FORWARD

This monograph, a collection of essays, is the product of over twenty years of thought about the application of "incentive compatible" mechanisms and the management of the economy. A good treatment of the subject matter appears in Avinash Dixit's monograph, entitled <u>The Making of Economic Policy: A Transactions Cost Politics Perspective.</u> The first volume of my collection of essays is quite different from Dixit's. However, it does reflect a puzzle described by Dixit about midway (page 90) of his monograph) describing a lack of contact between theory (of incentive compatibility) and practice (applications in the world of transactions costs politics).

Dixit points to the preference revelation mechanisms, explored in my collection, as follows:

A similar lack of contact between theory and practice can be found in a conceptually related area of economic policy, namely, eliciting people's willingness to pay for public goods. When nonpayers cannot be excluded from enjoying the benefits of such goods, every individual has the incentive to become a free rider on the sacrifice of others; when all conceal their willingness to pay in this way, the good does not get supplied at all. Economists have devised extremely clever rules of operation, or mechanisms, under which truthful revelation of willingness to pay becomes optimal (Vickrey 1961, Clarke, 1971 and Groves and Ledyard, 1977)"

Dixit goes on to note research experiments with such mechanisms and the dearth of instances in which they have been used in practical decision making. In writing an earlier book (Clarke, 1980), aimed at applying these mechanisms, I had high hopes concerning their fairly widespread application, perhaps if not by now, in a few decades. Now I approach the subject matter with a good deal more humility.

For the reader unfamiliar with the mechanisms, or those interested in recent developments concerning how "problems" associated with their use have been "mostly solved", see Appendices A and B),

A real problem, but a more operational one, remains that of the strength of contractual commitment, often involving "many principals" dealing with "many agents".

At the conclusion of these essays, I present a case study describing how the Federal Government contemplated the possible use of such mechanisms for internal budgetary allocations involving information technology during the early 1980's. The considerations that Dixit identifies in his book in terms of imperfect contractual mechanisms and lack of contractual "commitment" certainly proved to be a stumbling block. From such lessons, I have subsequently worked on ways to overcome these obstacles, so as to make the mechanisms workable in the real world.

More broadly, these essays are about the development of a geoist philosophy and how it helped shape my attitudes towards governmental reform efforts, most prominately in the area of regulatory reform.

I do not pretend that the story which follows is in any sense scholarly. In fact, I was persuaded by a scholarly mentor (who has recently advanced the possibilities in use of preference revelation in a major way) to divide the material in Volume I from that will hopefully advance the art in a "rational" way (Volume II). When I tried some of the material contained in this forward and the first essay ("The Practice of Social Art") on my mentor, he reacted somewhat unfavorably to its content in that it did little to advance understanding and acceptance of the ideas by the "general political science" or citizens generally. Certainly, it did not fall within the boundaries of "economic science". Therefore, I separated the essays appearing here, which is quite normative in nature and expressive of my own personal experiences, and put it together as something that might be enjoyed by colleagues who might be sympathetic to my point of view (as well as my children or grandchildren) as well as the general political science and the citizenry at a later time.

A contrary view came from a colleague, a political scientist and somewhat like me (a political romantic) who told me that this "narrative" was much more interesting than the "rational economic" material that makes up the advancement in applications of the demand revealing process in Volume II. My colleague likened the narrative to a quest, one which relates my experience or perceptions of the "truth" about my experiments with the truth-telling mechanisms. In this vein, he likened it to Gandhi's autobiography (1925), which Gandhi subtitled "A Story of My Experiments With The Truth".

"Tell the story, my colleague said, realizing that "You are not Gandhi. But you need to present these ideas in a way that better relates to people's experiences, like Ghandi did with his spinning wheels".

My colleague further encouraged me to circulate these essays when the idea was mentioned in connection with the 1996 award of the Nobel Prize in Economics. The Nobel Committee, in awarding the prize (along with James Mirlees) to William Vickrey noted with reference to Vickrey's second price auction, where a truthful bid is the dominant strategy, that "an analogous idea underlies the so called Clarke- Groves mechanism for eliciting truthful tenders for public projects, which was worked out in detail by Clarke (1971) and Groves and Loeb (1975). Vickrey anticipated this important result by a substantial time margin".

