Fraud and Deceit, or a Failure of American Political and Social Sciences: Towards a Theory About the Impact of Banking on the Rise and Fall of Civilizations

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Many scholars have documented and analyzed the widespread fraud and deceit associated with government failures worldwide, comparing historical and recent policies leading up to the currently unstable global financial system. Most of the attention to detail, however, has been focused on the actions and failures of corporations, corporate leaders, and political and financial regulatory institutions, with little attention to generalizing political and social-psychological theories that might explain not only current but historical failures, and also prepare the way for formulating alternative futures in a manner that has some substantial likelihood of significantly impacting elites who are held responsible for such systemic effects. This paper offers some suggestions for such theory construction, exploring literature on grand theories of the rise and fall of empires, war and financial cycles, and social-psychological theories of political decision making, and considers some implications for the literature on growth and decline of civilizations and their worldviews, and in this context just what alternative futures might be likely and how to choose. I also explore the possibility that the social sciences are close to an understanding of civilization dynamics—close but not yet there. A framework is suggested which may be useful for continuing this research to the point where alternative futures can be constructed that have significance for the future of our globalized world order. In particular the works of Jared Diamond, Carroll Quigley, Niall Ferguson, Chalmers Johnson, and Paul Kennedy, are compared for their macro-historical theories suggesting an evolutionary dynamic in the life span of civilizations, the works of Johnson and Kwak and others for their research into the causes of recurrent financial instability threatening the stability of regimes and whole societies, and various theories of individual and group decision making (Leon Festinger, Harold Lasswell, Abraham Maslow, Richardson, and others) which may explain the social-psychological processes linking these two phenomena. Further, regarding why such comprehensive theory tends not to be addressed in the social and policy sciences, two stumbling blocks are discussed: (1) the absence of any “standard theory” in political and social science, the absence of which motivates academic struggles analogous to those characterized as security dilemmas in international relations; and (2) students and practitioners of politics often speak past one another and get embroiled in needless conflicts because of the latent structures of their dominant paradigms, specifically misunderstandings among the practitioners of political science, political philosophy, and political practitioners.

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Introduction

This essay began with the intention of developing a metatheoretical understanding of financial crises which we are currently experiencing, “meta” theoretical because there are many explanations and historical analyses of banking system failures, developed over centuries which conclude that there is a wave phenomenon at work (Kondratiev waves immediately come to mind for instance and variations such as debt deflation and credit cycles). War cycles theories (Richardson, application of Kondratiev waves) are similarly situated. The basic hypothesis is that the political-economic breakdowns that occur are due to collective memory loss where profits (or ambition or grievances, or paradoxically fear and distrust in the case of war) increase our willingness to take risks known in the past to be quite dangerous.

As persuasive as these theories are, given their grounding in empirical research, the question remains, why are our individual and collective memories so vulnerable to the enticements of immediate gratification? Similarly, why react to perceptions of short term threats or vulnerabilities in a manner known at least in principle to be long term dangerous (see Anatol Rapoport on the prisoner’s dilemma and Richardson on armaments decisions for instance). Bernard, Aleksandr, Palley, and Semmler (2013) had a review of these and other models researching such dynamics.

The same type of problem is well known in Hardin’s famous “tragedy of the commons” wherein individual well being over the short term overrides collective well being in the longer term due to resulting degradation of environmental resources. Worse, the perpetuation of such long term disastrous collective behavior results in societies, in their struggle for survival, migrating and/or dominating other societies to acquire the necessities of their survival, giving rise to colonization, empire building, genocide, and so on. Those who are successful at this have their cultural habits reinforced; those that are not, doom their culture if not all of their culture’s human carriers who are often assimilated into other cultures. In either case the short term vs. long term bias in decision making is reinforced.

It was with these explanations and problems in mind that I has proceeded to attempt an integration of several streams of thought that broadened the question. There is a large literature on the rise and fall of civilizations and great powers. Are the explanations for such change—cycles in the rise and fall of whole societies and civilizations—just modified forms of the same line of thinking, just adapted to be more inclusive of entire societies? If so, are there institutional “fixes” to the short term, small scale bias, or are we confronting a limitation embedded in our genes and the conditions on our planet that activate them? And if that is so, is any solution possible—perhaps at a minimum preserving the knowledge of the problem in a cultural subsystem that after a disaster has an opportunity to readjust the society? And do such subcultures already exist?

Talcott Parsons’ Theory of Social Change

If I recall Parsons’ The Social System correctly, a nested process of social change is hypothesized that begins with individuals’ discontent. Taking advantage of Festinger’s (1957) concept of cognitive dissonance and Maslow’s (1943, 1954, 1971) theory of basic needs, Parsons’ (1964) process of social change can be interpreted and explained in four steps. It begins with the assumption that individuals are in social positions, with roles (responsibilities, functional expectations, duties or obligations) and statuses (social resources enabling them to influence others):

(1) If individuals perceive themselves not to be fulfilling their obligations, they attempt to operate more
efficiently and/or increase their available resources. In short, they believe that they need to fix themselves. Inadequacies in meeting their survival and security needs for instance, are interpreted as personal failure for which the remedy is personal improvement.

