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HARVARD Kennedy School

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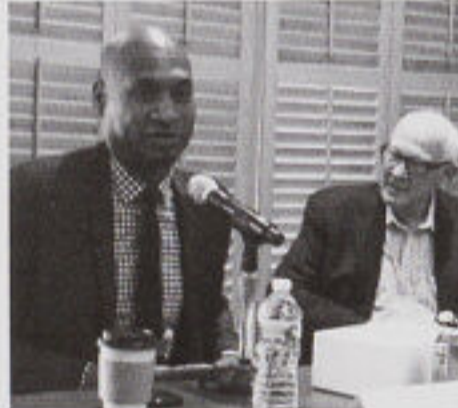
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Celebrating 75 Years

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Celebrating 15 Years

The *Kennedy School Review* began in February 2000 as a generalist publication for students to share their policy analyses and proposals beyond the Kennedy School campus. Launched in earnest by a team of three editors—Andrew Laming, Finbarr Livesey, and Lynne Lyman—with faculty support, the journal is now run by an editing team of seventeen. Over the past fifteen years, we have published more than 300 student articles on topics ranging from US presidential elections to human rights in North Korea to education reform. Our pieces reflect the diversity of perspectives and people that pass through the Kennedy School.

In the preface to the inaugural edition of the *Kennedy School Review*, the then Kennedy School Dean Joseph S. Nye, Jr. wrote: “Perhaps [the journal’s] most valuable feature is its archival value. It is representative of the work of the school at the beginning of the new millennium.” The first edition came out just months before *Bush v. Gore* and more than a year before the September 11th attacks. Rereading it today reminds us of how much has changed since that time.

The early editions also remind us of the policy areas where continued attention, analysis, and energy are needed. In 2001, Michael Passante lamented in “Reforming Campaign Finance” that \$3 billion was spent in the 2000 election cycle, noting that “if the 2000 election illustrates anything about campaign finance, it is that the numerous loopholes are out of control.” Since that time, Patrick Kibbe has written for our blog on how *Citizens United v. FEC* and *McCutcheon and the Republican National Committee v. FEC* have moved the campaign finance environment in the opposite direction of Passante’s original recommendations. Campaign spending is not the only area that continues to need attention fifteen years later. Poverty alleviation, criminal justice reform, international relations, education reform, and environmental policy have all attracted the energies of Kennedy School students over the past two decades.

As a staff, we believe the journal has a responsibility to the students of the Kennedy School. In an increasingly chaotic world of print and online communication, students need to clearly communicate their policy ideas and the deliberations behind the decisions they make. Our hope is that each year more student authors are provided the opportunity to do so.

In the spirit of encouraging real-time policy debate, the journal’s staff launched a blog in 2012. The blog has given us flexibility to share additional student perspectives on critical policy events, from the US State of the Union Address to the merger of two major telecommunications firms and its influence on consumers’ Internet access.

This 2015 edition of the *Kennedy School Review* includes nineteen articles covering topics ranging from affordable housing to big data to the Millennium Development Goals. While we no longer organize the journal around a particular theme, you’ll find that certain trends appear across the 2015 edition: the potential for technology to improve everything from education to national security; the need for government reform and innovation; and the ongoing need for policy action to aid the most vulnerable populations in the United States and abroad. Some of the articles present recommendations for emerging policy areas, while others return our attention to persistent challenges in need of new energy and innovative solutions.

For our 2015 editing team, the journal is more than the articles we publish. We hope this issue will nurture the type of thoughtful, creative, and diverse discussions that we've come to know and love during our time here. We are grateful to those first three editors in 2000 for founding the *Kennedy School Review* because their vision ultimately created a community for us on campus that has endured fifteen years later.

While this issue marks the end of our tenure with the *Kennedy School Review*, as future policymakers we look forward to being challenged, learning from the next fifteen issues and seeing the journal grow.

Sarah Allin, Editor-in-Chief, MPP '15

Amelia Mitchell, Print Journal Managing Editor, MPP '15

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US Infrastructure Public-Private Partnerships

Ready for Takeoff?

by Andrew Deye

POLICY ISSUE OVERVIEW

THE UNITED STATES, once a global leader in infrastructure competitiveness, now ranks 16th.¹ The decline shows no signs of abating as federal, state, and local funds for infrastructure remain constrained, and government resources remain centered on health care, social security, and defense.²

Underinvesting in existing and new infrastructure reduces the productive capacity of the US economy. The United States could eliminate this major drag on economic growth and protect against a \$3.1 trillion loss in gross domestic product (GDP) through sizable infrastructure investments through 2020, according to a 2013 study by the American Society of Civil Engineers.³ Additionally, there are serious safety concerns about US infrastructure, as evidenced by events such as the I-35W bridge collapse in Minnesota, which took the lives of 13 people and injured 145 others in 2007.⁴ For both economic and safety reasons, improving US infrastructure should be a bipartisan imperative for the 114th Congress and President Obama.

In an era of limited federal funding for infrastructure, public-

private partnerships (P3s) are an increasingly used tool for US state and local governments to bridge resource gaps. This article explores key P3 trends and takeaways from the past decade in the United States and analyzes some of the factors that will determine industry growth going forward. The article also offers specific, tangible evidence of the benefits of P3s in the United States. Specifically, the outcomes achieved on a toll road project in Florida (I-595), a container terminal expansion in the Port of Baltimore (Seagirt), and a new courthouse development in southern California (Long Beach) demonstrate that significant public value can be created through the responsible fusion of private and public sector resources.

PUBLIC-PRIVATE PARTNERSHIPS DEFINED

Numerous definitions of P3s exist. A particularly informative definition comes from PPP Canada, an independent element of the Canadian government, which defines a P3 as a “long-term, performance-based approach to procuring public infrastructure where the private sector assumes a major share of the risks in terms of financing and construc-

tion and ensuring effective performance.”⁵ To further categorize P3s, the presented data on the US market in this article relate to Design-Build-Finance-Operate-Maintain (DB-FOM) concessions and transactions with similar mechanics.⁶

THE DECADE IN REVIEW

Since the catalyzing \$1.8 billion Chicago Skyway lease was completed ten years ago, the US P3 market has developed dramatically. From 2005 to 2014, forty-eight infrastructure P3 transactions with an aggregate value of \$61 billion reached the formal announcement phase. Of the forty-eight deals, forty transactions—or more than 80 percent—successfully closed. 2012 was the busiest year on record for P3s that reached financial close, with nine such transactions achieving completion during the year. A summary of historical transaction activity is included in Table 1.

Despite a sizable and growing track record, P3 skeptics often narrowly focus on the handful of announced transactions that did not close—most notably, Texas’ \$3.5 billion SH-121 (2007), the \$12.8 billion Pennsylvania Turnpike lease (2008), the \$452 million Pittsburgh

US P3 Market: Decade in Review

	2005-2014
<i>Announced Transactions</i>	48
<i>Announced Transaction Value</i>	\$60.7 billion
<i>Completed Transactions</i>	40
<i>Completed Transaction Value</i>	\$39.0 billion

Table 1 Note: Presented data limited to DBFOM & similar transactions. Sources: Publicly-disclosed transaction documents, InfraAmericas.

Parking concession (2010), and the \$2.5 billion Chicago Midway Airport lease (2009, 2013).⁷ The most common thread in these unsuccessful P3 initiatives is a lack of political consensus to support the underlying project through to completion. If a jurisdiction is divided on partisan or other lines as to whether a P3 is the correct approach, it reduces both the chances of success and the appetite of bidders to present attractive proposals. Without a real consensus at

also played a fundamental role. In 2008 and 2009, the global financial crisis profoundly reshaped the US P3 market. Prior to the crisis, only ten infrastructure P3 transactions had been announced, reflecting the industry's nascent stage. The vast majority of P3s from 2005 to 2007 were privatization-style transactions involving "brownfield," or existing assets. In such transactions, the private sector assumed significant risks and underwrote aggressive assump-

Since the crisis, the US infrastructure P3 market has almost entirely shifted away from "brownfield" transactions in favor of "greenfield," i.e., new-build projects. In a greenfield context, the primary value of the P3 model comes not from monetizing an asset, but rather from delivering a needed project more effectively. Such projects are often tendered by governments as "availability-payment" transactions, which entitle a developer/private consortium to receive periodic payments as long as the asset is "available" to the public at the standards set forth in the contract. Since the first US availability-payment P3 closed in 2009 (the \$1.9 billion I-595 express lanes in Florida), a host of other jurisdictions including the state of Indiana and the state of California have successfully used the model, which remains prevalent in Europe, Canada, and Australia.¹⁰ In the United States, the most recent availability-payment transaction to close was the \$2.3 billion I-4 Ultimate project in central Florida, the largest completed P3 of 2014.¹¹

"FOR BOTH ECONOMIC AND SAFETY REASONS, IMPROVING US INFRASTRUCTURE SHOULD BE A BIPARTISAN IMPERATIVE FOR THE 114TH CONGRESS AND PRESIDENT OBAMA."

the outset, history suggests that the risk of a P3 being thwarted or mischaracterized by opponents is high. This is true even at the local level in cities that enjoy "municipal home rule," which generally provides broad legal authority and protection from interference at the state level.⁸

Political risk, however, was not the only defining characteristic in the early years of the US P3 industry. Financial market conditions

regarding future levels of demand. The largest completed P3 of the pre-financial crisis was the \$3.8 billion lease of the 157-mile Indiana Toll Road, which is now undergoing a financial restructuring via Chapter 11 bankruptcy.⁹ At this point, such privatization transactions—which were highly politicized despite the private sector overpaying—appear to be a relic of the credit bubble and financial history.

Overall, the US P3 market has successfully transformed from its early days. Transaction structures have steadily changed as governments balance proceeds potential, risk allocation, project delivery costs, and other policy considerations. In this context, the current market for P3s remains robust, as underscored by diverse transaction activity across the United States (see Figure 1).

US P3 Transaction Activity

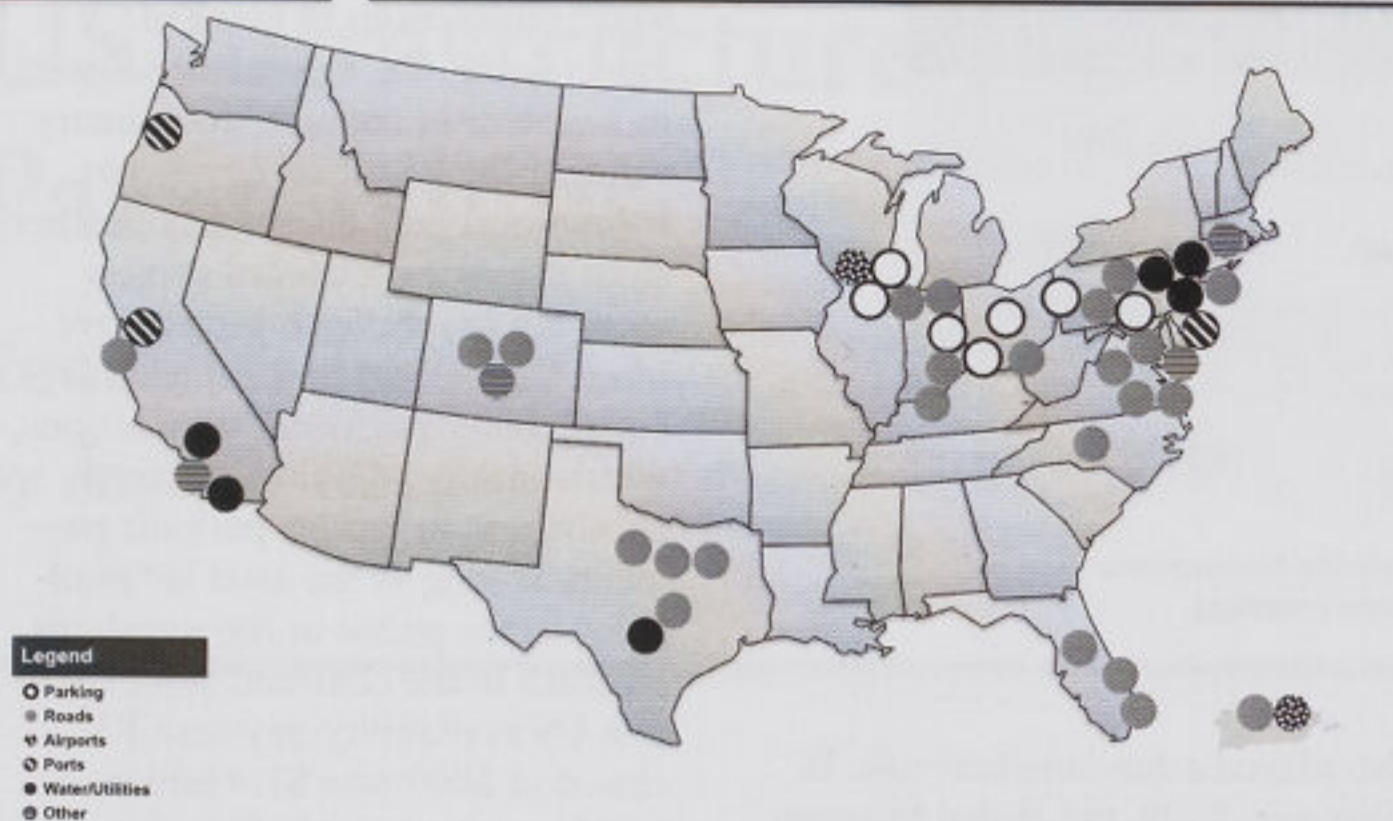


Figure 1

LOOKING AHEAD

In a September 2014 report, Moody's Investors Service stated, "the United States has the potential to become the largest P3 market in the world, given the sheer size of its infrastructure."¹² The extent to which this statement will hold true depends on at least three factors:

1. Political cycles, particularly the implications of gubernatorial elections;
2. The federal government's continued ability to offer loans and other forms of financial assistance in P3 transactions; and
3. The extent to which other funding sources (e.g., gas taxes) grow and lessen the catalysts for P3s.

Political Cycles

In terms of political cycles, it is instructive to look at a case study involving the state of Ohio and the Commonwealth of Kentucky. Since 2012, Ohio Governor John Kasich and Kentucky Governor Steve Beshear have led a bipartisan effort to

build a new bridge between Cincinnati, Ohio, and Covington, Kentucky. Specifically, the states issued a request for information regarding the \$2.6 billion Brent Spence Bridge Corridor (which carries as much as 4 percent of US GDP¹³) in 2012 and completed a detailed options

The Brent Spence Bridge crosses the Ohio River between Cincinnati, Ohio, and Covington, Kentucky. (Source: "Cincinnati's Brent Spence Bridge" by PunkToad, licensed under CC BY 2.0 from Flickr)



analysis in 2013, which included a P3 alternative.¹⁴ Yet, despite the bipartisan leadership over a multi-year period, the Kentucky legislature has yet to pass a P3 bill that would allow tolls on the new, to-be-built bridge. Governor Beshear, now in his last year in office, is actively seeking to persuade the legislature to pass a bill to enable tolls and a P3 bid process. Ultimately, if a bid process moves forward, a nationally significant transportation project will be added to the US P3 register. Alternatively, if politics continue to prevent progress, the Brent Spence Bridge initiative could result in zero growth for the P3 market.¹⁵

A host of other potential P3 projects share this recurring problem of "political limbo," including the long-envisioned Illiana Expressway south of Chicago. In that case, the recently elected Governor of Illinois, Bruce Rauner, issued an executive order suspending planning and development of any major interstate construction projects pending additional cost/benefit analyses.¹⁶

Federal Support

For transportation projects, the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, originally enacted in 1998, plays an essential role in the

"IN FLORIDA, THE I-595 [PUBLIC-PRIVATE PARTNERSHIP] PROVIDED CAPACITY IMPROVEMENTS FIFTEEN YEARS SOONER THAN A CONVENTIONAL PLAN WOULD HAVE OFFERED."

US P3 market by providing "credit assistance for qualified projects of regional and national significance."¹⁷ Particularly since the financial crisis (and in light of a 2012 expansion of its lending capacity), TIFIA has been instrumental in facilitating P3 activity.¹⁸ Select high-profile projects since 2012 that contained a large TIFIA component included Goethals Bridge (\$474 million), Ohio River Bridges (\$452 million), I-95 HOT Lanes (\$300 million), and Presidio Parkway (\$150 million), among others.¹⁹ Indeed, without TIFIA, such projects would not have been feasible as P3s. Thus, the extent to which TIFIA assistance remains readily available going forward will directly affect the level of P3 activity. Similarly, in the water and wastewater sector, the recently established five-year Water Infrastructure Finance and Innovation Act (WIFIA) offers hope that new project delivery models can take hold in that subsector as well.²⁰

In addition to federal loan programs, the Obama administration recently announced that it would propose "the creation of an innovative new kind of municipal bond, Qualified Public Infrastructure

Bonds (QPIBs)."²¹ If approved as conceptualized, QPIBs would offer a low-cost financing tool to increase private participation in building US infrastructure. Unlike Private Activity Bonds (PAB), QPIBs would

have no issuance caps. The overall impact of QPIBs would be to allow P3s, including transactions involving long-term leases and management contracts, to take advantage of the benefits of municipal bonds.²² If QPIBs are indeed approved by Congress and the President, "brownfield" P3s in particular could

reemerge as a source of new infrastructure funding.²³

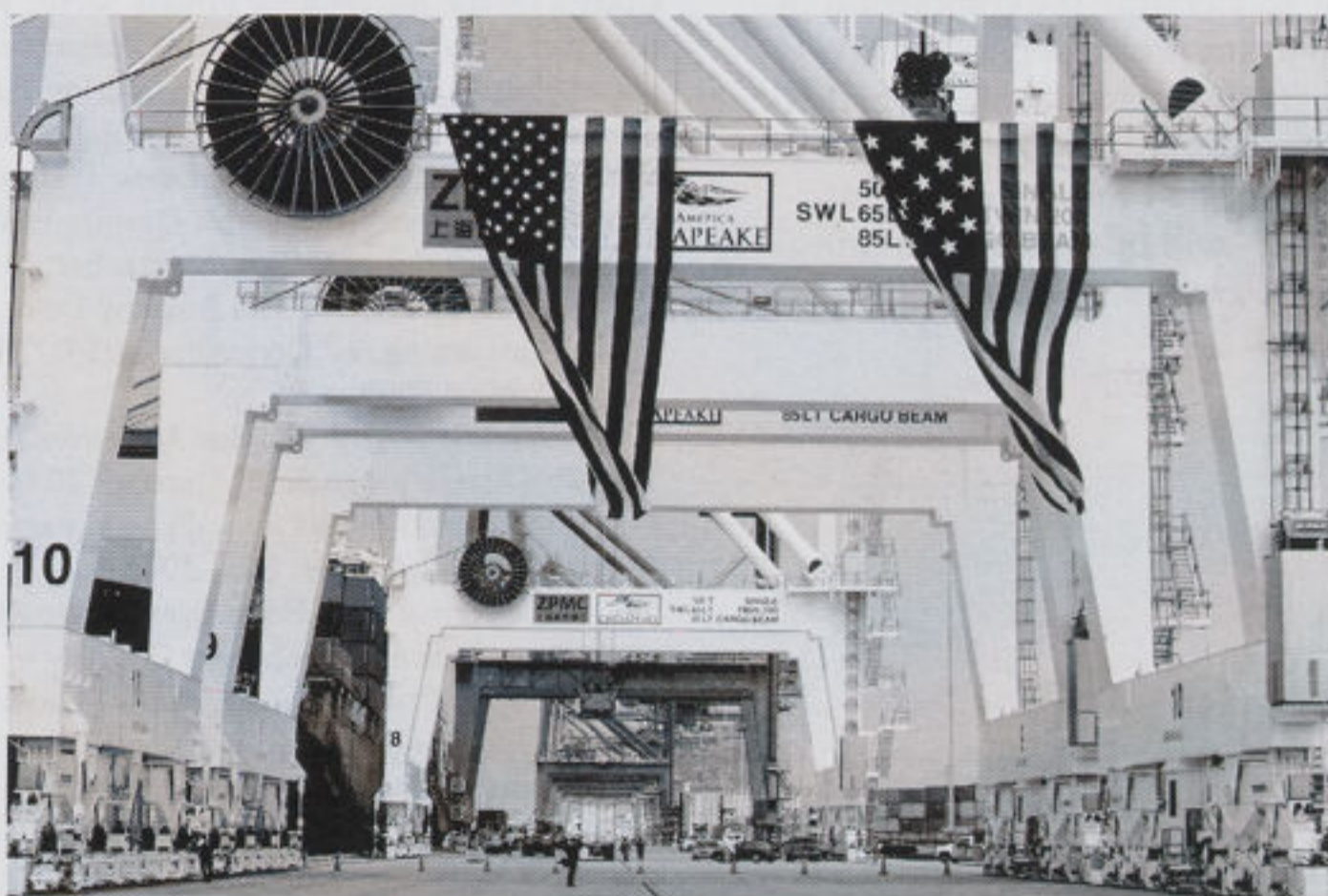
Other Funding Sources

Lastly, it is important to convey that P3s do not operate in a policy vacuum. Policymakers have a range of options to raise money to pay for infrastructure. For instance, if the federal government were to increase the federal excise tax on gasoline of 18.4 cents per gallon, the incremental funding streams to the states could decrease the overall appetite to pursue P3s. However, the federal gas tax has remained unchanged since 1993, and such a scenario is unlikely in the near-term. Indeed, even President Obama recently weighed in stating, "In fairness to members of Congress, votes on gas tax are really tough."²⁴

CONCLUSION

At a conceptual level, the primary drivers of infrastructure P3s—new sources of capital, cost savings, risk transfer, and accountability—remain strong. Government

Flags decorate the port for the Seagirt Marine Terminal's Crane Arrival Celebration in 2013. (Source: "Seagirt Marine Terminal's Crane Arrival Celebration" by Maryland GovPics, licensed under CC BY 2.0 from Flickr)



officials at all levels (federal, state, and local) continue to operate in an environment of constrained financial resources and citizen expectations for efficient and timely operations. In Florida, the I-595 P3 provided capacity improvements *fifteen years* sooner than a conventional plan would have offered.²⁵ In Maryland, an innovative expansion of the Seagirt Marine Terminal in the Port of Baltimore was completed two years ahead of schedule due to the P3 model.²⁶ As a result, the Port of Baltimore is only the second port on the US East Coast to have unrestricted access to both a fully functioning 50-foot channel and 50-foot berth.²⁷ In California, the Administrative Office of the Courts used a P3 to deliver a new 531,000-square-foot courthouse in Long Beach ahead of schedule and under budget.²⁸ While many other successful case studies exist, these three examples—I-595, Port of Baltimore, and Long Beach Courthouse—provide tangible evidence of the value creation potential of P3s in the United States.

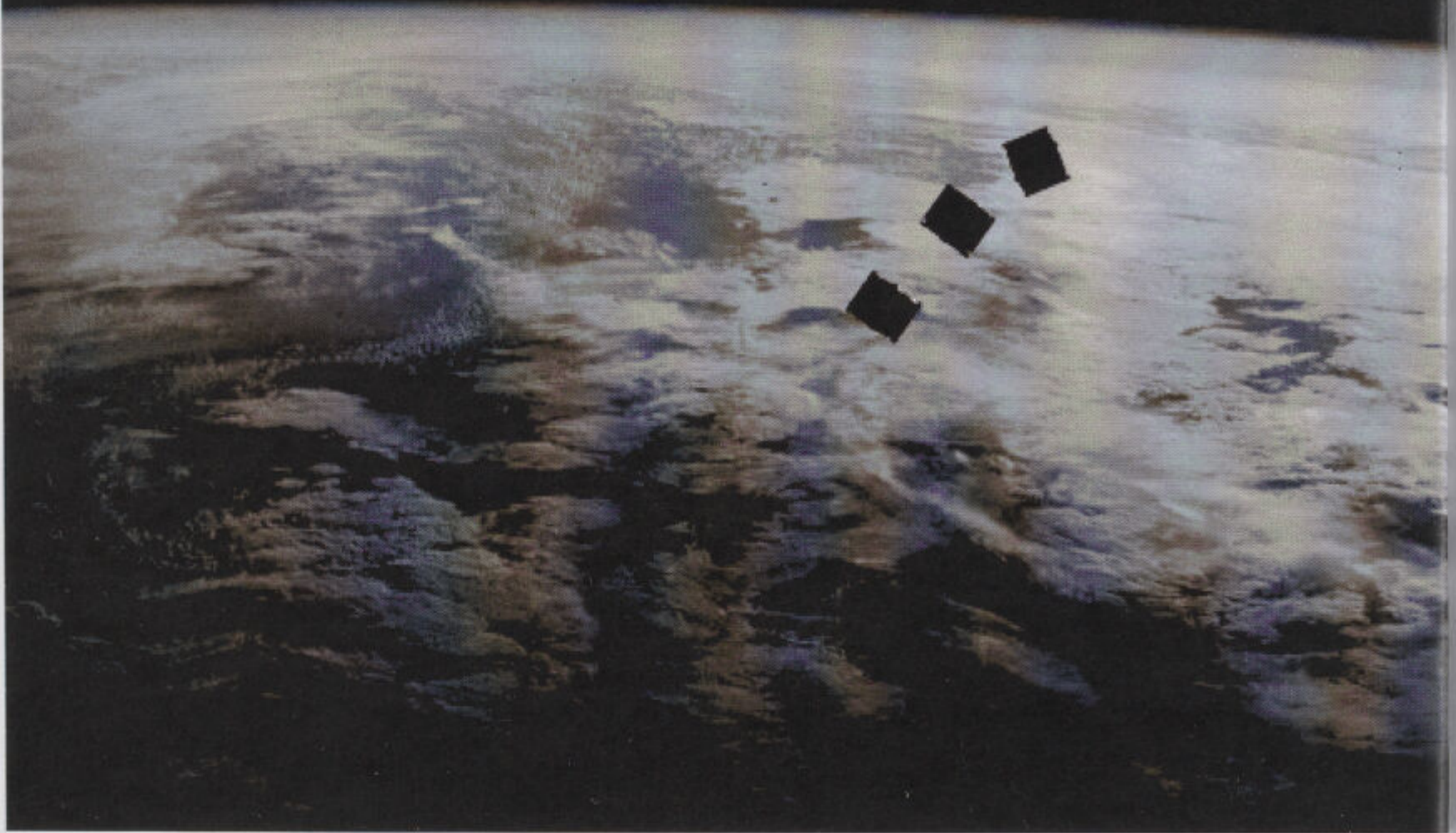
In sum, the United States cannot expect to have an “A” economy with “D+” infrastructure.²⁹ P3s, while not a comprehensive policy solution, can help the United States “make the grade” going forward by enabling and accelerating the completion of important projects. A supportive federal government role—whether through existing programs like TIFIA or new initiatives such as QPIBs—will be critical to continuing the growth trajectory of the US market. *HR*

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CubeSats floating over Earth. (Source: ISS/NASA)

Space Technology Trends and Implications for National Security

by Jesse Hampton

THE DEMOCRATIZATION OF SPACE is already underway. The twenty-first century is witnessing a rapid acceleration in both the development of space and satellite technology and the availability of this technology to countries, corporations, and individuals. Advances in technology allow large and expensive capabilities to fit on smaller, lighter, and cheaper platforms. Simultaneously, advanced imagery and communications technologies previously available to only a select few wealthy, spacefaring nations are now proliferating to new countries and even companies. Tiny satellites called CubeSats are spreading to schools, governments, and corporations and performing the tasks of large traditional satellites at a fraction of the cost. This poses a significant challenge to the American notion of space superiority. The United States takes for granted its dominance in the conventional domains of air, land, and sea. Its supremacy in space will be challenged as these new technologies proliferate

to users around the globe, creating rapid, affordable space access for all. In the midst of these dynamics, US national security policy remains mired in an outdated paradigm of space and has not adapted to the changing geopolitical reality.

A Cold War model—in which the use of space was largely strategic and threats to American satellite systems were limited (primarily from the Soviet Union)—continues to shape the US approach to space. As space entered a more dynamic environment after the fall of the Soviet Union, the United States became more dependent on space, especially commercial and civil systems. Today, new technological advances such as cheap, high-definition satellite imagery, competitors to the Global Positioning System (GPS), and the massive growth of CubeSats are rapidly altering the space landscape. Space is increasingly accessible to the rest of the world, and thus the future risk to American space superiority is broader than nation-states like Russia and China. The United States needs to embrace this democratization of space and move away from massive and expensive military-centric space platforms and towards cheaper, more innovative systems and better private solutions.

SATELLITE NAVIGATION IN THE TWENTY-FIRST CENTURY

The evolution of GPS is a prime example of how the United States remains rooted in a static space mentality. Originally conceived as a navigation fix for ballistic missile submarines, GPS was conceived, built, and operated by the Department of Defense (DoD). The best signal was originally reserved solely for military use, until President Reagan and later President Clinton solidified the provision of GPS as a free, public good without signal restrictions. Today, GPS is part of our everyday lives, and its commercial utility is on par with its military applications. The next decade, however, will see foreign satellite navigation systems emerge as serious competitors to America's GPS monopoly. Europe (Galileo), Russia (GLONASS), and China (Compass) will likely have global coverage by 2020 and are aggressively going after shares of the satellite navigation market. GPS is suffering from DoD budget shortfalls and its next-generation satellites are falling behind schedule.¹

The erosion of America's GPS monopoly will have significant consequences for national security. As other countries develop competing systems, satellite navigation technology will proliferate to foreign militaries as

well as shrink the global market share of GPS. Potential adversaries like Russia and China can now develop high-precision weaponry and reduce their vulnerability to a US jamming in the event of a conflict. China's rapid development of anti-access/area denial capabilities to defeat the US Navy in the Pacific revolves around a new class of anti-ship missiles that relies upon its growing satellite constellation for guidance and communication coverage.²

The US government currently regulates and controls the exports of GPS receivers for national security reasons. Receivers capable of operating at high speeds and altitudes are classified as weapons and fall under export control restrictions.³ New Russian and Chinese systems are unlikely to be subject to the same stringent export controls as GPS, and high-precision navigation technology for weapons is likely to proliferate.

Other countries may also turn to Russian or Chinese systems to guarantee service in the event of a conflict. Pakistan signed on to Compass in 2013, partly due to concerns over the availability of GPS from the United States in a nuclear scenario.⁴

As more countries start to bring their own national satellite navigation systems online, they will throw the full weight of their governments and budgets behind promoting them. Although GPS is still likely to be the primary market player for the foreseeable future, it will no longer be the dominant option. As a result, the United States should reconsider whether GPS is still worth being a DoD owned and operated system, provided to the world free of charge. The United Kingdom and Germany have already pioneered the commercial outsourcing of their military satellite communication systems.⁵ Moving to a partially civilian or even private system would better serve the important commercial role of the GPS while still protecting national security interests.

SPACE AND INTERNATIONAL POLITICS

The United States' position as a space power grows less unique as more countries around the world invest in space every year. Fifty-eight countries spent over ten million US dollars on space in 2013, compared to thirty-seven million in 2003. Twenty-two additional countries have plans for future space investment, bringing the total to eighty countries with space programs and ambitions.⁶ This trend indicates that governments see space as a valuable investment in support of social, scientific, economic, and strategic goals. It is also a signal that access to space is becoming easier and more attractive, and the era of space dominance enjoyed by traditional economic

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powers is rapidly coming to a close. Although the United States remains the world's largest space program, its share of global spending is at its lowest point in history: 54 percent in 2013 compared to 75 percent in 2000.⁷

As the rest of the world invests in space, the US space industry is struggling to compete in the global space market and to export space systems and technologies, even to close allies. Only in June 2014 did the State Department declassify many commercial space technologies as weapons and open the door to international exports.⁸ The market in the developing world presents a tremendous opportunity for the US economy and industrial base. Just as importantly, building a close business relationship around space can lead to strong political ties and influence. Thus far, the United States has missed this opportunity while its competitors are racing ahead. Years of sanctions mean that space and diplomacy rarely are in the same conversation, and fears over technology transfer risks persist. Russia, Europe, and others are already aggressively courting wealthy countries with space ambitions such as Brazil and nations in the Middle East.

The United States should look to space as a cornerstone of future bilateral technology deals, especially with emerging economic powers. The United States has a vital strategic partnership with India that it is attempting to cement through closer military and commercial ties, including defense equipment. India's young space industry has immense economic potential, and if Russia, France, or other nations can meet their needs before the United States, a tremendous strategic and commercial opportunity will be lost. The 2005 US-India Civil Nuclear Agreement was a watershed milestone for both countries and set the tone for US-India relations for the next decade. An analogous agreement around space technology and launch services could have a similar game-changing impact on the strategic relationship. American diplomatic strategy should aggressively pursue these types of international space deals to build its economic power as well as its "soft power" around the globe.

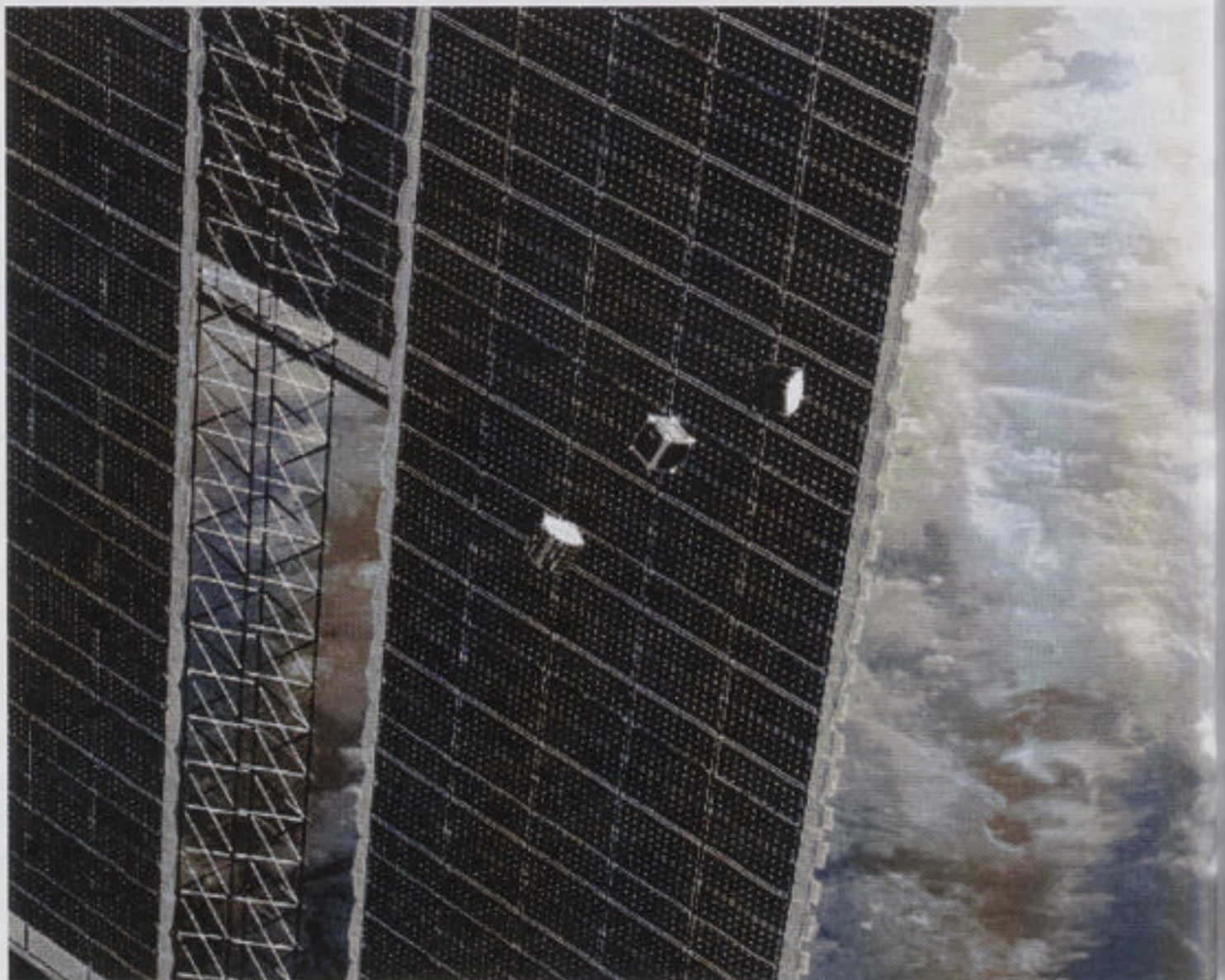
THE SMALL SATELLITE REVOLUTION

A revolution in cheap, lightweight, and efficient technology is rapidly bringing down the cost and increasing the capabilities of satel-

lites. Microsatellites under 100 kg are becoming increasingly popular among startup technology companies, especially the CubeSat standard (10 cm x 10 cm x 10 cm units under 5 kg). Fully assembled CubeSats can be purchased online for under \$100,000. The small satellite revolution is being driven by the private sector, not governments. Startups have found a niche with small satellites' low cost and short timelines allowing cutting-edge technologies to be placed into space more quickly. CubeSats can be launched with six-month-old computers, whereas large satellites dependent on changing government budgets and requirements are often launched with ten-year-old computers.⁹ There were ninety-three attempted nanosatellite (1–10 kg) deliveries in 2013, an incredible 330 percent increase from 2012, and the trend is expected to grow exponentially.¹⁰

The impact of the small satellite revolution on national security remains unclear. Although the capabilities of small satellites continue to grow as their cost falls, questions remain about their viability as a legitimate alternative to traditional large satellites. There are limits to the miniaturization of payloads, particularly in power and communication. However, budget shortfalls mean that the United States needs to invest in cheaper solutions to meet strategic goals. Worldview-2, a high-resolution earth observation satellite, costs about \$400 million to build with an estimated lifespan of eight years. A new

Launch of three CubeSats. (Source: NASA)



EQUALLY CONCERNING IS THE POTENTIAL FOR TERRORIST GROUPS TO USE COMMERCIAL IMAGERY FOR SURVEILLANCE OF POSSIBLE TARGETS.

startup called Skybox Imaging, recently acquired by Google, built a small satellite with nearly equal capabilities for less than \$50 million that will last four years.¹¹

Cheaper, smaller satellites offer significant opportunities as gap fillers for the US military to meet urgent battlefield requirements. Small satellites do not have to compete with large satellite systems, but they can provide a rapid, affordable surge capacity during conflicts. One attempt is a DARPA (Defense Advanced Research Projects Agency) program called SeeMe, whose aim is to launch an inexpensive constellation of roughly two dozen disposable, small satellites to provide near-real-time (no older than ninety minutes) imagery directly to an individual soldier's handheld device.¹² Although various military agencies are developing innovative space technology programs, there is no attempt to integrate these systems into larger military doctrine. Ultimately, small satellites need to be integrated into warfighting at all operational levels, not just seen as a special niche capability.