Building on the discussion set forth in my introduction to the new incentive mechanisms (Clarke, 1980 -- see Volume II), the "narrative" underlying the idea focuses on two areas -- (1.) institutional design and (2.) economic and regulatory management reform -- which have been my principal areas of avocational

and vocational activity in my public career. In the process of seeking a more scholarly, post-retirement career somewhat late in life, the several essays have been mostly intended to define the nature of the scholarly quest, appropriate to my character and strengths (while ameliorating the weaknesses). The quest reflects the pursuit of unrealized goals which I did not, or have not yet achieved, in practical life. Though my adopted mentor told me early on that what is contained in this essay is decidedly not scholarly, thus questioning whether it was appropriate to the quest, I compromised in deference to him by I moving the material on "advancing incentive compatibility and demand revealing" to Volume Two, so as to better both pursue my ambitions and preserve my values.

Throughout the course of these essays in Volume One, I engage in a somewhat philosophical exercise of personal and social deconstruction, so as to present the real "narrative" underlying the idea. I am trying to reconcile the politics of hope with the politics of memory (see Schlesinger, The Politics of Hope 1945), the liberal-humanitarian with the conservative ideology (and, if you will, also the socialist communitarian), at the level of constitutional political theory and practical institutional design. I do so, at an initial level, with an attempt to marry "pragmatic liberalism" with classical liberal theory and demand revealing mechanisms.

My readings in scholarly legal theory were prompted, in part, by looking for a definition of what I mostly subscribed to in practical life -- the "pragmatic liberal" and "practical reason" movement in legal theory -- as it relates to the optimistic strain in public choice -- institutional, or mechanism, design. In relating institutional design to legal theory, for example, I was principally trying to decipher, articulate and explain what kind of political and legal theory I believed in that might be different from the "legal theory" expressed by Richard Posner, whose approach is most recently articulated in his own essays, entitled Overcoming Law (1995). Starting in the early 1970's and for many years, I admit to having been, while still remaining, a somewhat slavish devotee of Posner, as I studied his influence on American law, economics and politics.

This, however, gets ahead of my story in the sense that I am a practicing bureaucrat who enjoys understanding what kind of internal motivations drive me within an embedded social reality where I am constantly thinking about change. (Some editing of the following may be prudent) From time to time, I see, and act upon, a major opportunity for change such as in the area of the deregulation of transportation (1974-75) but more often, I take the conservative, "practical reason" approach, whereby like most conservatives, I "sit and think" or worse yet, I just "sit" (upon piles of regulations emanating from a prominent regulatory agency of the government. Since these essays are written at a time where I am still employed in the "national service", I pass them on d'Argeson-like around an invisible college as personal essays. (D'Argeson is one of my favorite characters in Schama's Citizens: Chronicle of the French Revolution, whose construction of a constitutional monarchy with a lot of direct democracy languished unpublished for about 30 years, until the ideas finally played a critical role in the initial shaping, by Lafayette and others, of a constitutional monarchy, albeit a short-lived one).

My daydreams often involve implementing the demand revealing process, which at times becomes vocational, but more often than not avocational, where I write essays like these in the early morning hours. The work is essentially the product of a "Utopian-real" (and politically romantic) mind, a character type that I have studied at some length, my favorite being Turgot, Louis XVI's first finance minister (1774-75). (Turgot would have no doubt resented such a characterization). The study of the lives of people like Turgot, discussed in the first essay, also drives the moderate or conservative temperament, in some ways even towards the less noble character of the "trompisateur", say the character type of a Lafayette or a Tallyrand, who often seem to lack any principles whatsoever, as one observes the practice of "artful politics". Schama's Citizens, particularly his treatment of Turgot, Condercet, Malesherbes, d'Argeson (all minor figures), as well as the better known and more central characters which are Lafayette and Tallyrand (who are treated much more fulsomely) points to the unfortunate ends of those character types who seek to structure institutions that threaten privilege and political exploitation. I use the period (and lives) of these French bureaucrats because it does provide a means of using the politics of the past (of memory) to inform the politics of the future (of hope) in a manner that is "safer" (less politically risky) than a discourse that simply fixes on the present here and now.

