on the future of the North Korean people. But one must not underestimate the regime's durability. North Korea continues to run concentration camps that have lasted more than five times the length of Nazi camps and over twice as long as Soviet gulags. There are an estimated 80,000 to 120,000 North Koreans who are imprisoned in these camps,¹⁰ many of whom do not know their criminal charges.

By living outside of the country and having free access to his social networks, information, and a few connections, Joseph was able to get the necessary medicine to his sister. For the past eight years, Joseph has been trying to convince his family inside North Korea to let go of their loyalties to the regime and to flee. Deeply frustrated, Joseph continues to meet resistance from his family, who remain loyal to the Kim regime. As a young man who grew up amidst the regime's propaganda and managed to break away from its grip, Joseph prays that his family can one day do the same.

At the end of every secretive call, his mother always punctuates their conversation with the same warning: "Son, do not betray your country." 

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Endnotes

1 North Korea has an elaborate status system known as *song-bun*, which divides citizens into fifty-one classes by birth. One's familial political history dictates her *song-bun* class, and this assignment determines her life path including her job, school, and the place she will live. Source: Collins, Robert. *Marked for Life: Songbun: North Korea's Social Classification System*. Committee for Human Rights in North Korea, 2012.

2 Bureau of Democracy, Human Rights, and Labor. *Country Reports on Human Rights Practices 2011: Democratic People's Republic of Korea*. U.S. Department

We Are Never Running Out of Carbon

A Low-Carbon Future Is a Choice, Not Market Inevitability

by Adam Banasiak

We usually find gas in new places with old ideas. Sometimes, also, we find gas in an old place with a new idea, but we seldom find much gas in an old place with an old idea. Several times in the past we have thought that we were running out of gas, whereas actually we were only running out of ideas.

— Parke A. Dickey, Geology professor, September 1958

LET'S GET ONE THING STRAIGHT: We are never running out of carbon. Not tomorrow. Not in ten years or even in your lifetime. Ignore the environmentalists' claims of an imminent carbon dry spell. They're wrong. Carbon, or carbon-based fuels, will be around for decades to come.

Accepting that sentence seems to require reversing both conventional wisdom and everyday experience. Hubbert's Peak, the idea that worldwide oil production will peak and decline, has crossed the Rubicon from academic musing into pop culture, cropping up in radio talk shows, in the press, and on television. A quick Amazon keyword search yields over four thousand returns for "peak oil," with such uplifting titles as "The Party's Over: Oil, War, and the Fate of Industrial Societies" and "The End of Oil: On the Edge of a Perilous New World." It's hard to think that so many authors, editors, and publishers are wrong.

Accepting infinite carbon also seems to fly in the face of everyday experience. Even adjusted for inflation, since 1976 the national average gasoline prices at the pump

have increased from roughly \$2.40 to \$3.40. For those of us old enough to remember (a group that includes essentially all of Congress), since the 1973 oil crisis virtually every president has prodded us with persistent reminders about the importance of energy independence and the perils of foreign oil, sometimes ad nauseam; indeed, recently President Barack Obama praised domestic oil production in a weekly address. So how am I here proclaiming, George Wallace-style, carbon fuel now, carbon fuel tomorrow, carbon fuel forever?

My answer is that we are too focused on the wrong issue. While our traditional sources of oil and gas are indeed drying up at dizzying rates, there are still plenty of other sources we can turn to. Our ability to keep running our lives on carbon doesn't have to fundamentally change if we don't want it to. We need to decide where we want to prioritize and fund technological innovation; discovering new inventions and techniques to find and extract hydrocarbons, or developing better technologies to power our future in new different ways. Scarcity won't force us

to decide, because, well, hydrocarbons aren't scarce.

Part of the fault for the perceived scarcity can reasonably be placed at the feet of national energy supply forecasts, which typically don't take into account technological game-changers because they're hard to predict. Think of a major airplane crash. You know one's going to happen, but good luck trying to get the place and date right. In the U.S. energy market, the group tasked with forecasting through that uncertainty is the U.S. Energy Information Administration (EIA). Its mission is to "collect, analyze, and disseminate independent and impartial energy information to promote sound policymaking, efficient markets, and public understanding of energy and its interaction with the economy and the environment." However, the group's fifteen-year energy forecast, which predicts what energy mix will be available, tells the reader up front: "The Annual Energy Outlook 2013 Reference case projection is a business-as-usual trend estimate, given known technology and technological and demographic trends." Although some alternative cases are included, game-changers are ignored. For a period that's seen the rise of the Internet, the War on Terror, the election of the first non-White president of the United States, the iPhone, Netflix, Facebook, and the Great Recession, the last fifteen years make that assumption pretty hard to swallow.

It's not hard to see how you can be in a final countdown-style mindset when your own government's leading document designed to inform policy makers treats the future as the perpetual reincarnation of the present. Yes, trusting in the invention of new technologies to exploit known but currently uneconomical resources isn't something that can be quantified easily for a report, but neither does ignoring that reality help us understand what our options for the future really are.

So where is all of this fuel coming from?

"Drill for oil? You mean drill into the ground to try and find oil? You're crazy."

— Response to Edwin Drake, prospector, 1859

To find it, we need to update how we think about the earth and its resources. Most of us have the wrong mental picture of what's under our feet, helped along by those pancake-stack diagrams of rocks that are probably the only thing you remember from eighth grade earth science. The earth is not a cookie jar from which we can lift the lid and pull out barrels of crude. Rather, it's a sponge; the harder we squeeze, the more we can get. Plus, there are always new nooks and crannies to explore. That makes it much harder for us to know how much we have, or where it is, or if it's feasible to recover.

On the squeezing half of the equation, we've been getting better at increasing yield from known reservoirs via "enhanced recovery" techniques such as water and carbon dioxide flooding. Those basically boil down to injecting stuff into a reservoir to push the last bits of oil out. CO₂-enhanced recovery might even sequester some of the CO₂ permanently, so there's the world's most tarnished silver lining for you. However, the real story is in the nooks and crannies. The harder we look, the more sources of usable oil and gas we find. As easily accessible resources diminish, we extended our search to the ocean basins at ever greater depths. The payzone for the ill-fated Deepwater Horizon was 10,685 meters below mean sea level, just a hair shy of the Marianas Trench, the deepest point of the ocean (10,971 meters). To keep perspective, the first commercial oil well in the United States, the Drake Well in Pennsylvania, was just over 21 m deep, and people thought Edwin Drake was crazy for even trying.

Then there are unconventional sources of carbon fuels. There's been no bigger story here than shale gas. The EIA predicts shale gas could increase the United States' predicted reserves of natural gas by 50 percent. Add to shale gas other unconventional sources that we haven't seriously touched yet—like tar sands, shale oil, tight gas, coal-bed-produced methane, and natural gas hydrates—and you start to see abundance instead of calamity. While onshore conventional oil and gas are on the way out, there are more than enough other sources to make up for the decline. Shale gas also took the bite out of Hubbert's Peak, which predicted max production for the United States to occur around 1978. Contrary to these predictions, since

2005, production has risen sharply to a new all-time high of more than 25 billion cubic feet of gas.

Let's break down the idea of the fracking "revolution"—a buzz term that isn't doing anyone any favors. In effect, none of the boom can be attributed to new discoveries: the first shale gas-producing well was tapped in 1821, when Abraham Lincoln was twelve years old. We haven't developed these sources fully because we've had more easily accessible and cheaper options, or hadn't yet developed the technology to do so. Successful extraction of shale gas was the product of a long, deliberate, logical, and methodical investment over a period of several decades in both extractive technology and geological expertise, enabled in large part by government research and mapping. Fracking isn't a mushroom that sprung up in the night: it's an oak tree that's stretched upward for a long time, nurtured by incremental improvements along the way. As in every industry, there were breakthrough moments, but they came as part of a concerted campaign that has long directed countless engineers and geologists toward one goal: find a way to extract shale gas.

Hydrocarbons are big business; a big complex business that operates using a lot of very expensive, cutting-edge, and rather boring technology. In various forms (through the United States Geological Survey, the Department of Energy, and a whole string of national labs), the federal government had been laying the backbone of research and development (R&D), mapping, and feasibility testing for decades before private companies could start fracking in earnest, particularly in the more northerly of the two Dakotas. Like most new technologies, initial R&D is best viewed as a public good financed, like most public goods, by the government. Now that these technologies are reaching maturity, there's plenty of investment by private companies like Chesapeake Energy, Devon Energy, Anadarko Petroleum, and Halliburton into further refinement and improvement. These companies are also plugging investment into infrastructure, including hundreds of thousands of drill rigs, thousands of miles of pipelines, and everything else that makes the wheels spin. The takeaway lesson is this: we made a willing choice sustained over

decades to invest significant monetary and technological prowess into shale gas, and it paid off.

Japan has invested hundreds of millions of dollars since the early 2000s to explore offshore methane hydrate reserves in both the Pacific and the Sea of Japan. . . . "Now we know that extraction [of sea floor hydrates] is possible . . . [t]he next step is to see how far Japan can get costs down to make the technology economically viable."

— New York Times quoting Mikio Satoh, Japanese Marine Geology Researcher, 2013¹

It doesn't end with shale gas. With demand soaring from growing economies around the world, powerful market incentives exist to find more sources of hydrocarbon fuels and a ready-made, technology-rich, and capital-rich industrial apparatus eager to exploit them. In fact, in summer 2013, Japanese scientists announced the first successful mission to tap natural gas hydrates. Like shale gas, it was a breakthrough financed to the tune of hundreds of millions of dollars of government research. Keeping in mind that seafloor gas hydrates may contain up to ten times the previously known existing global natural gas supply, these sources can keep us humming along on carbon for a long, long time.

A limited understanding of our hydrocarbon resources isn't that bad, it's when you cross that misinformation with Econ 101 that things really start to take a turn for the worse. Most people think of fossil fuels the same way they think of land (fixed supply, unlimited demand); Economics 101 would say price will rise as supply shrinks, creating an ever-increasing incentive to switch to other energy sources.

If we look around, we can already see how that simple logic isn't realistic. Look at natural gas prices—even with the need to develop new technology and access more challenging reservoirs, prices on natural gas are at the lowest levels in a quarter of a century. Oil prices have risen, but we've also gotten much better at using oil efficiently. According to the International Monetary Fund, in 1970, we needed over 0.3 tons of oil equivalent to pro-

duce about \$1,000 of gross domestic product (GDP), while today we need half that amount to get the same return. That's a trend that is predicted to persist over time, taking much of the bite out of the non-bubble price increases associated with extracting harder to reach hydrocarbons. Lastly, most of the cost-rise in oil has been due to demand-side increases, not supply-side costs. If we allow hydraulic fracturing and other unconventional sources to scale up to meet demand, price falls in the long run.

Our Econ 101 view of the hydrocarbon market is a faulty and dangerous one because it implies that market scarcity will guide us away from carbon fuels when the truth is that, until we drown ourselves on a flooded—or scorched—earth, we can have all the carbon we want. Global climate disruption is the real threat that lies at the end of the carbon road. Sure, we'll reach a point where scarcity logic will kick in, but our greenhouse gas emissions will have long-past ravaged our planet by then. Our market misunderstanding hides a critical lesson we need to know to ensure a safe, healthy, equitable future for all of the world's citizens: making the leap from carbon fuels is not market inevitability.

Our real challenge isn't to extract what we perceive to be the last bits of carbon so we can survive until something better is ready, or fastidiously avoid intervention so that market scarcity can work its magic. Just in the past few years, we've already made the leap to hydraulically fractured reservoirs; that moment was the result of a long path of technological investment and innovation, and it happened because we consciously chose over and over again to make the investments to allow us to operate an economy that continues to rely on carbon fuels. Deliberately walking away from developing better extractive technology is the key decision we're going to have to make if we want a fossil fuel-free future. If we're not constrained by the supply, we are only constrained by our ability to obtain it.

Much of the time, the shift to other energy sources is seen as taking a gamble on untested technologies that don't even exist and turning our back on dependable oil. That's another faulty conjecture. With the depletion of many of the types of reservoirs we've been accustomed to drilling, we've

needed to develop an entirely new technological apparatus to get at additional sources of hydrocarbon fuels (each of which is itself also a gamble). What we need to do now is recognize there's no advantage to funding and encouraging better carbon extraction technologies. If it's a gamble either way, why pick the inferior side?

Like all things, the choice is a story of technology, investment, and vision. The rather larger question remains whether our vision will be fixed on better technology for hydrocarbon extraction specifically, or better technology, period. We need to make an intentional choice to step away from carbon fuels and the climate disruption they will bring and toward a different future. We can't rely on scarcity and the market to make that choice for us. Our journey down that path starts with accepting that we are never running out of carbon. *KB*

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Endnotes

- 1 Tabuchi, Hiroko. "An Energy Coup for Japan: 'Flammable Ice.'" *New York Times*, 12 March 2013.

No One Left Behind

by Will Denn



U.S. Army photo by Staff Sgt. Isaac A. Graham. Photo: flickr/soldiersmediacenter

FAHIM MUHAMMAD BELIEVED that until the Taliban were defeated, Afghanistan, his homeland, would never be safe.¹ In 2006, despite the objections of his wife and two children, Fahim dropped out of school to become a U.S. military interpreter. Because of his excellent command of English, Dari, Pashto, and the obscure Nuristani language, Fahim operated in some of the most dangerous areas of Afghanistan, supporting the U.S. State Department and some of the Army's most elite units—all despite no military training.

The cost to Fahim has been great. “The Taliban decapitated the heads of my uncle, my cousin, and my best friend, Ateeq, all because I supported the infidels,” he said in an interview from Afghanistan in December 2013.² After receiving numerous death threats at their home in Nuristan, Fahim's father, wife, and children fled to Kabul, the Afghan capital. “My children continue to receive death threats in Kabul. I've had to move my family several times since we moved here.”

In 2007, Fahim submitted visa applications for his family, requesting refugee status in the United States. Initially, the State Department told Fahim that his paperwork was “lost,” resulting in him reapplying in 2009, again in 2010, and again in 2011. In December of 2011, Fahim received a glimmer of hope; his visa status was updated to “pending.” Today, Fahim continues to go on patrols with no guarantee that his application will be approved before U.S. troops leave Afghanistan at the end of 2014.

Men and women like Fahim are

a common story in Iraq and Afghanistan. These brave but vulnerable heroes put everything at risk to assist the U.S. military in rebuilding their embattled nations. Fahim represents only one among thousands of locally hired interpreters the United States has left behind.

The United States was able to recruit these interpreters in part by making explicit promises of a path toward earning visas and naturalization. Unfortunately, today these interpreters are stuck in limbo, caught between America's moral obligation to ensure their safety and a bureaucratic refugee vetting process meant to ensure the safety of Americans. In

THESE BRAVE BUT VULNERABLE HEROES PUT EVERYTHING AT RISK TO ASSIST THE U.S. MILITARY IN REBUILDING THEIR EMBATTLED NATIONS. FAHIM REPRESENTS ONLY ONE AMONG THOUSANDS OF LOCALLY HIRED INTERPRETERS THE UNITED STATES HAS LEFT BEHIND.

addition, interpreters are extremely vulnerable targets because of the valuable intelligence they may have been exposed to. Many interpreters were used in conjunction with sensitive U.S. military tactics, techniques, and procedures, which remain in our best interests to safeguard.

In December 2013, Congress reformed legislation to expedite interpreters' visas. However, based on the extent of the problem, these reforms may have come too late. In order to protect these allies and our national security, the United States has an imperative to fix its bureaucratic backlog by prioritizing their visas over other refugee applications.