IMAGERY FOR ALL

The private sector is also racing ahead of governments in satellite imagery using small satellites. Due to the limited number of imagery satellites and US government priority over demand, ordering an image of a specific place on earth can take weeks, or even months. New companies like Planet Labs and Skybox use small satellite constellations to offer resolutions from 1–3 m and revisit rates of multiple times per day.¹³ The Commerce Department's recent decision to allow the sale of images under .5 cm resolution should spur further innovation in the market.¹⁴ Skybox's first satellite, SkySat-1, has already released the first full HD video from space. As competition grows, the next decade may see commercial imagery available under \$2/square km (compared to over \$20/square km today).

The impact of cheap, commercially available imagery will be far-reaching. The abundant availability of this data has significant disruptive potential, especially in the financial sector. In 2010, analysts at UBS used satellite photos of Walmart parking lots to estimate the company's sales before its quarterly earnings were released.¹⁵ The applications are nearly unlimited—watching Foxconn's manufacturing facility to determine when the next

iPhone is released, measuring the moisture content of cornfields to predict price changes, or conducting surveillance of a US embassy before an attack.

European, Chinese, Israeli, and other foreign firms are following suit in the earth observation market. Foreign militaries will be able to bypass American controls on the export of images and use high-resolution photographs for military reconnaissance. The US military has historically faced a low threat from foreign aerial surveillance, with only a few advanced countries able to afford reconnaissance satellites (usually with limited coverage areas and low resolution). Now, adversaries such as Iran and North Korea can potentially access photos of sensitive military sites. Equally concerning is the potential for terrorist groups to use commercial imagery for surveillance of possible targets. Persistent overhead surveillance is the new reality, and as a result, the United States needs to adapt its security posture and defensive mindset.

WHERE SHOULD THE UNITED STATES GO?

Even though the United States is leading the innovations in space through the private sector, the military remains rooted in Cold War thinking and has failed to keep up with the pace of technology, particularly small satellites. The rest of the world is moving towards leveraging cheaper solutions to gain an asymmetric advantage. The United States needs to embrace the private sector and better integrate space technology into diplomatic and economic partnership building. Europe has already moved towards partial privatization of its military imagery and communication satellite systems, but the United States remains committed to total DoD control over national security space operations, even GPS. New private companies such as SpaceX are also shaking up the launch market, dramatically reducing costs and timelines to orbit. Until the United States embraces these disruptive space elements, its space platforms will continue down an unsustainable path of rising costs and lengthy development. As space technology evolves at an accelerating rate, so too must US national space policy. *HR*

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Motivated by the Masses

Social Information as a Policy Tool

by Vivien Caetano and Syon Bhanot

THOMAS EDISON, the pioneering American inventor, was not much of a sleeper—he claimed to sleep no more than four hours a day.¹ Undoubtedly, few people today would willingly adopt his sleep schedule, given the documented adverse health effects of sleep deprivation (at least for most of us).² Notably, Harvard Medical School studies suggest that sleeping less than six to eight hours per night can cause a variety of health problems—decreased productivity, impaired judgment, and workplace accidents.³ But let's imagine for a moment if, in today's research-driven society, there was not much research on the impact of sleep deprivation. Imagine all we had was a single case study: Thomas Edison, a prolific inventor who did not sleep. Surely, public policy around work and leisure would be quite different.

Fortunately, policymaking is increasingly guided by evidence from research and not anecdotes about inventors. The growing emphasis on evidence-based policy has turned many policymakers toward behavioral economics, a field that explores humans' systematically irrational behavior. Many of the policy suggestions stemming from behavioral studies are simple, intuitive, and cost-effective, offering real guidance for policymakers. A notable example is "Save More Tomorrow," an intervention developed by behavioral economists Richard Thaler and Shlomo Benartzi to tackle the problem of insufficient savings.⁴ The program, tested at three firms, offered employees the option to commit in advance to allocating a portion of future pay increases to retirement savings. The intervention had a major impact, inducing far more

employees to save (and save more) for retirement than they had previously.

However, research that tests behavioral concepts in the real world is relatively new, and many published experiments only provide evidence for interventions in very specific contexts. In many cases, the available evidence is insufficient to make sweeping claims about the underlying dynamics of human responses to behavioral interventions. Thus, policymakers should be wary of overgeneralizing the results of a single study.

One subfield of behavioral economics research, social information motivation (the idea that individuals are influenced by information about the behavior of those around them), is a useful case study. The existing research in this area is increasingly influencing decision makers in both the private and public sectors. However, while the academic results that get the most headlines emphasize the efficacy of social information, there are many unanswered questions and mixed results. Policymakers seeking to use social information as a policy tool must assess the nuances of these results, which reveal that social information can backfire in ways that have serious consequences for policy.

SOCIAL INFORMATION

Studies suggest that information about others' actions or beliefs can be a powerful motivator. This idea has its roots in psychology and sociology. Simply put, social information gives people something to latch onto when making a decision, allowing them to more easily decide how to behave. Social scientists put this to the test in the real world,

hoping to better understand how social information influences decision making. For example, a 2008 study tested the impact of social information on towel reuse in hotels. The researchers found that in-room messaging claiming that 75 percent of hotel guests reused their towels increased towel reuse by 44 percent relative to a message about the importance of environmental protection.⁵ A

for promoting behavioral change, often using social information. These teams primarily use large-scale experiments to understand behavior in policy-relevant settings. A pioneer in this area is the United Kingdom, where the Behavioral Insights Team (BIT) conducts dozens of policy experiments across the UK at any given time, with powerful results. For example, BIT used a randomized trial to

POLICYMAKERS SEEKING TO USE SOCIAL INFORMATION AS A POLICY TOOL MUST ASSESS THE NUANCES OF THESE RESULTS, WHICH REVEAL THAT SOCIAL INFORMATION CAN BACKFIRE IN WAYS THAT HAVE SERIOUS CONSEQUENCES FOR POLICY.

similar 2013 study tested social norms in a grocery store. The study found that learning that others believe using shopping bags is a worthwhile way to help the environment decreased the number of plastic bags used.⁶ These simple studies offer valuable insight into the effects of social information on everyday decisions.

Studies like these have allowed social information to gain traction among policymakers as a low-cost way to change behavior. For example, a recent influential paper by Hunt Allcott finds that sending letters to households that compare their energy use to the broader community decreases energy use by around 2 percent on average.⁷ This has resulted in the widespread adoption of this technique by electricity utilities across the United States. Another study in Michigan found that a mailer comparing a household's recent voting record to its neighbors' was the most effective way to encourage voter turnout (outperforming other mailers with messages that appealed to, among other things, civic duty.)⁸ This result prompted MoveOn.org to send "Voter Report Cards" to targeted households in 2012, providing precisely this sort of information.⁹

This research has prompted governments to bring behavioral scientists into the policymaking process. In the last few years, a number of countries have built behavioral teams tasked with finding low-cost methods

determine the best way to encourage tax payment. They found that messages that prime social motivators—like "Most people with a debt like yours have paid it by now"—are most effective in increasing tax payment among delinquent taxpayers. The researchers suggest that these messages succeeded because they leveraged the power of social norms.¹⁰ Studies like this represent a huge step forward for evidence-based policy.

Save our planet. (Source: "Save our planet" by Dan McKay, licensed under CC BY 2.0 from Flickr)



That said, in many cases, these studies only suggest that a given intervention worked with specific people in specific situations. Sometimes, this is all that matters—the UK government wanted to find the best way to motivate its residents to pay their taxes, which the BIT experiments determined. However, there is no guarantee that their results can be replicated elsewhere. The truth is that researchers do not fully understand the underlying dynamics of why social information works and can only speculate why it did in most cases. Social norms messaging may work with hotel towels, Michigan voters, and tax messaging in the UK—just as five hours of sleep worked for Thomas Edison. Until responses to social information are better understood, policymakers should not overreach in applying one experiment's findings to different populations.

The good news is that the needed research on social information's effects is ongoing. For example, recent academic work suggests that the way social information is presented plays a major role in dictating behavioral response.

households consuming more than the average and increasing energy use by households consuming less than the average. Behavioral scientists call the adverse response by low-energy use households the “boomerang effect”—by sharing social norms, you may provide a justification for high performers to slide back to the pack. However, the study also used a second variant of the hangers that included a “smiley face” alongside the social information. This offset the boomerang effect among high performers.¹² Why?

Researchers argue that the key difference is whether social information is conveyed with judgment. Framing a behavior as socially unacceptable (an injunctive message) and simply describing what most people do (a descriptive message) can have drastically different effects. In this case, an injunctive message led people to veer away from the undesirable behavior, whereas a descriptive message spurred undesirable behavior from otherwise well-performing households. Social information backfires when it suggests that an undesirable behavior is pervasive—increasing the likelihood that individuals will

SOCIAL INFORMATION BACKFIRES WHEN IT SUGGESTS THAT AN UNDESIRABLE BEHAVIOR IS PERVASIVE—INCREASING THE LIKELIHOOD THAT INDIVIDUALS WILL ENGAGE IN THAT BEHAVIOR. HOWEVER, A SIMPLE DESIGN CHOICE—A SMILEY FACE CONVEYING SOCIAL APPROVAL—SEEMS TO CHANGE PEOPLE'S EVERYDAY DECISIONS.

FRAMING AND THE BOOMERANG EFFECT

One way to change how individuals perceive a message is to change the way in which it is presented. For example, a seminal paper by P. Wesley Schultz and coauthors demonstrates that social information's frame is central to its efficacy.¹¹ The study used door hangers that compared a household's energy use to the average use in its neighborhood. This treatment pulled people towards the social norm, decreasing energy use by

engage in that behavior. However, a simple design choice—a smiley face conveying social approval—seems to change people's everyday decisions.

Other studies have counteracted the boomerang effect by varying the framing of social information messages in other ways. For example, Bhanot finds, in a 2014 study encouraging water conservation, that the boomerang effect is counteracted by triggering high performers' competitive spirit.¹³ In the study, adding a competitive frame

to social information (i.e., victory ribbons and messaging urging homes to “go for the win!”) prevented the boomerang effect among already efficient homes.

However, we cannot be sure that these tricks will always work. Studies conducted so far are either not natural field experiments, which means the people in the study knew they were being studied (as was the case in the Schultz study), or were conducted in unique contexts, like drought-ridden California (as in Bhanot’s). More research is needed to understand how the response to framing differs based on individual-level characteristics so that policymakers can more accurately predict the impact of such tweaked messaging in new contexts.

DEMOTIVATING EFFECTS

On the other end of the spectrum, one might expect the magnetic power of social information to encourage low achievers to correct their behavior. The evidence on this is also mixed. While some studies find this effect, others find that social information can actually worsen the behaviors of low performers.¹⁴ For example, when low-saving individuals learned that most of their peers were enrolled in a savings program, they reacted by saving less.¹⁵ Social scientists attribute this response to “learned helplessness” or to the discouraging effect of upward social comparison.¹⁶ Similarly, in Bhanot, households who learned that they ranked last in a competitive comparison of water use with peers reacted by increasing their water use. In other words, a competitive peer comparison induced a demotivating and detrimental “last place effect.”¹⁷

The ability of social information to demotivate strugglers is also supported by literature on self-efficacy, which explains that what others say can influence individuals’ beliefs about their abilities. It can be disheartening to hear that you are bad at something, and you might respond to this information by giving up and not trying to improve. This relates to a widely studied concept in social psychology—stereotype threat, originally documented by Steele and Aronson.¹⁸ They found that African-American students did not perform as well on tests when reminded of the stereotypes against them. A related

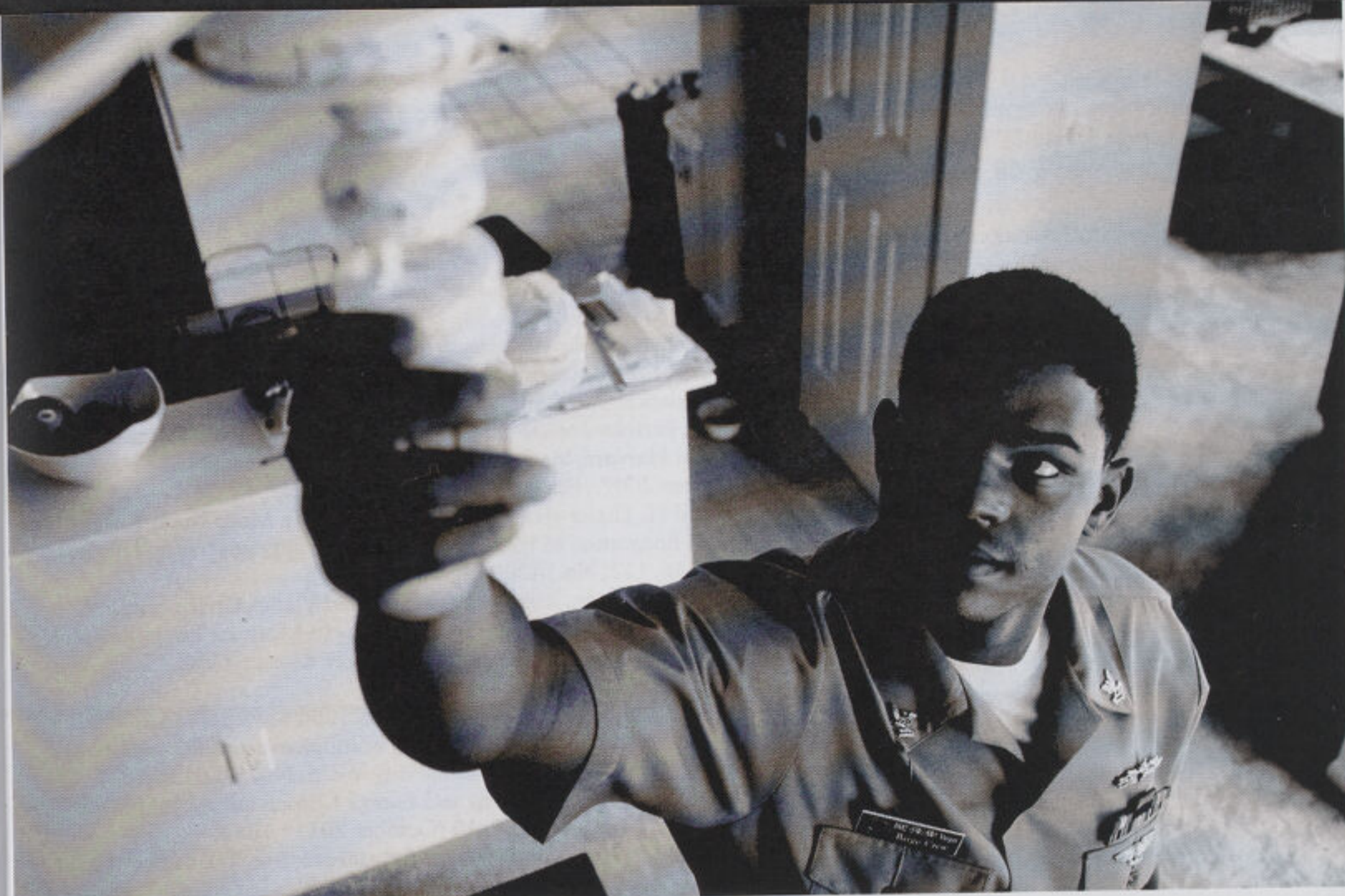
study demonstrated that evoking stereotypes against women’s math ability accounted for most, if not all, of the gender gap in math.¹⁹ What can be done about this? After all, in many instances, the lowest achievers are at the heart of policy interventions using norms information to change behavior (high water or energy users, infrequent voters, etc.).

NONBINDING, PERSONAL GOALS LED TO SUBSTANTIAL AND PERSISTENT ELECTRICITY SAVINGS . . . THIS SUGGESTS THAT INDUCING GOAL-SETTING IN LOW PERFORMERS COULD LEAD TO BETTER OUTCOMES.

MOTIVATING LOW PERFORMERS

One potential solution lies in goal-setting research. Harding and Hsiaw found that nonbinding, personal goals led to substantial and persistent electricity savings.²⁰ Additionally, realistic goals were far more effective than unrealistically high or low goals. This suggests that inducing goal-setting in low performers could lead to better outcomes. However, the study required households to opt in to the program, which limits the generalizability of its results—perhaps households who elected to opt in were precisely the homes that were more likely to respond to set goals.

Another possible solution would be to take advantage of key moments in people’s lives when they are more prone to commit to behavior change. Dai et al. find that people are more motivated to reach a goal if they commit to it right after a landmark—say New Year’s Day or a Monday.²¹ They call this the “fresh start effect.” But their study only demonstrates that the effect exists—not what mechanisms underlie it or its effect on low performers.



Energy conservation initiative. (Source: US Navy)

FUTURE RESEARCH

When individuals do not have much context about their behavior, conveying information on social norms can cause them to better understand their choices. However, social information is not a one-size-fits-all solution, or one that always leads to positive behavior change—what works well with one group of people may backfire with another.

There is a need for more research in order to learn how to motivate low performers, a crucial element in social information's potential for policymakers. Additionally, further research is needed to understand the behavioral motivators primed by social information; even as we begin unraveling certain groups' behavioral responses to incentives, it is not always clear which effect will dominate. For example, while Bhanot finds that competitively framed rank information prevented the boomerang effect in top performers, it also simultaneously demotivated low performers. This result could have significant implications when designing public policy around a broader population, as frames may

trigger unexpected and contradictory behavioral responses in different types of people.

SOCIAL INFORMATION AND EVIDENCE-BASED POLICY

The lack of consensus on when and why social information works is a symptom of a simple reality: as it stands, interventions using behavioral economics are in their infancy, and it is often too soon to make sweeping generalizations about what works. Optimizing policy interventions using behavioral science requires academics and policymakers to work together to better understand decision making in specific contexts.

More broadly, the ongoing research on social information demonstrates the power of using the experimental method to enhance evidence-based policymaking. The Behavioral Insights Team in the UK is a great example; when policymakers and academics team up, society benefits through improved public policy. The simple experiments pioneered by BIT are estimated to have saved the UK

government millions in tax revenue and have rightly raised the profile of BIT (spawning BIT copycats all over the world, including the Social and Behavioral Science Initiative in the United States). Policymakers must push forward with the experimental method, motivated by the words of Thomas Edison: "When I have finally decided that a result is worth getting, I go ahead on it and make trial after trial until it comes." Hopefully, policymakers will be as committed to "trial after trial" as the sleepless inventor was a century ago. *KR*

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Evangelizing in the Inner City

The Role of White Evangelical Churches in Urban Renewal

by Eugene Scott

OVER THE PAST DECADE, cities have increased significantly in popularity. While the mid-twentieth century saw the rise of the suburb—due in part to white flight—the early twenty-first century is welcoming the rebirth of the city. According to the US Census Bureau, the country's urban population increased by 12.1 percent from 2000 to 2010, while the overall growth rate was 9.7 percent during the same period.¹ Given the challenges that many urban cores faced in the years following the race riots of the late 1960s and early 1970s, this newfound interest has generally been welcomed as an opportunity to breathe life into places long considered dead. But to limit this story to a happy ending without acknowledging the challenges this trend presents is tone deaf.

Much has been written about the appeal of cities to millennials, young families, fledgling entrepreneurs, and others desiring an alternative to suburbia.

Nielsen reported, "With the resurgence of cities as centers of economic energy and vitality, a majority are opting to live in urban areas over the suburbs or rural communities. Sixty-two percent indicate they prefer to live in the type of mixed-use communities found in urban centers, where they can be close to shops, restaurants, and offices."²

At best, this trend is labeled urban renewal. At worst, it is called gentrification—a loaded term with little consensus. The influx of new faces to the city has led to dynamic economic shifts and significant demographic changes as long ignored communities have become popular almost overnight. While the growth of trendy boutiques, high-end coffee shops, and luxury condos may



Urban church. (Source: "IMG_1956" by Ahren, licensed under CC BY-NC-ND 2.0 from Flickr)

seem positive at first glance, critics say that these developments often replace the homes and stores previously inhabited and frequented by residents who cannot afford the newer options.

Churches—particularly white evangelical churches—have significantly increased in these urban cores. Though few have written about this trend and no one officially tracks all the new churches forming in renewing cities, Redeemer City to City, a popular organization that facilitates church planting, believes as many as 150 churches have been planted in Manhattan alone in the last decade.³ And while this change has been exciting for well-meaning Christians by giving them access to unexplored communities often just miles away from their hometowns, these individuals have found themselves responsible for many of the transgressions committed by other white transplants.

LEVERAGING INFLUENCE

Efrem Smith, author of *The Post-Black and Post-White Church* and president and CEO of World Impact, a missions organization that facilitates church planting in urban cores while empowering the poor and developing leaders, spoke about these new white evangelical pastors:

As one who was born and raised in the city, served as an urban youth pastor, and planted an urban church in the city where I was raised, I am amazed at the arrogance of some who come into the city from the outside with their models, principles, and values that they feel “led by God” to bring into and place upon the city.⁴

Smith’s words do not have to be the reality for these new urban congregations. White evangelicals can revitalize needy communities by using their privilege and power to challenge governments, businesses, and other individuals of influence. Residents in disenfranchised communities often lack access to power players and decision makers that can implement the changes needed to improve quality of life. Congregations can invest in these neighborhoods by campaigning for well-developed policies that lead to systematic change. Doing so would show the existing residents that interest in them extends beyond Sunday service.

However, there are helpful and harmful ways to take this approach. In short, seeking to improve communities without partnering with existing residents that have long been present in these spaces is a good way to add gas to the fire between the haves and have-nots, cities and suburbs, whites and blacks, and even people of faith and the nonreligious.

SERVING THE UNDERSERVED

One of the biggest mistakes pastors of white evangelical churches can make is not addressing policies that affect the poor. Coming to urban environments and endorsing policies that only benefit new transplants and businesses directs attention away from issues that have affected neighborhoods for generations. For example, supporting policies that make it easier to transform historical buildings into coffee shops is tone deaf in communities trapped in food deserts (no access to stores that provide healthy, fresh produce). Given that each urban area is different so are the concerns. Urban church planters should prepare to investigate low-performing schools,

affordable housing, the absence of social services, and other problem areas.

Efrem Smith says urban church planting has to be about serving the underserved, not just following the latest trends: “We don’t simply need more churches in our cities. We need church planting and leadership development movements. These movements should specifically center on the empowerment of the urban poor. This will call urban church planting movements to connect evangelism, discipleship, and a liberating witness to the marginalized and outcast.”⁵

SEEKING TO IMPROVE COMMUNITIES WITHOUT PARTNERING WITH EXISTING RESIDENTS . . . IS A GOOD WAY TO ADD GAS TO THE FIRE BETWEEN THE HAVES AND HAVE-NOTS.

EMPOWERING

Whatever the partnerships between white evangelical churches and underserved communities, they must not reinforce codependent situations. Many people in underserved communities do not want to be coddled or locked in situations that leave them indebted to people in power. Soup kitchens and turkey giveaways may be popular, but they are temporary fixes that create dependencies. In his book *Restoring At-Risk Communities: Doing It Together and Doing It Right*, John Perkins, a minister and community developer with a long history of civil rights activism, wrote: “The great question is, ‘How do we affirm the dignity of people, motivate them, and help them take responsibility for their own lives?’ By beginning with the people’s felt needs, we establish a relationship and a trust, which then enables us to move to deeper issues of development.”⁶

If white evangelical churches do not intentionally create arrangements and support policies that help people take ownership for their destinies, they will reinforce many of the problems that exist between underserved communities and people in positions of privilege.

PARTNERSHIPS

“Urban churches must collaborate because the social challenges are too massive for any one church to solve, no matter its size,” says Smith.⁷

When church planters from the white evangelical community spot a new community they would like to enter, there is often a perception that the community is “unreached,” meaning there are no churches in the area. There is not, and likely has never been, an absence of churches in underserved urban areas. What has existed is limited collaboration among these churches. Congregations may have different religious convictions, priorities, and even cultures. However, white evangelical churches have an opportunity to partner with existing urban churches to address many of the policy issues that their members confront within their underserved communities.

WHITE SAVIOR COMPLEX

Gentrifiers often believe that cities are challenged because the existing residents are ill-equipped to respond to the problems affecting their community. This thinking leads outsiders to conclude that their assistance, perspectives, and skills are needed. However, more often than not, these new voices usually know less about the communities, especially from a historical perspective, than long-term residents.

Evangelical churches can avoid the white savior complex while still remaining engaged as long as engagement does not turn into control. And if churches want to remain major influencers in the greater culture—something that has become increasingly difficult for conservative churches as the American culture diversifies and becomes less Christocentric—they must engage cities but not at the risk of removing their power.

BE PRESENT

It is common for pastors wanting to plant in urban cores to have drawn conclusions about what they think is best for these communities before even setting foot in them. However, the needs of an underserved community are best observed by actually being present in the community. When it comes to understanding what changes will improve underserved neighborhoods, it is more effective to learn about the community and spend time with the residents or move to the neighborhood instead of just commuting for church services on Sundays.

Richard Perkins, senior minister of Christ Church Balham in London, wrote about the importance of com-

Harbison chapel. (Source: “Harbison Chapel by Candle light” by Paul Vladuchick, licensed under CC BY-NC-ND 2.0 from Flickr)



ing in as a learner when planting in a new area:

If we're going to serve the community in which God has placed us, then we'll really need to understand the issues that people face. We can approach this in one of two ways. The informal way is to "hang out" with the people who live there and listen to what they have to say. The formal way is to plunder the demographic information, study statistics, and read the last census . . . If we get this

become financially independent is to provide job training and employment options. When people from white evangelical churches relocate their businesses to these neighborhoods, they can prioritize hiring locals to improve job opportunities and show their commitment to helping the community.

Urban schools are perennially challenged by lack of funding and resources. White evangelical churches can

BY PARTNERING WITH COMMUNITY MEMBERS AND EXISTING CHURCHES, WHITE EVANGELICAL CHURCHES CAN LIFT UP SOLUTIONS THAT ENSURE RESIDENTS HAVE AFFORDABLE HOUSING, EMPLOYMENT OPTIONS, WELL-FUNDED SCHOOLS, AND HEALTHY FOOD OPTIONS.

right, we'll have a better chance of engaging them and not simply missing them with the gospel.⁸

Moll and Williams spoke to the problem of church planters not being rooted in communities: "They become tourists. They take all they can from the experience of living in the urban culture but never see the city as their home. When we don't root our lives in the city then it becomes very easy to leave when things get difficult."⁹

PRIORITIES

By partnering with community members and existing churches, white evangelical churches in underserved areas can lift up solutions that ensure residents have affordable housing, employment options, well-funded schools, and healthy food options. These issues closely resonate with prioritized areas articulated throughout the Christian scriptures.

Housing costs in quickly gentrifying areas are among some of the fastest rising, forcing many long-term residents to leave their communities for more affordable housing often far away from the center of their lives. *The New York Times* highlighted areas in Brooklyn—formerly home to people who could not afford parts of Manhattan—now being too expensive for existing residents. As a result, some of these people have moved to New Jersey.¹⁰ Instead of responding eagerly to new developments planned for these neighborhoods, white evangelicals have the power to ask city council officials to demand that developers incorporate affordable and market rate housing into their high-end projects.

One of the easiest ways to help underserved people

assist struggling schools by tutoring, fundraising, and volunteering.

Food deserts are also a very real problem in underserved communities. Lack of fresh vegetables, fruit, and whole foods lead to health issues, such as diabetes and hypertension, that disproportionately affect poor people of color.¹¹ White evangelical churches can help to improve the health of many in the community by petitioning their favorite grocery chains to open in these areas and keep prices within reach for long-term residents.

As Dr. Martin Luther King, Jr. popularly said, "Sunday is the most segregated hour of Christian America."¹² And though that persists today and likely will not change, Dr. King's words should not discourage white evangelical churches from planting in urban areas.¹³ If white evangelical churches take these approaches seriously, Sunday morning may still remain the most segregated hour, but black and white Christians working together can develop a prototype to improve underserved communities that other gentrifiers can follow.

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Driving Youth Outcomes Through Collective Impact

by Jacob Cohen and Hayling Price

INTRODUCTION

The zip code a child resides in should not determine his or her life prospects. Yet, many neighborhoods of concentrated poverty struggle to provide children with pathways to opportunity. To address this intractable moral and economic issue, local leaders in neighborhoods from Boston's Dudley Street to San Antonio's Eastside are increasingly championing place-based, collective impact strategies.

The Dudley Street neighborhood experiences a poverty rate of 30.3 percent, more than twice that of Boston, and 40 percent of Dudley Street's children from birth to age five live in poverty. Nearly half of these children enter kindergarten "unready" for success in school, and educational attainment in the Dudley area is considerably lower than citywide averages: 17 percent of Dudley residents age twenty-five and older have less than a ninth grade education, and only 13.8 percent of residents have a bachelor's degree or higher.¹ Dudley Street represents one of many American neighborhoods where children face structural barriers to educational achievement and economic mobility as a result of the birth lottery.

To address this challenge, groups in neighborhoods across the

country are pursuing place-based strategies through innovative partnerships. One clear forbearer of this movement, the Harlem Children's Zone (HCZ), operates a school network supported by a "conveyor belt" of student and family services spanning one hundred blocks in Central Harlem, New York City. The HCZ model of delivering a "high dosage" of linked services from birth to career in a geographically concentrated area has made impressive strides to close the achievement gap.²

While most organizations may lack the resources to emulate the HCZ model, many have found incremental successes integrating school and community-based services. The collective impact approach seeks to operationalize coordinated, data-driven action across multiple neighborhood-serving agencies towards common outcomes and indicators. Collective impact initiatives focus on building sustainable partnerships among youth-serving institutions to transform the youth-serving ecosystem in a given neigh-

Science and technology student. (Source: Gates Foundation)



neighborhood. While these ambitious collaborative efforts are often launched with much enthusiasm, practitioners are still working to overcome a range of formidable implementation challenges.

PIONEERING PLACE-BASED SOLUTIONS

Like Boston's Dudley Street community, many of America's neighborhoods lack the financial and social capital needed to bolster academic achievement, career readiness, and economic mobility among youth. While teachers and school administrators recognize the inherent value of delivering comprehensive support to low-income students, educators are typically not held accountable for many nonacademic factors and lack the resources to address them. Traditionally, educators have not been incentivized or sufficiently resourced to provide social, emotional, and academic support on top of classroom instruction.

Even in communities saturated with education and youth development programs, local agencies tend to deliver services on a piecemeal basis. In some cases, schools and community-based, after-school tutoring programs may serve the

magnify program impact.

Evidence from Cincinnati, Ohio, and northern Kentucky supports this conclusion. In 2005, the KnowledgeWorks Foundation began a conversation with administrators from local universities to address college access. Educational leaders in the greater Cincinnati area wanted to spearhead intentional community partnerships to better support the region's underprepared students. Despite a well-populated civic sector, organizational leaders had consistently failed to coordinate across sectors to address educational achievement and youth outcomes. A year after initial discussions, the expanded group of organizations formed the Strive Partnership, a platform to convene leaders across sectors to share data and align program activities around common objectives. Strive's program "Roadmap" spans from childhood through adolescence, including the key benchmarks of fourth grade reading, eighth grade math, high school graduation, ACT scores, and college enrollment. Since its launch, the Cincinnati partnership has seen a 10 percent increase in graduation rates. Covington, KY, has had a 16 percent increase graduating seniors who enroll in college.⁴

THE ZIP CODE A CHILD RESIDES IN SHOULD NOT DETERMINE HIS OR HER LIFE PROSPECTS.

same children but rarely communicate to align programs. In other cases, several agencies may administer duplicative, competing, and underutilized programs while major service gaps persist in other critical program areas.³ Fragmented distribution of resources limits the impact of interventions, while integrated approaches have been shown to

Practitioners and policymakers increasingly promote neighborhood-focused strategies to align systems to an overarching theory of change. These efforts form pipelines of integrated services supporting students from birth through the end of their formal education. Rather than exclusively focusing on academic outcomes, integrated efforts target

measurable youth development indicators correlated with quality-of-life improvements, academic achievement, and economic mobility. These interventions seek to improve parent-school engagement, provide social services to low-income students and their families, and streamline service delivery with community partners outside of the classroom. Key services along these lines include but are not limited to: prenatal parenting workshops, early childhood education programs, mentoring opportunities, after-school enrichment programs, individualized tutoring, vocational training, and college preparation programming.

PROMISING DEVELOPMENTS

Since the turn of the twentieth century, neighborhood programs in the United States have aligned resources across schools, service providers, local government, and philanthropic organizations to increase service delivery capacity. Practitioners in this tradition sought to erode silos between schools and their surrounding communities to improve outcomes for low-income youth and combat intergenerational poverty.

In the last decade, educators have further sought to bridge the gap between schools and their respective neighborhoods through innovative program interventions. While their size and structure vary, community schools have developed to address scholastic achievement and nonacademic factors that influence student success. These initiatives have experimented with out-of-school programming and extending the school day, which have yielded notable academic gains in some contexts.⁵ While select American schools were seen as engines for community development in years past, the approach has only been codified and popularized recently.

Building on this model, advocates for underserved communities can capitalize on increased political will and funding sources to change the odds for the youth they serve.

In 2007, then-candidate Barack Obama made a bold campaign promise to fight urban poverty across the country by building on the place-based, cradle-to-college framework.⁶ Like the HCZ, the proposed initiative would have integrated comprehensive youth de-

velopment programming and social services with inner city schools, fostering shared accountability across the institutions serving children in specific neighborhoods. In 2009, the Obama administration announced the launch of the Promise Neighborhoods initiative, an effort that combines a rigorous K-12 education

with a full network of supportive services. Beginning with a \$10 million investment in 2010 and increasing to \$60 million in 2012, the Promise Neighborhoods initiative has funded efforts in dozens of cities, including Boston's Dudley Street neighborhood.⁷

Likewise, several communities across the country have sought to develop an organizational infrastructure to provide a channel of integrated services from "cradle to

CHALLENGES TO SCALING THE COLLECTIVE IMPACT MODEL

college." Like the Strive Partnership and the Dudley Street Neighborhood Initiative, these efforts are part of a larger wave of multisector partnerships proliferating across cities nationwide, building on the framework that has guided antipov-erty efforts for over a century.

achieve elsewhere. The organization's president, Geoffrey Canada, has close relationships with a board of wealthy funders and enjoys a degree of celebrity and political capital nearly unprecedented in the nonprofit sector. Beyond its strong relationship with City Hall and Wall Street, the HCZ also operates its own charter school network and independent social services. Given its unique structure, the HCZ has discouraged other practitioners from attempting to replicate its programs and has instead offered a core set of principles to guide their strategy. Rather than attempting to replicate this inward-facing strategy, resource-constrained practitioners in other communities must leverage partnerships across organizations to drive collective impact.

While initiatives like Promise Neighborhoods have incentivized collective impact in specific cities, collective impact systems face a variety of implementation barriers. Beyond collective branding, collaborative models require organizations to change the way they operate in

COLLECTIVE IMPACT INITIATIVES FOCUS ON BUILDING SUSTAINABLE PARTNERSHIPS AMONG YOUTH-SERVING INSTITUTIONS TO TRANSFORM THE YOUTH-SERVING ECOSYSTEM.