These science fictional, or often admittedly utopian, exercises in political economy, concerning both memory and hope, are aimed at evaluating the "practicality" of using incentive-compatible mechanisms in the American (and world) political institutions of the future. I use American intergovernmental budget and regulatory processes as the subject of this evaluation, starting with a hypothesis that the problem of impracticality is more than anything else the result of a lack of effective political discourse. One must also deal with custom, tradition, and habit and provide an appealing ethical justification.

Using the demand revealing process in American political institutions can also "upset a lot of applecarts", to quote someone with whom I have shared many of my implementation dilemmas. So one must go beyond ethics and enter into "political conflict". Before exploring these problems of ethics and political conflict, let me first briefly elaborate some background on the process.

The Demand Revealing Process: The process was originally invented as an approach to addressing conflictual "environmental management problems" about three decades ago. I was striving to design a regional water quality management institution, often sitting for hours along the shores of Lake Michigan trying to determine how to more effectively allocate "the costs" of cleaning up the lake (See Clarke, 1980, Ch I) while at the same time I was helping the old Mayor Daly build a third international airport in the Lake. The process was subsequently described as "a new and superior process for making social choices". (Tideman and Tullock, 1976), reflecting a rather spirited selling of the process as a better means of harmonizing individual and social desires. I subsequently (Clarke, 1977, 1980) applied the rhetoric of a "grand theory" (i. e. public choice and classical political economy) as part of an effort to sell "the idea", an effort which is characterized by Rubin as an example of the impracticality of the optimistic strand of Public Choice. After a couple of decades of reflections on the original claims, and practical problems and difficulties, I planned a research program (and three books) that would deal with both the possibilities and problems in implementing the method, while also largely supporting, as least in part,

many of the original claims.

During the course of writing the essays, I became convinced that the project might be the product of my "vaulting ambition" (which I was taking some pains to cure), so I confined my efforts to preparing these five essays, mainly over the course of Spring 1995 to the Spring of 1997. As works which are essentially about the theory and practice of politics, I would liked to have confined myself more to "a strict theory of politics" in terms of voting rules and collective decision procedures, looking at the practice of a "rational social art" in terms of the incentive-compatible design of institutions, using the demand-revealing process by way of example. The work is also the product of what might be loosely called "Shumpeterian", "irrational" social choice theory, (Prisching, 1995) or perhaps to use a term coined by Rubin (1991) -- "comprehensive rationality". The work is written to stir political entrepreneurship, aimed at social change and a philosophy of hope. As such, the essays go well beyond a "rational choice" approach to politics into social and political theory, as shaped by my own experiences.

I approach the further development of the "new and superior" process (demand revealing) from the viewpoint of SHAPING or "concretizing utopia" (Ernst Bloch, 1986) as well as shaping in particular the practice of the art of political entrepreneurship, or "heresthetics", crudely translated by William Riker as "the art of winning". The importance of the acronym SHAPE is set forth in the third essay on the struggle between "social constructivism" and "pragmatism" which is described in Judge Posner's aforementioned collection of essays on <u>Overcoming Law.</u>

My essays themselves may be regarded as representing a classical/romantic struggle or War (with self) between these two approaches and the use of an advancement in the rational social art (demand revealing) to resolve the struggle between social constructivism (the liberal humanitarian ideology) and pragmatism (sometimes, absent the "liberal" modifier, associated with the conservative ideology). In these contexts, I present a vision of the demand revealing process as a means of practicing a more "rational social art" in the next century and beyond. The vision is admittedly somewhat utopian, or at best "politically romantic", even though following the modern romantic conception of Bloch, it is a "utopia of the concrete", or in the words of a modern social theorist, Anthony Giddens, "Utopian realism". Simply put, the book presents ways of dealing with problems of information and incentive (and bounded rationality) that provide paths toward realization of our individual and collective utopias.

The work is also largely about shaping and "concretizing utopia" in terms of a "political economy of mobility". The latter is the subject of the several essays (two through four) of Volume Two of "The Practice"). Though less philosophic and admittedly more pedestrian, they are aimed at demonstrating the use of the demand revealing process in designing intergovernmental and private sector arrangements affecting the movement of people, goods and services. The initial focus of the work had been initially on the political economy of domestic and international air travel. I attempt to show, or at least "open doors"

for others, in showing how the preference revelation mechanisms can be used to organize global air traffic control services. (In these essays, it constitutes a proposal for a sabbatical at an English University or one somewhere in the heart of the Pacific Rim). In volume II, I develop the "proposal" in some detail, also in the context of a domestic program (called the General Progress Program) for financing transportation infrastructure.