AN UNEXPECTED NEED

The Department of Defense never anticipated that the military would need so many interpreters. Engaging a foreign civilian population was not a necessary requirement for the vast majority of the Army before 9/11. Combat units primarily trained for one function: destroying the opposing force's war-making capabilities.

Yet as both Iraq and Afghanistan shifted into post-invasion stability operations, the majority of combat units increasingly found themselves interfacing with the local civilian population. By 2006, as the U.S. military transitioned into General

standing of the language itself, local interpreters brought a familiarity of the local areas. For example, Umar, an interpreter in Kunar, Afghanistan, intercepted and deciphered a Taliban radio communication while on patrol with Captain Carter Cheek in 2008. Due to Umar's knowledge of the terrain, he stopped Captain Cheek's infantry platoon from walking directly into a waiting Taliban ambush. Instead, Cheek and his men maneuvered around the ambush and inflicted heavy losses on the approximately twenty waiting insurgents. Cheek credits Umar to this day for saving his life and the lives of his platoon.⁷

According to a 2011 Congressional Research Service report, at both conflict's height of hiring, the United States employed 82,534 Iraqis—including 9,268 interpreters—and 80,725 Afghans, with a similar proportion of interpreters as Iraq.⁸ These figures only represent a snapshot in time of the total amount of locals employed because there are no reliable numbers indicating how many worked across the duration of both conflicts.⁹ However, the Iraqi Refugee Assistance Project estimates that since 2002, 50,000 Iraqi and Afghan nationals served as U.S. military interpreters.¹⁰

DIFFICULT CHOICES

Aiding the U.S. military as an interpreter was never an easy decision. Many of these interpreters were embedded directly with U.S. infantry platoons patrolling villages daily. These interpreters lived, slept, and fought side by side with their American units. They wore U.S. uniforms to help them blend in with their units, but most were not allowed to carry a weapon. In the eyes of the Taliban, the interpreters were worse than the Americans, they were traitors to their own people.

The threat to an interpreter and his family was real and persistent.

David Petraeus's troop-intensive counterinsurgency strategy, the need for interpreters grew exponentially as all combat patrols and senior leaders needed interpreter support.³ The counterinsurgency strategy called for "winning the hearts and minds" of the local population in order to build the conditions for local governance to take root and security to improve.⁴ To gain the local population's loyalty and respect, the military needed daily interaction and sustained presence.⁵ Communication in the local dialect became a fundamental challenge constrained by the number of interpreters available.⁶

Aside from a nuanced under-

Many chose to wear ski masks on patrol despite the searing 130-degree heat in order to protect their identities. Interpreters were hesitant to befriend other interpreters for fear of an Al Qaeda or Taliban informant betraying them.

IN ORDER TO PROTECT THESE ALLIES AND OUR NATIONAL SECURITY, THE UNITED STATES HAS AN IMPERATIVE TO FIX ITS BUREAUCRATIC BACKLOG BY PRIORITIZING THEIR VISAS OVER OTHER REFUGEE APPLICATIONS.



Photo: Captain William Denn

While on patrol in northern Iraq in 2008, my own interpreter Khalif aided in a conversation with a Sunni tribal sheik suspected of supporting Al Qaeda insurgents. During the conversation, the sheik paused to ask Khalif where he was from but Khalif politely refused to answer his question. Despite wearing a mask to hide his identity, the sheik surprisingly knew Khalif's family name. I sensed Khalif was frightened even as he played it off as mistaken identity. The next day Khalif quit and went into hiding. We never heard from him again.

Statistics from the *Armed Forces Journal* indicate that interpreters in Iraq were ten times more likely to be killed than the Americans they supported.¹¹ The List Project to Resettle Iraqi Allies, a nonprofit advocate group, estimates more than 1,000 inter-

preters were killed in Iraq alone.¹² The Iraqi Refugee Assistance Project, another advocate group, estimates one Afghan is killed every thirty-six hours due to his or her affiliation with the United States.¹³

VULNERABLE U.S. INTELLIGENCE

While the U.S. military did its best to minimize collateral exposure of

classified information to interpreters, simply by proximity to operations, these interpreters were exposed to some of the military's most sensitive techniques in how they find targets through signals intelligence (SIGINT) and human intelligence (HUMINT). While the military hoped interpreters never would understand the techniques and technologies used, in reality many understood.¹⁴ If interrogated, an interpreter will yield a more complete picture to adversaries of our sensitive military technologies, methods, and tactics.

Yet even unclassified information—conventional doctrine and tactics—can give our adversaries tremendously valuable intelligence. An interpreter attached to an infantry unit, accompanying them on hundreds of raids, understands the technical intricacies of combat operations. They understand the sequence of maneuvers and timing of battlefield assets like artillery and aerial support. After years on the battlefield, these interpreters understand how to fight battles as well as many soldiers do.

Alex, an interpreter serving with the 173rd Airborne Brigade Combat Team in Eastern Afghanistan, came under ambush near a town called Aranas. His platoon had ten wounded and five killed, including the platoon leader, First Lieutenant Matthew Ferrara. After Lieutenant Ferrara was killed, Alex picked up Ferrara's radio and called in reinforcements and helicopter support.¹⁵ The Battalion Commander of 1-26 Infantry later stated, "Alex's actions would have earned him a Silver Star if he were a U.S. soldier."¹⁶ Alex showed combat expertise expected from seasoned American soldiers—expertise certainly valuable to the Taliban. Yet despite the heroism Alex displayed and the Americans he saved, he is currently in hiding with his family in Kabul after the Taliban killed three of his family members.

A Taliban or Al Qaeda com-

mander could increase their ability to escape capture if they gained valuable information through capturing someone like Alex. Significant adversaries like Iran or China value the SIGINT and HUMINT knowledge that these interpreters could provide. If these interpreters are captured, we risk our effectiveness not only in current conflicts but also in future conflicts where we may attempt similar counterinsurgency or counterterrorism operations.

BUREAUCRATIC BACKLOG

Based on moral obligations alone, it is hard to argue against giving sanctuary to these threatened heroes. In a rare showing of bipartisanship in Washington, Congress passed the National Defense Authorization Act of 2008 granting the U.S. State Department the ability to issue Special Immigrant Visas (SIVs) to Iraqi and Afghan nationals who worked with the U.S. Armed Forces as translators or interpreters.¹⁷ The Refugee Crisis in Iraq Act of 2007 granted up to 25,000 total of these visas through 2013.¹⁸ The Afghan Allies Protection Act of 2009 granted 9,000 SIVs through 2014.¹⁹

According to the *Washington Post*, as of November 2013, only 6,000 Iraqis and 1,648 Afghans had received their visas under these programs.²⁰ With average wait

times approaching four years, many interpreters applying for visas have no choice but to go into hiding with their families for fear of their safety. Unfortunately, according to a November 2013 interview with Becca Heller, director of the Iraqi Refugee Assistance Project, representing both Iraqis and Afghans, "For the past few months, we have been seeing an alarming number of Afghan SIV applicants denied by Embassy Kabul for allegedly 'not facing a threat.'"²¹

Why does it appear that the Department of State is struggling with a bureaucratic backlog? In a February 2010 diplomatic cable obtained by the Associated Press, U.S. Ambassador Karl Eikenberry wrote to Secretary of State Hillary Clinton, "[The SIV program] could drain [Afghanistan] of our very best civilian and military partners: our Afghan employees. . . . [The program] could have a significant deleterious impact on staffing and morale, as well as undermining our overall mission in Afghanistan."²² Contrary to the purpose of the SIV program, and against the security interest of our Afghan allies, the Department of State had its own interest—to preserve local staffs. It even proposed changing the legal standard of "ongoing serious threat" to make it harder for interpreters to immigrate to America even after U.S. forces went home.²³ The State

Department lacked buy-in to the program, yet it was the one tasked with its implementation.

Ambassador Eikenberry's argument illustrated a greater strategic problem: that by facilitating a refugee program, Iraq and Afghanistan's future success would be attenuated by draining many of their most educated citizens. While certainly a valid concern, the reality is many experts fear that Iraq and Afghanistan may degrade into civil wars, placing the interpreter population at an increased risk of being killed.²⁴ The moral imperative to rescue interpreters should prevail over any strategy to hold them in their country to rebuild it.

Historically, the State Department processes many other refugee cases from around the world. The 1995 revision of the Cuban Adjustment Act authorized 20,000 Cubans to receive residency to the United States *annually*.²⁵ The Adjustment Act, better known as the "wet foot, dry foot policy," stipulated that as long as Cubans made it to dry U.S. soil, they would be processed for legal permanent resident status. As an example of unequal treatment, the vetting process for Cubans is to reach U.S. soil, yet the process for Iraqis and Afghans, who have arguably done and risked more for this country than most Cubans receiving a visa

STATISTICS FROM THE *ARMED FORCES JOURNAL* INDICATE THAT INTERPRETERS IN IRAQ WERE TEN TIMES MORE LIKELY TO BE KILLED THAN THE AMERICANS THEY SUPPORTED. THE LIST PROJECT TO RESETTLE IRAQI ALLIES ESTIMATES MORE THAN 1,000 INTERPRETERS WERE KILLED IN IRAQ ALONE. THE IRAQI REFUGEE ASSISTANCE PROJECT ESTIMATES ONE AFGHAN IS KILLED EVERY THIRTY-SIX HOURS DUE TO HIS AFFILIATION WITH THE UNITED STATES.

IF THE UNITED STATES FAILS TO RESCUE THE THOUSANDS OF INTERPRETERS IN PERIL, THE MESSAGE WILL BE CLEAR: AMERICA DOES NOT HONOR ITS PROMISES; IF YOU HELP US, WE WILL LEAVE YOU BEHIND TO DIE—A PERCEPTION STAINING OUR REPUTATION SINCE EVACUATING SAIGON IN 1975.



Photo: Captain William De

under the Adjustment Act have, is comparably insurmountable.

The State Department understandably must be cautious against allowing terrorists into the United States. This danger subsequently makes them risk-averse in their vetting process. In 2009, the FBI discovered two Al Qaeda terrorists living as refugees in Bowling Green, Kentucky, who admitted to attacking U.S. soldiers in Iraq and attempting to send heavy weaponry to their colleagues still in Iraq.²⁶ As a result of this discovery, the Department of State stopped processing Iraqi refugees for six months.

Preventing terrorist infiltration is a legitimate fear, and in cases like Bowling Green, perhaps more could have been done. While a thorough vetting process is necessary, it is unnecessary to be so risk-averse that all refugee visas are stopped for six months, putting thousands of lives at risk.

Unfortunately, most interpreters have no other alternatives but to wait. The only countries willing to aid their interpreters are New Zealand and Australia, but even they are limited in their scale, accepting only 894 Afghans between the two countries.^{27,28} The rest of the international community will not substantially help. The British government

recently stated that they would not accept a mass resettlement of Afghans who have aided their military, instead believing that a case-by-case assessment is more reasonable and proportionate. This policy has also led to a similar lengthy bureaucratic backlog preventing many interpreters from seeking refuge.

GLIMMERS OF HOPE

As the United States withdraws the majority of its combat forces from Afghanistan by the end of 2014, the call to act is even greater.³⁰ America's ability to protect our interpreters will be eliminated as U.S. forces withdraw from the major Afghan population centers. The latest intelligence assessment from America's sixteen intelligence agencies predicts a dismal future for Afghanistan.³¹ The Taliban are expected to regain control over much of the territory they lost and the country may descend into chaos without a long-term security agreement in place with the Karzai administration.³² There will be practically nowhere to hide as the Taliban step up a campaign to punish all those who helped the United States.

Fortunately, Congress has recently taken action to address the interpreters' plight. On 19 December 2013, Congress passed the National

Defense Authorization Act (NDAA, or H.R. 3304), which sought to reform both the Iraqi and Afghan SIV programs.³³ The NDAA emplaced new measures to include: extending the visa application deadline to September 2014; mandating that the State Department take no more than nine months to process a visa application; requiring that the State Department provide written feedback to interpreters who are denied visas; instructing the State Department to provide quarterly progress reports of the visa application process; and coordinating to provide a new position at the U.S. embassy in Iraq to oversee the visa process.³⁴

While the NDAA reforms to the SIV programs created more time for Iraqi and Afghan interpreters, it still did not solve the problem. The NDAA only authorized a maximum of 2,500 interpreters to be processed by the 2014 deadline.³⁵ This represents a dramatic compromise over the originally intended 34,000 visas of which only approximately 12 percent of Afghan visas and 22 percent of Iraqi visas were distributed.³⁶ By limiting SIV visas to only 2,500 over the next year, the United States has implicitly acknowledged we will not save everyone who may be deserving of refugee status. So Congress should keep the SIV program running while

there is a need for qualified applicants, not until an artificial date expires. Bowling Green illustrates that a proper vetting process is necessary; subsequently, the only solution is to properly address the backlog before the United States withdraws from Afghanistan.

The SIV is not the first time the State Department has been faced with a backlog of applications. In 2007, the State Department assigned 300 junior Foreign Service officers to help reduce backlog of a half-million American passport applications during the summer travel season.³⁷ If the United States is willing to surge 300 staff for passport applications, is it not appropriate to do it for those at risk of death before the program closes in September 2014?

If we can bring these interpreters home, we as Americans also should welcome these new families to our communities. Military bases all have assistance centers for soldiers transitioning to civilian life. These facilities would provide greatly needed assistance to interpreters. It is our duty as a nation to show them thanks for what they've done for us by helping them settle into their new homes and jobs.

If the United States fails to rescue the thousands of interpreters in peril, the message will be clear: America does not honor its promises; if you help us, we will leave you behind to die—a perception staining our reputation since evacuating Saigon in 1975.³⁸ Our country owes these men and women for the service they provided, and America has valid security and intelligence interests by ensuring they are protected in the United States. *KR*

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Endnotes

1 All names of Afghanis and Iraqis have been changed in order to protect their identities.

2 Fahim Muhammad. Personal interview with author and Captain Carter Cheek, 14 December 2013.

3 Combat patrols typically ranged from fifteen to forty soldiers led by a lieutenant or senior noncommissioned officer. Across both Iraq and Afghanistan, hundreds of patrols would occur daily. In addition to patrols needing interpreter support, the majority of senior military officers also had their own interpreters to support key leader engagements with senior Iraqi and Afghan political and military leaders.

4 U.S. Army. FM 3-24 MCWP 3-33.5: Counterinsurgency. Department of the Army, December 2006.

5 Central to the strategy of winning hearts and minds was to move off centralized "super-bases" to small platoon and company-sized outposts among villages and town centers. The troops and their interpreter lived among the populace, forcing daily interaction and trust-building mechanisms.

6 Interpreters served a vital function that was very different from translation. Translators merely translate speech from one language to another. The role of an interpreter is to go beyond speech. Interpreters translate for and advise their coun-

terpart in the mannerisms, cultural signals, power dynamics, customs, and nonverbal cues that are often missed by foreigners.

7 Carter Cheek. Personal interview with the author, 21 January 2014.

8 Schwartz, Moshe, and Joyprada Swain. Department of Defense Contractors in Afghanistan and Iraq: Background and Analysis. Congressional Research Service, 13 May 2011.

9 Numbers are unreliable because the U.S. contractors employed to run the hiring and vetting processes would often change. Additionally, interpreters would quit employment in order to flee areas for their safety and then seek rehire in new cities.