(2) If this process of individual adjustment fails to some significant degree, individuals search for change in their social and organization network(s), thus putting pressure on others for organizational change. In short their problems are no longer perceived to be of their making but of their social network and organizations with which they are associated, or relations between their organization(s) and others. For example, a regulatory agency is preventing their company from making a profit, hence hurting their interests. They need to fix organizations, not themselves.

(3) If efforts at organizational change fail to result in a satisfactory achievement of whatever is being sought, the problem then is diagnosed as institutional, that is, in the standards or rules by which society permits the creation and legitimation of organizations of particular types, including those responsible for maintaining such standards and rules. For instance, changing the laws governing regulation and financing of regulators might be advocated.

(4) If institutional changes are effected but do not solve the problem, if I understand Parsons’ view correctly, is to question the fundamental values that are perceived to be at play, affecting goals as well as means and outcomes. For instance, individuals having formed or participated in organizations that were successful in changing laws now find that their efforts were in vain, and resort to demands for order to be restored at the sacrifice of freedom and traditional legal procedures (or vice versa, demand more freedom and less interference from inefficient or corrupt government agencies). In either case, we are now in the realm of value change.

Now, as useful as this explanation is as to why different types of strategies and explanations are prevalent in a society (from individual self-worth, to organizational politics, to institutional ossification, to value transformations), it leaves open the question of why, specifically, problems like financial and political crises occur with some periodicity (Kondratiev), why there seem to be no permanent solutions, why they emerge with fair regularity from societies’ own internal dynamics as well as foreign relations, and why when solutions are found and implemented, they do not endure.

Let’s review the current situation as an exemplar of this problematique (problem-complex) to see if there are any clues to answers to these questions.

**Description and Analysis of the Current Ongoing Financial Meltdown**

Characterizing the financial meltdown and bailouts of 2007-2009, William Black (2005) applied a normative framework to define and explain the situation, thus:

"Fraud is deceit. And the essence of fraud is, “I create trust in you, and then I betray that trust, and get you to give me something of value”. And as a result, there’s no more effective acid against trust than fraud, especially fraud by top elites, and that’s what we have. (Black, 2005)

In a follow-up interview in 2010, he theorized the source of fraud thus:

A criminogenic environment... spreads fraud. And there are two key elements. One... If you don’t regulate, you create a criminogenic environment because you can get away with the frauds. The second is compensation. And that has two elements. One is the executive compensation that... creates the perverse incentives. But the second is for these professionals and for the lower level employees, to give the bonuses. And it creates what we call a Gresham’s dynamic. And that just means cheaters prosper. And when cheaters prosper, markets become perverse and they drive honesty out of
FRAUD AND DECEIT, OR A FAILURE OF AMERICAN POLITICAL AND SOCIAL SCIENCES

Applying this model to the present Great Recession, the researchers would expect to find a process roughly following these steps:

First, the process would be initiated by intentionally creating a criminogenic environment, in particular by the Federal Reserve and bankers’ successful lobbying efforts to remove legislation and regulation that required them to regulate and limit what they could do. This occurred.

Then following these successful efforts at deregulation, some in the financial industries, putatively the six major conglomerates discussed by Johnson and Kwak (2011), would (and presumably did) knowingly structure and promote fraudulent practices since eliminating regulation eliminated the fear of getting caught. Cohan’s research on how Goldman Sachs avoided the 2007 crash of the mortgage market supports both Johnson and Kwak’s analysis and Black’s criminogenic environment thesis (Cohan, 2011, Ch. 23).

Fraudulent practices then entice a significant proportion of the general population into entering into mortgage deals that were known by the bankers involved, to predictably fail.

The bankers involved in the above practices then enticed insurance, retirement and other investment institutions to invest their funds in financial instruments derivative of these mortgages (“ninja loans” as they were known as in the industry, meaning no income verification, no job verification, and no asset verification, aka “liars loans”).

Compounding the process, to insure that the derivatives market would attract more conservative investors, the derivatives were in effect insured through the creation of “credit default swaps”. This Ponzi-like process continues until the mortgage market collapses.

At each step in this process, fees were charged to clients for administration and the opportunity to make these investments. The Gresham’s dynamic was now complete. The sales at every stage appear to be legal sales, thus insuring that the tens of thousands of sellers were free of any obligations other than paying their taxes. All related markets had become perverse however; honesty had been driven out, for while it was known to the FBI analysts of the housing market that a “bubble” was being built through highly profitable “ninja” loans, no one sale was obviously fraudulent. As Black observed, when rating agencies like Fitch finally began to inspect the mortgages on which the derivatives were based, they found nearly all to be fraudulent.