In addition, to the transportation sector, I explore another sector where I have had experience in institutional design that led, in fact, to a useful mechanism for reconciling conflicts between the goals of efficiency and educational equality. The mechanism has been called the Education and Training Investment Program (State of Illinois, 1972). (After some twenty-five years, these ideas are finding expression in legislation being passed (or nearly passed) by Congress).

The two volumes are now in the form of essays. They form, in large part, a personal memoir aimed at the "anticipatory consciousness" of prospective practitioners of social art. It brings my perspective of some 25 years of travel (wanderings) in the policymaking sphere to what could constitute useful practice of social art. It interprets theory and practice as set forth both in Volumes One and Two as a means of describing a new politics or contemporary approach to the practice of social art. Here, I communicate some of the more recent perspective, of the last eight years, as I have been putting together this work. The anticipatory consciousness operates with particular force at the personal level in terms of the "scripting of self", as described by constructivist psychology (Gergen, 1991, Freeman, 1995) and others.

The Practice of Social Art (both One and Two) are written for a non-technical audience and are aimed particularly policymakers. The books also deal with perceptions and beliefs (ideology) and political philosophy from a public policy perspective. In some ways, it ranges across an ideological landscape, from Marx to Mises. This is natural because the heart of the problem being addressed is the possibility of "rational calculation in the socialist community" (Mises, 1920) which was also the subject of my earlier book (see Clarke, 1980, chapter I). However, in the spirit of Mannheim (1936) and Ricouer (1976), I go much deeper into a critique of ideology and the treatment of Utopian realism than was the case in my demand revealing treatment of problems of "socialist calculation" (Clarke, 1980).

Ethical Foundations of Demand Revealing: In the same year that I was preparing my 1980 book, I published an article in a special issue of Public Choice (1977) devoted to demand revealing, entitled "Some Aspects of the Demand Revealing Process". The article was concerned with (a.) how one advances such ideas (b.) the ethical foundations of the idea and (c.) a utopian parable describing possible applications of the idea in a setting not constrained by current patterns of representation. In this work I go beyond the Benthemite utilitarian defense that the process simply avoided costs relative to existing institutions. At that time, the process was a means (in the lexicon of Bentham) of providing "security" (against the tyranny of the majority) and achieving political economy in the sense of the "expenses' of the

State. At this juncture, the work provides a more mature formulation in terms of the liberal humanitarian and conservative ideologies driving American politics and which will eventually test the ethical appeal and practicality of the idea.

As I stated in the Forward to Part One, referred to by Professor Rubin as reflecting the impracticality of mechanism design (the optimistic strand of public choice), I was trying to respond to a question posed by Professor Buchanan, who had spent a year with his students trying to determine why one would want to use the method in the first place, given its efficacy. In addition to Professor Buchanan's question, I am trying to respond to the question of practicality by way of a treatment that might be entitled "some more aspects of demand revealing", contained in the first of the following essays, entitled "The Practice of Social Art".

Throughout the essays in "Practice One", called here "Confessions of A Geoist", one of the main themes that is treated is that of ethical interdependence, altruism, and the preference shaping role of institutions (endogenous preferences). Notwithstanding the criticisms of Professor Rubin and others, rational public choice has given some recent attention to this phenomena, even if in some cases, it is limited to "puritan Ethics" (Buchanan, 1994, Ethics and Economic Progress. Given a widespread perception, growing out of the work of Margolis (1983) that demand revealing is not a very efficacious way of making collective choices in a world of ethical interdependence, I devote a great deal of attention to this issue in terms of my new "ethical foundations", dealing not only with "Puritan ethics" but non-material (spiritual) ethical values as well.

Of particular importance in this regard is Martin Bailey's recent treatment of the concerns raised by Margolis and others (see Appendix B and Bailey (forthcoming).