10 Iraqi Refugee Assistance Project. Report to Supporters 2012-2013. Iraqi Refugee Assistance Project.

11 Darling, Paul T. "Terps to Troops." *Armed Forces Journal*, 1 February 2011.

12 The List Project to Resettle Iraqi Allies Web site. "The Crisis."

13 Iraqi Refugee Assistance Project Web site. Special Immigrant Visas: The Urgent Need to Protect our Iraqi and Afghani Allies.

14 My claim is derived through several discussions with military peers regarding operational security (OPSEC) of SIGINT and HUMINT procedures specifically referencing what interpreters understood. The majority consensus was that the U.S. military assumed great risk because interpreters (often undergraduate students with smart technical backgrounds) understood how our targeting information was being derived.

15 Soldiers' Angels Germany. "Well Done, We Love You." Blog post, 9 November 2011.

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Photo: flickr/jonathancohen

Diagnosing the Current Problems of the United States Health Care System Requires Examining the History of Health Reform

by Thomas Kingsley

MY FIRST PATIENT AS A MEDICAL STUDENT was a victim of the United States health care system. A fifty-year-old man who died of a heart attack shortly upon arriving at the hospital, this particular gentleman had been experiencing chest pain for over a year. But he had forgone a doctor's visit because he had let his health insurance lapse due to its high cost. He is by no means alone. Sadly, the United States manages to leave 47 million Americans—about 17.7 percent of the country's nonelderly population—uninsured.¹ Of these uninsured Americans, 61 percent stated they either could not afford the cost of insurance or lost coverage after being laid off.²

Yet, remarkably, 55 percent of Americans do not approve of the Affordable Care Act (ACA).³ In 2010, the Democratic Congress passed the ACA—better known as Obamacare—in an effort to increase coverage for those individuals without health insurance. The Republican House of Representatives has voted numerous times to repeal the law, and the GOP has made the legislation the central target of its partisan attacks. At first glance, this concerted opposition would appear to be the result of a lack of understanding on the part of the public, or merely political theatrics. Indeed, a Pew Research poll has indicated that, despite the displeasure with the ACA, 75 percent of Americans do not know how the law would impact them personally.⁴

However, is there, in fact, any real cause—beyond blind partisanship—to be dissatisfied with the ACA? Such an essential policy cannot be analyzed within the proverbial political echo chamber; policy makers and ordinary Ameri-



cans alike must objectively examine the merits and shortcomings of the law, several years after its passage. Without this more nuanced analysis, Americans resign themselves to blindly take sides in a partisan war that threatens the future of our health care system, our economy, and the well-being of American citizens. To adequately understand the successes and failures of the law, we need to return to the bill's origins: Massachusetts, circa 2006.

This journey back in time reveals a truth that conforms to neither of the carefully cultivated liberal or conservative talking points: the ACA, modeled on Massachusetts health reform and facing similar political and practical constraints, largely addresses access to health care and quality improvements but does not sufficiently confront the out-of-control growth of health care costs.

Under then-Governor Mitt Romney, Massachusetts discovered a successful recipe for universal cover-

changing the current fee-for-service reimbursement method, but the legislation contains no direct measure to decrease the per-unit cost of medical services—unjustifiably higher in the United States than anywhere in the world.⁶

The ACA, like Massachusetts reform, accomplishes its primary objective: expand health care access in a politically constrained environment. At the time, cost control was, by necessity, an ancillary concern. Yet the inability of the ACA to sufficiently address cost control will ultimately erode our health care system unless future reforms are made. What, therefore, should be our focus? We must shift the conversation away from repealing the ACA and toward tackling the equally massive problem of excessive costs.

MASSACHUSETTS HEALTH CARE REFORM

During the 2006 health care fight, Governor Romney had one primary goal: to ensure the passage of health care legislation that would effectively expand health coverage, even if that meant not addressing every aspect of the health care conundrum, particularly cost control. He and his allies in the legislature capitalized on a window of opportunity to pass reform, utilizing valuable lessons from their predecessors who failed at the same task. Massachusetts's health reform would ultimately prove a success because the politicians behind the bill provided a policy framework that managed to both expand coverage and also garner the support of key stakeholders, such as businesses and health care industries that had previously opposed reform.

But it was precisely this push to satisfy key stakeholders that, while pivotal to the legislation's passage, would also leave skyrocketing costs unsolved.

Romney's interest in health care reform was driven by necessity. In

TO ADEQUATELY UNDERSTAND . . . THE LAW WE NEED TO RETURN TO THE BILL'S ORIGINS: MASSACHUSETTS, CIRCA 2006.

age that would also satisfy important industry stakeholders.⁵ It is not surprising, then, that these same policy ingredients would reappear years later in the ACA. However, these policy choices do not necessarily represent the best, most affordable solution to providing increased health coverage; instead, they represent the policies that could both achieve expanded health coverage and also survive the Massachusetts political process. The ACA has many complex parts, including Medicaid expansion, Medicare reform, and incentives for

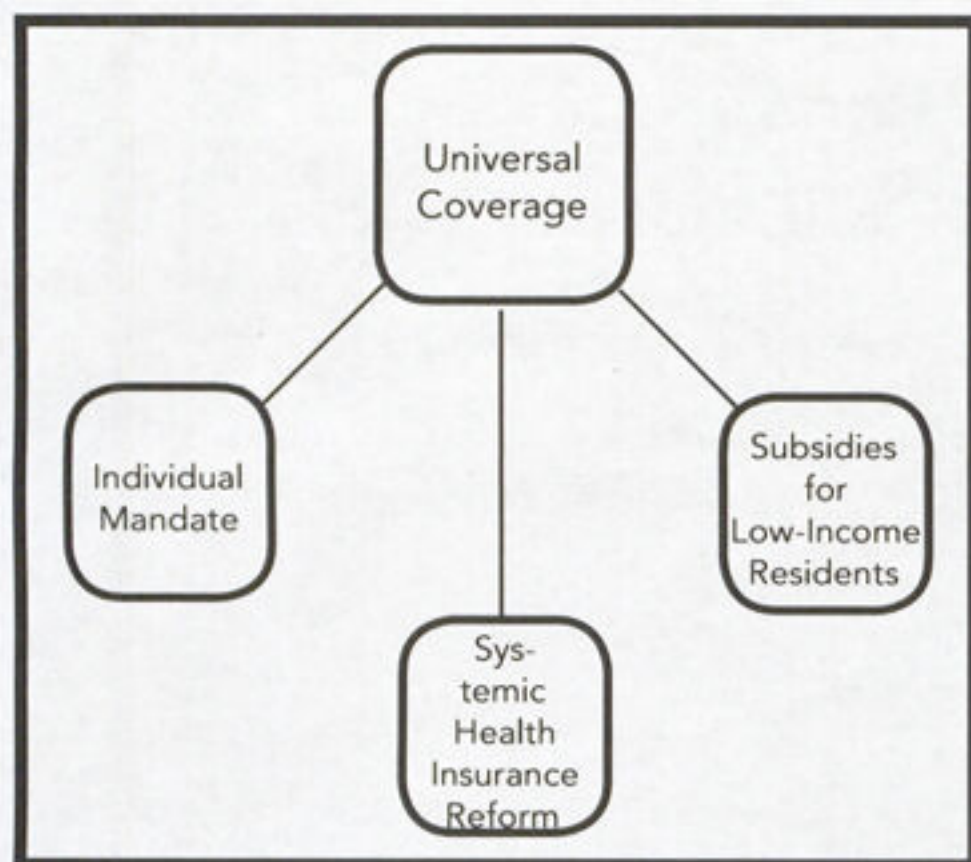


Figure 1 — John McDonough's three-legged policy to achieve universal health care coverage.

2004, a federal waiver for a Massachusetts Medicaid program was up for renewal. This waiver provided \$385 million annually to fund safety net hospitals and was to be renewed every five years by the U.S. Department of Health and Human Services (DHHS). Contrary to expectations, in the wake of President George W. Bush's reelection, the DHHS denied renewal. The result was disastrous; the state would lose \$1 billion in federal funding over the next three years.

Governor Romney and members of the Massachusetts legislature scrambled to find a solution. They eventually proposed to the DHHS that rather than use the waiver to support safety net hospitals, they cover 600,000 uninsured with the available funds. Essentially, they would create universal health care in Massachusetts with the aid of government subsidies. The DHHS, excited at the prospect, accepted their proposal.⁷

In the words of Dr. John McDonough, former cochair of the Massachusetts Joint Committee on Health Care and former Senior Advisor on National Health Reform to the U.S. Senate Committee on Health, Education, Labor and Pensions: "Massachusetts put a financial gun to its head that made passage

of universal coverage legislation a policy, political, and financial necessity and the Bush administration provided the bullets."⁸

Romney, who had shown little interest in universal coverage previously, needed to find a path for covering Massachusetts's uninsured, and he needed to do it quickly. The majority of the uninsured were between the ages of eighteen and sixty-four, comprising healthy young adults, individuals who could not afford coverage, and the poor, who were Medicaid-eligible but had not enrolled.⁹

Romney needed to target these uninsured groups through a combination of private marketplace reforms and government assistance. He was not the first to attempt this balancing act. In 1988, Massachusetts Governor Michael Dukakis tried but failed to pass a bill that would have dramatically expanded health coverage in the state. He attempted this partly through a policy called pay-to-play, in which employers with six or more employees would be mandated to provide health insurance, and infuriated business owners in the process.

Many of the individuals who had worked on the Dukakis health care reform still carried scars from the 1988 defeat. They did not want

to face a repeat experience. Nancy Turnbull, a professor at the Harvard School of Public Health, recounts the key lesson from the Dukakis health care push: without the support of business and other health care industries, reform efforts were bound to fail.¹⁰ Consequently, Romney's health bill would need to cover Massachusetts' uninsured, be financially feasible, and also manage to gain the support of businesses. Additionally, he needed to achieve all of this without upsetting the national Republican Party and his future presidential aspirations.¹¹

The lessons of previous attempts, and the incentives facing the health care industry, led the legislature to craft a bill standing on three main policy legs (see Figure 1). Each proved essential to the success of the plan—and would later appear in the ACA as well.¹²

The first leg involved systemic reform of health insurance in Massachusetts. This had two major elements. One was guaranteed issue, which eliminated insurers' ability to deny coverage based on preexisting conditions. The other element was the development of a marketplace—the Commonwealth Connector—where employers and individuals could buy coverage. The idea of an exchange was particularly popular among Republicans, who favored private competition in the health market.¹³

The second policy leg was an individual mandate to purchase health coverage or pay a fine. Originally, the Heritage Foundation (a conservative think tank) and other Republicans had proposed the mandate as an alternative to President Bill Clinton's failed health care bill in 1993.¹⁴ Romney worried that the mandate would be too radically conservative. However, the Urban Institute (a non-partisan economic and social policy research group) and other groups emphasized to him the perceived financial importance of the mandate.¹⁵

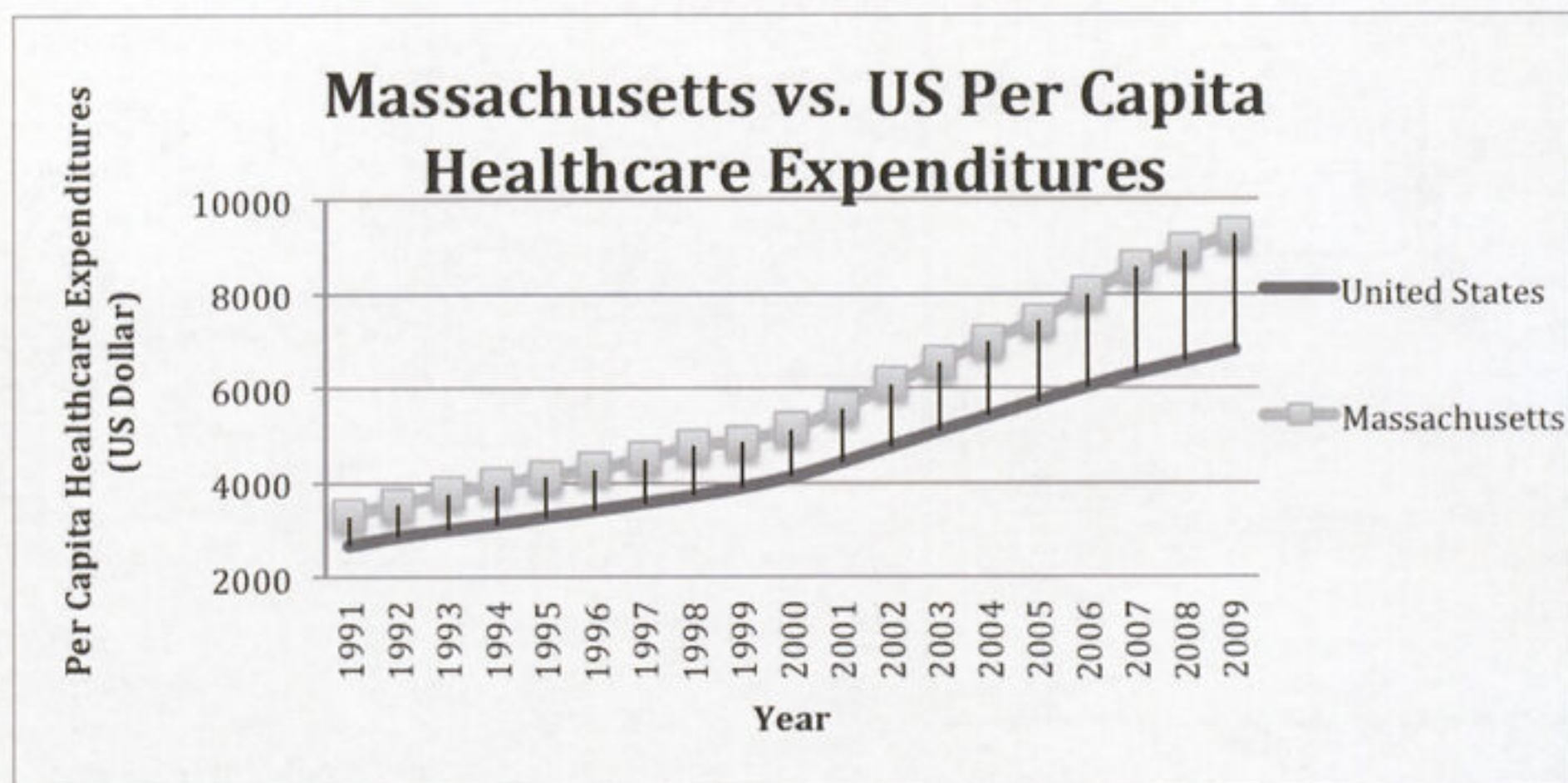


Figure 2 — Massachusetts versus United States per capita health care expenditures.
Source: Graph based on data from Health Care Expenditures per Capita by State of Residence, Kaiser Family Foundation.

Finally, the third policy element involved the passage of subsidies for individuals at 100 percent to 300 percent of the poverty level. This was partly made possible by an agreement between Romney and the DHHS. The annual \$385 million previously dedicated to safety net hospitals would now support these subsidies and enable universal coverage.¹⁶

Each of these legs would prove essential to the success of universal health coverage. Guaranteed issue without individual mandate would permit individuals to avoid purchasing insurance until they are sick, known as *adverse selection*. Several states, including Kentucky, New Hampshire, and Washington, saw health care premiums soar when they implemented guaranteed issue without a mandate as well.¹⁷ However, in theory, the combination of the mandate and guaranteed issue reduces adverse selection and stabilizes costs. To avoid punishing those individuals who cannot afford the coverage offered to them in the marketplace, the state must also provide subsidies for low-income individuals.