This process was not participated in by the entire financial and investment industry of course. As Black notes, another researcher, Larry White, observed that perhaps 90% of bankers did not participate in this fraud, and adhered to ethics the breach of which would most likely not entail legal actions. Thus the question arises, what prevented the majority of individuals and firms in this business from participating? Further, why was this dynamic allowed to start up and continue until the catastrophic failure of the global financial system was imminent? Further, why was the imminent catastrophe managed with a massive bailout rather than with a restructuring of the banking system and reform of the regulatory role of government? And why, after the bailout of the banking and auto industries, were those involved not prosecuted? Black cites his own case at the end of the Reagan administration by way of contrast where as a regulator himself, he and his team put more than a thousand bankers in jail following the savings and load scandal.

Johnson and Kwak (2011) answered these questions straightforwardly: Lobbying efforts by the banking industry, including the Federal Reserve, were successful in removing the legislation that mandated separation of commercial and investment banking, and regulatory oversight by agencies including the Federal Reserve
itself. Four factors were important contributors to their success: massive funding for election campaigns, patterns of rotation into and out of Congress by legislators that create lucrative career paths, a shared ideology, and a community of interests among elites.

**Short-term, Small-scale Systems Unfairly Burdened?**

Reading over Black’s account, Gretchen Morgenson’s (2012), and many others’, the general impression one gets is of a political system in constant struggle against the enticements of private interests pursuing their goals at the expense of society’s well-being as a whole. This narrative, however, seems to assume that political systems are designed by individuals mindful of society’s collective well being, and are put in place to protect society from individual interests overwhelming the common good through decision making that ignores the long term needs of society to maximize the short term interests of politically active elites. Others, however, take a very different, even diametrically opposed view. For instance, Lasswell (1930) characterized politicians at the core as people who displace their private motives onto public objects (policies, regulations, laws), “rationalized” in the public interest. To make a rather blunt analogy, it would seem that the purpose of a political shepherd is to assure that the master (and only the master) gets to fleece the sheep—a far cry from the high ideals of our Founding Fathers.

There is a complementary ethic at work here as well. Somewhat offhandedly, Lasswell (1935a) noted a facet of American ideology that is missing in the ethical failure narrative:

Americans still have a sporting attitude toward economic activity and feel contemptuous of anyone who whines when he loses. There is a fundamental admiration for the “big shots”.... Americans have the enterpriser's attitude toward money and not the peasant’s attitude; money is a scoring device and not a hoard in a sock. The expansion of personality possible in the new world generates a respect for unlimited possibilities and bigness.... (pp. 166-167)

This orientation suggests a broad tolerance of and indeed admiration for cutthroat competition. The “failure” of the American system to be fair is less important, from this viewpoint, than that it reward competition, and reward it handsomely.

A contrary view by Peter Corning (2011) who saw “a daunting political obstacle...to the principle of fairness and social justice” from the 30% of the population “who will fiercely defend the existing system, and their self-interest” (p. 190). The subtext here is of course the 30% minority dominating the outcome affecting the 70%, a populist appeal. But where in the world has political action been differently weighted? And is it true that the “existing system” is inherently antithetical to the interests of the majority? Or that the majority do not occasionally fight just as “fiercely”? Also, Corning (2011) noted that American individualism is not without altruism in practice, nor is there a gross disrespect for law and order (recall Black’s observation that 90% of bankers did not participate in fraud); but there is no gainsaying the existence of “six gun justice”, and our heroes—from the romanticized view of Billy the Kid and Robin Hood to the fictional James Bond and Superman, and most recently Ironman; all show a “healthy” disrespect for legal formalities yet are strong supporters of social justice in one sense or another. As in American sports, the losers presumably have the opportunity to reenter the competition. The intent is to have a society that assures its members that competition, while rough, offers opportunities to learn from mistakes, not just an unmarked grave.

I do not wish to turn this essay into a roundabout explanation of (or apology for) American exceptionalism, but at this point simply to note that financial fraud and other cycles which result in loss of capital and life (as with war cycles), are not easily explained by recourse to normative dissonance—juxtaposing one value against
another or one institutional arrangement vs. another. Yet this is often the conclusion reached, namely a failure of ethics, that causes the fall of civilizations. But in a spirit of critical thinking let me assert the opposite, defend that position, then respond to the defense. Can the researchers find in the societal evolution ("rise and fall" of civilizations) literature the theme that inadequate ethics are to blame for the fall? Here is a sample of the literature.

Paul Kennedy (1987) generally viewed the growth of civilizations as due to economic advantage, which in turn creates a military advantage. Similarly when the economic advantage declines, so does the military. The problem is exacerbated by economic competitors and the rise in the number of obligations to protect the far reaches of its empire, impelling the great power to expend ever greater resources in proportion to its economy, obligations that were incurred during the period of expansion (pp. 22-23). In the present system, the USA is also faced with the additional problem of nuclear annihilation (p. 515).