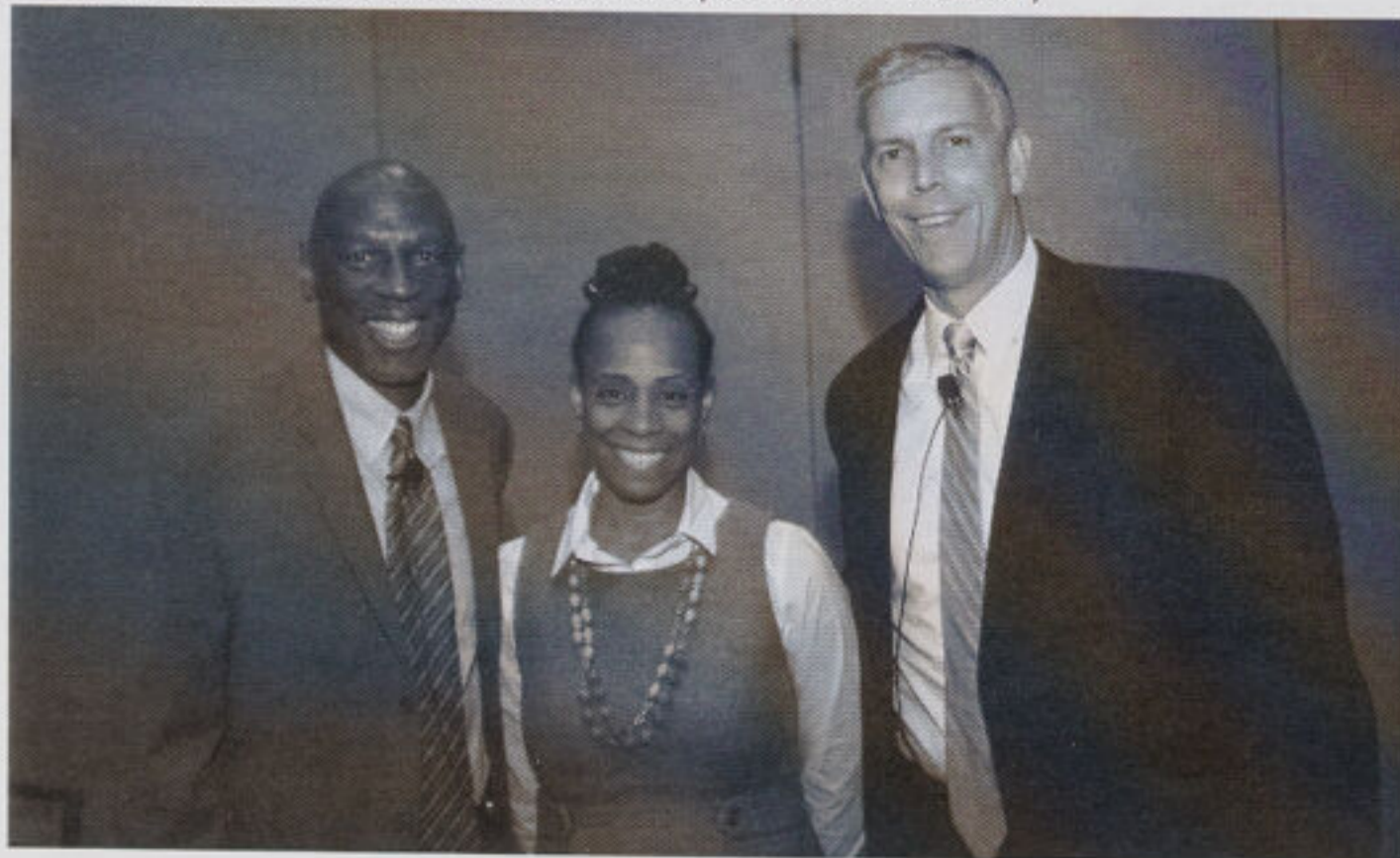
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While initiatives like Promise Neighborhoods have incentivized collective impact in specific cities, collective impact systems face a variety of implementation barriers. Beyond collective branding, collaborative models require organizations to change the way they operate in

US Secretary of Education Arne Duncan with Geoffrey Canada and Anne Williams-Isom at Promise Neighborhoods event. (Source: US Department of Education)



meaningful ways. Organizations must identify shared goals and indicators of success to measure collective progress. Then, they must plan and administer interventions within a continuum of mutually reinforcing

ing. Even among partnerships with well-developed governing structures, participants often report a lack of clarity about strategic deliberative processes and the distribution of influence.⁸

COLLECTIVE IMPACT EFFORTS MUST ENSURE THAT YOUNG PEOPLE, THEIR FAMILIES, EDUCATORS, YOUTH SERVICE PROVIDERS, AND OTHERS CAN PROVIDE FEEDBACK.

programs and continuously track and share organizational performance data. It should come as no surprise that many implementation challenges stem from complex issues of governance and accountability.

A lack of trust and historical tensions among youth-serving organizations can complicate partnership formation. Agency leaders may underestimate the value of potential partners or discount others' perspectives due to entrenched interests. Moreover, local service agencies often quarrel over jurisdictional authority if they are convened without aligned goals. Myopic perspectives may render local agency leaders resistant to new programming, and critical partners are often excluded from planning efforts due to interorganizational politics.

Ineffective governance has been a key barrier to the success of sustainable community-wide partnerships. Weak governance has significant implications for this work as local coalitions can include dozens of partner organizations, each committed to a unique set of institutional stakeholders and priorities. In some cases, partnerships may lack functional governing bodies capable of collective, binding decision mak-

Funding distribution and perceptions of equity across partnerships are also of paramount concern. As noted by stakeholders associated with Promise Neighborhoods grantees, a lack of transparency or faith in the impartiality of funding allocations across a partnership can quickly undermine an initiative's legitimacy and sour interorganizational relations. Community participation and authentic engagement with grassroots neighborhood leaders is another common challenge for nascent place-based strategies. Across multiple geographies, initiatives struggle to balance interorganizational decision making and collective action with the need to remain accountable and open to other stakeholder groups and constituencies, particularly local leaders and parents whose volunteer and grassroots reform activities predate such efforts.⁹ On the most fundamental level, partnerships grapple with how to effectively communicate the purpose and scope of their work so that local residents are empowered to engage and contribute.¹⁰

RECOMMENDATIONS FOR BUILDING SUSTAINABLE PARTNERSHIPS

These challenges notwithstanding, initial reports from the field suggest practitioners can take steps to increase the likelihood of a successful place-based partnership.

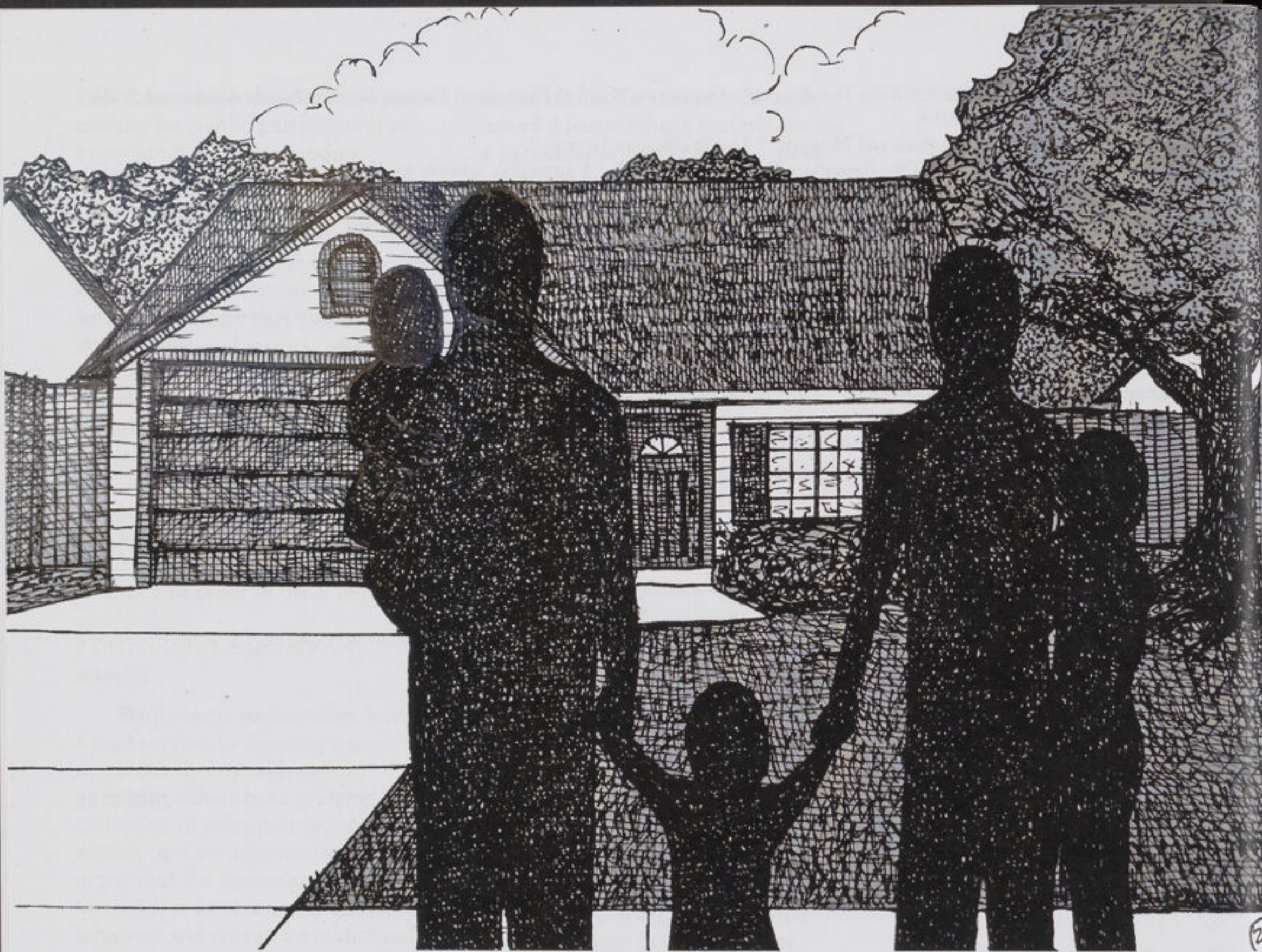
Effective Governance Models

From their inception, some efforts have labeled existing initiatives under one thematic umbrella without meaningfully integrating programming. While these rollouts may provide public relations opportunities and political fanfare, they prove futile without clearly articulated terms of participation and codified governance rules. To effectively implement place-based partnerships, *organizations should clearly delineate commitments of funding, in-kind resources, and staff time and develop results-driven accountability measures at the partnership's outset.*

Effective governance requires participating organizations to fundamentally shift the way they view themselves, other organizations, and their collective identity. Existing outside of local government, these formations are not as vulnerable to electoral politics or administration transitions. Linking an array of services and institutional supports with schools, leaders from a variety of sectors can enhance local capacity to drive meaningful results.

Community Engagement

While collective partnerships require buy-in from local decision makers, institutional leaders must also consider how to engage with neighborhood residents. Beyond inviting organizational partners, conveners must determine which community stakeholders are brought to the table and at what juncture they are included. Instead of rolling out fully developed plans, successful



Coming home. (Source: Illustration by Zak Ostertag for KSR)

States' Borders Keep Foster Children from Families

Policy Implications and Improvements for the American Foster Care System

by Jenn Menn

INTRODUCTION TO THE FOSTER CARE CRISIS

IN THE WHIRL of a brief phone call, a social worker's car door shutting in the driveway, and signing a custody paper like a FedEx package, I became mom to three little strangers. My husband and I served as foster parents and quickly fell in love with Eddie, Kayla, and Nike (ages four, two, and nine months). T.J. worked full time for the Army, and I stayed at home with the kids while a college student. Throughout our first year of foster parenting, we served seven children.

Children become foster children when the state determines the child is at risk of severe harm from exposure to abuse, abandonment, or neglect. A teacher, neighbor, or

policeman likely makes a report of suspected abuse, and then an investigator with Child Protective Services determines if the child needs to be removed from the caregiver—usually a parent. If the investigator cannot find suitable care for the child within the caregiver's family, then the child is placed in foster care with strangers. Many of these children will return to their parents or family members once the situation is safe, but some end up in full custody of the state, whereby they become available for adoption.

BECOMING A FOSTER PARENT HAS A HIGH TRANSACTION COST—ONE IN TWENTY-EIGHT FAMILIES MAKES IT THROUGH THE ENTIRE PROCESS.

Our county, like many across America, faced an ongoing shortage of foster families for children who need protection. There were sixty families for 310 children. So even though T.J. and I were under twenty-five years old in a thousand foot bungalow with three kids, we received a letter from our county director pleading with us to consider increasing the number of children we would take in our home. When the county runs out of home options, children live in facilities like orphanages or move to other placements across the state.

Communities often have families willing and able to foster parent, but certain barriers limit their involvement. The lengthy process to certify foster parents is meant to ensure the safety and well-being of children in care.¹ Other policies, such as lack of state-to-state reciprocity for families, are overly burdensome and limiting. This article will take a close look at these processes and how existing policies can be changed or enhanced to

promote a more accessible foster care system for would-be foster families.

BECOMING A FOSTER PARENT

The process to certify as a foster parent is lengthy and similar in all states. The majority of families who start the process do not end up completing it. The stages of certification are:²

1. *Initial request to volunteer:* Families sign up via phone or at an awareness event to attend a meeting. Some states offer training only through a public agency while others contract a private agency to recruit and manage foster parents.
2. *Informational meeting:* These sessions intend to answer frequent questions that generally screen out many people. They are offered quarterly or monthly in most counties.
3. *Classroom training:* Parents prepare for the children, families, and systems with which they will engage. Training ranges from twenty-five to thirty hours in class. Some states can complete this training through a few intensive weekend sessions. Other state agencies require that classes are spread out one evening per week over several months in order to provide learning time.
4. *Formal application:* Parents fill out a fifty-page document with contact information for references, financial information, family history, and several other relevant questions.
5. *Tests:* Parents complete a physical exam, take a tuberculosis test, and update all immunizations. They also submit fingerprints for FBI background checks for every state in which they previously resided, and drug tests are completed for all members of the household. These are usually done at the personal expense of the families.
6. *Home inspections:* The Department of Health inspects the home, and there is a sewer inspection, if relevant. The child placement agency's social worker will also inspect the

home layout and cleanliness using a checklist of about 100 requirements including: location of supplies, certain furniture, water temperature limits, and types of locks.

7. *Three home visits:* The first visit is for understanding family motivations and interests as well as general usability of the physical home. The second visit is meant to analyze psychological health, grievances as parents, and fertility history. The third visit is a home inspection and a discussion about age, number of children, race, and willingness to take in children with special needs. Finally, the home study professional writes a ten- to fourteen-page home study on the fitness of the family to foster and submits the materials to management for approval. The approval process alone averages over a month.

The process rarely runs efficiently. Long gaps of time in between calls and meetings or abrasive interactions with overburdened staff compound the frustration people experience when trying to volunteer. Emotionally, families often feel vulnerable and full of uncertainty about whether they will measure up or be misunderstood and who the future foster children will be.

Becoming a foster parent has a high transaction cost—one in twenty-eight families makes it through this entire process.³ For T.J. and I, the process defined six months of our life. Once certified, within a week we received a call asking us to become mom

and dad to frightened little Eddie, Kayla, and Nike. While the caseworker thought they would be with us at least a year, an aunt from out of state heard about the children, drove twelve hours to attend court, and ended up with the three children in her custody within three weeks of them entering our home.

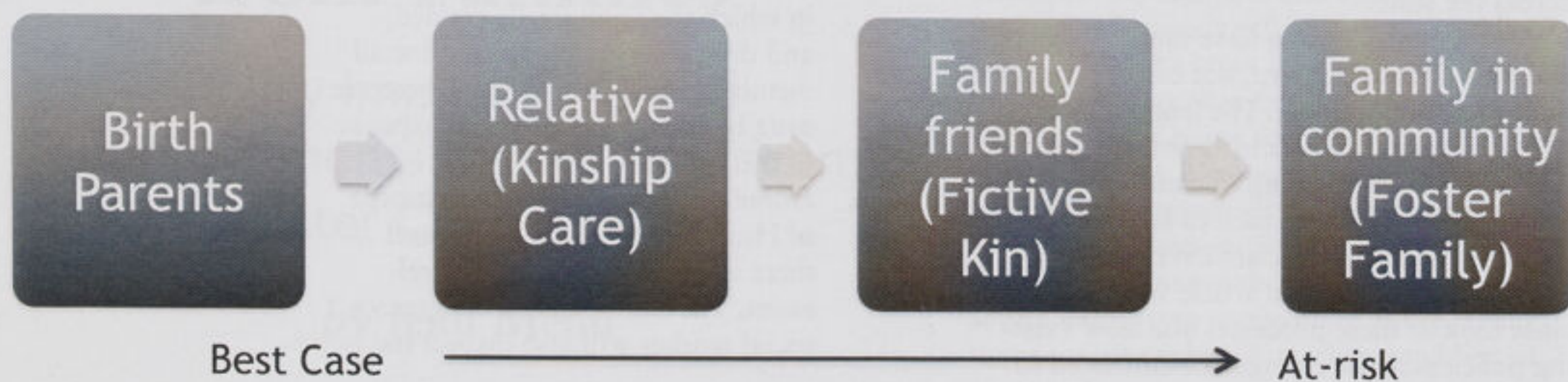
A PATHWAY FOR CHILDREN TO MOVE BETWEEN STATES: ICPC

While a surprise to T.J. and me, the children's swift placement with an out-of-state aunt is a major feat made possible by an Interstate Compact for the Placement of Children (ICPC). This agreement between states allows children to be placed with family out of state.⁴

If children have responsible kin who can care for them, it is often the least shattering and most permanent option for children removed from parents. Living in foster care can be stressful in the lives of children for many reasons, one of which is the sense of instability with changing caregivers. Statistically, children in foster care without a family remain vulnerable citizens even after they leave foster care—victims of sex trafficking, substance and relational abuse, homelessness, and criminal activity.⁵ Current social work theory in America places the best cases for a child on a spectrum (see Figure 1).

While state involvement in foster care began in the late 1800s, kinship placements could only happen in the same state until ICPC passed in the early 1960s.⁶ For example, if a boy came into the care of the state of New York, but his grandparents were willing

Safe Placement, Effect on Child's Well-being



to care for him in Connecticut, they were out of luck. This was in large part due to unknowns about state responsibility for the logistics and funding of the transfer. Families could not penetrate these bureaucratic barriers, and as a result, children languished in emergency shelters.⁷

These barriers were mostly overcome with the development of ICPC. Since foster care is managed at the state rather than federal level, each state legislature individually set up an office to facilitate the movement of children across state borders to families. The compact created an independent association, now under the American Public Human Services Association (APHSA), that handles the necessary paperwork to certify kin and adoptive families as well as communicate ongoing funding needs. The compact currently remains the sole means of moving foster children between states.⁸

The policies under ICPC help children, though its implementation and scope have room for improvement. Approximately 40,000 requests a year are made by social workers for children to move with families in different states.⁹ To improve implementation, in 2013 the federal government granted the Administration for Children and Families, in partnership with the ICPC administration, funds to pilot an online database to facilitate approvals.¹⁰ This new system—called the National Electronic Interstate Compact Enterprise, or NEICE—makes movement easier and could potentially be used to exchange certification information across state borders.

A POTENTIAL PATHWAY FOR FAMILIES

The ICPC only recognizes out-of-state family certifications when the state determines it is in the best interest of the child to move across state borders. While we had foster children, the Army ordered my husband to move across the country. Our foster children did not travel with us. We facilitated a transition of the foster girls who needed to stay local and then resettled in our new state.

When foster families like us move across state lines, no process is available to transfer parent certification from state to state. When I brought our home study to the new county office and offered our services, a social

worker shuffled through the material and said our training would reciprocate, but we would need to redo all the other elements. Certification in our new home state took six months.

ICPC could improve this process. If ICPC offered family transfers through its on-line system, the receiving state could evaluate the certification more rapidly. The new home would need to be inspected, but the other six out of seven steps remain unchanged. States could also share their notes on the history of service as foster parents such as

WITH 500,000 CHILDREN IN FOSTER CARE AND OVER 88,000 CHILDREN LIVING WITHOUT FAMILIES, COLLABORATION WILL BE THE KEY TO SOLVING THE CRISIS OF CHILDREN IN NEED.

quality of care and continuing education. This would save time and offer more children experienced foster parents. To establish this sort of reciprocity for all foster families in the United States, a uniform home study and training format is necessary. Fortunately, ICPC administrators are working toward this type of uniformity.¹¹

Interstate reciprocity would benefit many urban areas. Cities with concentrated areas of foster children (such as New York City, Washington, D.C., St. Louis, Chicago, and Kansas City) border more than one state, making interstate reciprocity all the more relevant. Suburbs in Virginia, for example, have been known to have a surplus of families offering to care for children, but they cannot be of help to the hundreds of children in Washington, D.C.¹² Foster families are an American asset, but right now they are filed away in state drawers while children wait without families. The millions of families who move between states represent socially mobile, college-educated, and racially diverse families—qualities that make strong foster

families.¹³ The Census Bureau found that “people employed by the armed forces had the highest mover rate of any employment status, with 72.7 percent [over five years].”¹⁴ A mobile family is not necessarily unstable or unfit for foster children, but the current system limits these families from serving foster children.

I attribute the lack of state collaboration with family certifications to uncertainty about how to mitigate policy differences, liability or confidentiality concerns, and status quo bias. Each state differs in its details for determining a suitable foster family.¹⁵ Trainings have different names, and home studies have different measures; so, certifications are not immediately compatible for transfer into data systems. States such as Illinois cannot legally use web-based systems to communicate any confidential information with regards to foster care.¹⁶ Lawsuits can be brought against the state for injustices that happen with a state-licensed foster parent, so social work professionals are leery of approvals that they did not oversee.

These behavioral hesitations are worth overcoming. Besides the differential in well-being for children in families over facilities, lack of reciprocity costs receiving states unnecessary tax dollars. The cost ratio of a child in a facility versus a foster home is ten to one.¹⁷ Since T.J. and I averaged serving three children at a time, the four months we waited for recertification is equivalent to

\$52,000 in taxpayer dollars.¹⁸ In California, where foster child populations are higher, the difference over four months costs \$94,000.¹⁹ The administration of ICPC is a fixed cost for states, so maximizing its capabilities benefits the state and taxpayers.²⁰

RECOMMENDATIONS

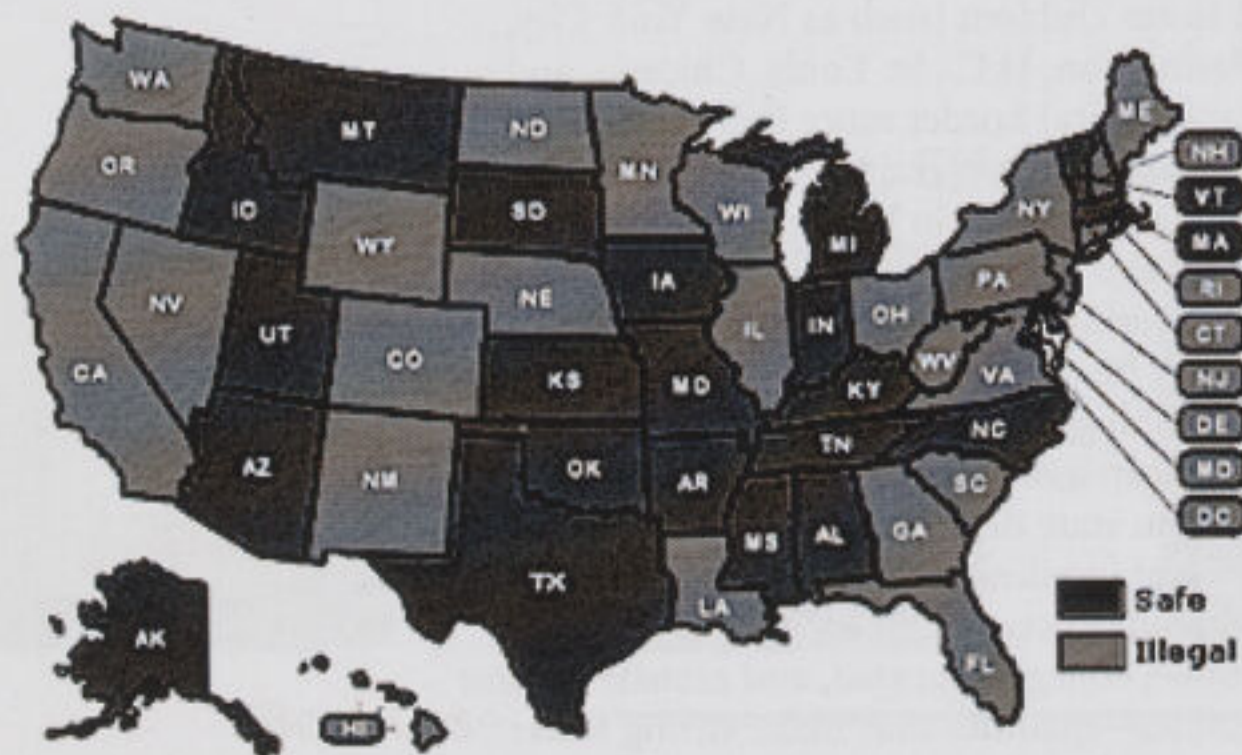
The ICPC administrators should amend the current compact to allow for foster families who move to transfer their certification. The piloting of the online system NEICE makes the time ripe to improve the management of foster parents between states.²¹ In preparation for the national database, Children’s Bureaus in each state should recognize foster parent certification from other states and move towards a uniform certification process.

The amendment would allow for ICPC to transfer specific foster family information to a new state. Information exchanges for children moving between states happens for specific children with specific home prospects—the sending county and receiving county exchange information through their respective state ICPC office.²² Since the process is already in place for specific communications on certifications, the only difference is the increased use of the data system to transfer information. For immediate impact, the amendment can include a waiver for military families—if a military family has a home study and foster parent or adoptive certification in one state, it transfers to another.

State and federal legislatures can address the issue, too. ICPC is renewing its compact through state legislatures with a bill to streamline and modernize the process beyond what administrative amendments can approve.²³ While the proposal contains guidance for a unified home study and an online database, legislatures should insist that interstate family certification transfers are included in the new compact.²⁴

At the very least, foster families need a clear reciprocity chart that easily compares other state certification requirements. This is not a new idea. Similar interactive maps are available for teacher certification and gun permits to see which states have parallel requirements and will honor the out-of-state permit (see Figure 2).²⁵ Foster families and


Figure 2—An example of an interactive reciprocity map. (Source: Hudson Valley Firearms Certification)



social workers need the same resource to quickly reevaluate experienced foster families from another state. The comparative chart can be included on the Child Welfare Information Gateway for social workers and on AdoptUS.org for families.

FINAL REMARKS

Creating avenues for interstate foster families is one important step towards ensuring every child has a family.²⁶ With 500,000 children in foster care and over 88,000 children living without families, collaboration will be the key to solving the crisis of children in need.²⁷ ICPC laid the foundation, and now it needs innovation.²⁸ With interstate reciprocity, relocating foster families will be able to continue their public service and meet the needs of children. More so, potential foster families near urban areas with many children can serve more easily. Removing this one barrier would encourage involvement and allow social workers to devote more of their time to recruiting and certifying new families.

T.J. and I will be moving to a new state after my graduation and will face groundhog's day again as we recertify as foster parents. As we gather the same paperwork, sit through the same classes, answer the same questions, and take deep breaths during the same, silent eight-week processing time, I pray that the children waiting in the emergency shelter down the road know they are wanted. 

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Endnotes

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Affordable Housing in the Big City

A Look at Causes and Current Policies in San Francisco,
Boston, and New York

by Benjamin Shaffer



View from Coit Tower in San Francisco. (Source: "Fine San Francisco Day" by ~Morgin~, licensed under CC BY-NC-SA 2.0 from

PARENTS WITH AN ADULT child still living at home, recent graduates looking for their first apartment, and newlyweds wanting to buy their first home all have the same question: why does housing cost so much in the big city? While housing has always been expensive for some of the population, rising housing costs have now been linked to slow economic growth,¹ inequality of city services,² and the inability of millennials to move out of their parents' basements and into an economically independent life.³

Big city mayors have issued plans to address rising rents across the country. Mayor Bill de Blasio of New York City, Mayor Martin Walsh of Boston, and Mayor Ed Lee of San Francisco have all issued or plan to issue housing plans with the goal of increasing affordability.⁴ The success or failure of these plans will have a lasting impact on the landscape of these cities for years to come, as well as the economic prosperity of the families, graduates, and newlyweds within them.

To understand these housing plans and their potential for success, this article explores the causes behind the dramatic increase in housing prices and, given the causes, how experts advise cities to handle such increases. I will critically evaluate the plans with a focus on what should work and whether these mayors seem to be heeding expert advice. Finally, I will close with prospects moving forward.

I. UNDERSTANDING HOUSING UNAFFORDABILITY

To evaluate New York, Boston, and San Francisco's plans, we must understand the root causes of unaffordable housing in these three cities and whether proposed changes will be effective in addressing these causes.

Two forces combine to drive housing unaffordability in New York, Boston, and San Francisco: Fast-rising demand and slow-changing supply. Demand for urban living has swelled, and all three cities have experienced significant population growth.⁵ The reasons for increasing demand are numerous and additive: desirable "new economy" jobs in urban centers, attractive urban

people in the last three years alone—an absurdly low ratio equivalent to one housing unit for every seven new residents.⁸

The impact on New York, Boston, and San Francisco goes beyond rising prices. It is manifest in changing neighborhoods. High-earners, middle-earners, and low-earners all compete for the same housing stock. With high-earners willing to pay

SAN FRANCISCO HAS ADDED AN AVERAGE OF 1,500 HOUSING UNITS PER YEAR OVER THE LAST TWENTY YEARS, WHILE THE POPULATION HAS INCREASED BY 32,000 IN THE LAST THREE YEARS.

amenities, a shift to renting after the Great Recession, seniors moving out of large suburban homes, and more. No matter the exact cause, with new residents comes increased housing demand.

If supply is able to adjust with demand—if builders and developers construct more housing—prices should remain stable. In all three cities, however, housing supply has not kept up with demand. In New York, building permits and certificates of occupancy have yet to return to precrisis peaks despite capital availability and continued population growth.⁶ From 2010 to 2013, Boston has added 250 percent fewer housing units than Denver and 300 percent fewer housing units than Seattle despite the fact that population growth in all three cities has been roughly equivalent.⁷ San Francisco has added an average of 1,500 housing units per year over the last twenty years, while the population has increased by 32,000

more for existing homes, they outbid middle-income households. These middle-income households must then find new areas of the city in which to live. They move into previously low-rent neighborhoods, buy up housing, renovate it, and change the neighborhood's composition. What is often referred to colloquially as gentrification is therefore partially a consequence of constrained supply. Instead of moving into newly constructed housing units, city newcomers or newly wealthy residents move into existing neighborhoods and crowd out existing residents.

The question then becomes: why does supply not rise with demand, as in most other industries? The answer is that local governments restrict the provision of housing. These restrictions stem primarily from zoning regulations, long and cumbersome approval processes, and outdated and onerous building codes. While many of these regulations may have served a public purpose at the time

of their enactment, academic evidence suggests that taken together, they inhibit real estate developers from acting to fill market needs.⁹ Thus, the cost of housing rises.

Academics have long found that supply restrictions increase housing costs above construction costs. In a review of the literature, John Quigley and Larry Rosenthal found that “caps on development, restrictive zoning, limits on allowable density urban growth boundaries, and long permit processing delays have all been associated with increased housing prices.”¹⁰ Zoning specifically has been shown to add to housing costs significantly above land value.¹¹ Other research has shown that developments located among existing neighborhoods have become shockingly expensive.¹² Additionally, regulations in cities, especially approval processes, make it more difficult for smaller builders and developers to enter the market and fulfill market needs on a smaller scale.¹³

more of the desired goods. That is not happening in the housing market for many reasons, but the government certainly bears part of the blame. Local regulations sometimes stand in the way of innovation. The uncertainty of approval and permitting processes sometimes cause developers to miss market cycles.¹⁵

II. FOR COMPARISON: A MODEL AFFORDABLE HOUSING REFORM PLAN

If restrictions on supply are a primary cause of housing unaffordability, the priority for policymakers in all three cities should be to reduce these barriers to supply. Given this priority, what should we see in an effective plan to improve housing affordability?

In short, we want a plan focused on reducing barriers to supply that reevaluate and replace outmoded regulation. We want a system where

A. Zoning

Reducing zoning restrictions is critical. Zoning determines what type of structure and how much of it can be built on a parcel of land. By increasing allowable density, more units can be built and supply can increase more rapidly without having to go through a long process to gain an exemption from the zoning code. Zoning changes should also include a reduction in parking ratios (the number of parking spaces needed per unit) and a decrease in minimum unit size (the minimum allowable square footage of an apartment).¹⁶

B. Approvals and Permitting

Compliance with complicated approval and permitting processes is another significant driver of costs. Developers suggest better coordination among city agencies, a reduced number of approval steps, improved online permitting, and increased clarity around the public engage-

THE SUCCESS OR FAILURE OF THESE PLANS WILL HAVE A LASTING IMPACT ON THE LANDSCAPE OF THESE CITIES FOR YEARS TO COME . . .

New York, Boston, and San Francisco all have restrictive supply regimes. It can be difficult to quantify supply restrictions because there are so many types, but regulations of all kinds are strong in all three cities. Boston, San Francisco, and New York have all been described as highly restrictive markets in a leading index, ranking 2nd, 6th, and 12th, respectively.¹⁴ Mayor Bill de Blasio’s housing report succinctly summarizes the problem:

Normally, when demand for a product exceeds supply, the market reacts by producing

the default is a market that can meet a need within reasonable regulations, not one in which local government must grant approval for nearly every project. To increase supply, we should make it easier and cheaper for developers to build housing and allow a higher density of units to be built on available land. This means addressing four elements: A) Zoning, B) Approvals and Permitting, C) Codes, and D) Affordability and Planning Requirements.

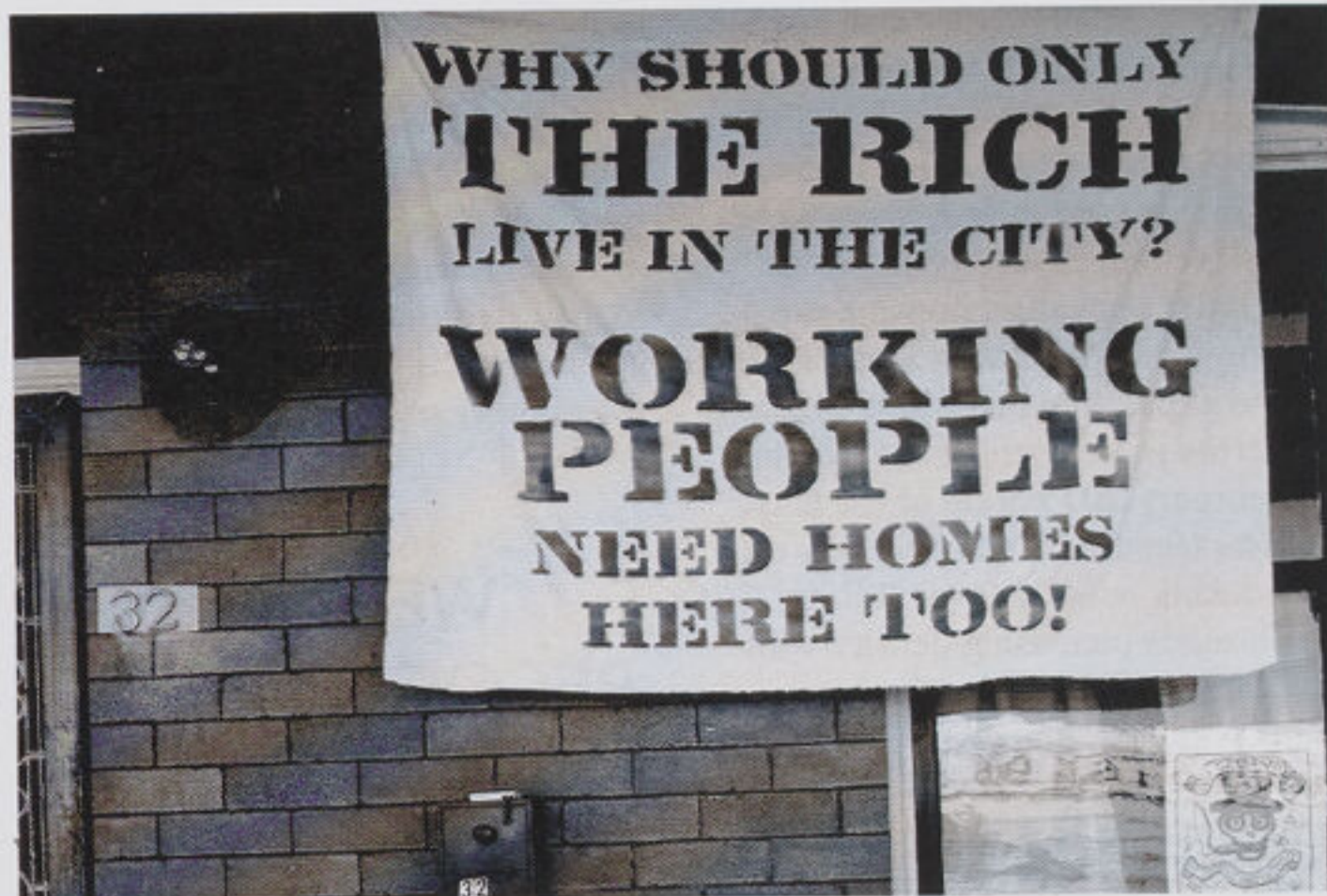
ment process to increase predictability and decrease costs.¹⁷ Such changes would allow developers to meet demand faster and adjust development to more easily match market conditions. These changes benefit smaller developers in particular who may not have the connections, capacity, or funds to work through onerous restrictions. Introducing smaller developers to the market can increase competition to lower cost and increase housing supply on smaller parcels of land that may not attract a large developer.¹⁸

C. Codes

Building codes, which define minimum standards for materials, labor, structure, and housing features, were originally implemented to protect health and safety when urban tenements and overcrowding caused substantial deleterious health effects. Today, however, many of these codes go beyond what is necessary for the protection of health and safety.¹⁹ Changing construction codes can also allow for a reduction of construction costs. When previously required materials are no longer mandated under outdated pretense, builders gain the flexibility to experiment with new, cheaper building methods. For example, plastic pipes, which are cheaper to install, safe, and can be prefabricated to save money, are often against code. Finally, older cities like New York, Boston, and San Francisco are replete with older housing stock, yet this stock is often undermaintained because it is too expensive to bring these buildings up to new construction codes through a renovation. A separate rehabilitation code aligned with current international standards maintained by an independent body would allow for more renovation of old stock without sacrificing health and safety.²⁰

D. Affordability and Planning Requirements

Although increasing the provision of housing units through deregulation should be prioritized above all else, managing growth and maintaining affordability requires additional policy responses. The government will always and should always have a role in appropriate land use regulation. In addition to reducing regulations, the government should maintain its role in promoting affordability for lower income households and planning the city. Cities should strengthen inclusionary zoning requirements



Tenants forced out by gentrification. (Source: "Affordable Housing for Sydney" by Peter Hindmarsh, licensed under CC BY-NC-SA 2.0 from Flickr)

and improve comprehensive planning efforts.