Crucially, this three-legged approach also had the support of

essential stakeholders. Overall, stakeholders believed this reform bill would benefit them.¹⁸ This story would largely repeat itself during the passage of the national health care bill, and the result would look remarkably similar.

Importantly, Massachusetts's health reform can teach us a valuable lesson relevant to the ACA as well: improving access, while politically challenging, has proved easier than fixing cost. Today, 98 percent of Massachusetts residents have health coverage, but this increase in the insured population did not reduce the state's health care costs—the highest health expenditures in the nation, at \$9,728 per capita, compared to a median of \$6,795.¹⁹ This high cost is not a result of the 2006 reform, but was not corrected by the legislation either (see Figure 2).

BIRTH OF THE AFFORDABLE CARE ACT IN 2010

Like Romney, Obama faced the challenge of expanding access while countering reluctant stakeholders. Consequently, it should be no surprise that the ACA shares similar characteristics and unaddressed is-

ssues with the Massachusetts legislation. This includes the lack of truly effective cost control.

Despite the public's uncertainty regarding health care, many politicians in Washington understood the impact it was having on the economy and the well-being of many Americans. In illustration of this point, during the 2008 presidential election, even while the economy was heading into a recession, candidates from both parties discussed their plan to reform the health care system. With the election of Obama, and with Democratic control of both the House and Senate, the passage of national health care reform suddenly seemed possible.

Yet like Romney before him, Obama needed the support of key stakeholders. A wide array of competing interests had ensured that national health care reform had been discussed, attempted, and abandoned numerous times during the past century by presidents from both political parties, including Franklin Roosevelt, Richard Nixon, and, most recently, Bill Clinton.²⁰ Since 1998, major health care stakeholders have spent over \$5.36 billion lobbying Washington, more than was spent in the same

time period by the oil and defense industries combined.²¹ The pharmaceutical industry was prepared to spend \$200 million either fighting or supporting the national health care reform bill.²² For their part, the Clintons discovered the importance of these industries the hard way: the American public was in favor of health care reform when Clinton began his fight, but after months of negative advertisements supported by the health industry, opinions evolved, and health care passage failed.

Obama, eager to avoid Clinton's mistakes, presented stakeholders with the opportunity to shape policy. In a meeting called by the Senate Task Force, a room of gathered stakeholders was provided with three options for health care reform, which had been given the names Constitution Avenue, Independence Avenue, and Massachusetts Avenue: respectively, undergoing a major overhaul (single payer, etc.) of the current system; implementing more limited reforms (possibly tax credits and smaller market reforms to incentivize purchasing insurance); and adopting the Massachusetts reform as a template. After hours of discussion, the stakeholders voiced unanimous support for the Massachusetts Avenue approach. Faced with similar incentives on a national scale as in Massachusetts, public and private stakeholders supported a bill that, not surprisingly, would achieve near-universal coverage in a similar manner to Massachusetts's reform.²³

After two years of work, the ACA would be voted into law in 2010. In total, the ACA has nine titles and one amendment. Title I of the two thousand-page legislation reflects the bill's Massachusetts origins, employing the same three policy legs to expand health coverage to the uninsured.²⁴

Thus, the ACA came to be defined by the same characteristics that allowed Massachusetts's health reform to successfully increase ac-

cess to health insurance. Foolishly, many Republicans tend to ignore the conservative bona fides of the ACA's essential characteristics and ignore their role in allowing the legislation to grow insurance coverage. Republican Senators Orrin Hatch (Utah), Tom Coburn (Oklahoma), and Richard Burr (North Carolina) put the most recent repeal effort, in January 2014, forward. This proposal would repeal the individual mandate, the subsidies for the poor, and remove many of the protections against dropping care based on preexisting conditions.²⁵ Such a proposal would, in effect, undermine precisely the pillars necessary for expanding health coverage. To make matters worse, their plan also cancels Medicaid for the working poor. People like my first patient would once again be faced with health coverage they could not afford.

Despite all its shortcomings, repealing the current iteration of the ACA is no solution to America's health care needs. Rather, we need policy that builds on the successes of the ACA, while addressing the remaining problems unanswered by the current law.

THE FAILURE TO ADDRESS COST

Massachusetts's reform and the ACA—not to mention the various Republican suggestions—ultimately do too little to address the root cause of increasing health care cost: the unit price for health care services. Nor were they intended to achieve such a formable goal. Massachusetts's experience suggests that while an individual mandate is essential to maintaining basic financial feasibility, the policies that allow for expanded coverage are not going to fix the price tag of health care.

The ACA—and its Massachusetts prototype—achieves only small victories in controlling costs. In the case of the ACA, these include



PHOTO: FLICKR/CARBONNYC

THE ACA . . .
ACHIEVES
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incentives for alternative payment methods, Medicare reforms, and penalties to hospitals for readmission, but none of these will nearly be sufficient. Ultimately, we need to address why health care is so much more expensive in the United States than anywhere else in the world. The growth rate for health care costs in the United States is twice that of the general economic growth rate, and health care spending constitutes 18 percent of total gross domestic product (GDP). It is predicted that if this growth continues, by 2037 one in four American dollars will go to pay for health care, a proportion, the Congressional Budget Office argues, that is unsustainable.²⁶


In contrast, Japanese citizens utilize their health care system twice as much as Americans, including almost three times the MRI usage, and are among the healthiest individuals on the planet. Japan also has universal coverage for its citizens.²⁷ Simultaneously, the nation spends a fraction of what we do for medications, medical procedures, and diagnostic tests. Perhaps we get better-quality care for this high cost? In fact we do not; the deaths due to medical error during surgery is more than three times higher in the United States than in Japan.²⁸

Stakeholders such as pharmaceutical companies, the health insurance industry, physicians, and hospitals have been making fortunes in the past three decades while Americans have watched their premiums continue to rise as they struggle to afford health coverage. Unfortunately, filling the pockets of these wealthy industries has made them powerful. The top five health insurance companies have been doing pretty well also, and in 2011 made \$3.3 billion in profits.²⁹ And lastly let us not forget the physicians, who make up the largest portion—27.2 percent—of all the top 1 percent of earners in the United States.³⁰ This wealth translates into power when these profits help sup-

port politicians through campaign donations and aggressive political advertising. Who suffers from this boundless profiteering? The American public. One in three Americans report struggling to pay medical expenses. Those households struggling to pay for health insurance are the true fatality of this health care industrial complex.

If we are going to figure out how to address the cost of health care, however, Congress will not only need to relearn how to pass legislation, but also must do so without stakeholders blocking cost control efforts. At first blush such a task seems near impossible, foretelling a bleak future for the American health care system and economy.

Yet Massachusetts, enjoying the success of universal coverage and some of the best quality care in the country, is now beginning to study methods of aggressively addressing rising health care costs and has passed three bills directly targeting this issue. Notably, in 2012 Massachusetts set annual spending limits on health care costs. Vermont is also discussing ways to address cost by moving to a single payer system. Once more, the country may need to turn to a progressive state for inspiration.³¹

We have expanded health care access; the legislation is a success in achieving this main goal. But without addressing the projected growth in health care costs, our health system threatens to engulf our economy, cause premiums to rise to levels unaffordable to even the middle class, and add millions to the already substantial group of uninsured in America. It is time for Congress to place the needs of ordinary citizens above those of powerful businesses, build on the progress already made under the ACA, and pass truly transformative legislation that will decrease the unit price of health care. 

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“A Fundamental Change”

An Interview with Pulitzer Prize Winner Dale Maharidge on the New American Economy *by* Brian Chiglinsky

DALE MAHARIDGE AND MICHAEL WILLIAMSON met as a twenty-four-year-old reporter and a twenty-three-year-old photographer at the Sacramento Bee late in 1980. The 1980s recession hit and they left Sacramento, headed for the rail yards. The two began documenting the stories of Americans out of work following the recession; they rode trains with the newly unemployed, slept in hobo camps, and cooked dinners with families in tent cities. Together, Maharidge and Williamson produced a wealth of painful stories and haunting photographs of American workers and their families that they collected in a 1985 book entitled *Journey to Nowhere: The Saga of the New Underclass*.

The book was widely acclaimed for its in-depth reporting and even inspired Bruce

Springsteen’s songs “Youngstown” and “The New Timer” for his Grammy Award-winning album *The Ghost of Tom Joad*.¹

In 2011, the now Pulitzer Prize winners published a follow-up, *Someplace Like America: Tales from the New Great Depression*. Both works exemplified what journalist George Packer labeled “The New Depression Journalism”—reporting that avoided the more popular stories of leaders in Wall Street and in Washington during the financial crisis and instead stuck to the stark portrait of an American labor market that had stagnated over three decades and, for many workers, burned out.²

The *Kennedy School Review* spoke briefly with Maharidge, now a professor at the Columbia University Graduate School

of Journalism, about his work and its implications for policy makers in an era of growing inequality and rising poverty.

Below is a transcript of our conversation, edited for space.

KSR: Many reporters over their career have interviewed people in poverty, but the two of you actually rode the trains with them and slept in tent cities. Why did you choose to immerse yourselves so deeply in your subjects' lives?

MAHARIDGE: The common term today is "immersion journalism." You don't just go interview someone; you spend time in their lives. A better term, [as] my friend said, is "saturation journalism." You "saturate" yourself into a story, where you really get to know it.

[In the 1980s], it was very clear that there was a fundamental change happening to America. Some people, some of the press was covering it. *The Wall Street Journal*, in particular, had some very good pieces in 1981 and 1982 on deindustrialization and how this was not just a typical recession. . . . Industries were closing. They weren't just closing the steel mills, they were blowing them up. The *WSJ* actually called Youngstown, Ohio, a "necropolis." I was drawn to Youngstown's story because I grew up in Cleveland and I knew it. . . . We saw people were hitting the road, looking for work, just like the Great Depression.

Michael and I jumped on a freight train in early 1982 and found the trains full of the new breed of hobos, many of them from the industrial heartland. So, we said we have to show cause and effect. We can't just document, "Hey, these guys are out here" in the abstract. We knew it wasn't going to get better. There were no jobs to go back to.

People were hitting the road, and we went with them and saturated ourselves into their lives, as much as we could, to tell their stories. It was a fundamental change that was happening to America.

KSR: Did you feel at times that you were too close to the experiences? Was there a personal toll, and was it tough to write objectively on these stories?



PHOTO: MICHAEL WILLIAMSON

MAHARIDGE: We rode thousands of miles on freight trains around the country, but the fact that we had jobs to go back to didn't keep us warm. But most of all, there was an emotional toll. There was a guy named Sam. We rode a freight train from St. Louis to Colorado. He was desperate for work, and we were just watching his descent.

The family in Texas, the Alexanders, was struggling. They had no food. We actually had no money, but we found ways to buy food, and we made dinners together with them.

There was a psychological toll—when I finished that first book, I had, I guess I would call it, a breakdown. My body basically gave out. . . . The doctor who had been in the Korean War said, "I saw this in Korea. You have adrenaline poisoning. You're body's still pumping out adrenaline like you're still out on the rails."

You learn to pace yourself, but there are several points in the last thirty-some years when I've been doing this, where I've basically abandoned this work for two to four years at a time and then come back to it.

KSR: That's probably one of the reasons why so many books on the Great Recession catch the "palace intrigue" of the top offices in

"WE KNEW IT WASN'T GOING TO GET BETTER. THERE WERE NO JOBS TO GO BACK TO."



PHOTO: MICHAEL WILLIAMSON

“THE SAD THING IS, THESE STORIES ARE HAPPENING EVERYWHERE AND THEY’RE NOT BEING COVERED. WE HAVE TO FIND WAYS TO COVER THEM.”

Wall Street and leaders in government, but so few stories come out actually about the people caught in the recession who are struggling to make ends meet. Do you think there are other reasons why this style of journalism is so hard?

MAHARIDGE: In fairness to the writers who are doing this work, there are some people out there doing this work. It’s hard to write about people suffering at the bottom.

Syndicated columnist Bob Greene, in the 1980s, had a line I’ll never forget about our first book. He said, “These kinds of books don’t exactly fly off the shelves into readers’ hands.”³ And so, getting a book like this published is not easy, but having said that, I think if you tell the stories in a compelling way, I think there is a market for them. I think that people do want to know. They’re not going to be best sellers, but you have to go out and do the work.

Back in the 1980s, we rode the freight trains. Today, the story has evolved and changed. The desperation that we saw on the streets and on the rails is now in the homes. And a lot of the homes are in the suburbs. And so, visually, you see this house in the suburbs. It looks nice, the grass on the lawn might be cut, the people look like anybody you’d see. [But then] you go inside and you see empty refrigerators. Michael and I saw this, over and over and over. It’s widespread, it’s hit the middle class, so it’s not as compelling visually as riding the freight trains. It’s a difficult story to tell.

I was in a food line in Michigan for the newest book, *Someplace Like America*, with Michael in 2009. There must have been a hundred and some people there. They could’ve been anybody in a shopping mall. You take those people and put them in a shopping mall in Anywhere, USA, and they were those people. They didn’t look desperate, they didn’t look homeless. The sad thing is, these stories are happening everywhere and they’re not being covered. We have to find ways to cover them.

KSR: One thing that has seemed to change recently has been the talk, both from the President and from Republicans like Congressman Paul Ryan, who have started to propose some policy ideas addressing poverty,



PHOTO: MICHAEL WILLIAMSON

"I THINK WE HAVE TO WALK IN THE SHOES OF OUR BROTHERS AND SISTERS."

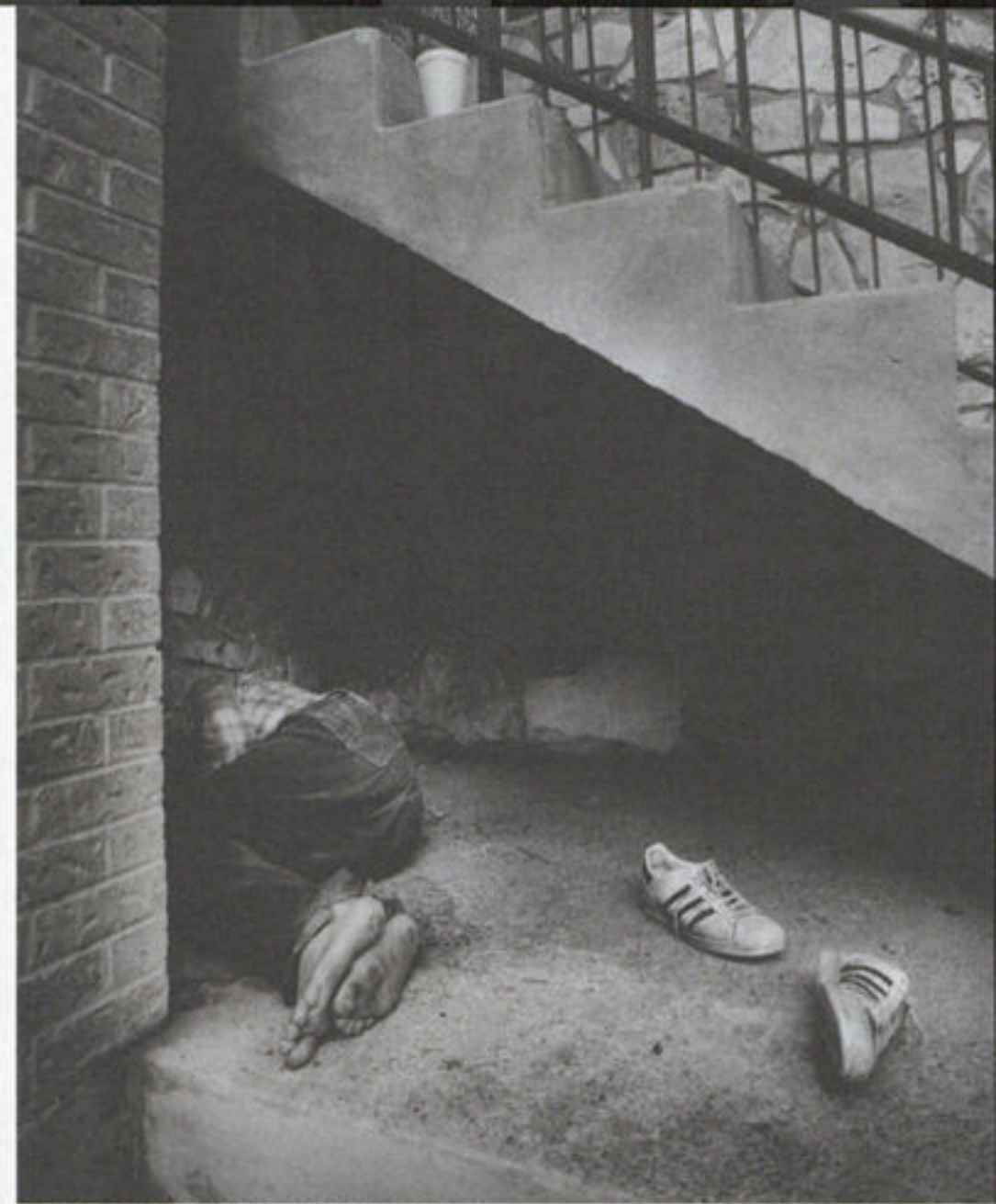


PHOTO: MICHAEL WILLIAMSON

growing inequality, and social mobility in the United States. What are your thoughts on some of these proposals that you've heard?