Chalmers Johnson’s (2004) writing almost two decades later echoed this view of the cause of decline, noting the bellicosity of the USA response to the 9/11 attack on the World Trade Center and the explicit goal to “dominate the world through absolute military superiority” (p. 285). He projected this as another example of over-extension which he expects will increasingly centralize power and military authority in the presidency and eventually bankrupt the country (Ch. 10 passim). And he sited other long time observers of world politics like Stanley Hoffman who characterizes American Mideast policies such as the invasion of Afghanistan and Iraq as “‘breathtakingly unrealistic’, ‘morally reckless’, and ‘eerily reminiscent of the disastrously wishful thinking of the Vietnam War’” (p. 287).

Jared Diamond divides his studies of the rise and fall of societies into two books. In the first one Diamond (1999) attributed the spread and domination of one society against others as due to the introduction and use of new technologies that create surplus energy and military advantages (weaponry, logistics) and to the relative deficit in these among societies with which the dominant society comes in contact. Diamond’s (2005) sequel describes a number of factors which have led societies to collapse: environmental damage, climate change, hostile neighbors, loss of support from friendly neighbors, and its political, economic, and social institutions and values which contribute to what decisions are arrived at in addressing the other four problem areas. In particular, those societies that do “not” solve their problems with a very long term perspective as to what is best for the common good tend to collapse.

Quigley (1961) wrote that he built on Toynbee’s five “stages”\(^1\) in the rise and fall of civilizations (p. 418) by adding two more (p. 146 lists the seven), to specify processes that initiate societies and bring about transitions between them, and why societies succeed or fail to respond to the challenges presented at each stage. Although he specifies six “levels” of “development” (i.e., change within each level) and a “morphology” (interactions between levels)—the levels being intellectual, religious, social, economic, political, and military—the core dynamic driving the rise and fall of societies is at its core technological and economic, in particular the rate of investment in “instruments of expansion”—meaning adaptations that create surplus of capital. As with Diamond, Quigley (1961) attributed “the cause of surplus” to technological innovations, but goes further in focusing on the will of a society to invest in the use of new technologies, which he refers to as have an “incentive to invent” and to invest in the use of “instruments of invention” for productive purposes (p. 132). In the middle stage of civilization (stage 4), both the incentive to invent and to invest atrophy for two

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\(^1\) Perhaps “phase changes” rather than “stages” would be a more appropriate term, since Quigley and other recognize the after gradual, incremental nature of the dynamics involved in moving from one to another state.
reasons, the processes that produced innovations become institutionalized, meaning bureaucratized and regulated, slowing down the rate of expansion, and the élite with surplus capital squander it in dissolute and competitive practices such as class warfare, and “irrationality, pessimism, superstitions and otherworldliness” takes over (pp. 150-152). It is worth quoting at some length his understanding of the historical period in civilizations as they near the end of stage four:

The masses of people (who have no vested interest in the existing institution of expansion) engage in imperialist wars because it seems the only way to overcome the slowing down of expansion. Unable to get ahead by other means (such as economic means), they seek to get ahead by political action, above all by taking wealth from their political neighbors. At the same time they turn to irrationality to compensate for the growing insecurity of life, for the chronic economic depression, for the growing bitterness and dangers of class struggles, for the growing social disruption and insecurity from imperialist wars. This is generally a period of gambling, use of narcotics or intoxicants, obsession with sex (frequently as perversion), increasing crime, growing numbers of neurotics and psychotics, growing obsession with death and the Hereafter. (Quigley, 1961, p. 152)

Quigley (1961) listed six human basic needs (group security, interpersonal power relations, material wealth, companionship, psychological certainty, and understanding) (p. 101), only one, material wealth, is used for investing in “instruments of expansion”, and seems to be the driver in the evolution of civilizations. One wonders just why no mention is made of developing a surplus of security, interpersonal power relations, companionship, psychological certainty and understanding, which could be the values in which to invest to continue expansion.

Niall Ferguson (2004) proposed three deficits which challenge the durability of what some have called the USA’s unipolar moment (Ferguson cites Tony Blair somewhat less pointedly: “All predominant power seems for a time invincible, but in fact it is transient”) (p. 302): an economic deficit, a manpower deficit, and an attention deficit (p. 290), meaning the growing debt, the number of military personnel in relation to the number of countries with which the USA is in conflict, and the apparent inability of the American government to sustain a foreign policy over multiple election cycles. The rise to empire in the classical sense is attributed to the events that precipitated our direct participation in the World Wars: the 1915 sinking of the Lusitania by a German U-boat, and the 1941 attack by Japan on Pearl Harbor (p. 61).