Inclusionary zoning, usually combined with increased density (upzoning), requires developers to build affordable units as part of their development, build them somewhere else (on another parcel of land), or pay into an affordable housing trust. Academics and policymakers like inclusionary zoning because it creates below market rate housing without public subsidy, harnesses market forces in high-demand areas, curtails sprawl, and reduces the concentration of poverty that often accompanies traditional affordable or public housing.²¹ Expanding such requirements to more parts of the city would ensure that as developers add units under the new zoning regime, some of those units are affordable to low-income families.

To properly implement rezoning and streamlined approval, cities need to know which areas can handle more density, which neighborhoods are most amenable to such upzoning, and how infrastructure and other city services need to

adjust to meet the demand of new residents. Such questions can only be answered if the city uses planning activities to define future land uses and engages, solicits, and educates existing residents.²² Many of the areas cited for redevelopment have memories of failed projects from the 1950s and 1960s when city officials with a heavy, undemocratic hand bulldozed existing residents out of the area. In light of this history, and because residents should be able to shape their neighborhoods in a democratic society, communities need to play a role in the planning process. This will emphasize the critical point that more development does not necessarily equal more displacement; instead, it equals more affordability.²³ Skeptical communities must be listened to and persuaded, not bullied.

III. EVALUATING THE PLANS

How well do New York, Boston, and San Francisco's plans promote the above? The answer depends on what you want to emphasize. First, the positive—all three mayors

recognize that increasing density while simultaneously reducing zoning restrictions is key to producing more housing and lowering prices. Inclusionary upzoning is likely to be a key lynchpin of efforts across all three cities to expand housing production while protecting affordability and expanding inclusionary zoning across more parts of the city. In his February 2015 State of the City Address (focused almost entirely on the housing issue), Mayor Bill de Blasio made increasing density while mandating affordability the focus of his policy argument. Speaking consciously of neighborhood concern, he stated, "By taking steps like . . . adding some six to eight story buildings in appropriate places—we could make a fundamental difference in neighborhoods' affordability. That means families staying and thriving in the neighborhoods they love, instead of being priced out."²⁴

In further good news, all three cities are combining these regulatory efforts with governmental reform. All three cities have emphasized approval and permitting changes. New York City plans to create two new programs to invite and entice smaller developers to build on small, city-owned parcels. Boston announced a plan to sell individual, smaller, city-owned lots to contractors to build middle-income, for-sale housing and emphasized that many of the builders interested were smaller, local players.²⁵

Despite the positive signs of focus on unnecessary regulation, elements of each plan and recent events raise concerns that city leaders will fail or are hesitant to loosen supply restrictions. Underlying Mayor Bill de Blasio's approach outlined in his State of the City Address is still a command-and-control style that directs affordable housing provision on governmental land in large megaprojects. Only two hours after the speech, New York Governor Andrew Cuomo's office said that one

such megaproject is to be built on two hundred acres of state-owned land that is "not available for any other use."²⁶ This response speaks to the sporadic and ponderous nature of this government-centric response to affordable housing. In Boston, governmental plans focus on adding the number of housing units neces-

WE MUST RECOGNIZE THAT THE REGULATORY PENDULUM HAS SWUNG TOO FAR.

sary to meet projected population demand rather than provide more units to bring down the current price of housing. New supply will help, but it is unclear whether city leaders want to create a new development regime based on less restrictive zoning or do just enough through the old command-and-control methods to buy time until the crisis subsides. In San Francisco, a recent ballot initiative passed in October that requires individual ballot votes for any project that exceeds height restrictions in the Port of San Francisco—a primary example of how wary residents stifle new housing ideas and development.

IV. MOVING FORWARD

American cities are reaching a vital inflection point. After decades of decay, cities are enjoying a resurgence as the engines of the new economy.²⁷ Continually rising rents, however, threaten to undo this growth.

There is no shortage of outrage over the state of the housing mar-

ket in these cities. We decry \$100 million condos being built for the ultrawealthy in Manhattan with tax breaks but ignore the connection between restrictive regulation and excessive land value that generate interest in such condos.²⁸ We lament the actions of New York Assembly Speaker Sheldon Silver, arrested on bribery charges stemming in part from real estate tax breaks, but refuse to address the broken zoning, approval, and development funding system that generates the opportunity for such bribery.²⁹ We need to roll back the clock on regulation and embrace a new regime that sees development as a mechanism to provide a home for residents, fuel continuous growth, and increase economic development in high poverty areas.

It is a balance, but we must recognize that the regulatory pendulum has swung too far. The government should set the rules of the game, mandate some affordability by subsidizing it directly for low-income families, and facilitate construction on city-owned parcels. But it should leave the market to do what it does best—meet consumer need for the lowest price possible.

Fortunately, we see the tide beginning to turn. More articles are being written about overwrought fears of gentrification, and more communities are beginning to understand that "not in my backyard" thinking is shortsighted.³⁰ But unless mayors have the temerity to manage and implement real reform that shifts governmental thinking from control to facilitation, from burdensome restrictions to transparent rules, we will fail to build the affordable housing we need and deserve. ^{KJR}

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Bringing Down the House

Why the United Kingdom Should Adopt a Regionally Representative Senate

by Philippe Boisvert and Alexander Smith



UK Houses of Parliament. (Source: "Houses of Parliament & Big Ben, London" by Treye Rice, licensed under CC BY-NC-ND 2.0 from Flickr)

THE 2014 SCOTTISH REFERENDUM on independence exposed an underlying fragility in the United Kingdom. With 44.7 percent of Scots voting for independence, the referendum signaled a widespread disillusionment with the UK's structures of power. Serious pressure is being exerted on Britain's constitutional settlement, leading the UK's major political parties to embrace the devolution agenda with renewed vigor and promise greater regional autonomy.

This dissatisfaction is not new, nor is it limited to Scotland. As a partially devolved unitary state, the UK has transferred greater autonomy and decision making powers to its regions in recent decades. This process of devolution has seen legislative bodies established in Scotland, Wales, and Northern Ireland.¹ Although areas like London have also benefited from devolution, England lacks its own subnational legislative assembly. Yet, England continues to exert dominance in Westminster: 82 percent of the seats in the House of Commons currently correspond to English constituencies, and the majority of members in the House of Lords are Englishmen.²

In the wake of the Scottish referendum, politicians have proposed various solutions to increase regional voices in the UK's national legislative process. Some have even called for the UK to adopt a federal model.³ In this context, Labour's proposal to replace the House of Lords with an elected Senate is emerging as an option worthy of consideration.⁴ A UK Senate could serve a dual purpose that builds upon its historic role as a house of review, while also functioning as a "house of the regions" that provides the subnational units with an equal voice.⁵ As comparative jurisdictions have demonstrated, a territorially representative Senate can be the glue that holds the UK together.

HISTORY OF THE HOUSE

The genesis of the House of Lords can be traced as far back as the Norman invasion of 1066. Inside the Palace of Westminster, the Lords sit in a chamber adorned with red leather benches, allegoric frescos, and a stuffed "woolsack" upon which the Lord Speaker sits.⁶ Comprised of Lords Temporal and Lords Spiritual, the House of Lords' members are referred to as "peers," some of whom are granted life membership. Other peers sit in the chamber by virtue of their seniority in the Church of

England, while ninety-two peers still obtain their seats by hereditary birthright.⁷ Many appointments are now made following the recommendation of the House of Lords Appointments Commission, an independent body that has brought considerable experience and expertise to the House by appointing many nonpartisan cross-benchers.⁸

The size, power, and influence of the Lords has waxed and waned throughout the institution's long history, and reform has been a recurrent, albeit difficult, political topic. With almost 800 members, the House of Lords is now larger than the European Parliament and second only to the National People's Congress of China as the largest legislature in the world.⁹ It has historically held both judicial and legislative functions, but the Law Lords' role as the final court of appeal was finally transferred to a new Supreme Court in 2009.¹⁰

WITH 44.7 PERCENT OF SCOTS VOTING FOR INDEPENDENCE, THE RECENT REFERENDUM SIGNALLED A WIDESPREAD DISILLUSIONMENT WITH THE UK'S STRUCTURES OF POWER.

The chamber's historic role was to check and scrutinize legislation passed by the House of Commons. In fact, the Lords were once empowered to reject any bill passed by the lower chamber. However, since the nineteenth century, the increasingly representative Commons gradually supplanted the legislative role of the aristocratic Lords. Today, the House of Lords can at most propose amendments or delay legislation.¹¹ It has now largely been reduced to a grand debating chamber that waves through the work of the Commons. This has effectively resulted in "a unicameral system of government but with two chambers of Parliament."¹²

Prime Minister David Cameron campaigned in 2010 to replace the House of Lords with a mainly elected upper house, principally on the basis that an effective and efficient second chamber "requires both legitimacy and public confidence."¹³ Yet, securing wide-ranging reform has proven to be a political landmine. The House of Lords Reform Bill 2012, which proposed that 80 percent of Lords be elected, was ultimately abandoned by the government, leaving the reform agenda in tatters. In 2015, Westminster's upper chamber has been left resem-



Australian Senate. (Source: "Australian-Senate, Parliament of Australia, Canberra, Australia" by JJ Harrison, licensed under CC BY-SA 3.0 from Wikipedia)

bling an anachronistic hangover from more feudalistic times.

COMPARING CHAMBERS

In considering the future of the House of Lords, the UK would do well to look at the upper houses designed by its former colonies, particularly the United States, Australia, and Canada. Each jurisdiction borrowed heavily from the UK's parliamentary design. But each of these upper chambers melded functions of secondary review and scrutiny with the added purpose of regional representation. Accordingly, these jurisdictions offer instructive lessons for the UK's reform agenda.

United States and Australian Senates

Many of the United States' Founding Fathers held the House of Lords in high esteem. John Dickinson even once exclaimed that the US Senate should "bear as strong a likeness to the British House of Lords as possible."¹⁴ Yet, the US and Australian Senates are distinct from the House of Lords in three crucial respects.

First, they are regionally representative chambers. In the United States, the "Great Compromise" of 1787 secured equal representation in the Senate for each of the

prefederated states and proportional representation in the House of Representatives.¹⁵ Australia borrowed heavily from the US model and constitutionally entrenched the voices of the subnational regions in the national legislative process. Senators in both systems are sensitive to state interests and are afforded an opportunity to devise federal funding arrangements in support of local needs. They also intervene on behalf of local interests as required.

Secondly, the US and Australian Senates are powerful upper chambers of parliament. Both are houses of secondary review and legislatures of debate, scrutiny, and amendment. Subject to a handful of exceptions, bills in Australia and the United States must pass both chambers before becoming law. This fragments power between the chambers, thereby entrenching a functional (albeit, frustrating) system of checks and balances. In contrast, despite the frequency of amendments that it proposes, the House of Lords' capacity to legislate is far more limited and increasingly ceremonial.¹⁶

And thirdly, the US and Australian Senates are *elected* chambers. For most of the US Senate's existence, its members have been selected by state legislatures. But following the passage of the Seventeenth Amendment in 1913, only elected senators have been dispatched to

Washington, D.C.—bringing their democratic legitimacy and regional mandates with them. Notwithstanding the recent and valid criticisms of the Australian Senate's preferential voting system, Australia's Senate has always been "composed of senators for each State, directly chosen by the people of the State."¹⁷ In this way, US and Australian senators have always provided their states with a federal voice, bridging the democratic deficit left by the hereditary and appointed system in the House of Lords. In a country that prides itself on democratic principles, greater enfranchisement and regional representation in the House of Lords would foster a confident and assertive chamber that has both legitimacy and public support.¹⁸

Canadian Senate

The Canadian Senate is also modeled on the House of Lords and incorporates elements from the US Senate. Similar to the Lords, Canadian senators are appointed, but appointments must follow geographic requirements.¹⁹ In the words of John A. Macdonald, the first prime minister of Canada, the appointive model was designed to free senators from the pressures of the electoral cycle and to provide a "sober second thought" on bills from the House of Commons.²⁰ Securing regional equal-

Despite its flaws, the Canadian Senate has played an important role in solidifying Canada's constitutional settlement. Given that the cultural and economic differences between Canada's provinces are perhaps even larger than those of the UK's regions, the Canadian Senate shows that equal regional representation in an upper chamber is an attractive parliamentary compromise.

A BRITISH SENATE?

Differences in regional identities will only be heightened in coming years as the UK's devolution agenda continues apace. At the time of writing, the 2015 UK elections promises to return a wave of Scottish nationalist Members of Parliament to Westminster and may well confer the balance of power to the Scottish National Party, a development which would shake up UK politics.²⁴ Against a background of rising regional nationalism in the UK, reforming the House of Lords presents an opportunity to rebalance the political compact. This process can benefit by learning from the experience of other jurisdictions' upper chambers.

Attempts to increase regional representation could take various forms. For example, a fixed number of senators could be allocated to each of the UK's four constituent nations (England, Northern Ireland, Wales,

THE UK WOULD DO WELL TO LOOK AT THE UPPER HOUSES DESIGNED BY ITS FORMER COLONIES, PARTICULARLY THE UNITED STATES, AUSTRALIA, AND CANADA.

ity in the Senate was a key step towards Confederation in 1867.²¹ Québec and the Maritime provinces insisted on equality of regional representation as a protective measure in the new federal compact.²²

The reality of the chamber has, however, fallen short of its initial design. Despite its regional breakdown, the Canadian Senate has historically failed to be an effective "house of the regions." The appointment process is underpinned by political patronage, and many senators have only nominal links with the province that they represent, voting along party lines rather than regional concerns. And despite the symmetry of formal powers between the Canadian houses of Parliament, the Senate's lack of electoral mandate has resulted in "a mismatch . . . between the powers vested in the Canadian Senate and the willingness of senators to employ those powers."²³ As a result, the Senate does not act as an effective "check" on the House of Commons.

and Scotland). While such a breakdown would underrepresent England on a per capita basis, it would greatly empower the nations whose voices have traditionally been lost on the national stage. Further, a regionally representative Senate could link the devolved assemblies to Parliament and offer an effective channel for conveying regional concerns.

Although England would be underrepresented in the new Senate, its greater population would ensure that its voice remained appropriately represented in the House of Commons where seats are distributed on a per capita basis. England would occupy a position analogous to the most populous American and Australian states, such as California and New South Wales in their respective Senates. That said, the smaller number of subnational entities in the UK—four compared to the fifty American states, thirteen Canadian and eight Australian states and

territories—may nonetheless warrant adjustments. We can imagine, for instance, that the nine English regions could form separate Senate constituencies, in addition to those of Scotland, Northern Ireland, and Wales.

Regardless of the specific formula used to determine the composition of a regionally representative chamber, the UK Senate should be endowed with greater power than the House of Lords. Principally, this requires reinstating its formal assent for the passage of domestic legislation. To act as an effective chamber of the regions, the UK Senate should be empowered to consider matters of financial appropriations and safeguard questions of equalization, similar to the Australian and US Senates. It must also have the capacity to consider draft European Union laws, laws made by the executive as “delegated legislation,” and matters that affect compliance with the UK constitution.

Finally, senators should be elected rather than appointed. The Canadian model demonstrates that senatorial appointments often fail to convey regional interests at the national level and lack the requisite legitimacy to exercise formal powers.

The extent to which regionally representative Senates have achieved their mandates remains subject to extensive debate.²⁵ Indeed, the US and Australian Senates are increasingly subject to partisanship and at times fail to adequately represent the full concerns of the states, while the Canadian Senate has largely failed in this regard. However, by providing a forum for regions to debate and shape policy, regionally representative Senates have solidified constitutional settlements and held disparate and dispersed nations together. The same can now be true in the UK. Reforming the House of Lords into a regionally representative Senate may promise to be the game changer that the UK requires.

CONCLUSION

The United Kingdom is at a crossroads. The fibers that bind its nations together are increasingly frayed, and there is a need for comprehensive structural reform to its outdated institutions of government. Following the Scottish referendum, mainstream parties are likely to pursue the devolution agenda with renewed vigor. However, devolution alone cannot mend the UK’s London-centric, and often unrepresentative, political system. The case for comprehensive reform has solidified and must extend beyond ending hereditary peerage and prime ministerial patronage in the House of Lords.

The UK must balance coherent, Union-wide governance on the one hand with the growing need for subnational representation on the other. Policymakers should take solace in the fact that having to reconcile demands for greater regional representation with the need for

functional national governance is a problem with substantial precedent. Achieving comprehensive reform will be of immense political difficulty, not least due to the intense resistance that can be expected from the Lords currently sitting on the benches. But it is a cause that is worth fighting for: the promise of stability for the Union is real, and the reform agenda can proceed knowing that a representative Senate is a remedy that can hold the UK together. *BR*

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The Importance of Institutions

Lessons from the Swedish Budget Process

by Ingrid Wallin Johansson

BALLOONING GOVERNMENT DEBT, the sequester, and a government shutdown on one side of the Atlantic. Sovereign debt crises, rescue packages, and austerity policies on the other. Against this backdrop, a mature economy that is able to sustain a generous welfare state while also having strong, sustainable public finances may seem like an impossible utopia.

It isn't. Despite having one of the largest public sectors in the OECD (Organisation for Economic Co-operation and Develop-

DESPITE HAVING ONE OF THE LARGEST PUBLIC SECTORS IN THE OECD, SWEDEN HAS BASICALLY BALANCED ITS BUDGET AND HALVED ITS PUBLIC DEBT SINCE THE 1990S.

ment), Sweden has basically balanced its budget and halved its public debt since the 1990s. Reforms to the mundane process of budget-making are a critical part of this success. In this, Sweden holds important lessons for others.

WHY DID SWEDEN REFORM ITS BUDGET PROCESS?

Sweden's current fiscal policy framework was largely a response to the country's financial crisis in the early 90s. Over the preceding decade, structural weaknesses in the economy allowed wage growth to consistently run ahead of productivity gains, eroding Sweden's competitiveness. Moreover, deregulation of the banking sector in the 1980s fueled rapid credit growth and a property bubble, exacerbating these imbalances.

Sweden's economy was already running out of steam when, in the aftermath of reunification, the German Bundesbank hiked interest rates. This put pressure on countries with exchange rates linked to the Deutschmark to follow suit. By the fall of 1992, market pressures on Sweden had built to intense levels. In a doomed attempt to defend the krona, hitherto pegged to a basket of currencies, the central bank hiked short-term interest rates to 500 percent. The cost of funding Sweden's debt-fueled bubble suddenly soared, crippling households and firms. The overextended banking sector quickly collapsed, necessitating large government interventions.

During the crisis, the economy shrank for three years in a row, leaving more than one in seven people in the labor force either unemployed or in public labor market programs.¹

Against this backdrop, Sweden's fiscal position deteriorated rapidly. At its height, the government deficit exceeded 10 percent of GDP, akin to Greece's recent shortfalls.² Government debt as a share of GDP almost doubled, topping out at 74 percent in 1995.³

In order to shore up its dangerously weak fiscal position, Sweden seized the opportunity to overhaul its dysfunctional budget-making process. Indeed, it had been identified as one of the least stringent in Western Europe.⁴ Individual appropriations were decided more or less in isolation. With few coordination mechanisms to ensure an overall balance, the parliament would then simply add up appropriations into the budget.⁵ And budgets were frequently revised during the year for which they applied.

After a series of official commissions and public inquiries, a new framework for the budget process was implemented in time for the 1997 budget. This fiscal policy framework largely remains in place to this day.

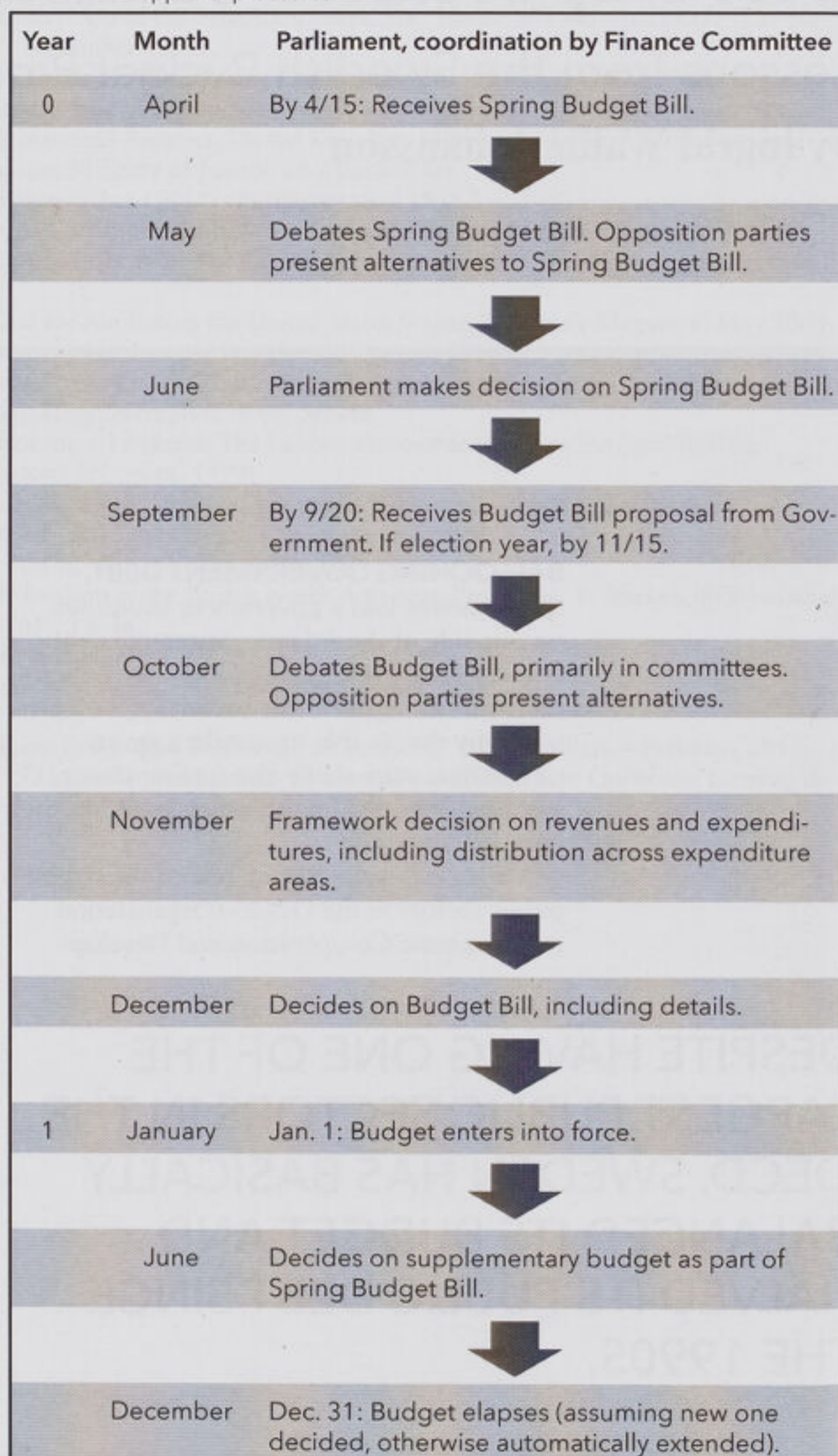
COMPONENTS OF THE FISCAL POLICY FRAMEWORK⁶

The main characteristics of the post-crisis fiscal reforms were a shift to a top-down budget process and the introduction of fiscal targets to ensure policies' long-run sustainability.

The Swedish budget process is now broken down into two rounds, starting from the top and working down into the details (see Figure 1). This is the opposite of the US federal budget, for example. During early fall, the finance minister and opposition parties all propose budgets for the upcoming year to the parliament, the Riksdag. In a first step, the Riksdag determines the overarching budget parameters in a single vote. These include total revenue and spending levels, as well as the division of expenditure among the twenty-seven policy areas.⁷ In the second step, parliamentary committees debate specific policies within the spending limits of each policy area. The entire parliament then votes on their recommended allocation.⁸ As a result, the chamber never votes on specific spending items; rather, they make a decision on an entire expenditure area.

By coordinating the different parts of the budget, this top-down framework limits the

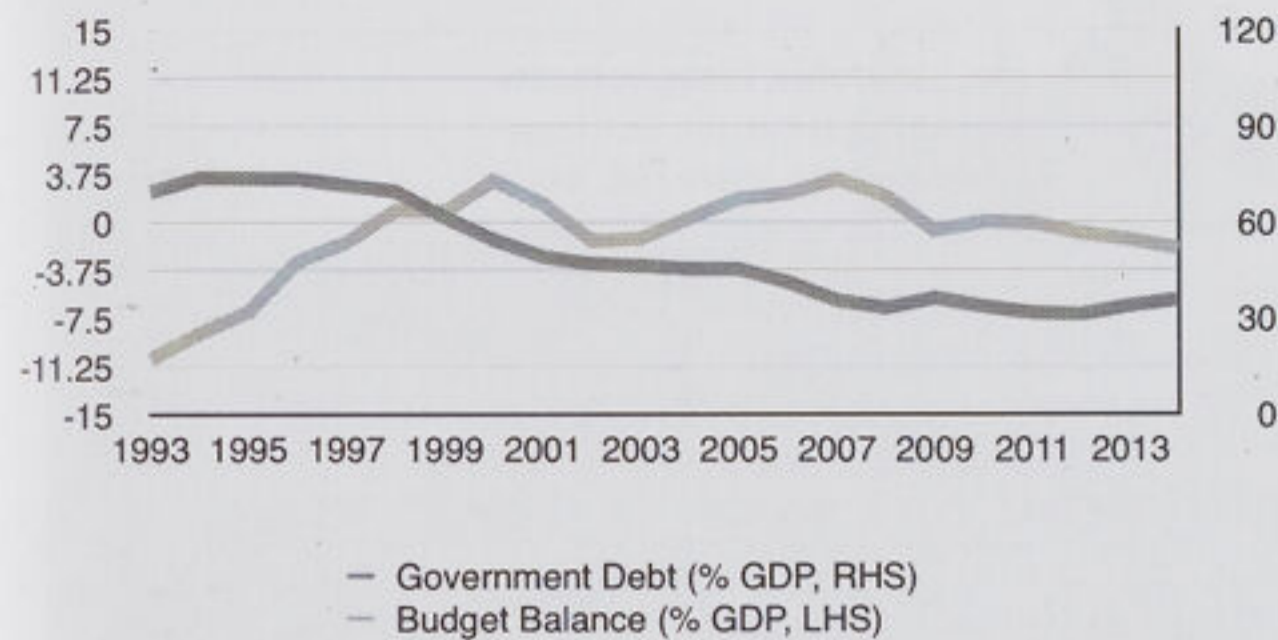
Figure 1 - Year 1 central government budget development and approval processes.



Budget proposals are normally submitted to parliament twice every year, the main Budget Bill during the fall and the Spring Budget Bill. The Spring Budget Bill is in many ways mostly the starting point for the Budget Bill development phase, containing updated macroeconomic projections and a supplementary budget doing marginal changes to the existing budget.

(Source: The Riksdag, The Government Offices)

Figure 2 - Swedish central government debt as defined by the Swedish National Debt Office. Savings rate for the consolidated public sector; the budget balance proxy used by the fiscal policy framework.



(Source: Swedish National Debt Office, National Institute of Economic Research)

risk that budgets end up underfunded. Dividing the total expenditure into policy areas reduces the likelihood that unglamorous spending items or abstract concepts of fiscal discipline are sacrificed for crowd-pleasing measures. Moreover, the mere action of implementing institutions that strengthen the budget process has helped foster a political culture of fiscal sustainability. During the last two decades and especially in recent years, Sweden's main political parties regularly competed to appear the most fiscally disciplined.

On top of reforming the decision-making process, Sweden introduced two new medium-term fiscal targets in an attempt to tie governments, like Ulysses, to the mast of fiscal sustainability. First, a *surplus target* dictates that budgets should, over the course of a business cycle, project a surplus of 1 percent of GDP.⁹ In addition to eroding government debt more quickly than a simple balanced target, a surplus rule was designed to prepare Sweden for the pressures of an aging population.

Second, an *expenditure ceiling* commits governments to a maximum level of spending for rolling three-year periods.¹⁰ Forecasts for revenue are also made for the same time period. What is more, these spending limits include both discretionary items and mandated expenditure such as social security payments. Unlike their American counterparts, Swedish politicians cannot make open-ended appropriations.

The combined effect of these rules is that, while governments should avoid budget shortfalls over the economic cycle (surplus target), they must be prudent in their spending rather than simply hiking taxes to cover deficits (expenditure ceiling).

Nonetheless, the fiscal framework does build some flexibility into budget-making. Two supplementary budgets are normally adopted per year in response to the inevitable difference between macroeconomic developments and the original projections. And under extraordinary circumstances, such as the global financial crisis, a supplementary budget other than these two can be adopted as well.

SWEDEN'S FISCAL SITUATION HAS VASTLY IMPROVED

This policy framework has helped transform Sweden's fiscal position. After a double-digit deficit in 1993, the budget had swung into the black by 1998 and has since averaged a small surplus (see Figure 2).¹¹ Meanwhile, after topping out at 74 percent of GDP in 1995, government debt has tumbled, fluctuating around 35 percent since the mid-2000s.¹² At present, Sweden is one of only nine countries to have the highest possible credit rating from all three major rating agencies.¹³

And by setting the fiscal policy targets over the business cycle rather than each year, the framework has institutionalized the importance of keeping the fiscal house in order in good times. As a result, Sweden can support expansive policy in the bad times.

THE FUTURE OF THE SWEDISH FISCAL POLICY FRAMEWORK

Despite this success, debate about the benefits and drawbacks of the framework, in particular the fiscal targets, has intensified in recent years. Many have argued that, while necessary and prudent in the mid-1990s, aiming at persistent surpluses is no longer optimal against the backdrop of low government debt.¹⁴ Given that the fiscal targets do not differentiate between current and capital spending within expenditure areas, many critics claim that it causes the government to prioritize current spending over investment.

After all, it may be politically difficult to justify building a new highway financed by reduced de-icing of roads during the winter. The focus on maintaining a budget surplus rather than investing in human capital has also been blamed for Sweden's plunge in educational results.¹⁵

It should be noted, however, that these distortions are caused by the level of the fiscal targets and their conflation of current and capital spending, not the targets per se. In any case, calls to adjust the fiscal targets have won little favor among the political parties. During the campaign ahead of the 2014 elections, both major political blocs competed aggressively to look fiscally responsible, promising measures to return the budget to the 1 percent of GDP surplus target within a few years.

Other parts of the fiscal framework have also come under pressure recently. During a 2013 budget debate about a minor income tax reduction, Sweden's political parties disagreed violently about the rules governing the budget process (see Figure 3). The opposition party (at the time) stopped a change in the income tax code through separate legislation without making any offsetting revenue changes. Although this caused the projected revenues to *exceed* the first round decision, the government claimed that the opposition had broken the rules. Lacking a constitutional court to adjudicate such a dispute, the

change went ahead. Further disagreements about the rules may endanger the wider fiscal policy consensus that has served Sweden well.

But there are, inevitably, disagreements about the rules of any institution, not least one that is less than twenty years old. And the recent political crisis may even have strengthened Sweden's fiscal framework. The

SWEDEN SHOWS THAT IMPROVING FISCAL OUTCOMES IS NOT ONLY ABOUT SPECIFIC TAX AND SPEND POLICIES, IT IS ALSO ABOUT STRENGTHENING THE INSTITUTIONS THAT SHAPE THE BUDGET.

government and opposition parties eventually reached an agreement that prevents the signatories from attempting to break out single budget items from a budget outline approved in a first round decision. This convention will reinforce the top-down budget-making process in the future.

Figure 3 - Recent political turbulence over the budget.

During the budget-making process in late 2013, the center-left opposition joined forces with the far-right Sweden Democrats to stop one of the center-right minority government's tax proposals through a separate law, i.e. a de facto change in income taxes and thus government revenue. Despite representing a mere 0.4 percent of budget revenues, the tax proposal caused violent disagreement. The parties in power argued that the initiative contradicted the budget decision-making model, while the opposition argued that, in strengthening the budget, it did not contradict the ethos of the framework. Although legal opinion was split (Sweden has no constitutional court), the opposition's change was implemented.

Elections in September 2014 brought a minority center-left government to power. In early December 2014, the Riksdag rejected the new government's Budget Bill and passed the opposition's proposal instead. Facing the prospect of governing with someone else's budget, the prime minister announced he would call new elections as soon as legally possible. However, before he did so, the government and the opposition announced the "December agreement." The signatories agreed to let a minority government's budget proposal pass. And in order to strengthen the framework, the agreement also commits signatories to refrain from the "break outs" from a budget that happened in fall 2013, whether budget balance enhancing or not.



Swedish Parliament. (Source: "Sweden's Parliament," by Benjamin Horn, licensed under CC BY 2.0 from Flickr)

LESSONS FOR OTHER COUNTRIES

Despite these issues, the Swedish budget process is widely considered a success, both at home and abroad. In light of the serious fiscal problems currently faced by many countries, Sweden offers a number of broad lessons:

1. *Consistency in procedures and overarching goals breed credibility and macroeconomic stability.* Since its introduction, the Swedish budget process has been remarkably consistent, and the fiscal policy targets have largely been observed. This has enhanced the credibility of Sweden's public finances, allowing the country to maintain its AAA credit rating throughout the recent financial crisis. So, other countries should avoid frequent changes to budget rules or quick fixes to solve fiscal crises, and instead build long-term institutional rules. Of course, no framework should be completely static. Sweden has made modifications to the rules, albeit fairly minor ones.
2. *A top-down, complete budgeting process that rests on the limits set by a single overarching decision helps prevent expenditure drift.* Many countries build their budgets from the bottom up, adding individual appropriations together without an overarching framework. However, Sweden showcases the benefits of a top-down process that forces politicians to commit to a projected budget balance from the start, restraining spending. Sweden's experience also highlights the benefits of negotiating a complete budget that includes both discretionary and mandated spending.
3. *Carefully formulated fiscal policy targets can promote fiscal sustainability.* While Sweden's 1 percent surplus target is increasingly controversial, there are clearly benefits of having *some* established metrics to constrain fiscal policy. In fact, since the Swedish budget reforms, many countries have introduced explicit fiscal policy targets.¹⁶ Sweden also shows that fiscal targets should refer to the medium-term, rather

than to individual years. This gives the government room to use fiscal policy to cushion the business cycle. Moreover, any fiscal policy targets must be embedded in institutions. Had Sweden simply adopted the targets without reforming the budget-making process, they would not command such a prominent place in Sweden's political culture.

Sweden's response to its crisis in the early 90s laid the foundation for the stronger, more resilient economy that the country enjoys today. As countries around the world struggle to bring down debts and deficits, the Swedish case shows that improving fiscal outcomes is not only about specific tax and spend policies, it is also about strengthening the institutions that shape the budget. *JR*

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The Great Divorce

Sudan, South Sudan, and the Promise of Prosperity

by Tarig Hilal, Charles Data Alemi, and Selma el Obeid

INTRODUCTION

Idealist without illusions.
—John F. Kennedy

THE UNITED NATIONS BEGAN delivering food aid to South Sudan via the Nile River from Sudan in late December 2014. The newly opened corridor cut through an area of intense military activity, reduced the cost of transporting food by six or seven times, and allowed for the delivery of up to 21,000 additional tons of food to a country on the brink of famine.¹

Although in many ways a footnote in the grand drama of South Sudanese and Sudanese politics, this small, lifesaving development showcased both the fortune and misfortune that Africa's two newest neighbors could bring upon each other. The access corridor was a reminder—amidst the tragedy and sorrow of multiple civil wars—that the two countries remain intimately bound. Cooperation is not a luxury but a matter of life and death.

From the moment that South Sudan hoisted its flag on 9 July 2011 to the cheer and joy of the gathered crowds and the recognition of the world, it inaugurated Africa's newest, longest, and, by some measures, most contested border. This unmarked border is 2,010 kilometers long² and home to one-third of the populations of Sudan and South Sudan and holds repositories of vast natural wealth. At the border, it is impossible to ignore the visceral reality that Sudan and South Sudan are conjoined by a complex weave of trade and commerce, kith

and kin, language and history, politics and culture.

Three and a half years have passed since the South achieved independence, but the essential question has yet to be answered. *How, after all that has happened, can Sudan and South Sudan live proudly and prosperously by one another, as separate nations and equal peoples, simultaneously independent and yet profoundly interdependent?*

This is a question whose answer we believe lies in accepting the full consequences of separation, recognizing bitter truths, developing a vision of the future that is both idealistic and pragmatic, and working toward peace and prosperity with the support of a regional tripartite agreement.