MAHARIDGE: You look at [Paul Ryan's] policies, which, what little he's let out . . . it's the same old bromides of free market incentives. The free market hasn't helped workers in this country in the last thirty years of paying attention to diminishing government involvement and letting businesses do what they want. I have very low expectations from the likes of Mr. Ryan.

Democrats aren't much better, in terms of forcing an agenda. When they were briefly in power of all branches of government . . . they didn't do anything. The minimum wage could've been raised at that point, and if the Democrats ever get in power again, I suspect it will be the same. . . . I'm disappointed in both parties. Clearly, the Republican Party more so, as they're maliciously against workers.

KSR: What are some of your thoughts on how U.S. policy makers can start making progress on this?

MAHARIDGE: I always go back to the 1930s. I'm a student of the 1930s. FDR—and he had many flaws, I don't canonize him at all—he recognized that you have to put money in people's hands if you're going to have a good economy. So he encouraged lower working hours, employ more people, don't hire people and make them work seventy to eighty hours a week—hire two workers [instead]. Collective bargaining, union rights, put more money in the hands of people.

One of the reasons the 1 percent has so much money now is that we've let workers' rights decline over the many decades. It's very simple—there's only so many dollars in an economy. If 50 percent of the money is in 10 percent of the hands, or 60 percent, that means it's not in the hands of people who live in Kansas or Iowa who can spend money and keep the economy going.

FDR's point was, get money in the hands of more people so they spend it. We have to go back to those sorts of policies. If we help workers organize and . . . let's say Walmart was unionized. The Walmart heirs [Walton family] have [over] \$100 billion in net worth. That's money that's not in the hands of their

1.4 million workers. If there had been collective bargaining that wasn't eroded and there was a union at Walmart, the Waltons may only have \$30 billion, not \$100 billion. It's not rocket science from a policy level.

KSR: What are some of the top lessons for students of policy that you think need to be shared and that they need to understand from your work?

MAHARIDGE: I think we have to walk in the shoes of our brothers and sisters. We get into our little elite worlds, and even though I've done this work, I can be as guilty of this as anybody. We think that everybody is just like us, where everyone is upwardly mobile. We're at Harvard and Columbia and Stanford, but the vast majority of the country is not us.

I look at [Massachusetts Senator] Elizabeth Warren and other leaders and politicians who have the ability to do this—to remind us about our brothers and sisters. If we could just do that even a little bit more, that would go a long way towards making a more egalitarian society. *KR*



PHOTO: DALE MAHARIDGE

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Innovating Schools

American School Reform for the 21st Century

by Mark Dlugash



One student prepares to run for elected office. Another has just finished an internship in a federal courthouse. A third is taking a college course on Kierkegaard.

These students are eighth graders.

Education can be transformative. And it can be transformed.

RETHINKING EDUCATION REFORM

Education reform has been an ongoing effort for the past thirty years—but is the movement focused on reforming the right things? School reformers have proposed a variety of policies, from implementing charter schools, to requiring school vouchers, to increasing funding for public schools, to raising standards, to lengthening the school day. Policy makers are inundated with potential “solutions” to school failure, each with its own proponents and detractors.

What if these approaches are misguided? What if the most important problem with school is the way that Americans organize and conceptualize school itself?

We are overlooking the most important reason why schools are not measuring up: they are based on a defunct educational model not suited to the 21st century. Ameri-

can education in both public and private schools has changed a great deal over time, but the core assumptions about how schools should be organized and how learning should work have persisted.

That model can be updated. A number of schools across the globe are now using incredibly innovative approaches while still meeting traditional accountability standards.

To improve the quality of education in this country, Americans will first need to grapple with what education has been, what it is now, and what it can be.

THE GOALS OF EDUCATION

What are the goals of education, and what should they be? In his groundbreaking article, education historian David Labaree writes about three competing goals in the



Breaker boys sort coal in an anthracite coal breaker near South Pittston, Pennsylvania, in 1911.
Photo: Lewis Hine for the National Child Labor Committee.

American educational system: (1) preparing students for democratic citizenship, (2) training workers effectively, and (3) enabling people to achieve social mobility.¹ He argues that these goals are all valuable but they sometimes conflict.²

These are attractive, aspirational goals for an educational system. A society with great citizens, great workers, and great success stories is certainly worth striving for. But how well is our educational system achieving these goals?

The voting rate in this country is very low,³ and most students do not know who their elected representatives are.⁴ Employers struggle to fill important jobs in math, computer science, and various technical fields. There are

STUDENTS SPEND THEIR TIME SITTING, LISTENING, AND PREPARING TO REGURGITATE WHAT THEY HAVE LEARNED.

still far too many students who are left unprepared for college or the labor force and for whom the American Dream remains out of reach.

It would be comforting to know that the attempts to reform the American educational system were at least on track to meet these goals. But the many national attempts to improve outcomes, including No Child Left Behind, Race to the Top, and the Common Core Standards, have decidedly mixed outcomes.

There is a strong case to be made that the majority of American schools today have their roots in an old model, developed in the highly specific historical context of industrialization and the Progressive Era. Understanding

that model can illuminate what the American educational system succeeds and fails at and how it can improve.

AN OUTDATED MODEL

The birth of the modern American public school dates back to the turn of the 20th century, from the Industrial Revolution to the Progressive Era of the early 1900s. This was an era of great optimism, utopianism, and commitment to using scientific methods to innovate public institutions. Chief among the goals of this era were rooting out corruption and inefficiency and modernizing infrastructure. Schools were faced with the task of integrating huge swaths of new immigrants and training them to be productive factory workers. This is why schools began to use bells to signify changing classes—to train an efficient workforce that could switch stations quickly. Schooling only lasted five years on average, and most children and adolescents did not attend, typically serving in the labor force instead.⁵ Ethnic and racial minorities were largely excluded. Among the legacies of this era are tracking students (to sort potential workers), dividing students by age group, and punishing students for calling out or not lining up properly—all with a goal of producing good workers and acquiescent citizens.

There are three particularly disturbing elements of this model that have persisted over time, a century later.

The first is what Brazilian educator Paulo Freire calls “banking education.” The teacher is conceptualized as the expert, full of knowledge to impart to students, passive receptacles to be filled.⁶ This can be seen in the common classroom layout in which the teacher stands at the front of the room, with the students looking on. Students spend

their time sitting, listening, and preparing to regurgitate what they have learned. This is often boring and disempowering, draining learning of its magic. For example, learning science could be about discovery, but instead it becomes a task of memorizing predigested concepts. Some students learn to adeptly jump through the hoops, while others abandon their classes or the subject matter entirely. But even those who seem to be succeeding are only succeeding at rote repetition.

The second is its focus on obedience. In many classrooms, students walk in, sit down, and are quiet for the majority of class. Students are required to raise their hand for the privilege to speak. They learn quickly to avoid ex-

pressing opinions with which the teacher disagrees. They are usually rewarded for acquiescing to authority and often punished for failing to do so. Education researcher Jean Anyon writes that this is part of the “hidden curriculum” of schools. Significant class time is spent not on learning but on discipline and norm induction. This kind of training seems counterproductive for the citizens of a democracy. If the goal is to produce a society of obedient workers, the United States may be succeeding. But the jobs of the 21st century demand the ability to think critically, to question the status quo, and to innovate.

The third is the one-size-fits-all curriculum. Students all learn the same things, surrounded by peers their age. They are expected to move at the Goldilocks pace: not too fast, not too slow, but just right. There is social stigma associated with being left behind, or alternatively, advancing too far ahead. Students are given very little leeway to choose what they are learning or to explore their own passions or interests. Is it any wonder school becomes a chore?

American schools can best be understood as social institutions rather than as academic ones: learning is only one goal among many. Disturbingly, schools are much like prisons: an uncomfortable mix of education, social engineering, warehousing, and punishment.⁷ Students are required to spend between six and seven hours a day at school, five days a week, nine to ten months of the year, for thirteen years. Why is 15,210 hours the right amount of time to spend in school (with little regard to how quickly students learn the material)? These things are not done because of the evidence, but rather because they are the norm.

American society would be better served by creating new models for the process of schooling itself—ones that are more evidence based, genuinely interesting to students, and effective.

NEW MODELS OF EDUCATION

Innovation Unit is a United Kingdom-based nonprofit that works to promote more innovative forms of education for the 21st century. Its recommendations include empowering students and families, developing more authentic assessments, and thinking outside the box.⁸ It has identified ten innovative schools and school systems that are still successful according to traditional accountability standards.

One school, Colegio Cardenal de Cracovia in Santiago, Chile, explicitly rejects obedience as a paradigm. Instead, it promotes democratic values in the most direct way possible. The school is run as an independent republic, with a political constitution, cabinet, and other gov-

ernment “ministries” made up of teachers, students, and parents. Students run the Departments of Education and Health, help operate the school’s police force and Ministry of Justice (holding trials for disciplinary action), and can run to become representatives. They also organize events during national holidays based on their cultural heritage and host a community public radio show to voice concerns and spark collective action in their communities. Far from paying lip service to “democracy,” this

SCHOOLS ARE MUCH LIKE PRISONS: AN UNCOMFORTABLE MIX OF EDUCATION, SOCIAL ENGINEERING, WAREHOUSING, AND PUNISHMENT.

school is all about democracy in action.

Another set of schools, run by Big Picture International (BPI), empowers students to pursue internships in their communities from a young age. BPI started in Rhode Island and now runs 131 schools in five countries: Australia, Canada, Israel, the Netherlands, and the United States. BPI focuses primarily on low-income communities: at the Met School in Rhode Island, the original BPI school, over 80 percent of students qualify for free school lunch.⁹ BPI students do internships in government and local businesses and carry out long-term projects in their fields of study. They drive their own learning. In consultation with parents and teachers, students create individualized learning plans and receive assessments through “journals, weekly check-in meetings, exhibitions, and an annual presentation of portfolios.” In the United States, these schools have a graduation rate of 92 percent, far exceeding the national rate of 66 percent.¹⁰

A third school system, Kunskapsskolan schools in Sweden, uses a flexible model that caters to individuals. Students take core classes online in modules and choose their own electives. They develop their own personalized education plan, setting long-term goals that they follow up on during weekly tutorial meetings. They can work at home or in one of Kunskapsskolan’s open study spaces or halls. Parents can follow their progress easily since all student tasks, results, and teacher comments are logged online. Not only is this schooling innovative and personalized, but the students outperform the national Swedish average assessment standard.

All of these schools exemplify a radical departure from the traditional American educational model. They

also each meet a goal for education described by Labaree: Colegio Cardenal promotes democracy in action, BPI prepares students for the workforce via direct participation, and Kunskapsskolan empowers students to follow their own paths at their own pace.

What about preparing students for *all* of the goals? Inevitably, these schools face trade-offs on which goals to prioritize. However, it stands to reason that a student who is academically prepared will be more equipped to enter the labor force. Those in the labor force are statistically more likely to vote, and those who are used to the norm of democracy are more likely to advocate for themselves in all phases of their lives. By excelling in preparing students on one goal, schools can advance the others.

These models are exciting for students because they give students the autonomy and the ability to shape their own destinies. In these schools, teachers are not the masters, but instead act as coaches and mentors. The models that these schools use are flexible, cost-effective, and exportable. They provide proof that seemingly unorthodox approaches can be effective on traditional accountability measures. Moreover, contrary to the concerns of some critics, these schools *do not* cost more than typical public schools. In fact, sometimes they cost less.¹¹ They represent great hope for the future prospects of American education reform.

WHY NOT INNOVATE?

Yet there should be skepticism that schools like these, no matter how inspiring and effective, will be enough to transform an educational system mired in tradition. There

have been many innovative schools before that did not spark widespread reform. Innovation is not automatically reproduced; change is a process, and a tricky one. There are three reasons why change is so difficult.

First, many prominent colleges and universities in this country still rely on the elements in the old education model. High schools, middle schools, and even elementary schools feel pressure to “prepare” students for the next level of schooling that they will encounter, and if those at the highest level use a certain method, the others will feel obligated to follow suit. If colleges and universities promote lecturing to large halls of students, teaching a one-size-fits-all curriculum, asking students to memorize by rote scientific and historical concepts, giving them multiple choice assessments, and incentivizing obedience rather than democracy in their classrooms, we can expect high, middle, and elementary schools to do the same. They may even face pressure from parents to do so. So putting pressure on the whole system of educational institutions in this country, starting at the university level, is key to any successful lasting reform.

Second, beliefs about school are so deeply rooted that it is difficult to imagine that education could take an entirely different form. Grades, lectures, exams, teachers in charge, same-age peers, and a set curriculum are all hallmarks of the American education system. It requires a high degree of commitment, self-belief, and radicalism for a principal to challenge this status quo. Ominously, those leading schools today have been brought up in schools of the past and may be most comfortable teaching in the style they were taught in, thereby perpetuating this model.



Goldilocks runs from the three bears.
Source: Mee, Arthur, and Holland
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Third, many may believe that “school reform” is already taking place. But most reform efforts do not target the old model of education as the thing most in need of reform. Little attention has been given to transforming the American educational model to meet the demands of the 21st century. There are some exciting programs and schools, but the vast majority of students are stuck in the same system. There is a risk that Americans will not get very much reform at all while believing that school reform is largely moving in the right direction.

Transforming the American educational model may sound radical, but it is the most prudent and sensible course. Reform efforts that do not attempt to update the current educational model, no matter how well intentioned, are unlikely to overcome its most important flaws. While school reform is still in the spotlight, we should spark a public dialogue over what 21st century education should look like. There is proof that new models can work. But we’ll need to fight for them. ^K_{AR}

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11 For example, Kunskapsskolan schools do not take any school fees from students—they use the same funding structures as Swedish public schools.