Another Parable: On the question of practicality, my 1977 article presented the idea of a general purpose representative who the individual consumer/taxpayer would choose to represent him in tax-expenditure decisions. The current work builds on the idea presented in my 1980 book on demand revelation and entitlement. Let a jurisdiction (a Congressional district, a township or even a ward) receive an entitlement level of, say, transportation expenditures. The jurisdiction could save or spend all or a part of its entitlement. In the several essays contained in Part One, this idea (which Robert Conlan named "A General Progress Program") is developed in some detail as a means of allocating "revolving funds" for environmental and transportation-related grants-in-aid. In those essays, I attempt to show how this approach when combined with demand revealing methods of accounting for the effects of one jurisdiction's decisions upon another (i. e. interjurisdictional spillovers) offers a powerful means of reinvigorating liberal democracy, and to provide the means by which our society can begin to realize the classic civic republican virtues to which Professor Rubin refers in his review.

At a practical level, I try to show (building on the ideas presented in my 1980 book) how the further evolution of our social insurance (social security and health) plus expenditures on education can be used in conjunction with demand revealing systems of adjusting for "interjurisdictional externalities" to foster a system that is much more attractive from the standpoint of the cultural values we all profess to share in terms of liberty, equality and the "pursuit of happiness". I try to demonstrate this in more detail in the fourth essay contained in this volume, entitled "An American Romance", showing how a system of public finance can gradually be constructed that would appeal to a wide range of value systems, or ideologies -- liberal humanitarian, conservative, and communitarian. At the same time, the system stands in sharp opposition to one that is simply exploitative, even though it admittedly accommodates the realities of such a system.

An important element of my inquiry is an approach to social justice and liberal discourse elaborated by Bruce Ackerman in Social Justice and the Liberal State (1980). Following some ideas developed by Nicolaus Tideman which build on Ackerman's construct, a central theme which drives my work is the concept of the equal right of all to the product of nature and the exercise of government privilege, and to also protect that product from political exploitation. This is basically the philosophy of Henry George supplemented by some of the strictures advanced by John Calhoun.

Expressive of this central theme is the relation between demand revelation and the ideas of Henry George which were outlined in my 1980 book and subsequently developed by Tideman (1985). To give my idea the appropriate ethical foundations, we must confront the fundamental problem of equality, as perhaps best expressed in George's famous "Ode to Liberty" (San Francisco, July 4, 1877) and which appears in "The Central Truth" at the conclusion of Progress and Poverty:

"We cannot go on prating of the inalienable rights of man and then denying the inalienable rights to the bounty of the Creator. It is not enough that men should vote; it is not enough that they be theoretically equal before the law... They must have liberty to avail themselves of the means of life. They must stand on equal terms with reference to the bounty of nature."

Similarly, I would counter majoritarian tendencies observed by Calhoun (1853), and in our times, by Gordon Tullock (1958). To paraphrase the former. "Take from nine men a dollar each in taxes, and, likely as not, five of them will end up with nine dollars and the remaining four will have nothing". Similarly, if every citizen had an equal share of the bounty of nature, we would surely then not take away the bounty (of a minority) through majority rule.

In this work, I seek to deal with these themes by, for example, presenting a geoclassical liberal political economy which incorporates these central truths and then to define a consistent "pragmatic liberal" guide to action, consistent with this philosophy. I do not deny that this approach to the Practice of Social Art" presents a somewhat Utopian vision which seeks to drive the liberal-humanitarian ideology and the

practical results will fall perhaps far short of the ideal. As I indicate in "The Practice" (my lead essay which follows), I believe it is desirable to have the vision, the ideology and the practical steps in hand at the same time. This was the approach taken by the philosophes - particularly Turgot and Condercet. I am fully aware of current philosophical opposition to such an approach, expressed most forcefully, and with respect particularly to Condercet (and the modernist approach) inherited from that tradition he represents, by Berlin (1990) and others.

With these criticisms in mind, I am trying to build a case, and find the proper place and ethical justification, for incentive-compatible mechanisms in practical institutions. The method I utilize links "pragmatic liberalism" and geoclassical liberal political economy in what Anthony Giddens (1990) in The Consequences of Modernity, calls "utopian realism". I shall discuss certain dimensions of utopian realism in the first essay, with an eye towards the role of incentive compatible mechanisms in shaping such a reality. I leave it to the reader to decide whether this has any hope of succeeding in providing a more adequate ethical justification for the method which I have been long seeking.