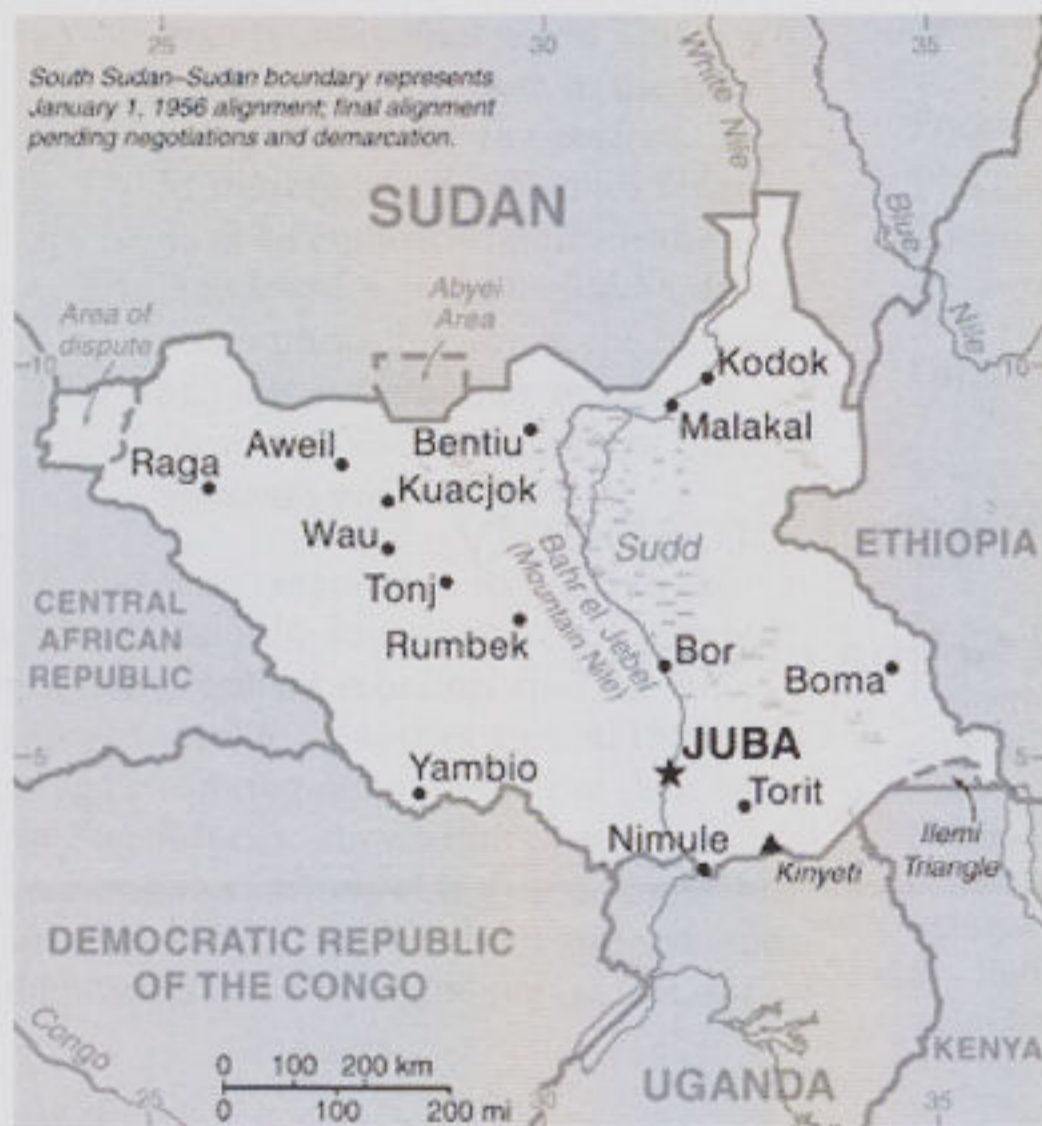
SEPARATION AND ITS CONSEQUENCES

Quite often good things have hurtful consequences.
—Aristotle

Although separation affirmed the South's right to self-determination, it also exposed the deep fissures within both nations and has done little to allay the mistrust between the two states.

For South Sudan, independence was a source of pride and jubilation, representing the culmination of decades of struggle. As an act of self-determination, it was a rare example of a Sudanese political process that expressed the will of the people. A new world, long in the making, was born.

In Sudan, the mood was more somber. In the after-



Map of South Sudan. (Source: CIA World Factbook)



Map of Sudan. (Source: CIA World Factbook)

math of the separation, there was a brief halfhearted attempt at a national renewal. Politics stumbled on as before, a cycle of rebellion and repression that lost none of its grinding ferocity. Fighting in the states of Blue Nile and South Kordofan followed an eerily familiar pattern, with less gained and more lost with each iteration, while the fighting never stopped in Darfur.

HOW, AFTER ALL THAT HAS HAPPENED, CAN SUDAN AND SOUTH SUDAN LIVE PROUDLY AND PROSPEROUSLY BY ONE ANOTHER . . . ?

Virtually all of the issues that needed to be settled between the new states were outstanding on 9 July 2011, including security, borders, debt, oil, trade, and citizenship. Today, most of these remain unresolved. The two countries have ravaged each other's economies, fought proxy wars in each other's territory, and descended into internal conflict.

South Sudanese independence was always going to be economically painful for Sudan.³ Most of the oil is in South Sudan, and on average, it was estimated to have generated between 4 and 4.5 billion USD worth of revenue a year over the last ten years for the Sudanese government, representing 90 percent of Sudanese exports and 50 percent of government income.⁴

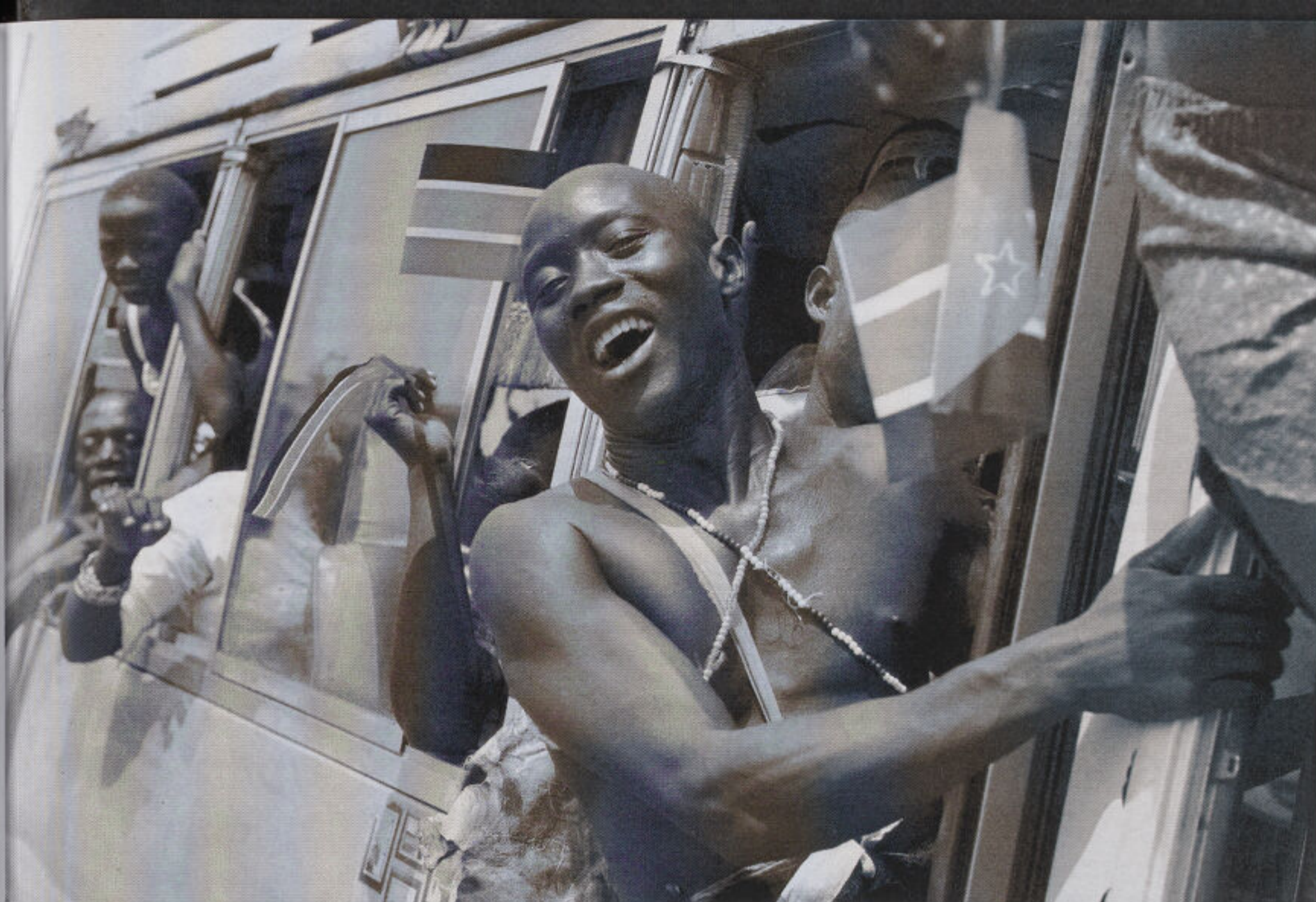
The government of Sudan attempted to recoup some lost revenue by confiscating oil as compensation for transit fees. In response, the government of South Sudan made the decision to cease all oil production.⁵ Oil did not flow again until April 2013.⁶ The shutdown lasted more than a year, during which time the economy of Sudan was estimated to have contracted by 4.4 percent⁷ while inflation rose by 40 percent.⁸ In 2012, according to the IMF, South Sudan's GDP contracted by 55 percent.⁹

The oil shutdown and its dramatic consequences highlighted the fragility of both states, the leverage that oil provides the South, and the deeply intertwined nature of Sudanese and South Sudanese politics and economics.

THE GREAT UNRAVELING

Things fall apart, the center cannot hold.
—William Butler Yeats

Throughout this time, the wars continued unabated. Worse still, new ones were born, signaling what some



South Sudan Prepares for Independence. (Source: UN Photo/Paul Banks)

feared was the beginning of a great unraveling: two nations torn apart by war. Rather than bringing the peace that it had so tantalizingly promised, South Sudan's independence appeared to have unleashed more war.

In Sudan, the lesson that many drew from Southern independence was that the gun speaks louder than the pen. The language of independence and sovereignty, once anathema to serious political actors, began to emerge as a violent demand.

The wars in Darfur and in the border Sudanese states of South Kordofan and Blue Nile continued, their purpose obscured by the passing of time. These wars made a mockery of proposed security arrangements, drawing each nation deeper into each other's orbit while walking the perilously thin line between contained conflict and mutual self-destruction.

The rebel armies in South Kordofan and Blue Nile remained connected to and supported by the South Sudanese army, based on a history of shared struggle, shared command, personal loyalty, and politics.¹⁰ The Sudanese army in turn provided military and logistical backing to rebel groups within South Sudan.¹¹ Both sides formally denied charges of war by proxy.¹²

In the midst of this fighting, came the events of 17 December 2013, when President Salva Kiir of South Sudan accused his former vice president of planning to overthrow him, sparking a civil war. This ongoing war has left 50,000 dead and displaced two million people.¹³

Despite the familiarity of war, there are new elements to this conflict. Darfuri, for example, once the shock troops of the Sudanese army, are fighting alongside the South Sudan army against rebellions in the South Sudanese state of Jonglei, while the traditionally noninterventionist Chinese have sent 700 UN troops,¹⁴ and American influence is seemingly at an all-time low.¹⁵

In addition, there are new players whose actions are helping to shape the course of events. The International Governmental Authority on Development, an African trade bloc, is acting as the forum for negotiations,¹⁶ Uganda has sent troops in to prop up the Government of South Sudan,¹⁷ and Ethiopia is playing a mediating role between Sudan and South Sudan,¹⁸ as is Qatar in Darfur.¹⁹

A war once simply characterized as a Muslim North versus a Christian South has become a multifaceted conflict that involves both domestic and international

actors and interests. In order to move toward peace, all actors—particularly the Sudanese and South Sudanese—must look pragmatically at the future and acknowledge some “bitter truths.”

BITTER TRUTHS

Truths and roses have thorns about them.

—Henry David Thoreau

In May 2013, following a meeting of the Supreme Council of South Sudan Muslims, the *Sudan Tribune* ran the headline, “Bashir Still Optimistic that Sudan, S. Sudan Can ‘Reunite’ in Future.”²⁰ Whether this is what the President believed, or simply what his audience wanted to hear, it is undoubtedly a common sentiment in Sudan. For many in the Sudan, hope remains that reunification could succeed.

RATHER THAN BRINGING THE PEACE THAT IT HAD SO TANTALIZINGLY PROMISED, SOUTH SUDAN’S INDEPENDENCE . . . UNLEASHED . . . WAR.

On the other hand, many South Sudanese think that South Sudan can and should establish itself as wholly separate from Sudan. They think that the bounds of geography and history that exist so clearly along the border and whose tentacles reach deep into both nations can be cast aside.

In order to move forward, both countries need to face some bitter truths.

For the Sudanese, the truth is that the great divorce has at last come to be and, there will be no going back. It is rare that countries that have achieved independence ever choose to give up their autonomy.

The truth that the South Sudanese must face is that things are not quite what they had hoped for. The two countries remain deeply interdependent. This is a separation where the two sides must share space, income, and family.

Economically, Sudan remains South Sudan’s second-largest trading partner for non-oil commodities.²¹ The interpersonal linkages are even stronger than trade. Millions of people on both sides of the border have trucked and bartered, traveled and exchanged, and intermarried.

For progress to occur, a new approach is needed.

A NEW APPROACH

We cannot solve our problems with the same thinking we used when we created them.

—Albert Einstein

There will be critics who will say that this is no time to be thinking about relations between the two states, that each must get its own house in order first.

However, neither country can afford the luxury of dealing with its crisis in neat boxes. Moreover, the goal must be higher than a simple avoidance of all-out war; otherwise, there will be an acceptance of the quiet violence of a “low intensity” conflict, in which the army is paid and foreign security concerns are placated.

Denial will not help either. The usual trope of blaming Sudan—and now South Sudan’s—maladies on foreign powers doesn’t move the countries forward. Instead,

it hands their fate to government bureaucrats and NGO workers from distant lands.

There are four key points that both sides must accept in order to move forward. This new approach and mindset would lay the groundwork for the possibility of peace.

First, the leaders must accept that these crises are Sudanese and South Sudanese in their making and that the solutions lie in the choices they make.

Second, the countries must recognize that Sudan and South Sudan are intimately bound and will always be so.

Third, Sudan must acknowledge that the South Sudanese have suffered terribly at the hands of the Sudanese and that special effort will need to be made by the Sudanese to assure the South Sudanese that they respect their sovereignty and will work to build the trust necessary for peace.

Fourth, it is essential that both sides begin to imagine a future beyond the current state of war in a way that trades the language of brotherhood for an emphasis on practical details. Two nations do not need to love one another to cooperate, so long as they see the cold reality of mutual self-interest.

IMAGINING THE UNIMAGINABLE

Everything you can imagine is real.
—Pablo Picasso

In early 2015, peace and prosperity in Sudan and South Sudan seem unimaginable. Yet, it is crucial to attempt to imagine this future in a pragmatic way, as outlined above, if Sudanese and South Sudanese are to work towards it.

In addition to war, there are at least two other factors that make it hard for both sides to envisage a better future.

The first problem is that years of war have created an atmosphere of profound distrust. South Sudan, protective of its sovereignty, often sees improved relations as a threat to its independence, and Sudan is all too often insensitive to these fears.

Second, many Sudanese and South Sudanese are deeply skeptical of grandiose ideas, having seen big visions for Sudan go up in flames time and time again.

In order to overcome these two barriers, a vision for the future will need to be pragmatic, understated, and sensitive to the problem of persistent distrust.

In the short term, the primary challenge will be ending the violence. With the multiple conflicts in both countries “merging,”²² this will require a link between the peace processes in Sudan and South Sudan, a pledge by both parties to cease meddling in the other’s affairs, and a commitment by the key actors in each country to a process of political accommodation, power sharing, and political reform.

In the long term, regional cooperation—particularly with Ethiopia—offers the best potential for sustainable peace and prosperity.

THE WAY FORWARD: A TRIPARTITE ARRANGEMENT

A threefold cord is not quickly broken.
—Ecclesiastes 4:12

The key to improved relations between Sudan and South Sudan lies in regional cooperation. In addition to their participation in existing regional organizations, the two countries should create a new arrangement with Ethiopia.

The arrangement could be centered on an agreement that places economic self-interest front and center, affirms the sovereignty and territorial integrity of each individual country, and focuses on four key areas of confluence: energy, water, agriculture, and ports. A tripartite agreement on these key areas of mutual interest would

disincentivize war by creating spheres of clear, binding economic interest and providing a framework for reciprocity and trust building.²³

Ethiopia is a good choice because it is a country that both South Sudan and Sudan trust. It has long played a role in efforts to bring peace between the two countries and is seen as a relatively neutral actor in the conflict. It would act as an assurance to South Sudan that cooperation is not a Trojan horse for unity and provide a guarantor with a clear and vested interest in success.

Moreover, there are strong links between the three countries. Sudan and South Sudan share a border with Ethiopia, a long history of trade, and cultural and ethnic ties.

THE KEY TO IMPROVED RELATIONS BETWEEN SUDAN AND SOUTH SUDAN LIES IN REGIONAL COOPERATION.

All three countries face a similar set of challenges, including implementing inclusive development strategies, addressing climate change, and dealing with food insecurity.²⁴

Ethiopia’s economy is booming, and it has a strong interest in regional stability. It has already signaled that it sees close economic ties as crucial to its future, as demonstrated by infrastructure projects such as a major hydroelectric dam on the border with Sudan.²⁵

In recent years, Sudan has supplied as much as 85 percent of Ethiopia’s oil (most of that oil is now in South Sudan), Sudanese businessmen are a fixture in Ethiopia’s capital, and there are thousands of Ethiopians doing business in Sudan—both in the capital Khartoum and in the east.²⁶


Moreover, each has clear, comparative advantages, so they would not be in direct competition with the other. Sudan produces a lot of wheat, has access to the sea, and retains oil infrastructures. South Sudan has oil and, though underdeveloped, also has the capacity for high rice production. Ethiopia has a massive labor force, hydro energy, and the largest contribution of waters to the Nile (85 percent).²⁷

The economic case for this tripartite regional agreement is strong and would help create an environment that incentivized trade and cooperation, averted conflict, and promoted prosperity.

THE PROMISE OF PROSPERITY

Much effort, much prosperity.
—Euripides

If Sudan and South Sudan were able to reach a sustainable peace and to cooperate with their neighbors for mutual benefit, the results could be stunning. A tripartite agreement between Sudan, South Sudan, and Ethiopia could make these countries giants in the region.

There is no reason why it could not be so. Both Sudan and South Sudan are exceptionally rich in people, land, resources, and culture, making the possibilities for peace and affluence remarkable. It will take enormous effort to acknowledge uncomfortable truths, a willingness to engage pragmatically, and an act of imagination and courage on behalf of each country's leadership, but it can—and must—be done. 

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Book Review of *My Promised Land: The Triumph and Tragedy of Israel* by Ari Shavit (Spiegel & Grau, 2013)

Reviewed by Sam Winter-Levy



Old port, Jaffa, Israel. (Source: "נמל יפו העתיקה | The old port, Jaffa, Israel" by ronsho, licensed under CC BY-NC-ND 2.0 from Flickr)

IN APRIL 1897, just months after Theodor Herzl published *The Jewish State* and launched the Zionist movement, a steamer containing twenty-one dreamers docks in Jaffa. They are a delegation of upper-class British Jews, and they have traveled to Palestine to investigate the prospects of settling the land with the persecuted Jewish masses of Russia, Poland, and Belarus. A prophetic fear of the extinction of the Jewish people—whether in the pogroms of Eastern Europe or the secularized assimilation of Western Europe—combined with a romantic Victorian yearning for Zion have inspired these pilgrims to leave the comforts of London for the deserts of Palestine. Leading the delegation is the Right Honorable Herbert Bentwich, the great-grandfather of the author Ari Shavit, a columnist for *Haaretz* and one of Israel's most influential political commentators. As the steamer moors, Shavit pauses his narrative and asks himself, "Do I want him to disembark? I don't yet know."¹

My Promised Land is the most widely acclaimed and commercially successful book on Israel of the last decade, receiving effusively positive reviews upon its publication in the United States. It is an attempt to understand Israel by telling its story from the arrival of Bentwich in Jaffa in 1897 to the writing of the book in 2013. Shavit thankfully rejects polemic for the most part, instead presenting a "personal odyssey," an idiosyncratic but always gripping mix of family history, memoir, archival research, and interviews. Structured chronologically, each chapter provides a snapshot of a historical moment set in a geographical location within Israel. Thus from his great-grandfather's arrival in Jaffa in 1897, Shavit moves on to the 1920s and the pioneers of the Kibbutzim in Ein Harod, where "[a]fter eighteen hundred years, the Jews have returned to sow the valley,"² and then onto the flourishing orange groves of Rehovot in the 1930s, before the bloodshed of the Arab revolts in 1936 shattered the illusions of the more utopian elements of the Jewish national movement.

THE MOST WIDELY ACCLAIMED AND COMMERCIALY SUCCESSFUL BOOK ON ISRAEL OF THE LAST DECADE.

The State of Israel's first decade is evoked by the Bizaron housing estate, inhabited by quietly traumatized but obsessively industrious European Holocaust survivors. Other chapters include a fascinating account of Israel's "ambiguous" nuclear project at Dimona, with which both Shavit's father and uncle were directly involved, and an overwrought portrayal of the throbbing hedonism of Tel Aviv's nightlife. Shavit has set out to write an avowedly centrist account, appealing to the broadest possible spectrum of reader—hawks and doves alike. Thus, in the chapter containing his account of his own experience as a guard in a prison on Gaza Beach, Shavit can use words like "Aktion" and "Gestapo" and quote a fellow soldier who says that "the place resembles a concentration camp," although Shavit himself has "always abhorred the analogy."³ In another, however, he can provide an analysis of the existential threat posed by the Iranian centrifuges so hawkish Netanyahu himself could have written it. This dualism runs throughout the book.

Shavit is nostalgic for Israel's more socialist past, tracing many of the problems he sees today to the victory of the right in the 1977 elections, which ended thirty years of rule by left-wing parties. He is a passionate critic of the occupation, viewing it as unjust and politically corrosive. At the same time, however, despite agreeing with the leftist peace movement on the moral illegitimacy of the occupation, he sees the "peaceniks" as naively deluded in their belief that withdrawing to some version of the 1967 borders would bring peace: "We should have been sober enough to say that occupation must end even if the end of occupation did not end the conflict."⁴

On this logic, Israel need not wait for a deal with the Palestinians but should just take unilateral measures to "gradually and cautiously withdraw" from the West Bank.⁵ Given the unlikely prospects of any successful negotiated settlement, a unilateral withdrawal of this sort, which Ben-Gurion himself advocated immediately following the 1967 war, increasingly represents one of the few remaining responses for Israel to remain a Jewish and democratic state. After Operation Protective Edge in the summer of 2014, however, popular support for any

ULTIMATELY . . . SHAVIT'S TALE REVOLVES AROUND A CORE OF GNAWING, CORROSIVE, CONFIDENCE-SAPPING GUILT OVER [ISRAEL'S] FOUNDATION.

risky disengagement from the West Bank is at an all-time low. At the same time, Shavit is clear-sighted about the dangers of de-occupation—especially the potential for the rise of, in Netanyahu's words, another missile-lobbing " Hamas-stan " just minutes from Tel Aviv and Ben-Gurion Airport. Shavit's account, then, written in English and clearly targeted at an American audience, has much to interest all readers. In places, it is genuinely powerful and moving, most notably in its descriptions of Zionism's almost miraculous nation-building, as malaria-ridden swamps are drained and deserts bloom. Ultimately, however, Shavit's tale revolves around a core of gnawing, corrosive, confidence-sapping guilt over the foundation of Israel.

For all Shavit's celebration of Israel's national achievement, this anguished guilt rots away at Shavit's moral faith in the Zionist project. It hangs over much of the book's early chapters, with portentous forebodings of an impending catastrophe shrouding his description of Zionism's every move, no



Ruins of Lydda. (Source: Wikimedia Commons)

matter how benign, from growing an orange to attending a violin concert. From the very first paragraphs of the book, when Bentwich is described as “still an innocent”⁶ when he views the Holy Land from his steamer—not yet damned for the fate of the Palestinians whose villages he “does not see”⁷ as he surveys it—guilt hangs over all the triumphs of *My Promised Land*. This self-flagellating contrition finds its defining apotheosis in one chapter in particular, entitled “Lydda, 1948,” which gained some notoriety when published separately in the *The New Yorker*. It describes, graphically, the expulsion of thousands of Arabs from the city of Lydda in July 1948, as “Zionism carries out a massacre.” Shavit writes, “Lydda is our black box. In it lies the dark secret of Zionism. The truth is that Zionism could not bear Lydda . . . If Zionism was to be, Lydda could not be.”⁸ The events at Lydda are the realization of what was always going to be, from the moment Bentwich landed in Jaffa, an “imminent, inevitable tragedy.”⁹ Indeed, for Shavit, Israel’s

history is always shaped by a “tragic decree,” by “eternal struggles”—in short, by “fate,” a word that appears an extraordinary number of times over the course of the book, with repeated injunctions to his fellow citizens to “recognize our fate [and] live up to our life’s decree.”¹⁰

For Shavit, war in the Middle East is an inevitable necessity, given the converging forces of Zionism and the Palestinians; there was no escaping Lydda, and there is no escaping a future of eternal war. Except that there was and there is. History isn’t Greek tragedy. The fates of nations are not controlled by the will of distant, arbitrary gods. The events at Lydda, and indeed the current events in the Middle East, are not and have never been inevitable. They are historically contingent, generated at least in part by specific decisions by individuals with moral agency. Lydda was not inherent in Zionism but emerged in the desperate maelstrom of a war of survival—the essential context, which Shavit downplays, of the simultaneous inva-

sion of the nascent Jewish state by five Arab armies, in a war the Secretary-General of the Arab League promised would be "a war of extermination and momentous massacre which will be spoken of like the Mongolian massacre and the Crusades."¹¹ In Shavit's account, all Arab agency is subsumed into suffering passivity, merely waiting for a "tragic decree" to unfurl: "Lydda suspected nothing.

BLAMING FATE BECOMES A GET-OUT CLAUSE, NEGATING THE NEED FOR . . . DIFFICULT DECISIONS.

Lydda did not imagine what was about to happen."¹² But the Arab invasion followed the rejection of the UN partition plan by the Arab states, a rejection that was not fated or inevitable but a deliberate political decision. Even within the brutally bloody context of a war for Jewish survival, there was nothing inevitable about Lydda, given that numerous other Arab cities, such as Nazareth, saw no such massacres or expulsions. Shavit's description of a unitary, monolithic Zionism, moreover, ignores the numerous debates that divided the movement from its very inception. For instance, John Judis has argued recently (in *Genesis: Truman, American Jews, and the Origins of the Arab/Israeli Conflict*) that the vision of a binational state envisaged by Zionists such as Ahad Ha'am could well have been realized had Truman acted differently in 1948.¹³ It is not true that Zionism required the destruction of Lydda. History is not fate.

This is true not only of the events of 1948 but of the whole subsequent history of the region. The long sequence of failed negotiations, plagued initially by Palestinian rejectionism and increasingly by the continuing announcement of tenders for settlement construction, does not stem from a decreed, preordained injunction but from the unfolding consequences of quite deliberate po-

litical actions. For all *My Promised Land's* undoubted merits, the persistent, crushingly fatalistic view of history as an inescapably tragic destiny is a major weakness of the book. Blaming fate becomes a get-out clause, negating the need for the difficult decisions from both parties that will truly define the region's future.

Ultimately, Shavit concludes, "There will be no utopia here. Israel will never be the ideal nation it set out to be . . . But what has evolved in this land is not to be dismissed . . . a truly free society that is alive and kicking and fascinating."¹⁴ Israel is home to a "living people," and the "Israel tale is the tale of vitality against all odds."¹⁵ Given the tragedy of the first half of the twentieth century, this is no small triumph. It's just as well Herbert Bentwich disembarked. *HR*

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Indian Media

Crisis in the Fourth Estate

By Uzra Khan

ONE MORNING IN 2014, Deepika Saran,¹ a young employee at an e-commerce startup in Mumbai, got a call from The Times Group, India's largest mass media company.

"We're interested in featuring your company in a supplemental spread on new startups in the city," the representative said.

Saran was thrilled; the company was new, and the exposure would be great for them. The conversation went on, with the discussion of the logistics of how they would interview her at the office. At the end of the conversation came the curveball from The Times Group: "Great. So, that'll be about 12.5 lakh rupees."²

Shocked, Saran asked why and then muttered a follow-up question about why such an exorbitant price tag should be placed on such a small feature in a middle page of a supplement in the paper. The answer came nonchalantly, "If you'd like a larger feature, you can pay more."

THE INDIAN MEDIA LANDSCAPE

India, in addition to being the largest democracy in the world today, is also the world's fastest growing newspaper market. It is regularly cited in global media circles as a happy anomaly in the currently gloomy landscape of print journalism. This is for a few reasons: a fast-growing, English-speaking

population, the low cost of production and delivery of newsprint, and the slow Internet news penetration.³ These factors have contributed to a thriving culture of reading news in print at a time when this is fading elsewhere.

This growth, however, has often come at the price of ethical standards, fostering a corrupt and flawed system of reportage where money is easily exchanged for coverage—"paid news," as it is known in the local lingo.⁴ India was ranked #140 in the world in press freedom in 2014 by Reporters Without Borders,⁵ a shocking statistic for any democracy, let alone the largest one, which prides itself on its vibrant and booming press.

NEWS, A COMMODITY

The Indian economic landscape is dominated by family businesses. Large family-owned multiconglomerates deal in everything from petrochemicals and telecommunications to steel and even hotels. They also deal in news.

News is then treated like any other household commodity that the family sells. Samir Jain, proprietor of *The Times of India*, owned by The Times Group, has in the past likened a newspaper to a bar of soap, an analogy that seems to have guided business decisions governing the newspaper indus-

try since the liberalization of the Indian economy two decades ago.⁶ Jain family endowments enabled *The Times of India* to be priced extremely cheaply—a weekday issue of *The Times* costs less than Rs. 5 (about 8 US cents). In making virtually no money from subscriptions, as much as 90 percent of the newspaper's revenue comes from advertising.

The Jains were the first in the world of Indian journalism to completely blur the lines between news and advertising. Vinod Jain, Samir's brother and coproprietor at the *The Times of India*, has said that they are in the advertising business, not the news business. "Earlier, the newspapers were written more for the intellectual élites," he said to Ken Auletta of *The New Yorker* in 2012.⁷

ous prevalence of paid news, especially at election time.⁹ As Ravi Dhariwal, CEO of The Times Group, said in an interview with *Outlook Magazine*, "Even if you make an advertisement and put a circle around it, how is that important? Why is it important that it should be made clear to the reader? Are we writing something that is wrong? This kind of thing is only important to media persons."¹⁰

In 2005, the Jains instituted an innovation they called "private treaties." Under this program, a newspaper offers a deal to companies, accepts a stake in the company, and in return provides media coverage through advertisements, news, reports, and editorials.¹¹ The Times Group currently has stake in over 350 companies; this accounts for 15

NEWS IS THEN TREATED LIKE ANY OTHER HOUSEHOLD COMMODITY THAT THE FAMILY SELLS.

"It was too serious at some point. It was not relevant to our readers." The Jains then pioneered a "dumbing down" of content, making investigative stories rare and turning their news arm into a timid bulletin of the previous day's events.⁸

They began to expand their advertising efforts in many ways. First, they increased the sheer volume of ads that appear in and with the paper. They even started selling their entire front page in ads. Second, they started "Page 3"—a page in the newspaper devoted entirely to the social lives of India's glitterati—which would be entirely paid for by PR. And thirdly, they instituted a policy whereby they often omit the name of a company, a sports team, or another entity in a news story, referring to it in ambiguous terms, unless it is paid to appear. They do not believe in free publicity.

Pure advertorial content is supposed to be disclosed in the paper, though Indian media houses regularly flout this. It is often unclear what has been paid for and what is authentic. The Press Council of India (an essentially defunct supervising body for the Indian press) has commented on the danger-

percent of its advertising revenue.¹² Other media houses in India, such as HT Media and various television news networks, have followed suit, learning from the Jains how forays into advertising and private treaties can bring in significant cash flow.

Paid news is the frightening consequence of this murky network between business, politics, and top news management. Media houses insist that coverage is not for sale, but increasingly more instances have come to the fore that indicate otherwise. Several "sting operations" have implicated top businessmen, politicians, and journalists in the country.¹³ Moreover, recently *The Daily Show* successfully planted an entirely fake and bizarre story in a Delhi newspaper with the help of some cash.¹⁴ As P. Sainath, an Indian journalist and commentator, articulated in a testifying statement to the Standing Committee on Information and Technology, "It is not about corruption of individual rogue journalists. But . . . complex, highly structured trade involving the media, corporations and . . . the political class."¹⁵ India seems to lack an agreed-upon philosophical framework for media or a sense of duty

within media to try to rid itself of external influence. There is no agreed upon definition of the role of a journalist and the conduct of freedom of speech. The public existence of private treaties perturbs very few, and without these agreed-upon frameworks, the Indian citizenry largely believes it receives information from a vibrant and courageous media industry.

In the West, the sales and editorial sides of newspapers are divided, and while this divide is no iron curtain, there is a general sense that close interplays between them make for conflict of interest and, at the very least, require disclosure. In India, these interplays are not only the norm but also a pioneering business practice that has allowed the journalism industry to stay afloat. The dubious practice of selling an entire front page ad to a single entity while covering the same entity in the pages that follow is hardly questioned. Editorial independence is not part of the conversation on how best to run a media business. Indian media barons have broken down the walls between newsrooms and sales departments to an unprecedented degree.

MEDIA, BUSINESS, GOVERNMENT: A MURKY NEXUS

One must ask oneself, then, if money is exchanged so freely over reportage on issues for which the stakes are relatively low, what happens when the stakes are high? Namely, what happens at election time when this country of over a billion people votes and relies on the media for accurate information?

Newspapers in India have tiptoed around powerful and deep-pocketed figures in politics and business, succumbing to pressure to change headlines and withhold inconvenient stories. A report by the Press Council of India stated that paid news had “acquired serious dimensions,” with references to several instances of paid coverage during the 2009 general election in India.¹⁶ The most recent 2014 election saw an unprecedented \$100 million plus being spent on campaigning and advertising.¹⁷ The result is not only skewed reportage available to the highest bidder but also proprietors who are willing to self-censor to favor deep-pocketed and influential politicians.

MODI AND MEDIA

Narendra Modi of the Bharatiya Janata Party (BJP), initially a controversial candidate for Indian Prime Minister due to the human rights violations that took place under his watch in 2002 in his home state of Gujarat, was elected to power in a landslide election in 2014.

During the pre-election period, tolerating dissent had never been one of Modi’s strong points, something his critics had vocalized often. He famously walked out of interviews and canceled appearances at the last minute because he did not know what questions were to be asked. His love for content control has deeper roots. In 2009, Modi

MEDIA GUARDS DEMOCRACY; PAID NEWS AND PLIABLE JOURNALISM PUT PUBLIC OPINION AT THE MERCY OF MONEY AND ADVERTISERS.

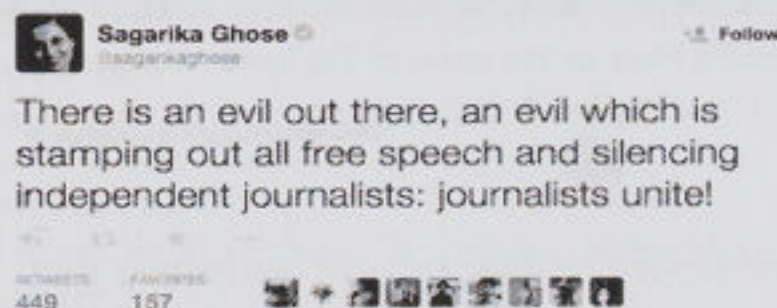
launched a well-known, highly effective PR campaign that successfully transformed his image over the years from massacre minister into development guru. Modi hired APCO Worldwide—an image-building PR firm—for approximately \$25,000 a month. APCO emphasized Modi’s track record of growth in his state of Gujarat and forged favorable alliances worldwide, especially in the business community.

The combination of Modi—a strongman, compared often to the likes of Erdoğan and Putin—and a pliable media industry willing to silence dissent in return for a generous fee made for a uniquely dangerous threat to democracy.

Modi stopped paying APCO Worldwide for its services early in 2013. As a senior leader from Modi’s party confided to *Open* magazine in 2013, “Modi does not need either the party or PR agencies; television news media is doing the job for us.”¹⁸

Corporate overlords of Indian media outlets tend to be pro-Modi business magnates. Modi offered the promise of a business-friendly India, a future not marked by the previous party's (the Indian National Congress) exhausting inefficiencies. The crumbling of journalists' unions coinciding with the opening of the Indian economy two decades ago left journalists more susceptible than ever to the whims of proprietors. As Jug Suraiya, a well-known satirical columnist for *The Times of India*, put it in an interview in 2011, "Writing is a Grade C activity, management is a Grade B activity, and the creation of managerial policy is the Grade A activity."¹⁹

The Caravan magazine devoted its December 2013 cover story to how Network18, a leading media conglomerate, shifted its coverage to the right during the campaign months, coinciding with the Ambani family of Reliance Industries taking majority financial control of Network18.²⁰ A study conducted by the Center for Media Studies, an independent think tank in Delhi, showed that CNN-IBN gave Modi four times more on-air coverage on average than it gave to opposition leader Rahul Gandhi—a starker difference than at any of the other four channels surveyed.²¹ Top Network18 journalists even took to Twitter to speak out about the pressure they faced within the organization to provide a certain angle in their news.