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The Job of SWAT: Understanding the Need for Special Weapons and Tactics Capabilities

A Review of *Rise of the Warrior Cop: The Militarization of America's Police Forces* by Radley Balko (PublicAffairs, 2013)

reviewed by Steven Sarao

IN 2005, I FOUND myself face-to-face with a man who was naked, crazed, and high on drugs. There were shards of glass all over the floor as my fellow police officers and I struggled to handcuff the man. After what felt like an eternity, the Emergency Service Unit (ESU) finally arrived. With the help of the ESU's specially trained officers and equipment, we were able to safely restrain the subject. This is just one of many experiences that highlight how police officers often need the on-site assistance provided by ESUs and Special Weapons and Tactics (SWAT) teams more generally.

In *Rise of the Warrior Cop*, Radley Balko fails to acknowledge the significance of this kind of support. He argues that the expansion of SWAT teams over the past several decades has gradually militarized U.S. police forces and eroded citizens' constitutional rights. An investigative reporter for the *Huffington Post*

and a former policy analyst at the Cato Institute, Balko has received positive acclaim for his coverage of civil liberties issues and the criminal justice system. Despite his familiarity with modern policing, Balko's most recent publication is one-sided and, at times, misleading. By failing to account for the full use of SWAT teams and the safeguards that have been implemented to protect citizens' rights, Balko neglects areas that are essential to an informed analysis of modern law enforcement.

Balko's argument rests on the shaky assumption that the Third Amendment—typically thought to apply to soldiers—can be used to assess the constitutionality of policing. In particular, Balko relies on a 2001 article in the *Seton Hall Constitutional Law Journal*, which suggests that our founding fathers would have viewed our current police departments as standing armies. When evaluating law enforcement policies,

however, legal scholars typically refer to the Fourth, Fifth, and Sixth Amendments and to case law that addresses issues such as the protection of privacy and the regulation of search and seizure. Aside from a brief reference to *Terry v. Ohio*, Balko fails to address landmark cases—such as *Adams v. Williams*, *Florida v. J.L.*, or *Brown v. Texas*—that have established the policies by which police departments actually operate. By continually referencing the Third Amendment, Balko has created an unresolved lacuna that craves well-accepted legal research supporting why armies and police departments should be treated as one and the same.

Balko's more substantiated arguments are in sections of the book that refer to specific legislation. In particular, he draws attention to the 1981 Military Cooperation with Civilian Law Enforcement Agencies Act that did blur the lines between the

military and law enforcement. In the final analysis, however, the military and police were determined to be quite different, based on fundamental distinctions between the wartime functions of military forces and the peacekeeping functions of a police department. Through case law, not our Constitution, we have accepted an investigative function within police departments. Legal scholars are clear that this is not implicit within our Constitution but rather has developed through case rulings. Our judicial system provides a long history of direction to professional policing and has provided the data necessary for a complete analysis of police militarization.

Also missing from Balko's analysis of police militarization is a broader discussion about the functions of SWAT teams outside of drug operations. In particular, while Balko suggests that SWAT teams were developed primarily to fight the drug war, he fails to acknowledge that SWAT teams were also developed to perform critical, lifesaving operations. On a daily basis, SWAT teams are relied upon to assist individuals attempting suicide, support first responders, and bring specialized skills and equipment directly to an incident scene. These roles are critical to any analysis of SWAT and should be addressed in Balko's argument regarding police militarization.

Balko does make a passing reference to the lifesaving functions of SWAT teams when he describes the 1974 standoff between the Los Angeles Police Department and the

Symbionese Liberation Army (SLA). In this situation, the SLA had caused fires to erupt and firefighters could not get close enough to fight the blaze because they faced gunfire from the SLA. SWAT officers could have been used to safely bring lifesaving and firefighting equipment to the scene while protecting themselves. In this section, Balko acknowledges the services provided by SWAT teams when police need on-site assistance. There is no further discussion, however, of these critical functions.

In addition, Balko makes broad claims about the roles and culture of SWAT teams based on data from limited geographic regions. By relying exclusively on data from West Coast agencies, Balko misses an opportunity to compare the usage of specialized personnel among the largest police departments and between different agencies. Additional data would have revealed that police departments must have a specialized unit to call upon when police officers need assistance, specialized training, or equipment.

Moreover, *Rise of the Warrior Cop* largely ignores the mechanisms for oversight and reform that are widely implemented across police departments. In addition to internal affairs bureaus and professional standards boards that exist to identify police misconduct, police departments are continually revising their

policies to reflect best practices. Uniform operational guidelines and standardized training recommendations, for example, have been adopted throughout the country, and significant reforms

POLICE DEPARTMENTS ARE CONTINUALLY REVISING THEIR POLICIES TO REFLECT BEST PRACTICES.

BALKO NEGLECTS AREAS THAT ARE ESSENTIAL TO AN INFORMED ANALYSIS OF MODERN LAW ENFORCEMENT.

ON A DAILY BASIS, SWAT TEAMS ARE RELIED UPON TO ASSIST INDIVIDUALS ATTEMPTING SUICIDE, SUPPORT FIRST RESPONDERS, AND BRING SPECIALIZED SKILLS AND EQUIPMENT DIRECTLY TO AN INCIDENT SCENE.

have resulted from the development of specialized units. By concentrating heavily on past failures and what went wrong, Balko ignores the procedural changes that were implemented as a result. Agencies consistently seek improvement, discipline their officers, and review their policies to discover new and improved ways of operating.

When Balko discusses police misconduct, he seems to suggest that we ought to blame SWAT units and possibly eliminate them, except in very limited situations. Coupling police misconduct with an argument regarding police militarization may seem appropriate, but the two topics are distinct and deserve their own independent analysis. Nevertheless, the end result in many of Balko's stories is that the alleged wrongdoings of officers were ultimately upheld within a court of law. Indeed, Balko rarely accepts the fact-finding and ultimate conclusion of the investigating or legal authority in place and often concentrates on dissenting opinions. Balko seems to write for liberals and the libertarians, who might be more inclined to support his call for stripping police departments of all but the essentials.

Despite these limitations, Balko does shed light on an important issue regarding the unique challenges faced by specialized teams in smaller towns. These challenges include the difficulty of properly screening candidates and offering sufficient training opportunities. Balko further points out that specialized units in smaller

agencies cannot offer an elite status when merely picking the best of a twenty-eight-member police department. Balko's point that smaller towns have greater challenges in forming specialized teams is worthy of reflection.

In addition, Balko's book does help the reader understand the mindset of SWAT personnel and the realities police face on a daily basis as they seek to balance the use of resources with professional standards and the rights of the community. These are complex and difficult problems, and Balko successfully includes them in his overall discussion. For example, his descriptions of the execution of a search warrant offers the reader a vivid understanding of how it might feel to be inside a home as a search warrant is executed—violent, quick, and with zero room for errors.

Overall, Balko offers a provocative review of the creation of SWAT teams but ignores critical information about the variety of their uses and relies too heavily on undeveloped legal scholarship. Unfortunately, Balko also misses a great opportunity to suggest best practices and offer specific solutions to the problems he highlights. Reform seems to be part of Balko's goals, but the pieces are left for the reader to put together amidst a book about police militarization that devotes very few pages to proposing improvements. *KR*

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Endnotes

1 The Third Amendment reads, in full: "No Soldier shall, in time of peace be quartered in any house, without the consent of the Owner, nor in time of war, but in a manner to be prescribed by law."

The Brand Advantage in Economic Development

Creating Unique Nation Brands to Promote Tourism, Trade, and Foreign Direct Investment *by Guido van Garderen*

THE MALAYSIAN GOVERNMENT had a challenge. The country was ready to receive tourists, but visitors to Asia went mostly to Thailand, Bali, China, or Japan. Malaysia wasn't top-of-mind when it came to booking a holiday. In fact, a brand strength assessment of Malaysia as a tourist destination revealed that most foreigners had no basic concept of the country's location, let alone what it stood for. How could Malaysia ensure that tourists would consider the country as a holiday destination?

In 1999, the Malaysia Tourism Promotion Board took action and launched the "Malaysia: Truly Asia" campaign. At first sight, the catchphrase seemed like a superficial slogan—but it served a strategic purpose. The tagline educated potential visitors that Malaysia is, in fact, a country in Asia. Moreover, the slogan implied that tourists would miss out on the true Asia if they skipped Malaysia. The consequent use of the catchphrase "Malaysia: Truly Asia" and various public and private initiatives contributed to a steady growth of tourist arrivals to a record 25 million in 2012. The country is now ranked 10th on the United Nations World Tourism Organization's list of most-visited countries.

"Malaysia: Truly Asia" is a classic example of a nation branding campaign focused on tourism, but the development of a nation brand is no longer the exclusive domain of tourism authorities. In an era of continuing globalization and increased competition between states, investment boards and trade

promotion agencies find that they have to go beyond merely creating the conditions for industries to prosper, since rival states can easily imitate these factors. It has become apparent that countries need to find a unique and sustainable competitive edge that is aligned with economic strategy and supported by public policy. A well-defined brand strategy helps countries gain a strategic long-term brand advantage. Unfortunately, nation branding often gets confused with short-term tactics, such as country commercials on CNN. These expensive advertisements often lack a consistent strategy and don't contribute to the creation of a true nation brand. So what is nation branding?



Photo: flickr/hazara



Photo: morguefile/khalednj

NATION BRANDING ISN'T THE HOLY GRAIL OF ECONOMIC DEVELOPMENT, BUT IT CAN PROVIDE A DISTINCT ADVANTAGE WHEN IT IS ALIGNED WITH A WELL-DEFINED ECONOMIC STRATEGY AND SUPPORTED BY PUBLIC POLICY.

A PROMISE OF LUXURY

A brand is, in essence, a promise. If a country or a city sells a promise to a tourist, business executive, or investor, it must deliver on that promise. For example, Dubai promises luxury. It started delivering on this promise in 1999 with the opening of the Burj Al Arab, often referred to as the only seven-star hotel in the world. The sail-shaped hotel became an instant symbol of excessive luxury, sending the implicit message that the standard for *all* hotels in Dubai is luxury. In 2007, the emirate reinforced its positioning strategy by building the Burj Khalifa, the tallest tower in the world that houses the first and only hotel designed by Giorgio Armani. Even the police force has embraced the luxury brand, recently acquiring a Lamborghini Aventador worth US \$450,000 to complement its fleet of police cars. These actions speak louder than words.

Dubai didn't inherit an Eiffel Tower, but the emirate was able to create a brand advantage based on its value proposition of luxury. This brand promise didn't come out of nowhere. It was rooted in the prevailing brand image of overindulgent sheiks in the Middle East. To signal its luxury positioning, it used symbols such as the Burj Al Arab instead of a logo, a Web site, an advertorial in *Newsweek*, or a commercial on CNN. The new brand identity was consistently managed even during the financial crisis, when the temptation to diversify was omnipresent. Dubai realized that brand strategy is as much about saying no as it is about saying yes. As a result, the brand advantage is undiluted, and Dubai consistently attracts tourists with high disposable incomes. Destinations in developing countries could achieve similar results if they consistently communicated their competitive edge to those abroad using striking symbols.

WHY FRANCE ATTRACTS 83 MILLION TOURISTS PER YEAR

Nation branding strategically steers the image of a country in order to stimulate tourism, increase trade, or attract companies and foreign direct investment (FDI). One way to think of a nation brand is as a set of associations. In other words, what attributes

A BRAND IS, IN ESSENCE, A PROMISE. IF A COUNTRY OR A CITY SELLS A PROMISE TO A TOURIST, A BUSINESS EXECUTIVE OR AN INVESTOR, IT MUST DELIVER ON THAT PROMISE.

instantly come to mind when you think of a certain country? A survey on the brand image of France, for example, revealed that the country is related to an average of 6.1 brand associations.¹ At a minimum, the country evokes images of the Eiffel Tower, wine, and fashion. These solid brand associations drive tourists to visit the “city of love,” motivate consumers to pay premium prices for a bottle of Bordeaux, and attract fashionistas to shop for the latest trends. France uses its brand advantage instead of depending on major promotional campaigns.

On the other hand, a developing country like Liberia evokes either no brand associations or merely negative ones, such as civil war, child soldiers, and poverty. This brand image deters tourism, trade, and investment, even though the West African country has been at peace for over a decade under the leadership of its president, Nobel laureate Ellen Johnson Sirleaf. There is a strong discrepancy between the brand image the country retains and the brand identity Liberia wants to convey. How can Liberia lose its negative brand associations, and what should the country become known for instead? What are the possible brand associations that are authentic, truthful, and recognized on the grassroots level, while at the same time stimulate tourism, trade, and FDI? In short, how can Liberia create a brand advantage?

FINDING A COMPETITIVE EDGE

Nation branding should be guided by the economic strategy of the country, but a clear economic focus that serves as a foundation for the nation brand isn't always present. Sometimes a nation brand needs some “Imagineering,” where one looks beyond “what is” and imagines “what could be.” For example, finding a tourism strategy at first seemed daunting for Liberia. As one of the

poorest countries in the world, Liberia lacked basic infrastructure and had expensive hotel rooms due to high energy prices. It evoked a persistent brand image of war and poverty and lacked striking landmarks, distinctive culture, and significant wildlife.

An assessment of the local prevailing brand associations, however, provided the basis for a new, authentic brand identity. Most citizens spoke of the 315 miles of golden beaches,² yet the fact that nearby destinations like Gambia and Senegal were already known for their beaches would make it difficult to attract tourists with such a similar proposition. Meanwhile, the assessment also revealed Lake Piso and Blue Lake as two other possible tourist destinations. But what kind of tourist would travel to a developing country, stay at no-frills hotels, and have an interest in a vast ocean, unexplored rivers, and virgin lakes? Here an idea started to emerge: American sport fishermen might enjoy navigating virgin territory and are already used to living in fishing camps and paying \$200 per day for a boat rental. Such a value proposition is authentic, recognized as such by locals, and



Photo: flickr/daxis

builds on the presence of an existing fleet of small fishing boats. Liberia could become known as the premier sport fishing destination in Africa, a claim that hasn't yet been staked by another African country.

With this initial concept in mind, Liberia must align its public policy with the new positioning strategy to create a more robust brand advantage. For example, a ban on commercial fishing would send a strong signal that Liberia is the sport fishing destination in Africa. The coastline would instantly become the largest sport fishing sanctuary in the world in spite of its very basic tourism infrastructure. The case study of Liberia demonstrates that a country doesn't need an extensive budget to attract tourism and foreign investment—but it does need commitment to create a brand advantage.

CUBAN CIGARS, SWISS WATCHES, AND CHILEAN WINES

Nation branding can also encourage trade through the country-of-origin effect. French wines, Cuban cigars, and Swiss watches are all perceived to be the best in their product category, which enables the local industry to use this brand advantage to ask for premium prices. Additionally, these brands are less vulnerable to competitors, since the country-of-

origin effect can't be replicated. As a result, these industry clusters have become more robust.

Surprisingly, Chilean wines often surpass French wines in blind taste tests, challenging the theory that being *better* is a viable strategy. When differences between products become arbitrary, perception of the brand dictates reality. But even if Chilean wines could consistently taste as good as their French counterparts, they wouldn't be able to create a similar brand experience. French wines are made in accordance with traditional fermentation processes; winemakers have passed on knowledge and experience through generations, and they label and protect their wines with widely recognized "terroir" names, such as Bordeaux and Champagne. So how could a challenger dethrone a product category winner? Chile realized that marketing, communication, and promotional activities were only short-term "brand-aids" and insignificant without an authentic and distinctive brand advantage. The country would need to find a brand advantage of its own.