Now, I began this review with a speculation that historians generally conclude that societies decline from dominance due to a failure of ethics. While each of the cited historians offer more complicated explanations, note that Kennedy's observation that declining empires sinking more into debt in order to finance military hegemony, is a rather long-term unethical policy. Chalmers Johnson's observation that the enunciated Bush policy post 9/11 to dominate the world militarily (and inevitably unsuccessfully) was (using Hoffman's language) “breathtakingly unrealistic”, thus would seem to qualify as a lapse of ethics. Diamond’s dire warnings regarding environmental degradation hurting the survivability of our society should qualify as unethical. The turning point on the path to decline for Quigley is when at his stage four in a society’s evolution, a society that is used to experiencing “expansion” (improvement in meeting the basic needs of its members) begins to stagnate due to the institutionalization of “instruments of invention” and investment, leading to various forms of corrupt practices, again unethical. And in Ferguson’s analysis, while debt and manpower shortages are not inherently unethical, and a form of institutionalized attention deficit disorder can be characterized as more a social disease than a breach of ethics, the combined and separate effects of these situations would certainly be unethical, especially if those making decisions know the harm they do to their
society and societies with which they interact. Bremmer (2006) makes a similar argument for nations relatively high on the “J curve” of power that adopt “gated communities” policies as they gradually decline (p. 276).

So, it seems that a case can be made for at least the presence of a lapse in ethics to be found in the fall of civilizations. But in order to say more than that, at a minimum one would have to ask the questioning of logic: is such a lapse a necessary condition for collapse? Or a sufficient condition? Or is it a “terminal statistic”? That is, is it a consequence of a failing society. Or something in between, a contributor, “explaining a significant amount of variance” in the fall of civilizations? As the title of this paper suggests, are fraud and deceit sufficient explanation for financial crises, or are they somewhere else in the analytical mix, perhaps as intervening or intermediate variables in a much more complicated systems dynamic involving surplus energy, power distributions, and bureaucratic misperceptions? Reinhart and Rogoff (2009) for instance, look at 66 countries over eight centuries of banking history, find definite patterns in the growth and decline of ethical systems which seem to reduce to self-delusion through accounting practices that hide true debt and increasingly take advantage of the short-term benefits of borrowing while ignoring long term costs, practices that end in economic collapse.

The Need for a Vision Informed by Philosophy, Science and Practice

When one examines the professional behavior of students of politics themselves, one sees in their work dysfunctions similar to those suggested in the decline of civilizations: scientists manipulating their data and statistical tests, and developing theories that are nearly tautologies; philosophers ignoring or critiquing one another from the viewpoint of their own political purposes or passion for a cultural change; and practitioners simply pursuing private interests through public objects rationalized in the public interest. Ricci (1984) went to great lengths to document and analyze the cacophonous state of the disciplines falling under the general umbrella of political studies, concluding for instance that the political “science” practitioners have distanced themselves increasingly from the normative political “philosophers” because, more or less by mutual agreement, “Science cannot deal with this realm of intangibles decisively” (p. 296).

I suspect there is more to the problem than simply paradigmatic differences, specifically that as a small society of autonomous actors, it shares many of the same types of problems as states do in our anarchic world order. I will now proceed to develop this theme, applying various social science theories, including balance of power for instance, to the problem. I conclude with Ricci that there is a failure, a “tragedy” as he puts it, of students of politics to address the burning normative issues of the day (such as the current financial meltdown), but not simply because adequate systematic knowledge has not been developed within political science, nor because of the inapplicability of some of the better political philosophy dealing with ethics, but rather because there is a “blindness of involvement” as Tom Shelling would say, among the practitioners. They have become ensnared by their own paradigms to the extent that they are unable to communicate their observations and reasoning to one another without inadvertently questions assumptions that others not only take for granted but must take for granted to do their work. Where this leads is the subject, unfortunately, of another paper, but the basic concepts can be sketched here.

A Political Psychology Dynamic: Implications for Students, Practitioners and Critics

Consider the creative and competitive fields of political science, political philosophy and applied politics, each with their “critical thinkers” finding fault in every move and nuance in these contested realms (e.g., “science is merely power disguised as knowledge”) (Carlsnaes, Thomas, & Simmons, 2012, p. 135). Why is it
that political studies within and across these fields appear so Balkanized, so factionalized as to resemble in ideological if not militarized ways a post-Tito Yugoslavia, or if trends persist, a post-American Iraq and Afghanistan?

Realists would say that conflicts tend to become militarized because in the absence of hegemonic power in an anarchic world, the fear of the use of such power at a minimum promotes defensive arms races in a perpetually failing effort to relieve mutual insecurity, and at a maximum preemptive (or “preventive”) attack. From Thucydides’ observations through Richardson’s (1960) armaments models, to Rapoport’s prisoner’s dilemma, to Mearshimer’s offensive realism, the induced fear and anxiety of not having the assurance of a trusted, hegemonic authority on the international scene has been seen as inducing a tragic, violent destabilization of international politics.