If one finds a pragmatic, ethical justification for an idea, how can it work in reality? In the fourth and fifth essays in Volume One, I pick up certain themes presented in my first essay (The Practice) and present a vision, admittedly a romantic one, that moves from the "utopian parable" presented in my 1977 essay, retaining all the representational forms which presently characterize American federalism. The fourth essay, here entitled "An American Romance: A Via Media Between Memory and Hope", presents, for example, a range of ideas concerning the possible evolution of institutions growing out of the modest reforms of the Federal Budget and regulation tied to a new form of incentive-compatible governance that I present in the concluding (fifth) essay of Volume I. Here I present this possible evolution in a way that communicates my belief in the relevance of the procedures for promoting communitarian ideals, at the same time encouraging the liberal pursuit of enterprise in a manner that will serve communitarian ideals. I present an approach to the demand revealing governance of enterprise (mainly in the context of airports and air travel) where I try to show how demand revealing mechanisms can make "community" possible in the face of "globalization". The essay is linked to several previously unpublished essays of a more technical nature in Volume II, which are concerned mainly with the demand revealing governance of enterprise.

As I mentioned earlier, my own view of "utopian realism", at bottom, aims at the harmonization of the liberal-humanitarian ideology and classical liberal theory (public choice). The philosophy reflects, in many respects, the way of traditional Eastern ethical and religious approaches. Whatever, its origins, it suggests that by linking the optimistic and pessimistic strands of public choice, we can do more than Posner and others admit is practicable in Overcoming Law. That is basically the function of "utopian realism". The latter I argue can also accommodate and actively support other belief systems, as instanced by the conservative ideology and the socialist-communitarian one, while countering the Chiliastic desire to simply, in the words of the young Werther, "smash things". This is the kind of wisdom I seek to impart to my "natural daughters" and others, encouraging them, if so inclined, to simply "Walk Away From

Omelas" (Le Guin, 1973).

Much of this work is about an evolving personal philosophy like Csiksentmihalyis's <u>Flow</u> and <u>The Evolving Self</u> (the psychology of living with complexity). It is a philosophy I have been using here to construct the ethical foundations for "the idea" (demand revealing) which I am trying to further advance and which differs from the raw utilitarian form I tried to use as an "ethical justification" in the late 1970s in the article referred to in Professor Rubin's footnote. This philosophy has gradually taken hold over the years since my own brief "Werther days", albeit attacked by the police in the streets of Chicago in 1968, wearing a three-piece suit and carrying a large leather briefcase. (I talk about a couple of Chiliastic periods in my own life in these essays). This was going on at the same time that I was finally formulating the demand revealing process as a solution to the public goods problem.

Ten years after that, around 1978, I tried to articulate how demand revealing could work in the two of the essays which are included in Volume II of the essays. By 1988, following another Chiliastic experience in Port au Prince, Haiti, I had also begun to articulate an approach for better marrying the process to traditional democratic institutions (the subject of one of the essays in Volume Two).

I believed I had the foundations to write a book on The Practice of Social Art which would demonstrate the relevance and practicality of the method, particularly in the area of budgeting and public regulation. Over the years, there have been a number of useful "interventions" that have led me to reorient the work in important ways. One of the most important was Bailey's <u>Constitution</u> which I described in my Geoism speech and which is elaborated in the fifth essay. Another was a growing belief that I wanted to better place the method within the context of the ethical philosophy which guides "geoism". A third has been the growing influence of "postmodernism" in how we think about institutional change.

Like Goethe's "The Natural Daughter", the Practice may remain unfinished. I have become mired, to some extent, in "postmodernism" and personal deconstruction (self awareness and the building of some humility), while trying to show the relevance of the method for constructing a more stable, harmonious social order, where the means for achieving the end may often seem to lack any sense of real humility. The journalist, Pierre Salinger, may be right. "You are not great enough to be humble".

While I may not be perfectly humble, I take great pains to avoid the pitfalls of "rational constructivism" that has been the subject of attack by so many conservative thinkers (Hayek, Vogelein, Berlin, Sowell, and others). I set forth an "evolutionary approach" towards normative "geoist" public choice first enunciated by U. Witt (1992).