Chile thus changed the narrative of the wine industry. The Chilean vineyards have a unique story, as they were the only vineyards untouched by the worldwide outbreak of Phylloxera in the 1800s. Chilean grapes are still grown on their original French rootstock.

Additionally, Chilean wine producers don't rely on traditional processing practices, but put their trust in science and technology to control and guarantee quality. The idea to segment wines based on grape variety and convey quality through a belief in science allowed Chile to change the narrative of wine to its benefit. Today, many consumers select their wines based on grape variety rather than terroir names. Although Bordeaux, Champagne and other brands remain strong, Merlot, Cabernet Sauvignon, and Chardonnay have now become household names. Chilean wines are increasingly sold at a premium prices, which in times of hardship creates a buffer against price fluctuations.



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LESSONS FROM CAREER BUILDING

The process of nation branding is surprisingly similar to how people intuitively build their careers. For example, both countries and people need to evaluate their capabilities

and decide at an early stage what industry they want to focus on. At the same time, they must also consider how many competitors are going after the same opportunity and if their desired industry will continue to generate jobs in the future. In short, both states and people need to choose an economic direction that accounts for competitiveness and future trends.

A second step toward a professional reputation or a coherent nation brand is building credibility. For example, young employment seekers obtain a diploma to signal a degree of understanding and they apply for internships to gain relevant work experience. These minimum requirements to enter a specific labor market are sometimes referred to as “table stakes”—a potential candidate must meet them in order to be considered for a job interview in the desired industry. Similarly, countries must meet table stakes if they wish to be considered by tourists, investors, and business executives. Here the term table stakes refers to everything that is expected of a country. For example, every business park should, at the very least, have well-maintained infrastructure, a stable supply of energy, and clearly defined property rights.

Most countries work very hard to become everything that is expected but forget that they also have to find ways to signal how they differ from competitors. In particular, business parks in developing countries need to differentiate themselves from comparable generic locations if they are determined to attract multinationals and FDI. For example, if Kenya wants to become the Silicon Valley of Africa, it should signal commitment with a unique government-led initiative like citywide free Wi-Fi in Nairobi. Such a noticeable public initiative would communicate louder than any advertorial in *Forbes* ever could. “Serengeti Valley” would still need to deliver on all of the expected facilities of a

COUNTRIES AROUND THE WORLD HAVE NOW STARTED TO REALIZE THAT NATION BRANDING DOES OFFER A DISTINCT ADVANTAGE.

business park, but at least the location would be noticed and considered.

Nation branding isn't the holy grail of economic development, but it can provide a distinct advantage when it is aligned with a well-defined economic strategy and supported by public policy. Countries around the world have now started to realize that nation branding works as a catalyst for growth. In 2011, President Barack Obama launched “Brand USA” to attract more tourists and “Select USA” to attract more investment. The U.S. Agency for International Development and the National Competitiveness Foundation of Armenia have just announced their intent to create a national brand for Armenia. The dominant model has shifted over time from absolute advantage to comparative advantage to competitive advantage. In a highly competitive environment, a well-defined brand strategy makes the difference. *KR*

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photo: flickr/brqnetwork

The Responsibility to Protect After Libya

Evolution and the Future of a Global Norm *by Saleh El Machnouk*

Six years after world leaders established the “responsibility to protect”¹ (RtoP) in the UN World Summit’s Outcome Document, the emerging norm was put to the test as Libyan leader Muammar Qaddafi attempted to crush the uprising that erupted in early 2011.² The result was two swift United Nations Security Council (UNSC) resolutions—1970 and 1973—and a NATO military operation that eventually led to the rebel forces’ overthrow of the Libyan dictator.³ Beginning in the first days of the operation, a fierce debate developed around whether or not RtoP was being properly applied, which in turn raised many questions about common interpretations of the norm and its future prospects.

THE LIBYA DEBATE OVER RTOP

The debate over whether the Libya intervention was an appropriate implementation of RtoP will undoubtedly have severe consequences on the future of the norm. The three essential controversies that mark this debate revolve around the following questions: Did NATO forces take advantage of the RtoP norm in order to impose regime change in Libya? Did arming the Libyan rebels fall within the RtoP norm? Was the application of RtoP in Libya undermined by the fact that there was an immediate resort to military action? By examining these questions, we can better understand the status of the RtoP norm at the beginning of the Libya crisis, as well as the effects the military operation had on the emerging norm.

Only eleven days after the first protests erupted in Libya, the Security Council met and issued resolution 1970, which called for sanctions on the Qaddafi regime and referred the case to the International Criminal Court (ICC).⁴ Nineteen days later, the Security Council met again and issued resolution 1973, which established the first no-fly zone ever imposed by the UNSC with the explicit aim of protecting civilians.⁵ It also authorized "all necessary measures" to "protect civilians." Both resolutions mention the Libyan authorities' "responsibility . . . to protect" their civilians.⁶ The swiftness of the UNSC action was commented on by U.S. representative at the UN Susan Rice: "I can't remember a time in recent memory when the Council has acted so swiftly, so decisively, and in unanimity on an urgent matter of international human rights."⁷

All of the above point in favor of the RtoP becoming an established norm, which affects the behavior of states in a variety of ways as the possibility of mass atrocities becomes known. However, two elements point in a different direction, suggesting

that RtoP is still in its infancy and faces considerable challenges in its evolution: the fact that the *international* community's responsibility to protect is not mentioned in resolutions 1970 and 1973, and that Russia, China, Brazil, and South Africa abstained from voting on resolution 1973.⁸ This indicates that the RtoP norm is not yet established in the foreign policy of these respective

independent of rebel efforts . . . the United States and its allies did bomb communication nodes . . . but at no point was there a comprehensive, systematic effort to decapitate the Libyan regime"¹²

Second, supporters of the military application of RtoP voiced concerns over the continued use of force after NATO had neutralized Libya's Air Force and stopped Qad-

THE DEBATE OVER WHETHER THE LIBYA INTERVENTION WAS AN APPROPRIATE IMPLEMENTATION OF RTOP WILL UNDOUBTEDLY HAVE SEVERE CONSEQUENCES ON THE FUTURE OF THE NORM.

countries, despite their acknowledgement in resolution 1970 that "the widespread and systematic attacks currently taking place in the Libyan Arab Jamahiriya against the civilian population may amount to *crimes against humanity*."⁹

In addition to the status of RtoP at the start of the Libyan intervention and whether or not it was seen as an established norm, or relied on at all, part of its future depends on interpretations of whether its application in Libya was appropriate given the choices made to arm the rebels and impose regime change. Along these lines, first, controversy resulted from the fact that some states argued that the "protection of civilians" was being used as a "smokescreen for regime change."¹⁰ After careful examination, however, this question seems both irrelevant and misleading. Even though the United States, France, and Britain called on Qaddafi to step down, an opinion similarly voiced by Russia,¹¹ there was no proof of "dedicated efforts at imposing regime change,

dafi's ground advance in Benghazi.¹³ While the theoretical aspect of this argument is compelling, how many civilians would have died had NATO stopped the bombing campaign following the regime's retreat from Benghazi and waited for the rebels to unilaterally defeat the regime?

Third, the choice to arm the rebels has sparked intense debate. Resolution 1973 clearly indicates the legality of using "all measures" to protect civilians "under threat" and makes an exception to the arms embargo imposed on Libya under resolution 1970.¹⁴ So there is no reason for which arming the rebels would not be viewed as a measure of protecting civilians, given that hundreds of defenseless Libyans were "systematically killed" in protests before the rebels began to militarily confront the regime.¹⁵ In addition, one must consider the almost certain possibility that the Qaddafi regime would commit massive and large-scale atrocities against antiregime civilians in the event of a military

WHAT SYRIA SHOWS IS THAT WHEN A VITAL NATIONAL INTEREST OF A VETO-POWER STATE IS AT STAKE—AS IS THE CASE WITH RUSSIA’S BELIEF THAT ASSAD SHOULD STAY IN POWER—RTO P IS NOTHING BUT A PARAGRAPH INSERTED INTO A SYMBOLIC DOCUMENT WITH LITTLE ACTUAL VALUE.

defeat of the rebel forces.

The last debate is over sequence, or the claim that the international community must prevent mass atrocities through peaceful means before resorting to military intervention.¹⁶ In the case of Libya, the counterargument is twofold. First, the events in Libya unfolded so unexpectedly that measures such as early warning mechanisms were irrelevant and so quickly that considerable diplomacy was unfeasible.¹⁷ Second, and more importantly, the international community attempted to use almost every nonmilitary tool at its disposal through Security Council resolution 1970, including sanctions, travel bans, asset freezes, arms embargo, and an ICC referral.¹⁸ This approach is perfectly aligned with the text of RtoP, which stipulates that the military option should be a last resort.¹⁹ Interestingly, the International Commission on Intervention and State Sovereignty (ICISS) report of 2001 addresses the issue of “last resort” by stating that not all other nonmilitary measures should have been tried, but all the measures should be assumed to have no chance of success.²⁰ When attempting to protect civilians from mass atrocities, time is of the essence.

Despite these debates, the Libyan case appears to be a near-ideal implementation of the RtoP norm, in that it fulfilled all the criteria enumerated in the ICISS report for an intervention to be legitimate. Procedurally, the UNSC legitimized the military operation. In terms of sequence, the Security Council tried all other possible options at its disposal before

resorting to the use of force. Operationally, the attack on Qaddafi’s forces achieved its goal of protecting civilians from mass atrocities. The loud objections voiced by countries such as Russia, China, and others seem to stem from two sources. First, it reflects their original disbelief and lack of enthusiasm for RtoP as an emerging norm because of ideological as well as national security considerations.²¹ Second, it illustrates their anxiousness about the occasionally necessary and unavoidable correlation between the RtoP and regime change. Consequently, whereas the Libyan experience should have strengthened the RtoP norm, it is precisely because of its success that it will face challenges and setbacks in the near future.

THE FUTURE OF RTO P

Despite of all the complaints that were voiced by different actors during and after the Libya operation, the RtoP principle has solidified its status as an emerging norm since there has been no reversal of the 2005 consensus.²² The principle that confirms that the international community has the responsibility to protect civilians from mass atrocities, in the event that the state fails to fulfill that responsibility, has not yet been directly and publicly challenged. But the devil rests in the details; during the Syrian crisis, many states used the Libyan experience as a justification for the failure of the international community to live up to its responsibilities under RtoP. However, what Syria

shows is that when a vital national interest of a veto-power state is at stake—as is the case with Russia’s belief that Syrian President Bashar al-Assad should stay in power—RtoP is nothing but a paragraph inserted into a symbolic document with little actual value.²³

The growth and solidification of any norm in international politics goes through three phases. The first is *norm emergence*, then *norm cascade*, and finally *internalization*, where the norm achieves near-universal conformity.²⁴ However, judging by the debate in both the Libyan and the Syrian crises, it is apparent that the RtoP norm is still in the early stages of phase two.

Where does RtoP go from here? It has been argued that the international community can meet serious operational challenges and conceptual disagreements relating to the means and methods of discharging RtoP, therefore greater effort should be focused on securing global consensus on the modalities of responding to humanitarian crises.²⁵ Although an effort to build consensus on the details of how civilians are protected from mass violations is undoubtedly necessary, this view must not ignore the widespread resistance to the principle itself within certain states, primarily because of its effects on the principle of absolute sovereignty.²⁶

In order to more firmly establish the RtoP norm, four steps could be undertaken. First, the Secretary General of the United Nations, in addition to supportive states and civil

society actors, should engage nations with reservations about RtoP or its applicability in a constructive public conversation on how to solidify RtoP. The burden of proof should fall on those who are unenthusiastic about RtoP, given that simply having a conservative interpretation or denouncing Western applications of norms are no longer sufficient reasons to reject them, especially for aspiring global powers.

Second, Western states, especially the United States, should engage in a process that establishes RtoP as an international norm, instead of treating it as an option that arises when mass atrocities are committed. This process would most certainly burden the United States with a responsibility to intervene even when it doesn't want to or cannot get engaged militarily. However, the burden of responsibility would fall upon the entire international community, and not solely the United States, and not intervening because of lack of international support or consensus would remain a viable option for the United States.

Third, building on the Syrian humanitarian catastrophe, and the discussion with concerned states, the Secretary General should choose the right moment to push the UN General Assembly toward adopting a resolution that would codify sovereignty as responsibility in the form of soft law, which would help prioritize the concept of saving human lives over traditional understanding of sovereignty. The responsibility to protect cannot and should not be held hostage by a handful of states that lack the political will to move forward on the issue. Therefore, whereas agreeing on the adoption of a text legitimizing RtoP in 2005 was a definite step in the right direction, the amount of contention that surrounds a topic such as RtoP necessitates further codification.

The fourth and last proposition is concerned with the details of RtoP



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WESTERN STATES, ESPECIALLY THE UNITED STATES, SHOULD ENGAGE IN A PROCESS THAT ESTABLISHES RTO P AS AN INTERNATIONAL NORM, INSTEAD OF TREATING IT AS AN OPTION THAT ARISES WHEN MASS ATROCITIES ARE COMMITTED.



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and the unavoidable disagreements that will arise in the application of the norm on a case-by-case basis. The ICISS report of 2001 mentions six criteria for military intervention under RtoP, and three of those six criteria are part of the 2005 document: the existence or strong possibility of mass atrocities, the use of force as a final resort, and the need for Security Council approval. In any case, there is only a limited amount of detail that the states can agree upon in principle, and leaving interpretation entirely up to individual states in the Security Council is unreasonable and provides the gateway for the politicization of an otherwise humanitarian issue. Instead, the international community should reach consensus on some form of arbitration mechanism to resolve disputes over interpretation of particular situations. Although no major power would transfer the legitimacy of using force from the Security Council to another international body, the opinion of that agreed-upon body would have

considerable impact on the process of norm implementation.

Undoubtedly, the events in Syria will convey the worst message possible to the world's remaining dictators. Given the geopolitical changes currently underway in global politics, the possibility of mass atrocities being committed will grow and the ability to deal with these crimes will become even more challenging. The real experiment remains, however, the ability of the RtoP norm to emerge from the recent events more mature and solidified, rather than suffer a streak of setbacks. *KR*

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Sovereign Wealth Fund Policy in the Information Age

by Will Hickey

WE LIVE IN AN INFORMATION- and knowledge-intensive world, with high populations of unskilled youth in overpopulated, developing countries. On the face of it, these are poor places; yet many of these countries have natural resources that generate huge cash windfalls. These countries should be investing more of their revenue in human capital development at home, instead of chasing financial investments and risky derivatives abroad.

The “resource curse”¹ describes developing countries rich in resources that have poor social and economic outcomes, including high rates of unemployment, corruption, and extreme poverty. Much has been written on the causes. One proposed is a deficit of civil engagement as resource wealth inoculates citizens from taxation and strips them of rights of participation in their own governments. Another reason is that these revenues accrue only to the elite in a society and the rest of the population is bereft of any claim to the resource wealth underfoot. Further, research suggests that highly centralized pools of money in developing countries tend to attract corruption.²

The resource curse can no longer be tolerated in the information age, where knowledge is the key to creating a new, more inclusive, type of development. A change in mindset is required. Investment in human capital should take priority over financial returns.³ There are several examples of economic juggernauts that have been created with investments in human capital, despite scant natural endowment, such as Switzerland, Singapore, Taiwan, or Israel. This article argues that the time has come for Sovereign

Wealth Funds (SWFs) to produce some meaningful results for their citizens today, instead of promises for tomorrow.