“Power potential”, however, has two components, capabilities and intentions (Cline, 1975). The above realist accounts generally rationalize fears of other nations’ military power with “worst case scenarios”, as if the defensive overreactions were inevitable because of the persuasive, logical necessity of minimizing possible losses. Yet it is also commonly understood that the creation and maintenance of military capabilities for the survival and security values attached to such capabilities, is very much a function of the creation and sustained use of political symbols. Symbolic social constructs such as class or caste, race, religion, ethnicity, gender, nationality, party, political beliefs and ideology, historical experience, and so on, are regularly used in rationalizing (in Lasswell’s sense) political competition in the struggle for power and hegemony to insure security at all levels of political action from the global to the very local. Thus the absence of an overarching symbolic construct, a widely accepted “standard model” of the political system and its relations to the social system, invites the creation of one. A political belief system that appears empirically valid, emotionally compelling, and philosophically reasonable is thus a necessary (but not sufficient) component of political power.

Similarly, the creation and use of political symbols being a major source of political influence, the absence of a dominant (hegemonic) theory, a standard model, in political studies creates an equivalent competition for security in the realm of political symbols and unifying philosophy. Just as change in differences in relative political-military power were significant in Thucydides’ understanding of the motives of the Athenians and Spartans because of the fear of assimilation by force, so it is with students of politics whether of the philosophical, praxis, or science persuasion. The competition for status in and across these fields is similar because in whatever pursuit, human basic needs are the same.

Operationally, grants, government contracts and university tenure serve our fields of political study to support the search for a “standard model” just as major powers’ military aid and client-state-like treaties, agreements and covert support do in the formerly colonized nations. Thus our quests for theory, whether grounded in historical reflections and tested with data, concocted in the crucible of hard knocks in applied politics, or crafted in the debates within cultural élites, are tied deeply to the manufacture and manipulation of

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2 The very local level is handily illustrated with Saul Alinsky’s work: “No matter what, every action carries its rationalization” (Alinsky, 1971, p. 108).

3 Alinsky (1971) offhandedly referred to power per se as “organized energy” and noted that “it is the very essence, the dynamo of life” (p. 51). Dahl’s more analytical and academic definition achieves a greater degree of precision (the ability of A to get B to do y by doing x) but lacks usefulness beyond simply paralleling the general concept of causation. Alinsky’s appeals (perhaps unknowingly?) to our understanding of negative entropy, of rearranging the social universe for some unique purpose in life. I think this conception of power suits Lasswell’s discussion of the creation and use of political symbols better than his own as simply coercive influence. For a broader treatment of the concept of power see Rummel, “Definition of power”, Ch. 19.1. Retrieved from https://www.hawaii.edu/powerkills/TCH.CHAP19.HTM
the personal insecurities of political scientists, and for that matter the personal insecurities of all involved in ideological struggles.

Harold Lasswell, one of the earliest systems theorists, devoted a major part of his illustrious career to exploring the linkages between politics and people’s personal insecurities, including those of professional political scientists, in his classic work, *World Politics and Personal Insecurity*. A contemporary of Freud, Jung, and Adler and a student of psychoanalysis himself, Lasswell put at the core of his theorizing two critically important observations—hypotheses if you will, but they are complex ones—first the definition of a politician, one who projects his private motives onto public objects, rationalized in the public interest. Second, politics is all about élite-mass relations; élite are those who get the most of whatever there is to have. The “have” was originally characterized as three values, deference, income, and safety in both earlier work in 1930 and later works notable with Kaplan (1950), an eight dimensional geometry was constructed consisting of eight values the distributions of which were controlled politically, “politically” meaning through influential manipulation of symbols, violence, goods and practices (Lasswell, 1935b, Ch. 2, Ch. 3, Ch. 4, Ch. 5). The eight values he stipulated were in two categories of four each: deference values and welfare values. The deference values: power, affection, respect, and rectitude. The welfare values: wealth, well-being, skill, and enlightenment.

Figure 1 below the large triangle depicting Goal, Drift, and Actual states (GDA) sketches the relationship between stress and the cognitive dissonance experienced from three sources: frustration (e.g., gaps between Maslowian basic needs and reality), alienation (difference between one’s basic needs and opportunities to attain those needs), and disempowerment (social and material pressures preventing the satisfaction of basic needs). Stress, in turn, is a primary motivator in Easton’s model of political decision making (wherein politicians weigh what must be done to satisfy demands against what support will be gained or lost), and in political stability (including feedback from policies) (Easton, 1953). Students of politics, like all humans, feel such stress and impacts on decision making within their realm. Since all organized human activity can be analyzed in terms of these three general characteristics (perceptions of goals, trends or drift states, and actual conditions) the model applies as well to students as to practitioners of politics.