I also seek to avoid the tendency towards moral relativism and excessive postmodern "social constructivism". This is not a book about moral philosophy and I am neither competent nor qualified to work out any philosophy that reconciles the moral and ethical tensions in this work. The exercise is like writing "the truth" about truth-telling mechanisms when one is reading The Truth About the Truth where the editor of the volume of essays (Walter Anderson) says all this is about modernism in the West, the Oriental spirit of the Bhudda/Pali from the East and postmodern social construction. After several years of reflecting on these phenomena (which certainly slowed down the progress of my work), I do see myself as trying to move towards the patriarchical Oriental, if sometimes mystical, wisdom of the late Goethe, perhaps as best interpreted for post-modern minds in the work of Ernst Bloch (1986). Consistent with the direction of that spirit, I want to also interpret my own work in the path of the Bhudda's or the Confucian or Taoist "middle way" (sometimes involving the perpetual integration of opposites) which the demand revealing process can help achieve. This is also the path of the pragmatic liberalism I espouse in this work, where I try in particular to reconcile this enduring American political philosophy with classical liberal political theory.

My father was a student/teacher of French literature and I know well the work of Irving Babbitt (as well as the babbittry of Sinclair Lewis that Ernst Bloch was confronting (along with the immigration service) during his years here in America. Babbitt (1924) in Democracy and Leadership was the champion of what the Encyclopedia Britannica (socioeconomic movements) calls "spiritual conservatism" and a stimulating critic of the naturalist, as opposed to more humanistic and religious, philosophies.

The work started out, and remains, tinged with a heavily naturalist orientation, but it has been evolving towards a kind of spiritual conservatism that is somewhat more religious and humanistic. However, I have reserved much of this for the later essays. I continue to adhere in large part to the naturalist, pragmatic liberalism of Dewey and other philosophers of the "middle way", recognizing that a more appropriate way of practicing true wisdom in the contemporary world must gradually become much more humanistic and even religiously mystical.

I view progress as being able to go beyond ideology and the work is at bottom aimed at soliciting widespread acceptance of "new public finance mechanisms" for the next century and beyond. As will become clearer in the second and third essays, the future that would be defined in the use of these mechanisms would depend a lot on faith -- basically about human perfectibility. A strong belief in that perfectibility leads us in one direction while pessimism leads us towards another.

In particular, the essay on a philosophy of memory leads me towards a definition of spiritual or philosophic conservatism, articulated by John Gray in an essay on "Green conservatism" in Beyond the

<u>New Right</u> (see also Giddens <u>Beyond Left and Right</u>) where the focus is largely on the approach to public finance that Gray outlines. I have largely translated this approach into institutions that reflect the modern theory of incentive compatibility while showing how we could construct a path to concrete realization.

In a sense, reflecting also the spirit of Gray's <u>Postliberalism</u>, this is an exercise in "pragmatic post-liberalism", which also this goes well beyond its "generally accepted bounds" in what Professor Rubin (1988) calls the difficult but necessary project of collective self awareness, trying to achieve understanding through culturally defined horizons, gradually expanding these horizons, but only by gradual increments and collective efforts. In moving beyond "pragmatic liberalism" as it is generally known, I generally restrict myself to the generally accepted bounds in the public parts of these essays. In the private (nonindented) parts, I go "beyond liberalism" in what continues to be an exciting and rewarding activity, which I hope will at least be rewarding for not just only myself, but family, friends and critics as well.

As a further note, I sent an early (September, 1995) draft of this forward and the first essay to Professor Rubin and received a reply which helped me focus on the problem of "practicality". A perceived lack of practicality, in Rubin's view, might be twofold: (1.) "capable of being put into practice" or (2.) "capable of being put into practice by real political actors in the foreseeable future". Rubin states that "your ideas about demand revealing mechanisms are practical in the first sense, which makes them intriguing, but impractical in the second".

"The reason it seems to me is that democratic politics functions in the way that Burke describes, as an unfolding and modulation of established tradition. A more modern way to say this is that political solutions are path dependent, and I think all the arguments against path dependence in business (foresight, the ability of entrepreneurs to borrow against future gains, etc.) do not apply in politics, for precisely the reasons that public choice analysis identifies. in addition, I think much of politics depends on idelology, and the counter-intuitive quality of demand revealing mechanisms that make them interesting is likely to make them unpalatable to politicians who think in ideological terms. This is not intended to be fatalistic; society changes, and I think you are right to note that what was inconceivable yesterday sometimes becomes commonplace tomorrow. Within the foreseeable future, it seems unlikely to me that politicians would adopt these mechanisms as a basic means of governance ... In the specific case of the mechanisms you propose, I also think they are capable of adoption, within the foreseeable future in more delimited technical settings. Administrative agencies, for example, might use them to resolve particular problems. But with respect to the general political science, it seems like a visionary, rather than a practical approach."