DEFINING SOVEREIGN WEALTH FUNDS

SWFs are state-owned and -controlled investment vehicles of stocks, bonds, property, precious metals, and other financial instruments including private equity investments. Worldwide, SWFs are now conservatively valued at around \$6 trillion (and perhaps as high as \$10 trillion).

Edwin Truman at the Peterson Institute, Ashby Monk at Oxford University, and Simon Johnson at the Massachusetts Institute of Technology (and former Vice Director of the International Monetary Fund) are prolific writers on SWFs. Truman defines an SWF as a separate pool of international assets in the forms of cash and equities mostly held by emerging economies. The governments of these emerging economies generally have more direct control of the international reserves than in developed countries. Johnson defines an SWF as a secretive vehicle to manage accumulated excess foreign exchange reserves, or foreign money from exports due to current account surpluses.⁴

HOW TO MEASURE SWF SIZE AND IMPACT

There are two types of SWFs: commodity based (the largest type, based on oil or mining reserves) and non-commodity based (based on exports or services). SWFs are also present in advanced economies, such



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as Norway, which has the second-largest SWF in the world (the Government Pension Fund Global), valued at approximately \$838 billion, and invested in almost 1 percent of all world equities. For simplicity, we limit this discussion to commodity-based SWFs in emerging economies, such as Angola or Kazakhstan.

Economic development of resource-rich developing countries is not best reflected in traditional finance tools like capital asset pricing models (CAPM), returns on equity (ROE), or returns on investment (ROI), but in skills programs that can connect unskilled youths with work. This is the core of the problem: inequality rooted in a lack of employment. Sovereign wealth funds should be used for human capital development as opposed to a sole focus of investing in physical and liquid assets only. Nonetheless, most economic literature and governmental policy targets financial returns exclusively. A new paradigm is needed that prioritizes human over financial capital.⁵

Improving education should be the primary goal for any nation focused on economic development, as this is how economies truly compete today and into the future.⁶ Nonetheless, the focus of SWFs, especially in developing countries, continues to be maximizing financial returns through portfolio

investments or hard asset purchases in other countries, essentially ignoring their own citizens.

FRAMEWORK

Three important frameworks for monitoring and standardizing SWFs have been proposed since 2007. Most apply to developing countries that have poor records of corruption, human rights, and transparency in order to promote responsible investment actors on the world stage.

The Edwin Truman Scoreboard

Edwin Truman developed, in 2007, a mathematical ranking for the international expectations of SWFs along four categories: structure, governance, accountability and transparency, and behavior. Most SWFs consistently scored low on one or more of the metrics; for example, the Government Investment Corporation SWF in Singapore was deemed low on transparency and behavior.

The Santiago Principles

These are the Generally Accepted Practices and Principles (GAPP) that, in 2007, responsible holders of SWFs worldwide agreed to in Chile. There are twenty-four GAPP, which can essentially be broken down into four ar-

A CHANGE IN MINDSET IS REQUIRED. INVESTMENT IN HUMAN CAPITAL SHOULD TAKE PRIORITY OVER FINANCIAL RETURNS.

as: a stable financial system, transparency and disclosure of holdings, economic and financial risks, and risk management and accountability. Some SWFs, such as Iran's, are noncompliant; others, such as Norway's, are highly accountable.

Andrew Ang SWF Benchmarks

Columbia Finance Professor Andrew Ang has written about four benchmarks of an SWF: legitimacy, intent, performance, and endurance (or time horizon) of the fund.

Ang mostly writes about SWFs from a purely financial perspective, in what he defines as "a mechanism for moving a country's savings and investments from the present to the future."⁷

With the exception of Truman's scoreboard ideal on transparency and accountability, none of the regarded frameworks mentions anything about developing, nurturing, or creating human capital inside an SWF's own domestic system. A matrix has been constructed to show this one-dimensional portrait of financial and economic concerns, to the detriment of domestically developing human capital (see Table 1).

FUTURE

The overarching idea behind SWFs is to provide for a "rainy day," or when the resource wealth runs out. The rainy day is today. "Future generation employment" is a consistent theme in SWF governing instruments. Consider that while Africa has some of the last untapped resource regions in the world, it also has unemployed youth (under age twenty-five) at over 30 percent in these regions with estimates as high as 70 percent in Sub-Saharan Africa.⁸

The world's best-performing assets are located in knowledge economies, such as America's high tech and aerospace; German cars, medicine, and chemicals; Korean TVs and mobile phones; or Swiss watches and metal tools. Yet SWFs persist in investing in financial assets only.

Any SWF scoreboard, benchmark, or principle must clearly reflect and enshrine a component of human resource development. Past history has shown that wealth and development do not "trickle down" but must be institutionalized in educational and developmental policy.

SOVEREIGNTY AND WEALTH POLICY

The inequality gap in countries with people rich in knowledge is growing exponentially wider than in countries with uneducated populations, who are being left behind.⁹ This is a worldwide problem, contributing to illegal immigration, resurging health epidemics, and currency policies that undermine regional

Table 1 — SWF Standards Matrix

SWF Categories	Santiago Principles (Main Goals)	Truman SWF Scoreboard	Ang SWF Benchmarks
Policy?	-Yes- Compliance	-Yes- Governance	-Yes- Legitimacy
Mission? (Institutionalized)	-Yes- Stability	-Yes- Structure	-Yes- Intent
Return on investment? (ROI or CAPM)	-Moderate- (Risk and return considerations)	-Yes- Behavior	-Yes- Performance
Timeline?	N/A	N/A	-Yes- Endurance
Human capital building?	-No-	-Moderate- Named as "transparency and accountability"	-No-

neighbors, such as currency devaluation. The bottom line is that all countries have to take notice of human capital development not only inside their own sovereign territory but also their neighbors' to avoid these pitfalls.

This is amplified in Joergen Moeller's ideal of cross-border "burden sharing" in the overpopulated world we live in.¹⁰ Simply, one country's problems cannot be kept neatly tucked inside its sovereign borders. Countries that gladly accept huge amounts of money from SWFs in developing nations also need to hold to account the investors if they are indifferent to the suffering next door, such as the United States accepting oil investment from Saudi Arabia, which borders resource-poor Yemen.¹¹

The current policy assumption thus is largely that the sovereign state is the best decider of how to build human capital inside its own borders. That used to be true, but the world has changed. The complexity of issues such as global warming, the illicit drug trade, cross-border migration, tax policy and investment breaks, outsourcing and labor mobility, and many more simply cannot be decided in a one-size-fits-all dimension of sovereignty. Spillover effects between borders and regions are real in all nation states today.

IMPLICATIONS AND POLICY RETHINK

Countries that are accepting this cross-border investment need to also be held accountable. In essence, "sovereign" wealth from nontransparent governments can no longer internationalize the social costs of bad policy while privatizing the profits among a tiny group of elites.

The goal of SWF policy should be to increase education and human capital formation in resource-rich countries with serious poverty and inequality gaps today. The developed world cannot afford to tolerate this type of cross-border behavior in the developing one without also addressing the complexity of the investing actor. SWFs must promote not merely returns on financial investments, but also paybacks on human capital development. That would be a truly valuable "return on investment." *JR*



Caption: Strip gold mine. Open cut hard rock mining (Kalgoorlie, Western Australia).
Source: Codrington, Stephen. *Planet Geography 3rd Edition*.
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THE OVERARCHING IDEA BEHIND SOVEREIGN WEALTH FUNDS IN DEVELOPING COUNTRIES IS TO PROVIDE FOR A "RAINY DAY." THE RAINY DAY IS TODAY.

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Legacies of the War of Poverty: A Review

Edited by Martha J. Bailey and Sheldon Danziger (Russell Sage Foundation, 2013)

reviewed by Rohan Mascarenhas



A speech delivered by President Lyndon Johnson on 8 January 1964 announced the beginning of a “war on poverty”—an “unconditional” effort for which nothing short of victory would be acceptable. “The richest nation on earth can afford to win it,” Johnson said in his first State of the Union address. By 25 January 1988, however, President Ronald Reagan proclaimed during his State of the Union address: “My friends, some years ago, the federal government declared a war on poverty, and poverty won. Today the federal government has fifty-nine major welfare programs and spends more than \$100 billion a year on them. What has all this money done? Well, too often it has only made poverty harder to escape.”

This year, 2014, marks the fiftieth anniversary of the war on poverty. Most of the commentary, even among liberal pundits, aligned more with Reagan’s critical review than Johnson’s idealism. During an interview with the *New Yorker*’s David Remnick, President Barack Obama argued that Reagan had advanced a legitimate critique of the “bloated” welfare state, which relied “too much on command and control, top-down government programs.”¹ It was a puzzling statement from a president who had spent much of 2013 bemoaning sequestration cuts to Head Start, a signature program of the war on poverty providing childcare and early education. And yet, Obama’s argument encapsulated the consensus about Johnson’s efforts—a perfectly praiseworthy endeavor, but

fundamentally flawed, misguided, and naive. This view is, however, largely wrong.

The latest research, compiled carefully in the new volume *Legacies of the War on Poverty*, convincingly argues that that era’s programs deserve more credit. Featuring contributions from some of the nation’s leading social policy scholars, the book is among the first to rigorously evaluate each major policy initiative of the war on poverty. It draws from newly released data, such as the U.S. Census Bureau’s more comprehensive Supplemental Poverty Measure (SPM), to outline a largely hopeful picture. Programs launched in the 1960s like Medicare and Medicaid, expansions to Social Security, and unprecedented spending on public housing, education, and welfare all delivered much-needed help and positively affected family outcomes beyond the nation’s poverty rate, such as educational attainment, food security, and improved health. While dense and occasionally technical, *Legacies of the War on Poverty* is an important reminder that ambitious policies can address seemingly intractable social problems.

Part of the problem with the previous discussions on the war on poverty is that they end after comparing the poverty rates of 1964 and 2013—19 and 15 percent, respectively. Means-tested programs, many created during the 1960s, cost the federal government about \$588 billion in 2012,² leading some to conclude that the war on



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poverty has been an expensive failure.

In their introduction to *Legacies*, editors Sheldon Danziger and Martha Bailey outline two compelling counterarguments to the notion that the war on poverty was lost. The trouble with focusing on the official poverty rate, they say, is that it offers a crude measurement of economic reality. Developed in the 1960s, the poverty rate measures a family's cash income, thereby ignoring the effect of non-cash transfers on a family's well-being, such as food stamps or tax credits. In 2010, the Census Bureau developed the Supplemental Poverty Measure to fill some of these measurement gaps, and a team of Columbia University researchers used it to offer a true comparison to the situation in the 1960s. The results are astonishing: in 1967, about 26 percent of families were poor, higher than the rate of 16 percent in 2013. In fact, without many of the programs established during the war on poverty, they forecast that the 2013 poverty rate would be 29 percent.³

Aside from dueling measures, *Legacies* draws out the two conflicting narratives about the relationship between poverty and welfare. In the conservative story, the war on poverty weakened incentives to join the labor market and created welfare dependency. The countervailing view is that reliance on welfare is indicative of a labor market that is not as financially rewarding as it used to be.

Writing in 1971, Robert Lampman, an economist who helped plan the war on poverty, argued that the

elimination of income poverty should be thought of as a “one-time operation in pursuit of a goal unique to this generation”—a goal that should be achieved *before 1980*.⁴ Reading these words in 2014, it is hard not to dismiss the war on poverty as based on a series of idealistic miscalculations. Danziger and Bailey, however, suggest that Lampman's projections were entirely realistic at the time. If the economic conditions of the two decades leading up to the 1960s—an unprecedented era of shared prosperity—had stayed in place, poverty would have declined dramatically. Instead, after 1973, slower economic growth, stagnant wages among low-skilled workers, rising inequality, changing marriage patterns, and the advent of mass incarceration all converged to keep the poverty rate high. “Many of the era's programs and policies significantly reduced poverty and increased opportunities,” Danziger and Bailey write, “even if they were not large enough to offset the increases in poverty due to other economic and demographic changes.”⁵


The focus on the traditional poverty rate as a barometer of success is misguided for another reason. The war on poverty represented a larger effort to help Americans who lived, as Johnson put it, “on the outskirts of hope—some because of their poverty and some because of their color.”⁶ Many of the programs enacted during the 1960s included small but notable efforts to encourage desegregation in American schools, housing, and hospitals, and any evaluation of these programs would be incomplete

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without citing their value to marginalized communities.

While it is rightly assumed that legislation such as the Civil Rights Act and the Voting Rights Act represented the main thrust of Johnson's civil rights agenda, *Legacies* unearths the critical contributions of his social programs. In their chapter on the Elementary and Secondary Education Act of 1965, Elizabeth Cascio and Sarah Reber note that the Johnson administration required Southern school districts to move a small percentage of Black students to White schools before they could receive federal funds. The requirements were relatively lax, but they "arguably set in motion the complete breakdown of the dual educational system in the South."⁷ Similarly, in her analysis of Medicare, Katherine Swartz argues that the threat of withholding Medicare payments from hospitals that violated civil rights guidelines partly led to the end of separate floors for White and Black patients by December 1966, just six months after Medicare became operational.⁸

The crucial insight of *Legacies* is that anti-poverty policies can make a difference—as in the case of poverty among older Americans, which fell from 35 percent in 1959 to below 10 percent in 2010.⁹ A crucial driver behind this trend was Social Security. Between 1964 and 1972, the average Social Security benefit rose by nearly 100 percent. In her chapter on the safety net for families, Jane Waldfogel also shares findings about the impact of food stamps, which were subject to cuts by Congress in the wake of the 2009 recession. In 2010, the child poverty rate would have been three percentage points higher without food stamps, and studies show that low-income individuals who had access to food stamps in childhood are less likely to experience obesity, high blood pressure, and diabetes as adults.¹⁰

By compiling critical data, *Legacies* argues that the conventional wisdom on the war on poverty is unfairly negative. The tone of the debate on poverty matters, especially now, as the United States struggles to recover fully from the Great Recession. Rather than evaluating the war on poverty as a success or failure, we should instead recognize that social policy is an iterative process that requires constant reevaluation, reflection, and political judgment. *Legacies* provides readers with the foundation to talk about the war on poverty as a unique, instructive moment in American policy—something to be built upon, rather than discarded. 

THE CRUCIAL INSIGHT OF LEGACIES IS THAT ANTI-POVERTY POLICIES CAN MAKE A DIFFERENCE.

Endnotes

- 1 Remnick, David. "Going the Distance: On and Off the Road with Barack Obama." *New Yorker*, 27 January 2014.
- 2 Congressional Budget Office. Growth in Means-Tested Programs and Tax Credits for Low-Income Households. Congressional Budget Office, February 2013.
- 3 Wimer, Christopher et al. Trends in Poverty with an Anchored Supplemental Poverty Measure. Working Paper, 5 December 2013.
- 4 Lampman, Robert J. *Ends and Means of Reducing Income Poverty*. Markham, 1971, 53.
- 5 Bailey, Martha, and Sheldon Danziger, eds. *Legacies of the War on Poverty*. Russell Sage Foundation, 2013, 25.
- 6 Lyndon Johnson. 1964 State of the Union address.
- 7 Cascio, Elizabeth, and Sarah Reber. "The K-12 Education Battle" in *Legacies of the War on Poverty*, 77.
- 8 Swartz, Katherine. "Medicare and Medicaid" in *Legacies of the War on Poverty*, 269.
- 9 McGarry, Kathleen. "The Safety Net for the Elderly" in *Legacies of the War on Poverty*, 179.
- 10 Waldfogel, Jane. "The Safety Net for Families with Children" in *Legacies of the War on Poverty*, 156-157.

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