The GDA model enables a calculation of stress which when expressed politically becomes an inverse measure of social justice, depicted to the lower right of the figure. The sense of social justice relates to both political stability (the less the sense of social justice the more likely it is to be expressed in a manner to destabilize politics) and repression (the more repression the greater the sense of social injustice). Since repression induces fear, it also acts to stabilize politics because of fear of retribution. Note that a “Machivellian” cycle, pS→R→F→pS, is created as well as a “democratic” cycle, pS→R→SJ→pS, one increasing stability through repression, the other decreasing stability through repression. “Repression” means attributing a decline in ability to meet basic needs due to government policies. Thus the banking fraud and deceit, being attributed to the government policies of removing restrictions on bankers manipulation of mortgages, is interpreted as repression, for instance. Cover-ups such as fabricating conflicts, suborning media,
FRAUD AND DECEIT, OR A FAILURE OF AMERICAN POLITICAL AND SOCIAL SCIENCES  649

under-financing investigations and ignoring elite collusion, exacerbate the problem. Whether a government ultimately falls under such circumstances depends on the reaction to fear vs. injustice. Under such circumstances political equilibrium becomes less and less stable, meaning heightened sensitivity to government foul-ups. Regarding “social justice”, Lasswell’s checklist of eight values provides a useful inventory of variables to construct a measure of social stress (see Figure 1).

Leon Festinger— motivation: cognitive dissonance. Dissonance-generating gaps (graphed above) create stress. Stress sources: Frustration ← gaps between goals and (perceived) actual states; Alienation ← gaps between goals and “drift” states, (perceived) trends; and Disempowerment ← decreasing gaps between trends and actual states, relative to distance from goal states.

Harold Lasswell—politics: control of who gets what, when, how. “What”—8 dimensions of values, each contributing to a sense of social justice through stress reduction.

“Deference values”: emotional bases for compliant or non-compliant relations: Power (coercive influence, fear of loss); Affection (love-hate dimension); Respect (cultural expectations); and Rectitude (moral influence).

“Welfare values” attributes: Wealth (income, property, investments); Well-being (mental, physical health); Skill (physical, communication abilities); and Enlightenment (wisdom, knowledge).

Figure 1. A stress model of political stability and decision making: Frustration, alienation, and disempowerment → stress → social justice decline → political demands → policy change.
Richardson dynamics: multiple actors evaluating each other's potential for assimilation or as threats (control theory), assessing relative power potential (cf. Cline's model) implicit fear of dissolution

Easton dynamics: politicians evaluating demands and supports, e.g. re-election calculus

Individual psychology, decision making: beliefs, traditions, experience, reason (Wesley Quadrilateral; Campbell et al.'s "funnel of causality")
Sociobiology: dissonance dynamics (Festinger, Maslow)
Means assessment (Lasswell → Saaty)
Ultimate concerns (Maslow, Tillich)

Figure 2. Contextualizing banking system dynamics: Longer term, larger scale, human and social dimensions determinative of crises.

Figure 2 is a variation on the standard "levels of analysis" concept first proposed by J. David Singer and, separately, Kenneth Waltz. What is interesting to me is that the theories noted at each level have existed for some time but have not been integrated or interpreted in this manner to my knowledge. At the first level, the individual level, the researchers have Maslow's characterization of basic human needs (not much different from Quigley's independent efforts mentioned earlier). Lasswell's eight-dimensional value checklist stands in relation to Maslow's basic needs as means do to ends, respectively (note that Maslow's belongingness and Lasswell's affection appear similar and indeed they are; however, Lasswell's affection may be thought of as a love-hate dimension motivating one to exhibit deference to another (or not) depending on the emotional affinity, whereas Maslow's belongingness or love refers to a drive or passion, a need for a sense of identity in community). Explaining individual dynamics is the stress model of Figure 1.

At the second level we have the usual organizational politics with decision makers communicating in terms of their demands and support content, and generating effects through policy implementation. Here, models focused on duration and repetition of decision tasks such as Rapoport's "prisoner's dilemma", Coplin, O'Leary, and Vasquez's (1976) "interest aggregation model", and Saaty's (2001) more generalized "analytic hierarchy process" are useful because they enable research into the systems dynamics of political decision making. The most relevant outcome of decision implementation is the impact on social stress levels. If the
consequences of banking fraud cover-ups are to exacerbate stress for instance, instability is likely to increase. Recalling the discussion of Talcott Parsons’ four levels of social change, under these circumstances popular opinion my shift first from people blaming themselves for being so naive as to thinking bankers were on their side when they participated in “ninja” loans, to blaming the organizations (banks) for their fraudulent behavior, to past Congresses and Presidents for changing the “rules of the game” (legislation reducing bank regulations and minimizing the capacity of government agencies to investigate fraud)—which seems to be about where we are today (recall the Black interview by Moyers)—to questioning fundamental values around which a society or even civilization is organized—such as was the case in the American revolution, the Bolshevik revolution, the Roosevelt New Deal, China’s Maoist revolution, and the end of the Soviet Union, and the ongoing Arab Spring and IS fundamentalist revolt, and to a lesser extent the protest movement in Hong Kong.