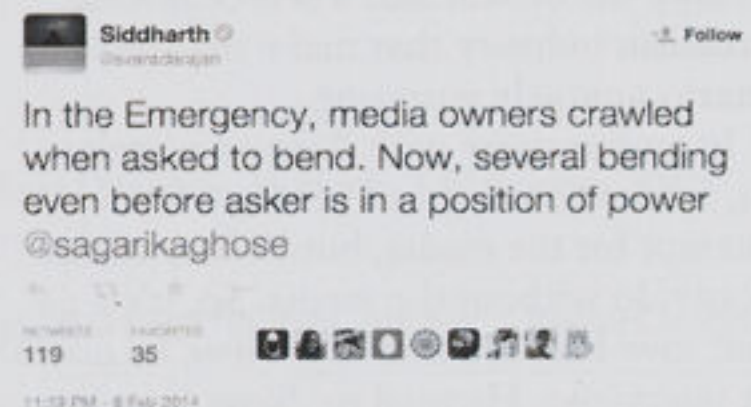


Tweet from Sagarika Ghose. (Source: @sagarikaghose)

Sagarika Ghose and her husband Rajdeep Sardesai, the then editor-in-chief at Network18, both resigned from the company shortly after the Reliance takeover. In his resignation letter, Sardesai said, "Editorial independence and integrity have been articles of faith in 26 years in journalism and maybe I am too old now to change."²²

Open magazine, known for its trailblazing exposés of corruption within politics and media, quoted several instances of journalists there receiving instructions from the top on Modi-related coverage.²³ Reporters were ordered to maximize footage of Modi rallies and to minimize anti-Modi coverage. Sadly for Hartosh Singh Bal, political editor at *Open*, this story was one of the last articles he oversaw at the magazine. He was fired soon after, in November 2013, without explanation, though Manu Joseph, *Open*'s editor-in-chief, later revealed that the magazine's proprietor had said that Bal was "making too many enemies . . . political enemies."²⁴

Bal was not the only one. Siddharth Varadarajan, a vocal critic of both the BJP and the Congress, was appointed editor-in-chief of *The Hindu*, a 135-year-old, family-owned newspaper, in 2011. Less than two years into his tenure, he was removed from his position by the board, who said that they were concerned with Varadarajan's "underplaying of Narendra Modi."²⁵ A frustrated Varadarajan also took to Twitter to lambast media owners for self-censorship.



Tweet from Siddharth Varadarajan. (Source: @svaradarajan)

The trail of media casualties extended beyond the national level; this pattern was documented only by foreign news outlets, or select online Indian ones such as *Scroll.in*.²⁶ Thiru Veerapandian, a regional anchor for Sun TV, lost his television show in 2013 merely for telling voters that they should think before they vote for Modi.²⁷ Within Modi's own state of Gujarat, he has overseen an even more brazen approach to media suppression, with a record of journalists being unfairly charged for sedition²⁸ and of films

that spoke of the 2002 Gujarat riots—the main stain on his human rights record—being censored.²⁹

On the sunny April 2014 morning in Mumbai when the city went to the polls, the morning newspapers all had cover page ads for Narendra Modi, the BJP, and its local state affiliate in Mumbai, the Shiv Sena. This is the equivalent of *The New York Times*, *The Boston Globe*, and *The Wall Street Journal* all arriving at the door with front page ads for the Republican party on election morning in the United States.

THE ROAD AHEAD

Indian media is currently in a state of pliable crisis, susceptible to the external influences of various branches of government and business. This is a grave policy issue. Media guards democracy; paid news and pliable journalism put public opinion at the mercy of money and advertisers. To be clear, Modi has not had this effect directly on the media—it was subpar in its ethical standards long before Modi entered the scene, and paid news at election time was reported to be a grave problem even in the election of 2009. It is the combination of a leader with little tolerance for dissent and a self-censoring journalism industry that make the current scenario uniquely worrying.

In an interview with *Reuters* postelection, Sardesai said about Modi, “He has contempt for the media, but he knows that he can’t do without the media. So, it’s a peculiar love-hate relationship. Now, he doesn’t give interviews. He used to. Now, he relies on Facebook, Twitter, and YouTube, which is a single-way communication where he wouldn’t have to face questions.”³⁰ It remains to be seen where this precarious Modi-media relationship will go in the future, though optimists say that the attention drawn to this issue has emboldened media outlets across the country postelection.

The establishment of media as an independent, critical, analytical Fourth Estate for any democracy is crucial. It is time in India for introspection for owning up to mistakes, for raising ethical standards, and for redefining what journalism’s responsibility is. It is also time to rethink the current economics of the news business—the universal problem of

making independent journalism financially sustainable. There are several potential steps that can be taken to ameliorate the situation as it currently stands.


One is from a regulatory standpoint: reinvigorating and redefining the Press Council’s role and also sparking more conversation through media watch organizations (*The Hoot* is an example of a successful such website, as is *NewsLaundry* though they are yet to gain much traction). These regulatory institutions can work toward stopping systems of private treaties or at least enforcing news outlets to disclose fully and publicly



Narendra Modi on the cover of *The Indian Express*. (Source: Uzra Khan)

when reportage does involve companies that sign on to the treaties. Also, ensuring that journalists know what their legal protections are will make it more difficult for them to be fired by self-censoring media proprietors.

Finding alternative funding models, currently being taken on by entrepreneurs and new media outlets, will be a key part of the solution. India is only just moving into the digital age, with tremendous potential in the mobile and smartphone spaces. These new mediums could be a lifeline in shaping changes to delivery of accurate information. If enough people stand behind journalism’s

cause and push for change, the industry will have the chance to truly serve the public as the gatekeeper of Indian democracy. 

Uzra Khan is a first-year Master in Public Policy student at the John F. Kennedy School of Government at Harvard University. She is a Shorenstein Center scholar for media, politics, and public policy and an associate editor of the Kennedy School Review. A graduate of Yale University and Yale's Journalism Initiative, she worked in journalism before graduate school in both India and the United States—most recently at Reuters in New York—and then conducted freelance research and reporting out of Mumbai during the course of the 2014 Indian election.

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Free to Create

China's Quest for an Innovative Economy

By Paul Chen

SEVEN HUNDRED MILLION

Chinese have grown out of poverty since the Chinese Communist Party (CCP) launched economic reform programs in 1979.¹ Harvard's Tony Saich summarizes the reform efforts as introducing economic liberalization while retaining political control,² a governance model that the CCP calls the "socialist market economy."³

Subsequently, economic success has boosted citizens' confidence in the CCP's supremacy as China's ruling party.⁴

However, China's growth model of heavy investments, cheap labor, and advantageous foreign exchange rates has resulted in manufacturing overcapacity, a polluted environment, and an insatiable demand for resources. China's 2014 GDP growth of 7.4 percent, its lowest level in twenty-four years, failed to meet the government's growth target.⁵ Since economic performance has become the citizens' primary barometer of success for the Chinese government, lower than expected GDP growth may prove politically destabilizing for the CCP.⁶

Unsurprisingly, the economic slowdown may have inspired China's new leaders to consider alternative economic models.

China's top economic manager Premier Li Keqiang has indicated that innovation should be a driving force of the country's economic upgrade.⁷ Similarly, China's President Xi Jinping highlighted the potential of scientific innovation to stimulate development.⁸ Having successfully converted China into the world's leading manufacturer, the CCP now aims to transform China into a creative economy.⁹

This essay analyzes existing best practices for advancing China's innovation economy. This piece explores Silicon Valley as an innovation zone and examines its application in the Chinese political context. Urbanization warrants a detailed analysis given the CCP's strategy of deepening urbanization to facilitate China's transition to a consumption and innovation economy but is beyond the scope of this piece.¹⁰

Silicon Valley is a "leading center of innovation," with innovation industries representing 33 percent of the region's GDP, a statistic that exceeds those of other American innovation regions.¹¹

However, recreating Silicon Valley elsewhere has proven to be challenging.¹²

Creating a Silicon Valley-like region in China will be especially difficult given China's "socialist market

economy," which selects elements of capitalism that suit China's authoritarian system. Thus, fostering an innovation economy in China may threaten to destabilize the nation's tightly controlled political culture.

PART I: OVERVIEW OF SILICON VALLEY

Silicon Valley originated in Northern California in the 1930s, when Stanford engineering professor Fred Terman began encouraging his students to start their own companies.¹³

Since then, organizations such as Hewlett-Packard, Fairchild Semiconductor, Apple, Xerox, Palo Alto Research Center, and Stanford University have transformed the region into the global hub of technological innovation.¹⁴

There are several representative features of Silicon Valley.

Foremost, the region's talented and mobile workforce provides the necessary human capital for sustained innovation. Innovators from around the world flock to Silicon Valley, lending diverse perspectives that foster new discoveries. This rich human resource base has allowed Silicon Valley to advance Professor

Terman's original vision by deepening the symbiotic relationship between academia and the private sector. Stanford and UC Berkeley affiliates have not only started ventures but have formed networks of companies, students, faculty, and venture capitalists, allowing the latest technologies to seamlessly flow between industry and universities.¹⁵

Stanford also permits its faculty to consult for companies, join boards, and take sabbaticals in business.¹⁶

In return, companies sponsor studies and startup competitions that advance university research.¹⁷

A high-risk tolerance pervades Silicon Valley. Entrepreneurs take significant risks to "create new technologies, new products, new markets, and sometimes entire new industries."¹⁸

Investors understand that ventures to create new technologies will likely fail.¹⁹

But the payoffs of the few outsized winners such as Apple, Oracle, or Google are enormous.²⁰

Over time, investors and entrepreneurs have witnessed a significant number of successes to embrace this high-risk, high-reward culture. However, this unique culture also

has a downside.

Silicon Valley can create tech bubbles, which serial entrepreneur Steve Blank defines as "the rapid inflation in the valuation of . . . technology companies that exceeds their fundamental value by a large margin."²¹ The crash of the 2000 dot-com bubble wiped out \$7 trillion of stock value, followed by a recession.²²

Unemployment climbed from 3.9 percent in October 2000 to 6.3 percent in June 2003.²³

Yet, just a decade later, pundits are talking about another potential tech bubble. Thoughtful investors including Jeremy Grantham stated that "a fully-fledged bubble" is in place as the stock market continues to rise steadily in spite of constrained OECD economic growth, sluggish corporate earnings, and continuing Middle Eastern instability.²⁴

Finally, intellectual property (IP) protection, which serves Silicon Valley firms, is an important feature of the American legal system that can promote "innovative discoveries."²⁵ US Deputy Under Secretary of Commerce for Intellectual Property, Michelle Lee, highlighted that the law needs to protect patents so that entrepreneurs and investors can recoup their enormous investments from betting on risky ideas.²⁶

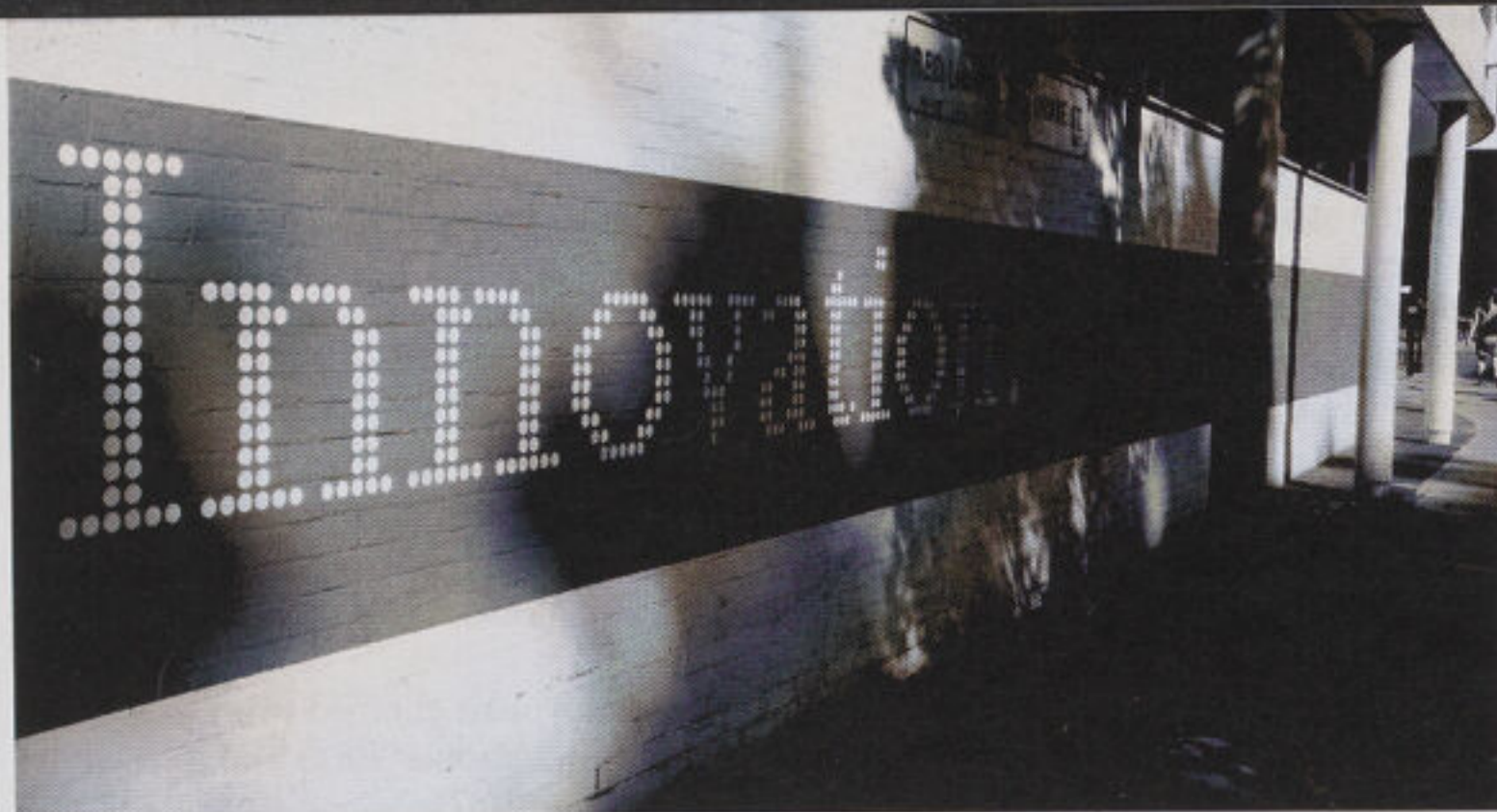
Given the unique factors that fostered Silicon Valley's growth, China faces several political challenges in creating a similar innovation zone as a means to sustain economic growth.

PART II: POLITICAL IMPLICATIONS OF CREATING INNOVATION ZONES

The model that sparked China's tremendous growth may now be precipitating its decline. In a report to the Chinese government, top thinkers explained that technologi-

Silicon Valley (Source: "Silicon Valley Financial Center" by Christian Rondeau, licensed under CC BY 2.0 from Flickr)





Innovation (Source: "Innovation" by Boegh, licensed under CC BY-SA 2.0 from Flickr)

CHINA'S PROPENSITY TO LIMIT INTELLECTUAL FREEDOM HAS COME AT THE PRICE OF FOREGONE OPPORTUNITIES TO ADVANCE INNOVATION.

cal development in advanced economies coupled with an open world economy empowered China to move its rich supply of labor from agriculture to manufacturing.²⁷

China's specialization subsequently satisfied the advanced economies' demand.²⁸

However, numerous factors now point to increasing instability in this model. Growth rates for Chinese exports have decreased due to weakened demand, especially from Europe.²⁹

Meanwhile, manufacturing has polluted China's environment, illustrated by the fact that seven of the world's most polluted cities are in China.³⁰

The economic costs of this pollution range from \$100 billion to \$300 billion.³¹

As unprecedented investments fueled the manufacturing economy,

China's investment inefficiency, measured by incremental capital output ratios (ICORs), has risen rapidly since the 1990s, exceeding the international average.³²

Finally, income inequality rose as China's Gini coefficient increased from 0.3 in 1978 to 0.45 in 2007.³³

Faced with these challenges, China is reconsidering its model.

Chinese leaders have advocated for innovation policies to prompt sustainable growth.³⁴

However, as argued by Lee Kuan Yew, China's transition from an investment-driven industrial economy to a dynamic knowledge economy has many obstacles to overcome.³⁵

Mr. Lee highlighted governance as China's biggest challenge during this transition. Chinese companies and the government have invested significant capital to boost innova-

tion, but the results have been less than impressive.³⁶

In 2014, China ranked 25th in the global innovation index, lagging behind smaller countries such as New Zealand.³⁷

As China experiments with various policy initiatives, fostering a Silicon Valley-like region could destabilize China's tightly managed political system.

Immobility of Workforce

The inability of Chinese entrepreneurs to move freely inhibits their capacity to innovate. Tension exists between the benefits of a mobile workforce on business and the need to control population flow, as achieved by the Hukou system. Hukou divides the population into agricultural and nonagricultural categories according to birthplace.³⁸

This system enables the government to control population flow to maintain political stability but at a hefty price to citizens.³⁹

Some 260 million migrant workers have moved to cities, but their rural registrations limit their ability to buy homes, benefit from the healthcare system, and send their children to school.⁴⁰

This system is especially limiting to entrepreneurs. Today, Beijing is the entrepreneurial capital of China, but due to Hukou, non-Beijing entrepreneurs face restrictions on accessing public services.⁴¹

Additionally, university graduates in Beijing, among the best in China, are forced to leave if they lack Beijing Hukous.⁴² Ultimately, these restrictions impose barriers for entrepreneurs to cross-pollinate ideas. Reproducing the efficient web of human capital in Silicon Valley would disrupt the Hukou system and China's political goal of maintaining social order. However, fluid population movement alone is not sufficient to engender innovation.



Shanghai skyline. (Source: "China CMS CC-BY" by Carlos ZGZ, licensed under CC BY 2.0 from Flickr)

Constraint of (IP) Violation on Innovation

China's inadequate IP protection disincentivizes domestic innovation. In 2008, the State Intellectual Property Office of China claimed that implementing IP protection is critical to spur innovation within China.⁴³ IP violation not only hurts foreign firms but also Chinese companies. Trademark infringement damaged Chinese domestic consumer goods firms since their investments in marketing their brands were counterfeited by competitors.⁴⁴ Expectedly, Chinese companies increasingly demand knowledge protection. In 2009, the Supreme People's Court of China disclosed 30,626 civil lawsuits on IP violations.⁴⁵ As China moves toward an innovative economy, Chinese firms will need stronger protection of their knowledge. Encouragingly, China is

creating specialized courts in Beijing, Shanghai, and Guangzhou for IP cases.⁴⁶

Meanwhile, the need for IP protection to foster homegrown innovation could conflict with China's industrial policy. The Chinese government aims to enhance "original innovation through co-innovation and re-innovation based on the assimilation of imported technologies."⁴⁷ The US Chamber of Commerce has a more alarming interpretation of this policy as an unprecedented "blueprint for technology theft."⁴⁸ Thus, China's industrial policies could be seen as neutralizing forces to its own push for stronger IP protection.

Economic Volatility as Political Risk

China lacks the economic and political stability to support the

high-risk, high reward culture of Silicon Valley. High-tech booms could eventually bust due to unchecked investors' euphoria for tech stocks. Crises like the 2000 bubble could increase economic volatility in China, which could lead to political instability, as the CCP's legitimacy depends on its delivery of continued economic prosperity.⁴⁹ As the CCP intends to rule China indefinitely, potential citizen dissatisfaction from economic slowdowns is politically problematic.

China needs 7.2 percent GDP annual growth to meet government employment targets.⁵⁰ If the Chinese economy dips into a recession following a bubble, job losses will be difficult for the CCP to manage economically and politically. In the final years of Premier Zhu Rongji's tenure as China's top economic architect (1998-2003), the policy to promote efficiency in state-owned enterprises

(SOEs) resulted in 25.5 million unemployed workers.⁵¹ Demonstrations by laid-off workers in major cities caused social disturbances, which threatened the CCP's priority of stability. In fact, a Chinese property bubble might be already visible. A threefold increase in money supply since 2008 has significantly contributed to the property boom.⁵² Tolerating even greater economic volatility of high-tech economies like Silicon Valley could be politically unsettling.

Constrained Intellectual Freedom

Finally, Singapore's Lee Kuan Yew suggested that China's innovation development will be stifled by a culture that prohibits free exchange and competition of ideas.⁵³ Oxford

technology, [and] the arts."⁵⁶ A statistical study affirms this view indicating that political freedom is positively correlated with innovation in over one hundred countries.⁵⁷ Particularly, democracies are shown to be one hundred times higher than their undemocratic neighbors in per capita rate of medical research authorship.⁵⁸ Cornell's Professor Stephen Sass commented that China would not likely lead in innovation until it "moves its institutional culture away from suppression of dissent and toward freedom of expression and encouragement of critical thought."⁵⁹

Since intellectual freedom is not guaranteed in China, universities like Stanford that champion creativity are absent, undermining China's ability to innovate. Stanford's pre-

incompetence, he is now a fellow at the Cato Institute, a reputable global think tank, and has been a visiting scholar to Stanford, UCLA, and UC Berkeley.⁶⁴ Coincidental to the growing dissents, in 2015 the CCP issued a document aimed at affirming the ideological centrality of Marxism and the administrative supremacy of the CCP among Chinese universities.⁶⁵ The Chinese minister of education further stated that textbooks promoting "western values" would be banned.⁶⁶ China's propensity to limit intellectual freedom has come at the price of foregone opportunities to advance innovation. For example, instead of opening up an official campus in China, Stanford operates a study center which "has no protection of academic freedom" according to Stanford's president.⁶⁷

CHINA'S INNOVATION DEVELOPMENT WILL BE STIFLED BY A CULTURE THAT PROHIBITS FREE EXCHANGE AND COMPETITION OF IDEAS.

research fellow George Ling argues that the historical political turmoil and the CCP's current nation-building endeavors have led the government to prioritize political stability over granting individual freedom.⁵⁴ However, restriction on freedom can limit new ideas, not only in politics, but also in scientific innovation. Research indicates that civil liberties and democratic values promote intellectual creativity.⁵⁵ In *The First Freedoms and America's Culture of Innovation*, Professor Narain Batra argues that the American constitutional protection of personal freedom "has encouraged fearless speech, unrestrained thought, and endless experimentation leading to newer developments in science,

and the arts." ambles on academic freedom states its "central functions of teaching, learning, research, and scholarship depend upon an atmosphere in which freedom of inquiry, thought, expression, publication, and peaceable assembly are given the fullest protection."⁶⁰ Professors and students initiate research organically and freely, empowering them to think creatively.

In comparison, Chinese universities are controlled by the CCP.⁶¹ The government interferes with faculty research and teaching topics.⁶² In 2014, Professor Xia Yeliang, an economist who publicly commented on Chinese politics, was dismissed from the prestigious Peking University for "being a poor teacher."⁶³ Despite Professor Xia's alleged

By stifling intellectual freedom, the CCP has not only reduced the risk of disruptive dissents but also capped the imagination and creative competence of its citizens.

CONCLUSION

While the CCP has transformed China into the world's richest developing economy, the transition to an advanced economy seems less certain. One way to sustain growth is to foster innovative industries, as seen in Silicon Valley. However, many of the salient features of Silicon Valley, including IP protection, a mobile workforce, economic volatility, and intellectual freedom can be politically unsettling to the Chinese government. The intellectual founda-

tion of Silicon Valley is hard to recreate when the government controls Chinese universities. Innovations can rarely emerge when people are penalized for speaking their minds freely. A dynamic and meritocratic workforce is difficult to assemble when access to basic public services in cities is arbitrarily constrained by family origin. Creative domestic firms struggle to take root without the protection of their intellectual discovery.

Managing politics while transitioning China to an innovative economy mandates thoughtful diagnosis and meticulous policy planning. Further analysis of China's urbanization strategy will help elucidate the ways in which building sustainable cities can address potential job losses from China's manufacturing sector and the dismantling of SOEs as China adopts an innovative consumption-based economy. The following list of recommendations can be a starting point for further dialogue:

Strengthen IP protection. The creation of specialized IP trial courts is an encouraging first step.

Gradually remove discrepancies of public services among people with different Hukous to encourage workers to efficiently relocate. The government of Sichuan's provincial capital Chengdu initiated Hukou reform in 2010.⁶⁸ If the CCP were to introduce similar reforms elsewhere, it should monitor the budgetary condition of local governments that need to serve previously rural Hukou holders.

Encourage the development of the civil society sector to provide public services supplementary to those provided by the government.

Prepare workers to embrace the volatility of tech bubbles. The CCP can institute reemployment educational programs to help outplaced workers.

Grant intellectual freedom to universities. Rather than vesting administrative authority in government

officials, professors and students must be permitted to devise self-determined research agendas.

The Chinese government has chosen to decouple economic freedom from political freedom in order to manage a massive population. While it is encouraging that Chinese leaders have recognized innovation as a sustainable economic solution, they must acknowledge that without the freedom to think and speak freely, citizens lack both the aptitude and space to create. Creativity hinges upon certain conditions. When we can think independently, we can begin to unlock our deepest human potential and thus create. ^{KR}

Paul Chen was born in Sichuan, China, and immigrated to the United States as a teenager. He is a concurrent degree student at the Stanford Graduate School of Business (2014 MBA) and the John F. Kennedy School of Government at Harvard University (2015 MPA). This essay stems from his independent study advised by Stanford's Professor Myron Scholes—Frank E. Buck Professor of Finance, Nobel laureate in economics, and co-originator of the Black-Scholes options pricing model.

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The Future of Sustainable Development

Setting the Post-2015 Development Agenda

by Tara van Kraalingen

We are at a historic crossroads, and the directions we take will determine whether we will succeed or fail on our promises. With our globalized economy and sophisticated technology, we can decide to end the age-old ills of extreme poverty and hunger. Or we can continue to degrade our planet and allow intolerable inequalities to sow bitterness and despair.

Our ambition is to achieve sustainable development for all.

—Ban Ki-Moon¹

WHAT IS SUSTAINABLE *development?*

The widely used definition of sustainable development comes from the United Nations Brundtland report: development which “meets the needs of the present without compromising the ability of future generations to meet their own needs.”² This definition has set off a global debate about what sustainable development means and how it can be operationalized.

Why is sustainable development important? Today, we are facing interconnected global crises in climate, poverty, ecology, and food security. These problems are rooted in the actions of people—in *our* actions. But, *we* also have the means to address these challenges. The concept of sustainable development offers an important approach to navigate our societies out of these crises and to improve the lives of people.

Public debate places the well-being of people at the center of definitions of sustainable development. However, different definitions of what constitutes human well-being mean that we need a continuous dialogue to define human well-being and in turn define sustainable development. This is particularly relevant as the concept of sustainable development centers around the notion of *needs*, but whose *needs* or which *needs* remain open for interpretation.

Gandhi captured the core of sustainable development: “The world has enough for everyone’s need, but not enough for everyone’s greed.” One might define sustainable development by focusing on a traditional indicator, economic growth; however, there are planetary boundaries that limit economic growth. The resources humanity consumes today and the waste we produce requires

1.5 planets.³ This means we turn natural resources into waste faster than ecological processes can turn waste back into resources. It now takes a year and a half to regenerate the resources we use.⁴ This poses serious challenges for current and future generations, and the problem becomes more and more urgent as the world population and economies continue to grow. If every person on this planet lived like Americans do today, we would need over four planets to sustain our lifestyles.⁵ Therefore, discussing sustainable development requires a more nuanced definition than one grounded in the economy. To be able to effectively define, communicate, and cooperate for sustainable development, an international discussion is needed to create a common understanding about what needs to be sustained and developed and how.

How do we achieve sustainable development? Global cooperation for sustainable development is essential for its operationalization. Global cooperation is necessary on many current issues because the crises we face transcend man-made boundaries. We live in a world of diseases without bor-

ders, such as Ebola. We have wars without borders, such as global terrorism networks. Therefore, we must have solutions without borders, which can only arise from global cooperation through NGOs, such as Doctors Without Borders, or international agreements such as partnerships between countries to combat terrorist organizations.

Climate change and food security are no different. Sustainable development challenges require an integrated and overarching approach to global cooperation. Two major UN development agendas have guided policies over the past two decades: Agenda 21 for Sustainable Development (an outcome of the Earth Summit in Rio de Janeiro in 1992)⁶ and the Millennium Development Goals (MDGs) launched at the Millennium Summit in 2000.⁷ With the deadline of the MDGs approaching in 2015, UN member states have agreed there is a need for a follow-up agenda. International efforts are currently being organized to integrate Agenda 21 and the MDGs into one common post-2015 Development Agenda to achieve sustainable development for all. By setting a universal development agenda, the international community can work towards the goal of improving human well-being, while respecting the boundaries of our planet. This requires an integrated approach that balances the three “pillars” of sustainable development: social justice, environmental stewardship, and economic wellbeing, also known as the three Ps—People, Planet, and Profit. However, not all are convinced that a global agenda for sustainable development will be useful largely due to shortcomings of the two existing global development agendas. But there is additional value to a universal development agenda for sustainable development.

SUCCESSSES AND FAILURES OF AGENDA 21

Established at the first Earth Summit in Rio in 1992, Agenda 21 sets out a worldwide action plan for sustainable development. The forty-chapter Agenda aims to improve the living standards of those in need (People); to better manage and protect the ecosystems upon which human lives depend (Planet); and to bring a more prosperous future for all (Profit). It has sections focusing on the

Satellite view of Earth. (Source: NASA)



social, environmental, and economic dimensions of sustainable development, such as combating poverty and deforestation, integrating environment and development in decision making, and changing consumption patterns.⁸ Agenda 21 has been praised for stimulating action on sustainable management through integration of sustainability goals and practices into policymaking and corporate management. At the global level, Agenda 21 has influenced the language of international agreements and documents, such as the convention on biodiversity. Agenda 21 has also increased the participation of nongovernmental actors in decision making for development.

However, a review of Agenda 21 twenty years after its adoption notes that most sectors have made only limited progress due

improve the lives of the world's most vulnerable by 2015. Sample MDGs include eradicating extreme hunger and poverty, achieving universal primary education, and developing a global partnership for development.¹⁰

Many institutions, such as the World Bank,¹¹ have praised the MDGs for raising awareness about the importance of poverty eradication, enhancing political commitment, and contributing to improvements in financial aid. Wealthy countries renewed their pledge to commit 0.7% of their GDP to development aid.¹² The MDG experience shows that the international community can be mobilized around a common agenda. Various MDGs have been met, such as the goal to halve the proportion of people without access to improved drinking water; this was achieved five years ahead of schedule.¹³

TO BE ABLE TO EFFECTIVELY DEFINE, COMMUNICATE, AND COOPERATE FOR SUSTAINABLE DEVELOPMENT, AN INTERNATIONAL DISCUSSION IS NEEDED TO CREATE A COMMON UNDERSTANDING ABOUT WHAT NEEDS TO BE SUSTAINED AND DEVELOPED, AND HOW.

to challenges posed by urbanization. Some sections, such as fish stocks and ocean health, have even regressed.⁹ New issues arise faster than they are being addressed; therefore, Agenda 21 has not yet resulted in enough action to achieve sustainable development. More effort is required to inspire and mobilize organizations, countries, and people to act.

SUCCESSSES AND FAILURES OF THE MILLENNIUM DEVELOPMENT GOALS

At the UN Millennium Summit in 2000, heads of state discussed the role of the United Nations at the turn of the twenty-first century. For the first time, eight global goals were set with time-bound targets. The MDGs aimed to reduce extreme poverty and

Yet, the MDG framework has been criticized for focusing at the global level without sufficient attention to nation-specific goals and issues, resulting in limited national ownership. Furthermore, the MDG framework has been perceived by many as an expression of a top-down, North-centered approach to development managed by the UN Secretariat and big multilateral players.¹⁴ Other critiques center on the MDGs' limited focus on income poverty and the MDGs' inability to capture the issue's complex and multidimensional nature. The MDGs focus on action from governments and international institutions with clear public responsibilities but leave out other important actors in development, namely the private sector. Many concerns, particularly environmental issues, remain unaddressed. In an interview with Professor Ricardo Hausmann, director

Sustainable Development Goals

- Goal 1. End poverty in all its forms everywhere
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- Goal 3. Ensure healthy lives and promote well-being for all at all ages
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- Goal 5. Achieve gender equality and empower all women and girls
- Goal 6. Ensure availability and sustainable management of water and sanitation for all
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
- Goal 10. Reduce inequality within and among countries
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
- Goal 12. Ensure sustainable consumption and production patterns

Figure 1—Sustainable Development Goals. (Source: UN Open Working Group)

of the Center for International Development at the John F. Kennedy School of Government at Harvard University, he argued that this global agenda had no additional value, is irrelevant, and is harmful. It is harmful because the agenda is not democratic and legitimate, and it does not reflect the issues of all people.¹⁵

Agenda 21 and the MDGs have stimulated the international development community, but there is still much room for improvement. The post-2015 Agenda aims to build on the progress made under Agenda 21 and the MDGs and incorporate lessons learned.

LESSONS LEARNED FOR THE POST-2015 DEVELOPMENT AGENDA

Since the one-size-fits-all design does not reflect the local needs in different contexts, the heads of state have agreed that the post-2015 Sustainable Development Goals (SDGs) should be universally applicable to all countries while taking into account different national realities and respecting national policies and priorities. To ensure the SDGs are inclusive and apply to all actors, the UN coordinated national, regional, and thematic consultations on particular issues. Moreover, the UN organized a global consultation process, *A Million Voices: The World We Want*, involving over a million people across countries and backgrounds.¹⁶ Based in part on this open participation process, the UN Open Working Group has proposed seventeen SDGs for the consideration of UN member states (see Figure 1).¹⁷

The success of the post-2015 Agenda will depend on the power to inspire and mobilize essential actors and world citizens. The SDGs should be action-oriented to bridge the implementation gap. The goals should translate existing commitments and agreements into action on the ground and engage civil society, business, scientists, and communities alike. That was why member states agreed at the Rio+20 Conference in 2012 that the SDGs should be easy to communicate, concise, and limited in number.¹⁸ However, the proposed seventeen SDGs are not small in number. It remains a challenge for the post-2015 Agenda to comprehensively and inclusively address all the major sustainable

development issues, while at the same time limiting the number of goals and keeping them easy to communicate.

BAN KI-MOON'S ROAD TO HUMAN DIGNITY FOR ALL

To overcome this dilemma, UN Secretary-General Ban Ki-Moon proposes an integrated framework of six essential elements to help communicate and simplify the post-2015 Agenda for sustainable development.¹⁹ These elements provide a narrower focus for the Agenda. The three pillars of the sustainable development concept form the essence of this framework. Ban Ki-Moon's first element, "**Dignity**: to end poverty and fight inequalities," represents the overarching goal to improve the lives of people. Together with the second element, "**People**: to ensure

is addressed by the sixth element, "**Partnership**: to catalyze global solidarity for sustainable development." The six elements of Ban Ki-Moon's framework call for an integrated and transformative approach to sustainable development that is comprehensive, including both where society should go and how society can get there.

THE NEED FOR A UNIVERSAL POST-2015 DEVELOPMENT AGENDA

Common action for sustainable development is critical to address the multidimensional nature of complex threats facing our society today. There are already many institutions in place to create common action: development banks, UN bodies, and

EVERYONE IS PART OF THE PROBLEM, AND EVERYONE SHOULD BE INVOLVED IN THE PROCESS TOWARDS THE SOLUTION: A SUSTAINABLE SOCIETY.

healthy lives, knowledge, and the inclusion of women and children," these two elements represent the social pillar of sustainable development. The third element, "**Prosperity**: to grow a strong, inclusive, and transformative economy," addresses the economic pillar. The fourth element, "**Planet**: to protect our ecosystems for all societies and our children," addresses the environmental pillar. These elements constitute the direction for our collective future: sustainable development.

Through the other two elements, Ban Ki-Moon indicates what is required to get there. Conflict and war are destructive for long-term human well-being, and unsustainable development creates injustice and can be the source of conflict. The fifth element, "**Justice**: to promote safe and peaceful societies and strong institutions," is therefore a key requirement for implementing sustainable development. To achieve inclusive and peaceful societies, there must be trust between governments, institutions, and people. This

nongovernmental and civil society organizations. But before these institutions can act, an effective approach to sustainable development requires a common understanding of its meaning and a common implementation approach for how we get there.

Many global institutions have their own agendas for development. Connecting these institutions through a common agenda should ensure a coherent and an integrated approach. Furthermore, a common agenda connects not only the development institutions but also the private sector, governments, and individuals. A global agenda is relevant to serve as a direction, providing guiding principles and operational standards. Decision makers can develop policies and action plans in line with this standard.

Agenda 21 provided an extensive roadmap serving as the foundation for sustainable development, but it did not result in sufficient action. The MDGs set common goals for poverty reduction, spoke to the

public, and were easy to communicate. However, the MDGs did not address the complex nature of sustainable development, lacked an implementation strategy, and were designed without significant community participation. Therefore, they lacked legitimacy and should not be extended beyond 2015. The post-2015 Development Agenda should integrate the principles of Agenda 21 and the MDGs and build on lessons learned. It should aim to be inclusive, broad, and action-oriented. It should mobilize people to act for sustainable development by educating and raising awareness, by consulting and involving the general public, and by creating partnerships between all actors. Everyone is part of the problem, and everyone should be involved in the process towards the solution: a sustainable society. ^{KR}

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South Korea's Young Social Entrepreneurs

A Solution to a Broken Education System?

by Rufina Kyung Eun Park

ON THE SURFACE, South Korea's education system has notable merits. In the OECD's (Organisation for Economic Co-operation and Development) 2012 Programme for International Student Assessment (PISA) test, which measures the cognitive skills of fifteen-year-olds from sixty-five participating economies around the world, South Korea ranked fifth overall in mathematics, reading, and science.¹ In the same year, South Korean students placed second, just behind Singapore, in the first OECD assessment of problem solving skills.² US President



Seoul youth. (Source: "20130720_청년학교졸업식_IMG_8045" by youthhub seoul, licensed under CC BY-NC-SA 2.0 from Flickr)

Barack Obama has made repeated references to South Korea's successful education system, even suggesting that American children are not adequately prepared for the twenty-first century economy because they spend less hours in school compared to South Korean children.³

While the United States and other countries applaud South Korea's academic achievement, the deeper reality reveals an education system ruled by intense competition and an obsession with grades. Unless viable and equally rewarding alternatives to the standard postsecondary pathway are made available, students will continue to sacrifice their health and creativity for South Korea's top position in international education league tables. Developing a strong, young social entrepreneurial sector that challenges cultural norms may be a solution to the education crisis.