Figure 3. Political theory, political data, political culture: Semantic spaces within which are created models of the possible, real and desirable, respectively.

At the third level we have systemic effects, usually unknown to participants but affecting them through changes in their political environments as described at the first and second levels. These models—especially Richardson’s conflict dynamics model—describe dynamics that are usually not known to most participants in conflict situations, because they describe cumulative consequences over time of multiple decisions, and involve time periods that can be decades long. Such models require information built up by level one and two research. Richardson (1960), in explaining how a simple arms race could lead to stable equilibria, unstable equilibria, or no equilibria, depending on the relative levels of fear and fatigue coefficients, went much further, for instance, the “fear” coefficient was conceived theoretically as a balance between conflict and cooperation between each pair of states in his model. He suggested that while conflict might be indicated by military spending, cooperation might be indicated by mutually profitable trade and related agreements. Similar research continues today in examining the implications of the “democratic peace” and “capitalist peace” hypotheses (the latter by Eric Gartzke). Unfortunately, research in this area is generally unavailable and what is, is rather sketchy.
Figure 3 is a condensation of a more elaborated model of paradigms prevalent in political studies and practice. As mentioned earlier, the practices of science, philosophy and applied politics are quite different but in a psychological sense the goal of all three is the same, to reduce cognitive dissonance. For the philosopher, models of what is possible conflict in their assertions with what is desirable (or equivalently, vice versa). For the political scientist, attention is drawn to inconsistencies between expectation and realities generated by theory predictions and data collection and analysis. And for the politician or practitioner of politics more generally, the gap between what is desired (e.g., election, campaign contribution, territorial acquisition or preservation, and so on) and reality generates the dissonance.

Why these three paradigms are often represented as in conflict or competition, why one is considered by its practitioners to be superior to the others, stems from the fact that each is looking for answers to questions which in the process of their formulation make assumptions which practitioners of the other paradigms habitually call into question. Thus there is always a certain amount of tension to be expected. A practitioner for instance may need answers about what sorts of weapons a competitor has and what their motivations are (searching for psychological certainty, one of Quigley’s hypothesized “basic needs”). A philosopher might ask why are weapons so important when the competitor’s “worldview” may be of great importance. A political scientist might well question what the practitioner considers to be “armament” noting differences between primarily offensive vs. defensive weapons, and further, have several estimates of what is possessed, each depending on a number of different assumptions about the quality of the data.

Students and practitioners of politics have generally failed to understand that the paradigms within which they do the bulk of their work are quite different in the assumptions they make, the operational codes within which they operate, and the value of their output for each other. A philosopher may well recommend a policy based on the compatibility of certain theories with particular values (such as a policy that assumes a particular country will never go to war with you as long as it remains maturely democratic), while the political decision maker, looking at that same country’s bloody history of colonization, who give very little credence to the policy.

**Conclusion**

Fraud and deceit may well accurately describe the problems that beset the financial industry short term, as well as be major factors in the unethical redistribution of wealth in societies. And policy analysts looking to improving future prospects for a more equitable distribution of wealth and by more normative means may well make promising recommendations. But until a theory is developed that both explains why and how such deceptive practices occur “with some degree of periodicity”, and offer a process that is politically tractable for removing a significant degree of fraud and deceit from the market place, it is not likely that we will see much change in the pattern. And in an era of globalization and internet banking, this could prove to be a very dangerous theoretical deficit. Because political philosophers, practitioners, and scientists operate with very different goals and rationales for their work, they find it difficult to value each others’ work, and the absence of a “standard theory” to explain political-economic-military behavior only exacerbates the problems of personal insecurity that they face. An approach to developing such a standard model involving the theories of social psychologists, political and social scientists, especially in decision sciences and systems dynamics, was
proposed. This approach uses the traditional three levels of analysis common in international relations theories, and aims to integrate basic needs and values models into a larger scale and longer term framework that can readily be researched in existing institutional frameworks (foundations, government and corporate contracts, and universities dependent on financing from such). Yet the need is great if we are to avoid the errors of our forebears which lead to short political life-spans, thinking in terms too small and short term, too limited by their home society’s belief systems, to recognize the larger contexts in which they operate. It is hoped that such collaborative multidisciplinary research projects can be undertaken. A hint of what they might at least in part look like can be seen in Barry Hughes’ International Futures simulation at the Pardee Center at the University of Denver (http://pardee.du.edu/), in Tom Saaty’s (2001) decision making modeling efforts (http://www.superdecisions.com/) and in the many specialized global modeling data bases now in existence, dealing with everything from climate change to values studies, alternative futures and so on. Without such progress, it does not seem likely that our current civilization will survive for long.

References


Black, W. K. (2005). The best way to rob a bank is to own one. Austin, Texas: University of Texas.