SOUTH KOREA'S EDUCATION CRISIS

South Korean society places an unusually high value on being admitted to one of the nation's top three universities—Seoul National University, Korea University, and Yonsei University. Graduating from one of these prestigious universities is a golden ticket to the best jobs, social networks, and even marriage partners.⁴ Among OECD countries, South Korea has the highest proportion of twenty-five to thirty-four-year-olds with tertiary education.⁵ With so many students vying for limited spots

at top universities, the competition is especially fierce.⁶ Consequently, this has forced K–12 schools to focus on test preparation and rote memorization while neglecting creativity, self-expression, and discussion.⁷ An article by the *BBC*, “South Korea’s Schools: Long Days, High Results,” reveals the dark side of South Korea’s education system through the story of Hye-Min Park. Park, a teenage girl living in the affluent Gangnam district in Seoul, studies for more than thirteen hours each day, waking up at 6:30 a.m. for school and studying until 11 p.m. at an after-school *hagwon* (cram school), where she continues to learn academic material necessary for the college entrance exams.⁸

Research confirms that Hye-Min’s story is not an isolated incident. According to Statistics Korea, in 2013, nearly 70 percent of students from grades one to twelve took part in after-school activities. In total, South Koreans spent over \$18 billion on after-school programs. Additionally, individual families paid \$239 each month per child, about 80 percent of which was allocated to after-school academic programs.⁹ Although it is difficult to measure the actual hours students spend studying, it is reported that South Korea’s middle school students sleep an average of six hours and thirty-nine minutes a night, which is considerably lower than the recommended eight hours and thirty minutes. More worrying is that older

that 24 percent of college students are employed in jobs for which they are overqualified.¹³ This phenomenon of overeducation of the population has been on the rise since the 1990s.¹⁴ Although college graduates generally earn higher salaries than high school graduates, a four-year liberal arts college degree no longer guarantees stable employment in the government or at a multinational company like Samsung. South Korea’s education system is misleading students to believe in an elusive dream that, in reality, can only be claimed by a small minority.

“STAY STILL . . . IT IS MORE DANGEROUS IF YOU MOVE . . . ” OR IS IT?

There have been various attempts to make education less burdensome for students, such as introducing policies to reduce the dependence on private tutoring and *hagwons*.¹⁵ However, these policy reforms have been unsuccessful at reducing the intensive academic pressure that is negatively affecting South Korean youth.

A tragedy involving hundreds of high school students refocused the national dialogue on youth welfare. On 16 April 2014, the passenger ferry *Sewol* sank and killed 295 passengers,¹⁶ including 250 high school students from Danwon High School who were on their way to a field trip.¹⁷ As South Koreans mourned for the

SOUTH KOREA’S EDUCATION SYSTEM IS MISLEADING STUDENTS TO BELIEVE IN AN ELUSIVE DREAM THAT, IN REALITY, CAN ONLY BE CLAIMED BY A SMALL MINORITY.

students in high school sleep even less, on average five hours and forty-five minutes.¹⁰

This obsession with academic competition is causing more serious damage than just disturbances in sleep cycles. A 2014 Korea Health Promotion Foundation survey of fourteen through nineteen-year-olds found that about 65 percent of respondents expressed feeling severely stressed about future uncertainty and school grades.¹¹ Even more disturbing is that 2012 South Korean government data revealed that, for the sixth time in a row, suicide was the leading cause of death for young people between the ages of nine and twenty-four.¹²

Although students are pushing their limits for academic success and prestigious careers, South Korean employment trends paint a gloomy picture for job prospects. The 2013 report by the Korea Research Institute for Vocational Education and Training found

young victims, the ferry announcement repeatedly made to passengers on the sinking *Sewol*—to “stay still . . . it is more dangerous if you move”—became a powerful symbol. Journalists, politicians, and public servants used it as an analogy to discuss broader societal problems, especially as they related to education and South Korean youth. Just as in the *Sewol* tragedy, could it be that the older generation is misguiding the younger generation to stay put in a broken education system?

Despite the sense of confusion and helplessness that overcame the nation, hope remains for the next generation. During the *Sewol* accident, seventy-five Danwon High School students refused to obey the crew members’ instructions and survived by escaping the sinking ship.¹⁸ In the larger South Korean society, there are also youth who are challenging the order to “stay still” and daring to move away from the traditional education model.

DARING TO MOVE, MOVING TO CHANGE

There are a number of ways young people can abandon the linear path suggested by South Korea's rigid education system and society. However, one special group of millennials is choosing a different path and also looking to help others along the way. Young social innovators, a group distinctly different from the stereotypical image of South Korean youth, are breaking the educational mold by pursuing their dreams of effecting positive societal change.

The story of Kyung Sook Yang exemplifies the mindset of many young people who are involved in South Korea's social innovation sector. After graduating college with a degree in economics and finance, Yang joined a large corporation that would provide her with a financially stable life. Although this is a dream come true

programs these young entrepreneurs are dreaming up and founding. For example, NSPACE offers co-working office spaces to small companies. Another social enterprise called Norizzang designs furniture from recycled products and hosts an open woodworking space. The Awesome-School provides after-school and weekend programs that teach students to discover passions that are not readily taught in schools, such as fashion and 3-D printing.²²

TOWARDS A HAPPIER FUTURE

South Korea's young social entrepreneurs are challenging the notion that success is defined by admittance to elite colleges and prestigious jobs. By choosing a career driven by their passion for social entrepreneurship, these young Koreans are more creative and satisfied and,

THESE BURGEONING SOCIAL ENTREPRENEURS ARE PAVING THE WAY FOR SOUTH KOREA'S EDUCATION, AND WITH MORE EFFECTIVE SUPPORT, THESE YOUNG PEOPLE CAN CONTINUE TO DRIVE POSITIVE CHANGE IN THE COUNTRY.

for many, Yang was not satisfied with her office job and decided to try something different—she left her company and travelled to Finland and the United Kingdom in search of the “good life.”¹⁹ After returning home, she joined an education social enterprise, Headflow, and was later selected to lead The School of Courage, an organization that promotes creativity and provides support for youth and adults who want to explore design thinking and social innovation.²⁰

Young social entrepreneurs like Yang are spread across the country, but many are centralized in Seoul because of the prevalence of support networks there. One government-sponsored center in Seoul, the Youth Hub, is dedicated to mentoring and growing youth social enterprises. The Youth Hub is part of the Seoul Social Innovation Park, which also houses the Seoul Social Economy Center and Seoul Creative Lab. Although located in Seoul, it is open for anyone across the country interested in the field.²¹

In September 2014, the Youth Hub hosted its second annual Seoul Youth Hub Conference “Reshaping the Way We Live,” where young South Koreans came together to think creatively about ways to improve society. The various social enterprises that attended the conference represent the wide spectrum of innovative and creative

at the same time, are helping to redefine socially entrenched beliefs that have held youth captive to a stressful education system. However, many obstacles threaten the viability of South Korea's social enterprises.

For example, the social enterprise is a nascent business model in South Korea, with only about 1,200 registered social enterprises as of February 2015.²³ While the South Korean government's Social Enterprise Promotion Act of 2012 provides some needed support for creating startups, the government has failed to provide adequate resources for the continued growth of established social enterprises.²⁴ In order to support this important sector, more programs are needed to provide social entrepreneurs with sufficient support and realistic advice on the financial viability of their businesses.²⁵ The KAIST Social Entrepreneurship MBA program, which was launched in 2013, is a model example of a highly supportive incubation program. Although the program is limited to twenty-five students per cohort, all enrolled students are entitled to various benefits such as access to mentoring, incubation facilities, investor-matching opportunities, and significant support from industry professionals and academics.²⁶ In addition to such programs, creating incentives for investors, mentors, and researchers interested in social enterprises will create a more robust sector.

Lack of public awareness also hinders the growth of social enterprises. A 2009 survey conducted by the Korea Social Enterprise Promotion Agency found that about 50 percent of respondents “do not know what a social enterprise is.”²⁷ Similarly, a 2014 survey reported that about 90 percent of respondents have never bought products or services from a social enterprise.²⁸ In addition to creating a viable support network for youth entrepreneurs, it is imperative to increase public awareness of social enterprises. Continued industry-government discussions, campaigns, and public forums can help promote social enterprises, which are often less visible in the mainstream media compared to the more profitable ventures such as those specializing in IT, biotechnology, and entertainment. Through these efforts, youth who have a passion for social entrepreneurship will have enough support that they will pursue it without fear of social taboo or failure.

Although youth social entrepreneurs present a hopeful sign for South Korea’s youth, it is naive to think that they alone can solve the complex education crisis—a crisis that involves socioeconomic inequalities, curriculum content, and other issues not discussed in this article.

However, the way these courageous social entrepreneurs are choosing to live their lives points to something profound for South Korean youth and society. Whether they know it or not, these burgeoning social entrepreneurs are paving the way for South Korea’s education, and with more effective support, these young people can continue to drive positive change in the country. *HR*

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Youth Hub. (Source: “20141127_연구_연구사업결과공유_#_DSC01288” by youthhub seoul, licensed under CC BY-NC-SA 2.0 from Flickr)



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Bridging the Connectivity Gap in Our Nation's Schools

by Tyler S. Thigpen

THE CONVERSATION THAT most haunted Marshall Chambers—former director of strategic initiatives for Barrow County Schools, a rural district in Georgia—happened in 2001 at one of the district's high schools.

Chambers, himself a graduate of Piedmont College in Demorest, Georgia, was lamenting a talented student's decision not to apply to the Georgia Institute of Technology.

"Why won't you apply, Miranda? You've got what it takes . . . You're Georgia Tech material!"

"Thanks for askin', Mr. Chambers, but I just don't see no point. Especially since I'm gonna end up working at Walmart like everybody else."¹

Tired of hearing similar answers that, for Chambers, lacked possibility and promise, he teamed up with teachers, local business leaders, and undergraduate professors to make use of his high school's newly installed high-speed broadband connection and bring the university to his students. The next year, using video technology, the high school's physics class joined in virtually on one of Georgia Tech's nanotechnology laboratories to get an inside look.

That year, not one, but *twelve* of the twenty-five students in the class applied to Georgia Tech. They were the first applicants to Georgia Tech in the high school's history.

Today, Chambers directs Georgia Tech's Direct to Discovery program, which delivers research labs into K–12 classrooms using high-speed networks and videoconferencing. This allows researchers to actively partici-

pate in K–12 outreach from the convenience of their labs and gives K–12 teachers and students access to "rich, up-to-date content that inspires, motivates, and empowers experiential learning."²



Students using iPads in school. (Source: "student_ipad_school - 125" by Brad Flickinger, licensed under CC BY 2.0 from Flickr)

Granting safe, high-speed Internet access for the entirety of the school day to every student in the United States and subsequently integrating Internet use into teaching and learning as quickly as possible will help us attain immediate and far-reaching improvements in our preK–12 system. Unfortunately, however, stories like the one in Barrow County are not the norm in our nation's schools.

WHY INTERNET ACCESS IN SCHOOLS MATTERS

Right now, schools in the United States are educating young people at a moment in history that is in limbo between the Internet's initial creation and an age when, as the Pew Research Center and Elon University predict for 2025, the Internet will be "like electricity:" pervasive yet imperceptible.³

At least two things make navigating the middle of this evolution awkward for both students and educators. The first is that the education sector has fallen drastically behind the business sector. While an estimated 96 percent of non-union employees have for the past five years had solid Internet access and made daily use of the Internet in conducting business, currently only 37 percent of our nation's schools have even sufficient bandwidth.⁴

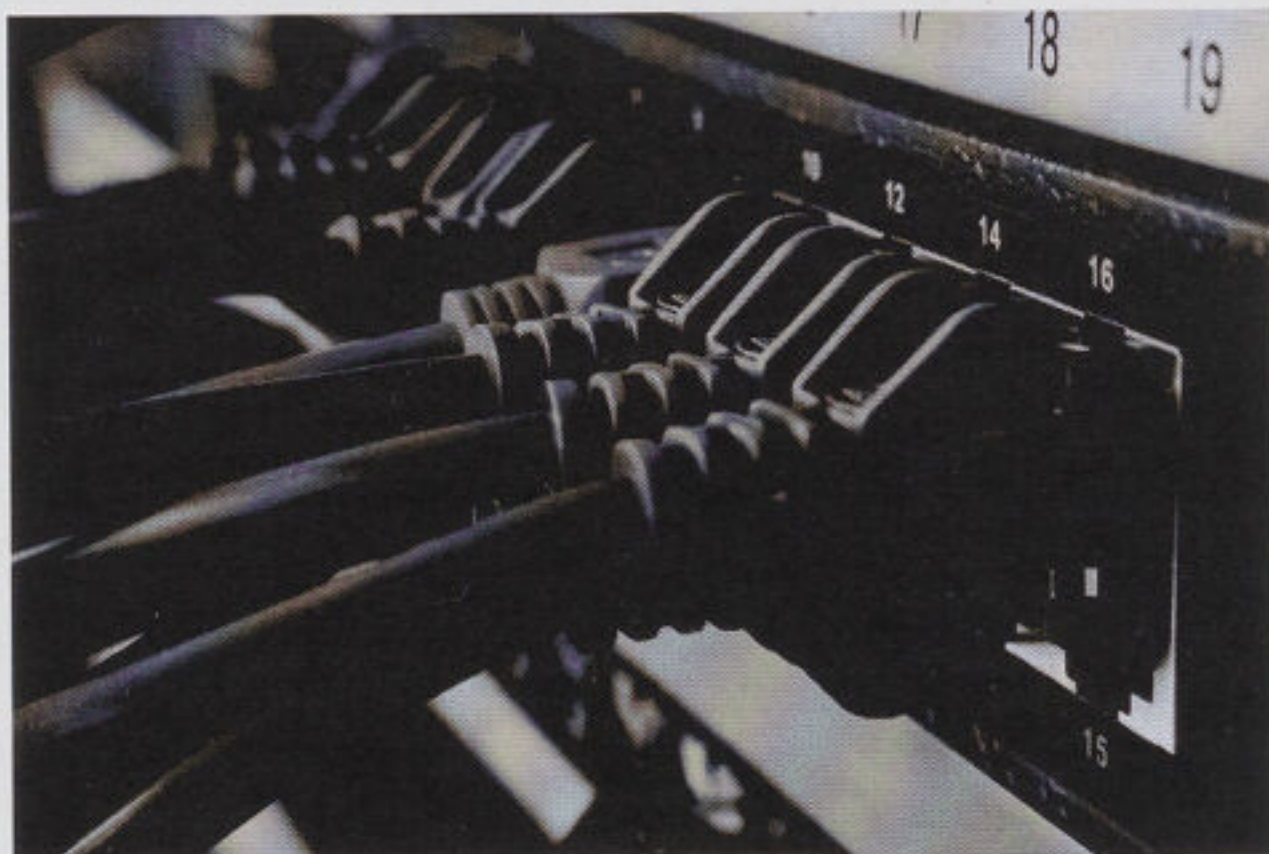
The second factor is that educational research examining Internet integration's contribution to student learning is nascent. Despite emerging evidence that disparate access exacerbates student achievement gaps,⁵ but that Internet integration can help,⁶ educators and policymakers have been painfully slow in reaching consensus that full Internet integration will improve learning.

Every year that young people attend school without fully integrated Internet access, we uphold uneven learning levels and advance a cohort of graduates with too little practice in skills they need for an increasingly interconnected society.

Extensive Internet access will help level the playing field for students. Few corroborating anecdotes are as compelling as that of Sugata Mitra, who in 1999 left a computer with Internet in a New Delhi slum and watched what neighborhood children would do with it.⁷ With no prior computer experience, they quickly figured out how to make it work. Eventually, some students demonstrated better reading skills, others deeper knowledge, and still others increased boldness and expressiveness in the classroom. A similarly uplifting experience for all US students who currently operate in a system pressured by income-, social-, gender-, and achievement-centered disparities would be a welcome inspiration.

A growing number of investigations re-

veal significant achievement and engagement impact when teachers guide students through Internet-based inquiry. The Internet, studies suggest, extends a teacher's reach and broadens students' experiences, complementing "what a great teacher does naturally."⁸ More specifically, Internet use gives students agency as they self-direct and make their own learning decisions;⁹ forces them to navigate bias, complexity, and extraneous information; and increases their likelihood to engage in the writing process, practice in-depth research skills, and develop multimedia skills through "interpretation and production of knowledge."¹⁰ Internet use even gives students confidence; teens with Internet believe they can do better in school.¹¹



Internet access. (Source: "No. 10 is important!" by Lars P., licensed under CC BY 2.0 from Flickr)

Full access to the web will also help modernize preK-12 teaching and learning and, in turn, narrow the growing gap between the number of job applicants with the necessary entry-level skills and the number of college graduates who cannot find work.¹² Before the Internet, it made sense to have students command the disciplines (math, science, English, etc.) in preparation for life's next steps. Today, however, it is paramount for college and career readiness that students know some core content knowledge, know how to find the rest, and also command such

“twenty-first century skills” as creativity, communication, collaboration, and critical thinking. To that end, the Internet is indispensable. Fortunately, open access is a real possibility.

HOW TO MAKE OPEN ACCESS IN SCHOOLS A REALITY

Decision makers have multiple, feasible ways to repair the current misalignment between espoused and enacted policies in the marketplace and preK–12 education. The first solution is bolstering infrastructure.

Schools need more bandwidth. Since 2003, 99 percent of US schools have been connected to the Internet thanks to the Federal Communications Commission’s (FCC) E-rate program, which invests \$2.25 billion annually in public education for telecommunications services and Internet access.¹³ Still, for some US schools, being connected means having about as much Internet as a typical home, thus severely limiting how many people can get online simultaneously. According to the FCC, roughly 31 percent of suburban and urban public schools and 41 percent of rural public schools do not have the fiber needed for robust Wi-Fi.¹⁴ Distressingly, 68 percent of all US districts report “not a single school in their district can meet long-term, high-speed Internet connectivity targets today.”¹⁵

insufficient amount of bandwidth, meaning that students and teachers experience difficulty logging on to the Internet. Teachers, wanting to maximize instruction, then end up not trusting, and therefore not using, the network. As a result, most of the available bandwidth is not fully utilized. District decision makers then see bandwidth is not being used and postpone procuring more. Thus, teachers continue to neither trust nor use the network, and the cycle continues.¹⁷ This chicken-and-egg scenario, as Marwell calls it, reveals how a widespread lack of understanding of broadband standards on the part of decision makers can cause students and teachers to miss out.

Full bandwidth at full speed with far-reaching fiber should be the priority. “We need,” Marwell argues, “the capability for students in every classroom to be on a device doing something unique, whether it’s all the time or intermittently throughout the day.”¹⁸ To get there, the State Educational Technology Directors Association recommends schools embrace external Internet connections to their service provider of one gigabit per second for every one thousand students and staff.¹⁹ For more nuanced bandwidth benchmarks, educators can look to more Internet-progressive industries for other successful contention ratios—i.e., the ratio of potential maximum demand to actual bandwidth. Once infrastructure is set, devices

GRANTING SAFE, HIGH-SPEED INTERNET ACCESS FOR THE ENTIRETY OF THE SCHOOL DAY TO EVERY STUDENT IN THE UNITED STATES . . . WILL HELP US ATTAIN IMMEDIATE AND FAR-REACHING IMPROVEMENTS IN OUR PREK-12 SYSTEM.

Perversely, having limited broadband infrastructure can actually be worse for promoting Internet uptake than having no connection at all. Evan Marwell, chief executive officer of the San Francisco-based nonprofit Education Superhighway, calls this conundrum the “connectivity gap.”¹⁶ It generally begins with a district procuring a modest but

can follow. But right now, schools, districts, and states need leaders to embrace today’s broadband necessity: comprehensive access that allows every student to simultaneously use the Internet on separate devices.

Besides strengthening infrastructure, a second critical enterprise for decision makers is building the social, economic, and political

will necessary for system-level integration of Internet in schools. To do so in the present climate requires that leaders shrewdly balance urgency with robust processes, avoiding perilous approaches like the one embraced by former Los Angeles Unified School District (LAUSD) superintendent John Deasy. In 2014, Deasy sought, unsuccessfully, to purchase over 700,000 learning-enabled iPads for LAUSD's students and teachers from publishing giant Pearson. His decision to leverage the leeway afforded by an unclear California procurement law proved ineffective in Los Angeles, and a wicked combination of approval processes, board interests, competitive bidding, teacher training, district rollouts, unseen email communications, and especially timing and transparency massively complicated his intentions. In October, Deasy stepped down, leaving the task to another.²⁰ For leaders who take up this and other school Internet campaigns, Deasy's story should be a sober reminder of the need to garner support at every corner of one's authorizing environment.

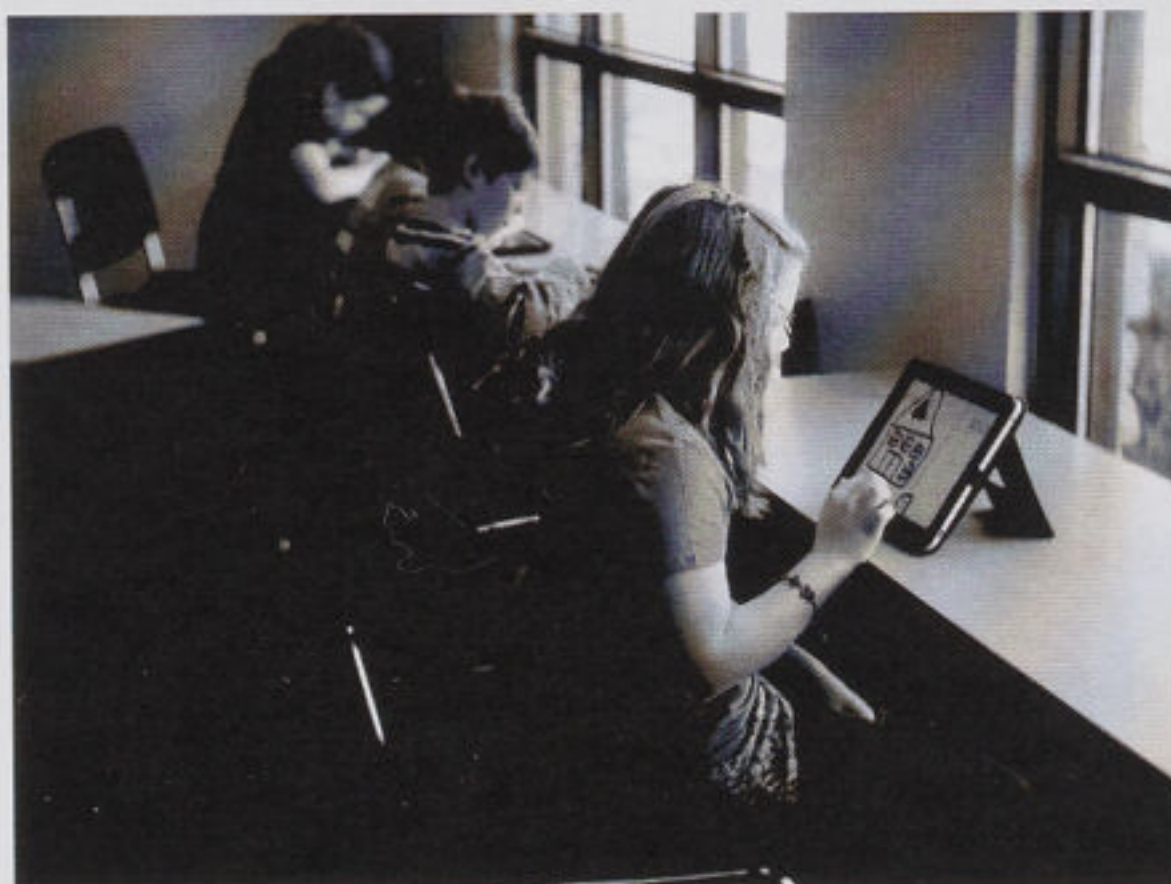
Negotiating Internet economics, and achieving broadband affordability in particular, is yet another aim leaders can adopt to bend a complex fiscal environment toward improving student web access. In a September 2014 speech, FCC chairman Tom Wheeler shared his concern that "competition is the most effective tool for driving innovation, investment, and consumer and economic benefits. Unfortunately, the reality we face today is that as bandwidth increases, competitive choice decreases."²¹ Wheeler's comments are based on the reality that in some areas of the country, service providers do not invest enough in their networks to provide the speeds schools need. In other areas, there is only one service provider. Consequently, instances are not uncommon of providers taking advantage of schools by overcharging them for broadband and of district officials unwittingly paying more than they should via long-term contracts.²² While the FCC's recent E-rate Modernization Orders significantly increase payments to schools for Wi-Fi and give education leaders a better idea of how much to reasonably pay, options still will be limited in many areas, and overpricing is conceivable.²³

Successful pathways for overcoming af-

fordability issues vary, and more are needed. Select legislatures are wondering whether allowing public entities to compete or link up with private providers is a promising way forward. Arkansas, for example, already has in place ARE-ON, a publicly built fiber optic network for its public colleges, universities, and hospitals. And though political appetite for such a move seems to be tottering, Arkansas governor Mike Beebe is arguing for preK-12 public schools to be granted the right to access this existing network.²⁴ Other leaders, such as Virginia governor Terry McAuliffe, are forging corporate partnerships and advocating for greater transparency to facilitate more sensible rates from service providers.²⁵ Still other more under-resourced districts are taking advantage of President Obama's ConnectED initiative, which has negotiated Internet discounts from companies such as Apple, Microsoft, Sprint, and Verizon to help schools connect.²⁶

LEADING THE WAY

Infrastructure, political will, and affordability aside, the human element of this work is king. In particular, the efforts of school boards, superintendents, and principals to drive awareness, impart vision, manage change, and build capacity among teachers, students, and parents for full web access are unparalleled in importance. Thankfully,



Elementary students using iPads. (Source: "student_ipad_school - 231" by Brad Flickinger, licensed under CC BY 2.0 from Flickr)

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decision makers can benefit greatly from the work of experienced professionals who have pioneered both Internet safety and instructional best practice in our nation's schools.

One such story comes from the Mooresville Graded School District (MGSD) of North Carolina, where all public school students in grades three through twelve have Internet access for the entire school day via

laptops they can take home with them after school. Over lemonade and cookies at the local civic center, before the first student laptop was ever issued, MGSD superintendent Dr. Mark Edwards met with technology CEOs, national directors of education technology nonprofits, leaders from the community, and almost one thousand parents to discuss a digital conversion master plan for the district that would gradually eliminate textbooks

from the classroom and position students for deep learning via one-to-one computing and safe, high-speed Internet access.²⁷

Edwards, named the Superintendent of the Year in 2013 by the American Association of School Administrators, is a futurist who has the proven procedural and political savvy needed to renovate his district's approach.²⁸ Edwards welcomed engineers from Cisco and Apple to Mooresville to do an analysis on the infrastructure before moving ahead.²⁹ To simultaneously ramp up school and at-home web access, the local Internet provider that serviced the district stepped up and offered high-speed broadband for a fee of twenty dollars per year to families of students qualifying for free and reduced lunch, who are presently half of the MGSD student population.³⁰

In conversation, Edwards plays down the technical infrastructure, which he suggests is becoming increasingly straightforward, and instead emphasizes the human infrastructure, with safety as a top priority. Before any student is issued a laptop, parents

have to go through training with their child on Internet safety. Starting in kindergarten, MGSD students explore "digital citizenship" and consider how their digital footprint will evolve as they mature. Teachers use remote desktops to see students' screens during class. Network engineers, who work out of resource offices at every school in the district, program the system to alert them when issues are suspected. The district's biggest problem is students visiting games sites, Edwards suggests, which he calls a discipline-related rather than an Internet-related dilemma. Edwards says he knows the Internet filter functions well because MGSD parents and students, his son included, complain about the filter being too strong and limiting access.³¹

Widespread Internet use has transformed teaching and learning in the district, which has enjoyed pervasive academic achievement gains since the conversion.³² At present, MGSD is tied for third place in North Carolina in overall academic achievement. The district grabbed the top spot in North Carolina for meeting the state's Annual Measurable Objectives. MGSD third graders ranked number one in the state on reading and math assessments, Edwards mentions—a full ten points ahead of Chapel Hill.³³

Having already welcomed visitors from forty-five US states to learn from its approach, MGSD is now fielding interest from education leaders in Singapore, Brazil, Germany, France, and Canada. For the 2015–2016 school year, MGSD students in grades two through twelve will have MacBooks, while kindergarteners and first graders will have iPad Airs.

Of course, not all of MGSD's success is due solely to technology, and there is bound to be room for improvement in the way its program is implemented. Though technology is not a panacea, it is a valuable tool for getting results and adding value.

Right now, we should help mobilize funding, infrastructure, security, training, and support toward full broadband access for all students in the United States, so that from the earliest grades, they can practice finding, analyzing, and evaluating information from the Internet; effectively use this information to solve problems; and ultimately grow to be the solution seekers, innovators, and collabo-

rators we hope to graduate.

To do so, schools, districts, and states need bold, visionary leaders who, in spite of nascent research and competing priorities, see through the woods and beyond the mountains to tomorrow's reality, have the agility and courage to cultivate social will for improvement, and make difficult fiscal decisions to advance this work as quickly as possible. *HR*

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The Real Bottom Line

Identifying Public-Private Partnerships and Shared Value Opportunities Between the National Security Community and the Private Sector

by Scott Siler

BEGINNING IN THE 1970S and 1980s, the United States national debt became a figure of public fixation. This fixation manifested in 1989 when a national debt clock, conceived and financed by real estate developer Seymour Durst, was erected near Times Square in New York City. The debt clock, which shows both the size and speed of the national debt, acts as a constant reminder of the federal government's fiscal operations and is a public scoreboard highlighting the economic obligations of the United States. However, as long as the national debt has been a concern, initiatives have been created to reduce the government's burden to finance and operate public services.

One such initiative is public-private partnerships (P3s). A P3 is essentially a contract between a private organization and the government where the private organization receives compensation from the government, in one form or another, in exchange for helping to facilitate or provide a public good or service. Specifically, P3s are often used to help finance both large and small infrastructure investments at both the federal and local government levels. They include projects such as the National Interagency Biodefense Campus at Fort Detrick, Maryland, a partnership between the Army Corps of Engineers and a local Maryland energy company to support a utility plant providing power to a biosafety lab.¹

A more recent initiative is shared value. Shared



Handshakes for America. (Source: "Handshakes for America" by lets.book, licensed under CC BY-NC-ND 2.0 from Flickr)

value—an idea first proposed by Harvard Business School professor Michael Porter and Harvard Kennedy School Professor Mark Kramer—offers an innovative method for corporate America, in the words of Benjamin Franklin, to “do well by doing good.”² This idea suggests for-profit firms can improve their competitiveness while simultaneously contributing to the social and economic well-being of the communities in which they operate.³

For instance, a critical piece of Chevron's supply chain in sub-Saharan Africa runs through the Niger delta. According to the Shared Value Initiative, Chevron has partnered with the Niger Delta Partnership Initiative, the Foundation for Partnership Initiatives in the Niger Delta, the United States Agency for International Development, and the United Kingdom Department for International Development to promote economic development in hopes of reducing supply chain inefficiencies due to oil theft and work stoppages.⁴ Chevron, which began investing in 2010, expects development of the local economies along its supply chain will raise employment and disposable income, thereby reducing crime and subsequently Chevron's operational risk in the region.⁵

However, when we think of collaboration between the American national security apparatus and corporate America, we often envision telecommunication companies allowing government agents to listen to phone calls, read email, or track the GPS location of suspected

States Navy develop the requisite naval military capability to battle the Axis powers.⁸ In the 1970s, during the Vietnam War, the RAND Corporation codified what is considered today a foundation of counterinsurgency (COIN) with its Phoenix Program.⁹ Since September 11, private sector involvement with government-related defense, security, and information technology services has spiked considerably as a result of the continuing Global War on Terrorism (GWOT).¹⁰

RISE OF OPEN-SOURCE INTELLIGENCE (OSINT)

With the advent of the GWOT, increasing capabilities of information technology and the need for continuous, real time intelligence caused a shift from Cold War era human intelligence (HUMINT) efforts to intelligence operations focused on digital information.¹¹ As a result of these intelligence efforts, the copious amount of

CAN SHARED VALUE AND PUBLIC-PRIVATE PARTNERSHIPS EXTEND BEYOND LOCAL COMMUNITIES AND CONTRIBUTE TO SECURITY GOALS ON A NATIONAL LEVEL?

criminals or terrorists. Is this the only opportunity for government and the private sector to collaborate in the advancement of national security interests, or in the current period of austerity, can shared value and P3s extend beyond local communities and contribute to security goals on a national level? Do opportunities exist for private organizations to better inform national security policy?

BRIEF HISTORY OF THE PRIVATE SECTOR'S ROLE IN NATIONAL SECURITY INTERESTS

The concept of private firms and the federal government working together in the national security realm is not a novel phenomenon. The private sector has a long and storied role in partnering with the federal government in national security. During the Civil War, the Pinkerton National Detective Agency, a detective and investigatory company founded by Allan Pinkerton, supported intelligence operations for Union General George B. McClellan.⁶ The agency, a predecessor to the United States Secret Service, was even charged with protecting President Lincoln.⁷ For the duration of World War II, private engineering and consulting firms helped the United

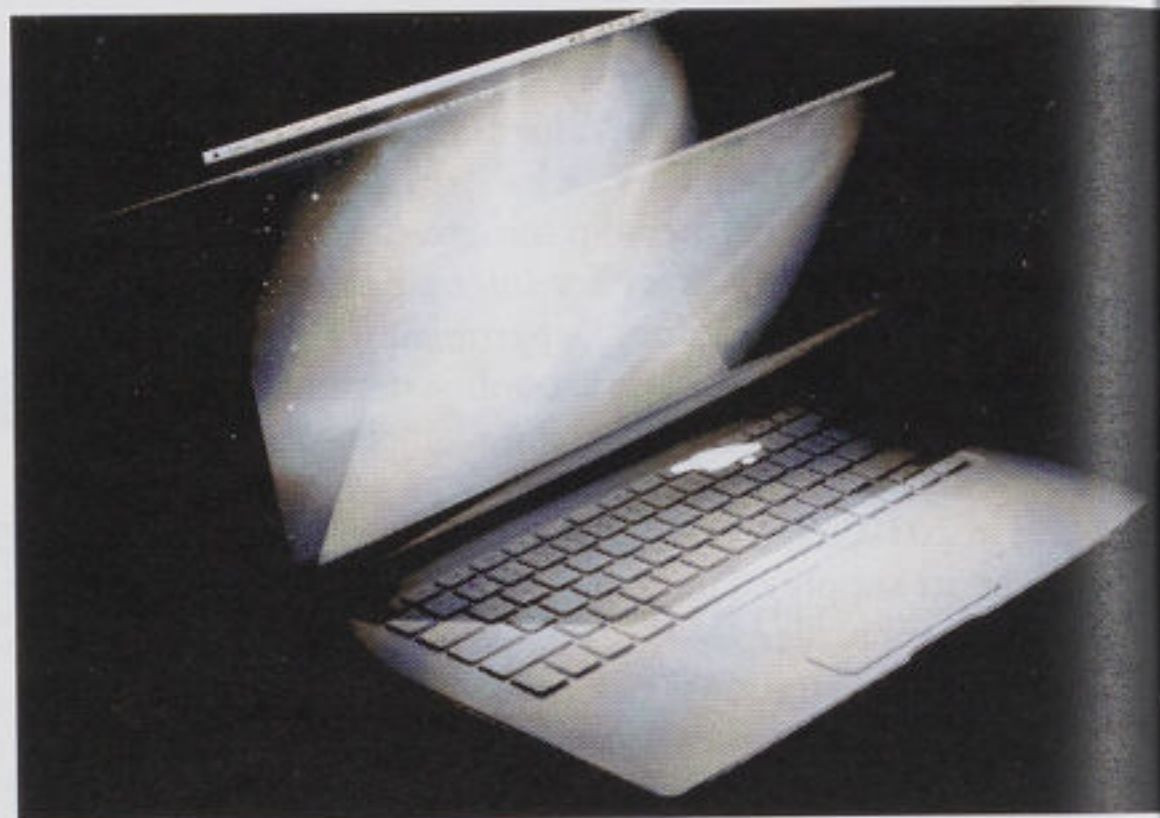
information the government was collecting spurred the demand for tools to analyze such large amounts of data. This phenomenon directly contributed to the era of "Big Data" which continues today.

However, many of the tools developed to handle big data analysis have originated in the private sector. When we think algorithms, machine learning, and pattern recognition, we think of companies like IBM that have decades of experience developing and solving big data issues. Other companies, many of whom have originated from the latest wave of technology startups over the last decade, have created solutions for specific problems. Palo Alto-based Palantir is one such example. While the company, cofounded by Peter Thiel of PayPal fame, currently provides data analytics and visualization services, it began by developing intelligence analysis software tools to help organize HUMINT, social networking, and other types of structured and unstructured data sets.¹² In fact, an early investor in Palantir was the government's own venture capital organization, In-Q-Tel. In-Q-Tel is an independent, not-for-profit organization that according to its website "was created to bridge the gap between the technology needs of the US Intelligence Community (IC) and emerging commercial innovation."¹³

A primary reason industry originally developed big data tools is because so much of the information available to analyze is nonclassified, nonproprietary data. In 2012, IBM estimated that approximately 2.7 zettabytes of information existed in the digital universe.¹⁴ A single zettabyte is approximately the same amount of information stored on 250 billion DVDs.¹⁵ This myriad of available data is forcing firms to extract the signal from the noise in hopes of mining a comparative advantage against rival firms.¹⁶ What was perhaps unforeseen is the scale and efficiency with which large corporations can now use their open-source tools to understand how global economics, politics, and markets are changing. Due to the inherent advantages of greater financial flexibility and fewer bureaucratic constraints, the private sector is beginning to rival capabilities once found only in the Department of Defense or intelligence community. One only need look to the labor market to understand the private sector demand for employees with the skill to tackle big data problems. According to the Bureau of Labor Statistics, computer and information research scientist positions are growing 15 percent faster than other skilled jobs.¹⁷ These positions are not solely germane to consulting firms. Many large multinational companies employ and will employ more data scientists in an effort to leverage more and more open-source data.¹⁸

CASES IN POINT: THE APPLE AND THE TIGER

To understand the value the private sector can provide, let's examine two of the largest US multinational corporations: Apple Inc. and ExxonMobil. As one of the largest electronic consumer products producers in the world, Apple has a total market capitalization of approximately \$700 billion.¹⁹ To put that in perspective, the United States spent roughly the same amount on homeland security in the ten-year period between 2001 and 2011.²⁰ A major contributor to Apple's growth strategy has been its ability to integrate into international markets both from a marketing and operations perspective. Apple, like many firms today, has invested heavily in China in order to transact with the largest, most consistent growth economy in the world.²¹ The ability for Apple to develop this strategy by understanding the nuances of open-source data available on China is also the same information that would allow policymakers to understand the economic, political, and demographic changes that will influence how the People's Republic of China (PRC) responds to these changes. Many China analysts view domestic unrest as a major concern of the Chinese government.²² Given Apple's necessity to understand market, labor, and regulatory conditions in China, few organizations are better equipped to comprehend the



Apple MacBook. (Source: "MacBook light shift" by Milind Alvares, licensed under CC BY-NC-ND 2.0 from Flickr)

triggers related to internal tumult associated with demographic, economic, political, and urbanization trends.

The second most profitable publicly traded company in 2013 behind Apple was ExxonMobil.²³ As the most profitable oil producer in the world, Exxon derives much of its success from its ability to navigate political and economic volatility across the globe. The breadth of locations where Exxon operates is impressive. It invests in hot conflict countries and territories such as Iraq and Kurdistan, as well as frigid, remote areas in the Arctic.²⁴ These are two critical regions of the world for the United States and its foreign policy initiatives. The continuing development of Iraqi security coupled with the momentum of legitimizing the Kurdistan Regional Government (KRG) are two issues very much on the radar of the US national security apparatus today. The rising concerns in the Arctic regarding global warming and energy resources certainly signals what future challenges exist on the horizon. Leveraging Exxon's open-source understanding of the Middle East and the Arctic could help better inform US policy as events continue to unfold in these regions. It is of particular interest given the geopolitical implications that energy resource scarcity represents.

APPLYING P3 OR SHARED VALUE MODEL TO OSINT

Touting the increasingly impressive capability of the private sector to assess open-source information is not to say intelligence agencies ignore OSINT or fail to analyze it well. Most government intelligence analysts, as expected, focus on classified information—not open-source.²⁵ Therefore, most of what we consider "intelligence" consists primarily of classified information.²⁶ A

reason for the larger proportion of classified information may be because it is too difficult or costly to try to boil the entire ocean of data. Living in a time of austerity means budgets are shrinking while threats are growing. However, a shared value or P3 approach may help remedy this issue. This begs the question: What would these models look like? The answer is a complicated one, but let's examine two potential models. The first falls under a P3 framework, while the second more closely aligns to a shared value approach.

The first model is a special contract where the government pays a corporation to have a runoff of information, similar to syphoning a water source. In this case, the corporation would be monetarily compensated by allowing information it gathers in its general business operations to be accessed by the government in support of its intelligence efforts. The arrangement is such that the corporation allows access to non-proprietary, nondisclosed data (depending on the terms of the contract) for the government to receive in a form digestible by the intelligence collection and analysis process. The second model is an exchange or clearinghouse for OSINT—a black box where the government would receive information on different topics and regions without actually knowing from which company information originates. This would provide anonymity to firms for participating and would reduce the probability of backlash by both private and public trading partners because firms would not be directly involved in any intelligence operations, covert or otherwise. In return for a corporation choosing to participate in the exchange, it could realize additional business value in the form of tax breaks, subsidies, or increased commercial diplomacy efforts.

Whatever the incentives, they would need to match, at a minimum, the risk to both the government and potential partners. One primary risk is conflict of interest. This means maintaining an independent regulatory process between the government and its corporate partners. Alternatively, ensuring corporate interests do not unduly influence US foreign policy is vital. Another is ensuring noninterference commercial market dynamics. Open-source intelligence sharing known to the public could erode trust among the United States, its allies, and its trading partners. This may in fact end up hurting those firms who are trying to operate in the very countries in

which they have subject matter expertise. Retribution could come in the form of harshly imposed legal and regulatory hurdles, taxes, or trade barriers. This represents a serious obstacle as it would impact all potential partners with financial and operational interests abroad in addition to those who rely heavily on foreign demand for their exports. As well, the information itself would need to be able to seamlessly integrate in the intelligence

GIVEN APPLE'S NECESSITY TO UNDERSTAND MARKET, LABOR, AND REGULATORY CONDITIONS IN CHINA, FEW ORGANIZATIONS ARE BETTER EQUIPPED TO COMPREHEND THE TRIGGERS RELATED TO INTERNAL TUMULT ASSOCIATED WITH DEMOGRAPHIC, ECONOMIC, POLITICAL, AND URBANIZATION TRENDS.

life cycle in order to add value rather than further overburden intelligence analysts and subsequently policymakers. Lastly, there would need to be an agreement that the government would not share any proprietary data with other firms involved in a similar partnership. These risks are nonexhaustive, therefore, additional risks and risk mitigation techniques would need to be identified before any model proves successful.

CONCLUSION

While these suggestions are far from perfect, discussing this topic might spark an innovative solution to allow a potential intelligence sharing model to work. That in itself is a worthwhile endeavor. As the landscape of threats continues to change and grow, so must the methods policymakers use to address today's challenges. Doing more with less may mean rethinking perspectives on longstanding relationships. While the idea of shared value between the private sector and the national security arena may alarm some, ignoring or failing to evaluate this opportunity could put policymakers at a comparative disadvantage relative to our adversaries. This, in turn, could be one disadvantage we may not be able to afford. *HR*

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A Prisoner's Dilemma

Negotiation and American National Security Policy

by Joshua C. Fiveson

IN SEPTEMBER 2013, the most active branch of the Al-Qaeda terror franchise—Al-Qaeda in the Arabian Peninsula, or AQAP—kidnapped a British-born American citizen. His name was Luke Somers.

Raised in the United States, Somers pursued a degree in creative writing and was described by many as someone who suffered from “wanderlust”—an insatiable desire to see the world. Once his studies were completed, Somers went on to establish himself as a successful freelance journalist in Sana’a, Yemen. His true goal, however, was more than to be a journalist. Somers wanted to make a positive impact in the turbulent region; he wanted to change Yemen’s future. Sadly, it was his own future that would be forever changed.

One September evening, Somers found himself walking home alone in the streets of Sana’a. “We told him to avoid going out after the evening hours,” Faud Rajeh, a friend of Somers recalled, “and that’s when [it happened].”¹ Somers was kidnapped by AQAP.

After a year of silence, AQAP released a video that confirmed the gravity of the situation: Somers would be killed within seventy-two hours if the United States did not comply with their demands. Also in the video was Somers himself, who made it clear that the situation had gone from bad to worse. With an eerily placid, near-listless demeanor, Somers confessed, “I’m certain that my life is in danger.” As he continued to stare into the camera, the Yemeni breeze whipping at his

back, Somers went on, “So, as I sit here now, I ask, if anything can be done, please let it be done. Thank you very much.”²

However hopeful one might have taken this message to be, Somers’s demeanor in the haunting video revealed something far greater than his words were intended to let on: his fate was sealed. Somers would die in the very country that he had worked so desperately to save. And despite claims that the United States was “aware” of what demands might secure Somers’s release, there were no channels of communication between AQAP and US officials—the United States staunchly refused to negotiate with a terrorist organization. Ultimately, Somers would die as a matter of “good policy.”

But the failings of this policy choice are strikingly underlined by the less-told story of Pierre Korkie, Somers’s South African cellmate in Yemen. Korkie was a schoolteacher in Sana’a and had been captured along with his wife by AQAP earlier in 2013. Oddly enough, Mrs. Korkie was released with no ransom nearly seven months after her abduction. As for her husband, however, AQAP refused to let him go without ransom; this was for fear of setting bad precedent.

Over the course of the next year, a group called Gift of the Givers—a charity that runs humanitarian projects in eight countries including Yemen—worked to establish communication channels with the AQAP group holding Korkie. In August 2014, unbeknownst to the US government, the charity succeeded in brokering a deal with AQAP

through local tribes. AQAP had agreed to release Korkie, and he was to return home before the new year.

Days before the scheduled release, however, the United States put a plan into action that sealed the fate of both him and Somers. SEAL Team Six, the United States' most elite Special Forces unit, was sent on a secret mission to rescue Somers. But this was not the first attempt to extricate Somers with military might; in fact, the first mission—launched days before the release of Somers's video—had ended in failure. It was widely speculated that the failed exfiltration was the reason the group chose to release the video and set a final deadline. Despite this, the United States had no other option given its refusal to engage in talks with AQAP.

Joined by a small contingent of Yemeni counterterrorism forces, the SEALs flew under cover of darkness to the AQAP compound in which both Korkie and Somers were held. The team landed several hundred

yards from the compound, but something went wrong as they approached. The team was detected, and by the time they breached the compound, the hostages had been executed. The mission was a failure. Both Korkie and Somers never made it home.

The United States' aversion to negotiation traces its roots to an icon of American strength: Ronald Reagan. Forcefully asserting that the time had come for "the civilized countries of the world [to make] it plain that there is no room worldwide for terrorism," President Reagan definitively stated that "there will be no negotiation with terrorists of any kind."³ Although this would later prove shortlived for his administration—Reagan was a key figure behind both the Iran-Contra and Trans World Airline hostage negotiations—his impact upon the future policies of the United States was longstanding; a "no negotiation" policy had been born.

Much like the Reagan administration's position, an overwhelming majority

Seahawk helicopter departs after delivering Navy SEAL Team members. (Source: US Navy)



of countries publicly denounce negotiation while taking a much less forceful stance in practice. Countries such as England, who maintained communication with the Irish Republican Army after the infamous Downing Street assassination attempt; Spain, who engaged in talks with the Basque Homeland and Freedom group shortly after its deadly supermarket bombing; and even Israel, who secretly negotiated the Oslo Accords with the Palestinian Liberation Organization, routinely cast aside this ossified policy when push comes to shove.

The United States, on the other hand, is a part of the distinct minority of countries that categorically refuses to negotiate. But this has not always been the case. The storied history on this subject dates as far back as the nation's first encounter with terrorism: Barbary pirates. George Washington, John Adams, and Thomas Jefferson each authorized payments to the group, which was composed of pirates and privateers in Northern Africa, in various exchanges. This even culminated in a treaty wherein an annual provision of naval supplies was granted as "protection" from attack.⁴ This practice of below-the-radar bartering continued throughout the years with other groups and other presidents. The Johnson, Nixon, and even Carter administrations are known to have negotiated with terrorist groups.

Now, however, the United States claims an unyielding policy. No matter who, what, when, or where, the United States refuses to negotiate with terrorists. But why?

Those who oppose a policy of amenability to negotiation in the national security context often cite a number of concerns. These challenges range in scope and have traditionally boiled down to two main contentions: (a) floodgates, the idea that a negotiation would encourage further confrontation, and (b) legitimacy, the idea that recognition implicitly undermines US interests by bolstering the legitimacy of terrorist organizations. These beliefs, however, are ill-founded.

The floodgates concern is often cited and rarely challenged. Premised on the idea that a willingness to negotiate would provide incentive for future targeted attacks, the argument is used to characterize the United States' current policy as a deterrent mechanism. But the belief that radical actors might be influenced

to further target the United States if it were to become amenable to negotiating with such groups finds its foundation in theory, not history. Were this actually the case, one might expect the "terror market"—the economic backdrop shaped by nefarious conceptions of supply and demand—to reflect such incentives. But this could not be farther from the truth.

Take, for example, Al-Qaeda in the Islamic Maghreb (AQIM)—one of the wealthiest and best-armed militant groups in Northern Africa. From 2008–10, AQIM enjoyed

NO MATTER WHO, WHAT, WHEN, OR WHERE, THE UNITED STATES REFUSES TO NEGOTIATE WITH TERRORISTS. BUT WHY?

large success within the kidnapping industry. During this period alone, the group managed to capture seven hostages—two Canadians, two Austrians, and three Spaniards—and successfully negotiated roughly \$9.2 million in exchange for their safe passage.⁵ What is more is the families of the hostages did not pay these ransoms, nor were they paid by philanthropic organizations. Instead, these funds were largely paid by each of the hostages' respective countries.⁶ Strangely though, AQIM went on to shirk what is assumed to be one of the most fundamental tenets of terror microeconomics: when you find a market, you sell to it.

From 2010–14, AQIM kidnapped another eight individuals, only two of which were from the previous countries that had been identified as profitable targets. Although their demands skyrocketed from \$1.3 to \$8.6 million per person, ultimately netting a total bounty of \$68.9 million,⁷ this success cannot be attributed to the proverbial floodgates having been opened against a particular

country. There was no indication that the group was actually targeting any particular nationality over another. Indeed, with only two of the eight hostages from countries that the group had previously identified as willing negotiators, AQIM revealed its more simplistic, opportunity-oriented approach: Kidnap first and ask questions later.

The unprincipled reality of this approach yields two primary insights, both of which bear on the farcical legitimacy of the United States' claimed justifications for its "no negotiation" policy. First is the lack of any preferential tactics by these groups. Again, the decision of whether or not to kidnap a given individual seems to bear no relation to a particular country's anticipated amenability to negotiation. With no indication of any particular targeting strategy, the repeated assertion that an "administration's decision to negotiate . . . could encourage future terrorist

It seems that the United States operates under the assumption that a refusal to acknowledge the acrimonious policies of other countries might work to diminish the reality of their effect. But refusing to acknowledge the deleterious effects of these policies reflects an unprincipled dedication to ideology over practicality. This simply limits the range of viable responses in situations involving US citizens without affording any commensurate tactical or deterrent benefit.

Similarly, the legitimacy concern—an idea that the political recognition of these groups would implicitly work against the interests of the United States—has been largely misunderstood and mischaracterized. A policy that is open to principled negotiation tactics does not automatically confer legitimacy upon anyone, nor should the idea of conferring legitimacy be viewed as only negative. Instead, this fear has been perpetu-

A PLATFORM THAT EMBRACES A PRINCIPLED APPROACH TO NEGOTIATION IN MANY WAYS CREATES AN INCENTIVE FOR TERRORIST GROUPS TO ADOPT LESS AGGRESSIVE TACTICS BY REINFORCING THE NORMATIVE VALUE OF NONVIOLENCE.

kidnappings of Americans" is of little substance.⁸ Second is the nonexistent deterrent effect that is claimed to inhere to the current policy. The targeting process is largely random and is principally based on both opportunity and the favorable odds that a given victim will hail from a country that might be open to negotiation. So long as this continues to be the case, the general incentives at play will annul any deterrent effect that a single nation's policy might seek.

But if a refusal to negotiate does not deter this activity, and a country's willingness to negotiate does not, itself, promote this activity, what, then, can justify the United States' current policy? Similar to an object permanence disorder, the United States seems to have a problem with foreign policy permanence.

ated by years of rote political reiteration without any actual evidence to support such a belief.

In reality, many experts have argued that the exact opposite is true. Accepting a socially constructed perspective on legitimacy, it is clear that a "state's acceptance of a party as a legitimate interlocutor does not automatically confer [legitimacy] upon the latter."⁹ Legitimacy is, instead, the product of broad, geopolitical, normative values that culminate in a group's recognition on the international plane.

One need only think to the longstanding attempts at negotiation between Israel and Palestine to more fully underline this point. Legitimacy—here, in the sense of regional autonomy—is one of the main points of contention between the Israelis and the Pal-

estinians. This very concern has fueled what is widely known to be the most intractable conflict in modern history. However, the two groups have routinely met at the bargaining table, and doing so has not bolstered the very recognition that the Palestinians so forcefully seek. Instead, the ability to communicate has repeatedly resulted in ceasefires of varying degrees and has been one of the sole contributing factors toward resolution—however far away that might be.

Even if some level of legitimacy is implicitly conferred by isolated negotiations, it is not clear that this is always a negative consideration. A platform that embraces a principled approach to negotiation in many ways creates an incentive for terrorist groups to adopt less aggressive tactics by reinforcing the normative value of nonviolence. There is power in identifying particular groups as, in some sense, legitimate. Take, as an example, the Moro Islamic Liberation Front and its dealings with the Philippine government. The Philippine government was able to shift the group from extremist tactics to legitimate engagement, despite its strong links to Al-Qaeda, both ideologically and tactically

Extremist groups such as Al-Qaeda and ISIS (Islamic State in Iraq and Syria) regularly seek to find a voice that they believe has been stifled. And having no other means for communication with the United States, a prisoner represents a direct line to the upper echelon of the US government. Through what can only be described as a perverse call and response, the United States and these organizations communicate through iterative violence. Kidnappings are met with a refusal to speak; a refusal to speak is met with a deadline; a deadline is met with either silence or force; and this, in turn, yields consistent tragedy. The brutal coordination is palpable, and the resulting ballet is as predictable as it is lethal.

If, however, this cyclic response could be broken by the formation of an open communication channel in appropriate circumstances, the results would be twofold. First, an outlet for legitimate dialogue could actually serve to draw extremist groups away from their barbaric strategies and to the negotiating table. Again, by reinforcing the normative value of nonviolence, the United States can establish the path to some sense



Yitzhak Rabin with President Clinton and Yasser Arafat during the signing of the Oslo I Accord in 1993. (Source: Israel Defense Forces)

of geopolitical legitimacy, if only temporarily. It is this very carrot-and-stick diplomacy that fairly successfully led the United States' non-proliferation efforts with countries such as Ukraine, North Korea, and Libya in the early 90s.

Second, the United States would be able to more tactfully leverage its resources by flagging with whom it is willing to negotiate. The US military's greatest deterrent power is not in operation but in wait. For instance, the internationally lauded disarmament of Syria's chemical weapon stockpiles would not have occurred were it not for the Russian-brokered negotiations between Syria and the United States that operated on the backdrop of threatened military action. By reserving the use of military force as a viable alternative to a negotiated agreement, the United States was able to strengthen the motive to seek a political resolution. This approach also has the added benefit of preserving resources. At the end of the day, the military is composed of men and women, and lives should not be put on the line simply because they can be. War is an ultimatum, not a utility.

Broad, foundationless assertions that the "only language understood by [terrorists] . . . is the language of force" are quickly being recognized for what they truly are—glib, political talking points.¹⁰ The current approach imprudently shifts the treatment of terrorism

away from the political realm, restricting the resolution of these issues to reciprocal demonstrations of force. "Terrorism," however, "is fundamentally and inherently political."¹¹ And political problems require political solutions. The United States must discard the policies of years past and adapt to a changing world. Absent a reevaluation of the current approach to terrorism, the resulting outcome is the classic prisoner's dilemma—a situation that almost exclusively produces a losing scenario for all parties involved. *JR*

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Leadership in the New Era of Convergence

by Antonio Oftelie

WHEN OHIO GOVERNOR John Kasich took the helm in 2011, he faced a daunting challenge. Ohio ranked a lowly 37th in positive health outcomes, while spending more than \$7,000 per person on healthcare annually—more than thirty-three other states.¹ It was not just the new governor grappling with the problem—policy-makers, employers, citizen groups, and community organizations all demanded a different approach to achieving acceptable results. What was not an option: throwing more money at the problem, as the state was facing a budget shortfall of \$8 billion.² It was also clear that Ohio could not just innovate out of this dilemma—the state needed deeper structural change. The social and political pressures for reform, the need to modernize technology, and a fiscal crisis created the perfect storm. But rather than run for cover, Ohio rebuilt its healthcare delivery system. Essential components included us-

ing new technologies to integrate Medicaid and health and human service eligibility systems, adopting shared services models across counties, streamlining operations across

organizational and jurisdictional boundaries, implementing new pay-for-value financial models, and changing law and policy to reflect the new structures.³

Ohio Governor John Kasich. (Source: "Ohio River Bridge" by Steve Beshear, licensed under CC BY-NC-ND 2.0 from Flickr)



Compare Ohio's response to a new operating environment with the plight of the United States Department of Veterans Affairs (VA). The dismal state of VA services erupted as a scandal on the national scene in 2014.⁴ But this exposure was merely the culmination of a far more gradual decline, one propelled by a prolonged failure to adapt. For years, veterans' profiles, healthcare needs, and expectations have been changing while the VA has maintained a twentieth century operating model. New technology holds potential for improving information sharing and problem solving between the Department of Defense, the VA, and the network of providers, but the VA's legacy systems and processes hinder progress. Pay-for-performance models have emerged that reliably decrease wait times, improve service-delivery, and poten-

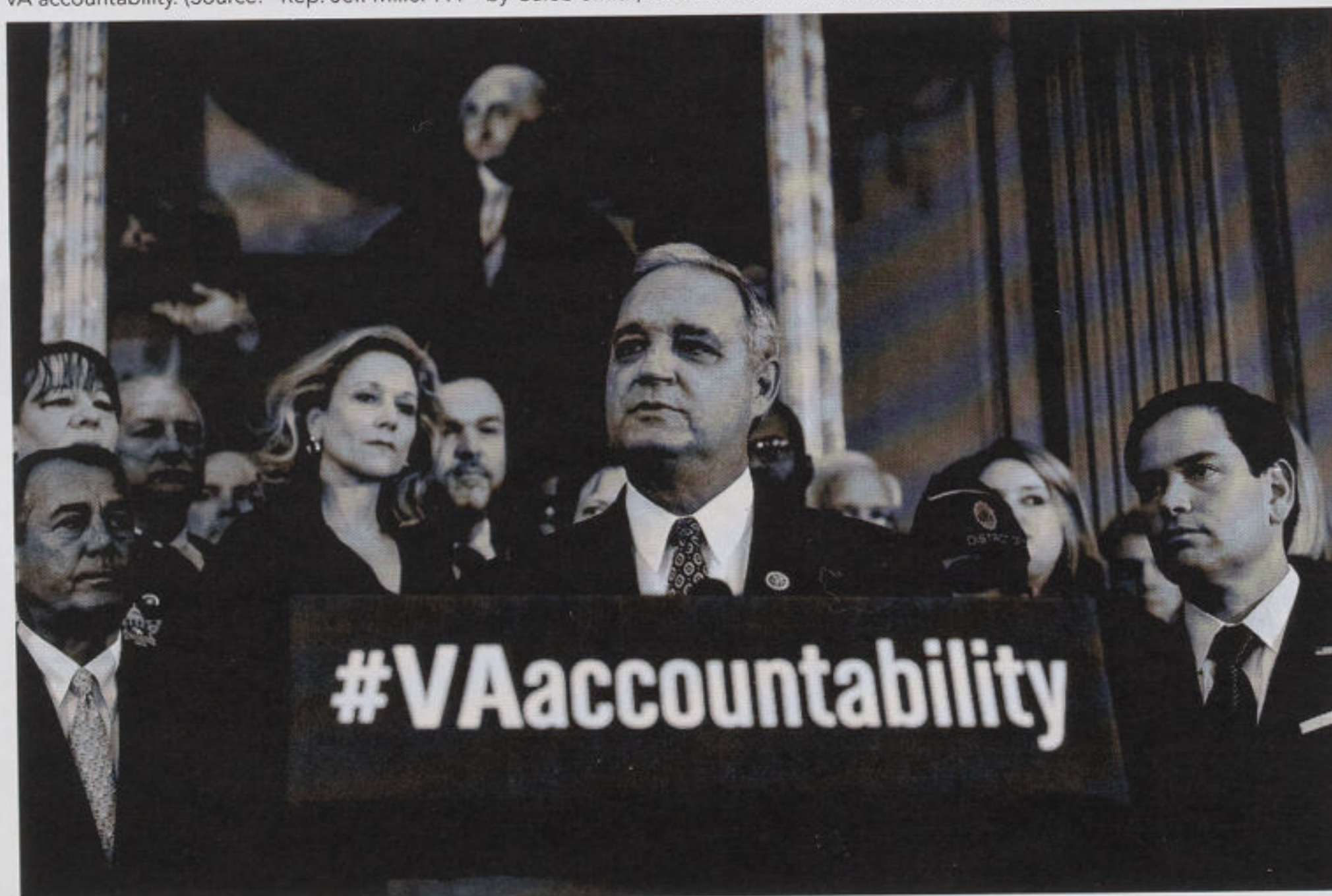
tially lead to better health outcomes, while the old VA model incentivizes bureaucratic eligibility and claims processing.⁵ The operating environment has shifted dramatically, but the VA has simply not kept pace. The net effect has been an attack on the VA's legitimacy, along with the public and congressional calls for dissolution or complete overhaul of the institution.⁶

Ohio and the VA, like so many governments and public institutions, needed to respond to what I define as "convergence"—a phenomenon in which technological, economic, and social factors coevolve to create a new operating environment and upend existing, institutional value propositions and legitimacy.

The convergence phenomenon is critically important to policymakers and government leaders, both conceptually and strategically.

Conceptually, the accelerating pace of convergence increasingly impacts governments. Pervasive technological advancement continues to blur public and private sector boundaries. The White House has focused attention on converging technologies and improving human performance and has expressed the compelling need for government to respond.⁷ And McKinsey & Company, the global management consulting firm, estimates that convergence in info-, bio-, and nanotechnologies could be worth more than \$1 trillion within the next five years,⁸ with deep implications for governmental regulation and services. Convergence will increasingly affect virtually every public policy domain—from healthcare, to human services, to environmental management, to public safety. Policymakers and government leaders must work to understand the

VA accountability. (Source: "Rep. Jeff Miller . . ." by Caleb Smith, licensed under CC BY-NC 2.0 from Flickr)



implications and start envisioning services, regulatory regimes, and organizational designs for the future.

Strategically, convergence requires leaders to look beyond traditional innovation methods and public management strategy in order to undertake deeper, structural change.⁹ The convergence of the Internet, mobile applications, and electronic commerce in the past decade created new business models such as the “sharing economy” and spawned companies such as Uber, Airbnb, Cohealo, and the Harvard Kennedy School student-led startup OpportunitySpace. Going forward, convergence will not only drive new ways of creating private value but also compel public institutions to deliver new forms of public value. Depending on the factors and conditions of convergence, governmental institutions and systems will either underperform, become redundant, or face obsolescence if public leaders fail to adapt.

How leaders respond to convergence can bring both peril and promise. Peril comes if leaders cannot or will not strategically adapt to convergence. Outcomes will likely decline and public value will decrease—the legitimacy of democratic governance may falter. Promise comes if leaders in government can leverage convergence and recreate institutions. Transformative solutions can emerge.

Convergence offers leaders a conceptual lens for understanding the forces reshaping the world, and analysis of these forces provides a strategic framework for adapting society’s vital institutions.

CONVERGENCE: CONCEPTS AND IMPLICATIONS

The term convergence may initially strike some as vague, but in fact the term has been used to study an array of environmental and mar-

CONVERGENCE—A PHENOMENON IN WHICH TECHNOLOGICAL, ECONOMIC, AND SOCIAL FACTORS COEVOLVE TO CREATE A NEW OPERATING ENVIRONMENT.

ket shifts, particularly as they relate to technology. The Organization for Economic Co-operation and Development (OECD), for example, describes convergence in telecommunications as the “blurring of technical and regulatory boundaries between sectors of the economy.”¹⁰ Industry researchers have defined convergence as “the growing together of technologies, which fundamentally alter the boundaries of previously distinct industry or market sectors and merge them into a new competitive environment.”¹¹

Scan the world, and you will readily observe convergence creating and reshaping a variety of societal markets and institutions. Take the fusion of robotics, intelligent machines, and capital structures.¹² Their escalating potential to enhance productivity increasingly compels organizations to choose technological capital over human capital.¹³ As this trend plays out, we will begin to see autonomous vehicles displacing truck and taxi drivers, intelligent machines replacing financial and legal analysts, and dexterous robots wielding the tools of nurses and surgeons. This technological favoritism will, of course, also have vast consequences for economic opportunities and income inequality across society. Effectively responding to these trends will require educational, human services, workforce development, and regulatory institutions to collaborate and redesign their role in the world.

To study how convergence affects a particular operating environment, it is useful to distinguish and organize the various converging elements. As an introductory framework, individual elements of convergence are organized into three dynamics:

1. *The Social Dynamic:* This dynamic comprises change in the social, demographic, and cultural attributes of citizens and their experience in the broader marketplace that change service demands and expectations on outcomes.
2. *The Technological Dynamic:* This dynamic comprises change in digital information, data, and analytics, as well as scientific advancements and network-enabled operating models, which enable the emergence of new capabilities, organizational structures, and governance models.
3. *The Economic Dynamic:* This dynamic comprises change in fiscal conditions, such as recessions and deficits, as well as shifts in financial models, such as evidence-based investment and behavioral economics, which may reform how society evaluates return on investment and resource allocation.

As these elements shift and change, the cumulative effect is what determines the degree of impact on

an operating environment and, in turn, the extent to which an institution's value proposition and legitimacy need to change.

These new operating environments present a challenging tension for leaders. On one hand, public sector leaders must understand and respond to convergence. On the other hand, they have limited discretion in the degree to which they can change structures and systems, relative to the private or nonprofit sectors. In the private sector, a firm can shift markets, products, or entire service lines in response to convergence. But in the public sector, an agency cannot simply change its mission or switch to a different constituent base—it must adapt its form and methods of delivering programs and services.

CONVERGENCE— STRATEGY AND OUTCOMES

How profoundly convergence affects an institution depends on the degree to which technological, economic, and social elements are co-evolving. At lower levels of change,

conditions may create opportunities to innovate and improve an institution's *value proposition*—that is, the institution's mission or stated objective that stakeholders formalize and measure. At moderate levels of convergence, public leaders must restructure systems, departments, and services. At the highest levels, conditions are severe enough that public officials may need to dissolve a current institution and rebuild it from scratch.

RESPONDING TO LOW LEVELS OF CONVERGENCE

At lower levels of convergence, conditions can actually sustain or improve an institution's value proposition. Leaders should focus on leveraging convergence-driven capabilities to open up existing processes and structures in order to improve program and service performance.

In New York City, officials created the Mayor's Office of Data Analytics in 2011 to address the convergence of several evolving conditions: citizens' rising expectations for digitized services; new capabilities for cross-agency data analysis

and service creation; and the need to increase citywide efficiencies.¹⁴ New York City was already a leader in citizen services, but its response to convergence led to the creation of "Databridge," a groundbreaking platform that analyzes data across agency boundaries and program silos to generate actionable intelligence.¹⁵ These new insights help city employees perform their jobs more effectively and with a measureable impact that benefits New Yorkers through more responsive services.¹⁶

At low levels of convergence, policy domains tend to stay the same, and structural change focuses on opening boundaries horizontally for improved collaboration across agencies. When New York City was creating Databridge, officials recognized that the value of the platform was dependent on mobilizing agencies around common outcome goals and opening the appropriate channels for data sharing. However, while the change to organizational boundaries was minimal, achieving cross-agency collaboration required new information-sharing laws and policy.

Dynamics of Convergence: Impact and Response

<i>Conditions of Convergence</i>	<i>Low Level</i>	<i>Moderate Level</i>	<i>High Level</i>
<i>Impact on Value Proposition</i>	<i>Underperformance</i>	<i>Degradation</i>	<i>Obsolescence</i>
<i>Focus of Leadership</i>	<i>Augmenting Value Proposition</i>	<i>Redefining Value Proposition</i>	<i>Creating New Value Proposition</i>
<i>Focus of Structural Change</i>	<i>Bridging and Aligning Existing Institutional Structures and Systems</i>	<i>Consolidating, Merging, and Redesigning Existing Institutional Structures</i>	<i>Designing and Building New Institutional Structures and Systems</i>

RESPONDING TO MODERATE LEVELS OF CONVERGENCE

When convergence is moderate, conditions start to chip away at an institution's value proposition as departments, jurisdictions, and services start to overlap and become redundant. In these cases, the structural work becomes more intense—often breaking apart, consolidating, and reconfiguring individual agencies, programs, and service lines. As previously noted, a primary effect of convergence is that it blurs the boundaries of markets, policy domains, and services. Yet, clear organizational boundaries are vital for accountability, efficiency, and transparency.¹⁷ The central chal-

Conditions of moderate convergence often require agreement from legislative bodies and authorizing entities. In the Ohio case, structural change required OHT to create the "operating protocol," which was incorporated into state law.¹⁹ Even though agency leaders were eager to work together and share resources, the legal process had historically stalled such collaboration. The new protocol stipulated that agencies could work together and share resources (data, human, or financial) with only simple, not legalistic, agreements between them, provided the activities were part of an OHT initiative.

The extent of change to the law, policy, and systems can raise significant challenges for leaders as they

administrative and personnel costs as well as outdated technology and infrastructure. Citizen's trust in the police department had dissolved, and they clamored for change. City officials saw no way to incrementally change the institution, so they completely disbanded their decades-old police force and created an entirely new mission, entity, and structure.²¹ The rebirth of the Camden Police Department has enabled the city to not only reduce costs and improve service levels but also reengage with the community to rebuild the department's legitimacy.²²

Building a new institution of this magnitude involves collaboration across jurisdictions and stakeholders. In the case of Camden, the new institution was chartered as the

IF LEADERS IN GOVERNMENT CAN LEVERAGE CONVERGENCE AND RECREATE INSTITUTIONS, TRANSFORMATIVE SOLUTIONS CAN EMERGE.

lenge for leaders is restructuring the institution for improved value while ensuring sound governance.

In the case of Ohio, Governor Kasich implemented the Office of Health Transformation (OHT), charged with redesigning the law, policy, and structure of Ohio's health and human services system. Because the level of convergence was moderate, creating a need for more elaborate structural change, OHT acted as a lever to pursue both *horizontal* integration (i.e., the scope of programs/services across organizational and jurisdictional boundaries) and *vertical* integration (i.e., the management and operating processes within organizational and jurisdictional boundaries).¹⁸ These efforts facilitated the adoption of new operating models and new pathways to public value.

work to reconfigure the "who, what, when, and where" of service-delivery while maintaining clear accountability.²⁰ Inevitably, this work becomes complex and can exacerbate long-held tensions over agency domains and public-versus-private control.

RESPONDING TO HIGH LEVELS OF CONVERGENCE

At high levels of convergence, the conditions demand a complete redesign of an institution's mandate, value proposition, and structures. In some cases, public officials and the public must build new institutions from the ground up.

As a case in point, the city of Camden, New Jersey, was struggling with a record-high murder rate, compounded by exploding admin-

istrative and personnel costs as well as outdated technology and infrastructure. Citizen's trust in the police department had dissolved, and they clamored for change. City officials saw no way to incrementally change the institution, so they completely disbanded their decades-old police force and created an entirely new mission, entity, and structure.²¹ The rebirth of the Camden Police Department has enabled the city to not only reduce costs and improve service levels but also reengage with the community to rebuild the department's legitimacy.²² Building a new institution of this magnitude involves collaboration across jurisdictions and stakeholders. In the case of Camden, the new institution was chartered as the first regional police force in New Jersey, and its structure was designed to be responsive and agile. By reforming work rules, for instance, they hired enough new officers to increase the force by over 60 percent.²³ They have adopted new technology, implemented a new community-policing model that has more officers placed throughout the community, and built stronger alliances with federal agencies to remove drug rings.²⁴ The department has strengthened community ties and even recruited civilians to work in a new operations and intelligence center. Amid this transformation, shootings have declined by 43 percent and violent crimes by 22 percent.²⁵

PUBLIC POLICY LESSONS FROM CONVERGENCE

Solving pressing challenges in the world requires piecing together innovative ideas in ways that transform government's capacity to achieve desired outcomes and public value. Convergence—the combination of social, economic, and technological factors—will be a pivotal phenomenon in this quest for capacity.

Examples abound. The fusion of technological platforms, network-enabled operating models, and intelligent machines are poised to blow the doors off our current productivity limits. The combination of green oil technologies, terraforming, and carbon sequestration has the potential to create clean energy systems as well as heal and sustain our environment. The merging of behavioral economics, evidence-based budgeting, and quantum analytics will set new standards for policymaking and outcome measurement. The synthesis of new research in developmental psychology, executive functioning, and multigenerational poverty will inform methods for designing interventions and empowering people for success.

Yet, society will only realize this new capacity if government can effectively manage and leverage convergence. This will not be easy. As government responds to convergence, the journey will require adopting innovative operating models, redesigning organizational boundaries, and creating entirely new institutions. This, in turn, requires assimilation of policy, governance, knowledge, and capability. The adaptive challenge will be profound.

But as history has proven, eras characterized by robust change have also led to big advances in society and government. The Civil War led to the banking system and the income tax. The Great Depression

brought the New Deal and innovative financial regulations. World War II expanded workplace opportunities for women and other minorities. The Cold War launched NASA and many of the resulting technological advances we rely on today.

It is imperative now for leaders to understand the phenomena of convergence and respond proactively to create institutions and government services that can respond to societal changes. *HR*

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