Professor Rubin is right in many respects. Even the application to the "information systems" of Federal

agencies was fraught with difficulties, an example I will review in the course of these essays. Going outside this more limited, technical setting could be a simple, sometimes futile, exercise in political romanticism, with the result that the primary actors do not find that the results are in their interest, much less those of the society as a whole. I will elaborate on this in the essay to follow, while suggesting the utility of investigating such mechanisms in order to stimulate the kind of collective self awareness that appears to be already there in a variety of fields, that I would call institutional design, constitutional political economy and the like, a field of endeavor that I also approach from a practitioner's perspective.

Professor Rubin does not discourage such exercises. In his letter, he adds: "In fact, I think a great deal of policy analysis, including much more mundane ideas, is impractical in this send sense" (see above reference to capable of being put into practice by political actors). "Again, this does not mean it is not worthwhile; it can change the future, in the long run, and contribute to our understanding in the present."

Let me caution the reader before proceeding to the exercises in political romanticism presented in the first essay. Anything resembling "The Practice of Social Art". appealing to the French Enlightenment is no doubt immediately subject to ridicule, or perhaps at best healthy skepticism, particularly if it takes on the "utopian" and "politically romantic" labels. I maintain that such a discussion is healthy and that it in fact can lead to the construction of healthy new realities rather than into the flight from reality, the "disease" if you will associated with political romanticism. I treat these problems at some length in a discussion of "ideology" and "utopia" in the first essay as well as in a discussion of "political romanticism" in the second of these essays.

As a second caution (at this stage in the development of these essays), I am circulating (in the near future) the first (the Practice) and the fourth (An American Romance) professionally, the others being more private and perhaps even more "politically romantic". The first essay is quite broad and abstract as goes about as far as possible to outline the "spirit" of this work as I can safely (or competently) do at this time. The final (fifth) essay further elaborates on an incentive-compatible approach to fiscal federalism that I am trying to develop in collaboration with others and which lays the basis for a research prospectus on institutional design relating to global and domestic air travel institutions (an essay on this subject appears in Volume II of this collection). Depending on the shape of future events and informed choices I hope to make for myself, I intend to carry out this research over the course of the next several years.

To put the essays in some further (a futurist) context, they are ofttimes fictional; even when I talk about real events and try a real "confessional, there may appear a mixture of private and public truths and lies. Despite the biases or lack of any truly objective truth, the essays are meant at least to be revealing -- they are variously kybertruths (myths) and psycomyths. I borrow the latter from my favorite science fiction writer (Le Guin) whose myths, about past and future, take place outside of space and time. Kyber is the Greek word for steer, an apt word for mechanisms that can help steer the what Giddens calls "juggernaut

of modernity" in the spirit of "utopian realism".

These myths (truths) are mainly about what I think about, in the early morning hours when I write, and when I am "in transit" between where I work and where I live. Often, they are purely imaginary, but perhaps not far from foreseeable reality. See my Christmas, 2000 interview with "the Candidate" in "Reality Bytes" in the first and third of these essays. The fourth essay provides a critical treatment (taking place about 100 years from now -- Christmas, 2100) of what I am advocating here. The conversation takes place between Dr. Leete (the chief character in Bellamy's <u>Looking Backwards</u>), Edward Coverdale (from Hawthorne's <u>The Blithedale Romance</u>) and Lin Shevek (borrowed, but gender transformed from Le Guin's <u>The Dispossessed</u>.

As a product of my cyber "search engines", I have gone through every possible milieu (below the GOS or God's operating system) -- from the AOS (artistic-cultural operating system) to the COS (computer operating system, including SOS (scientific operating system), POS (political operating system), BOS (bureaucratic operating system), and ROS (regulatory operating system). After much reflection, I've been selected by the "Candidate" to implement incentive-compatible information resource management (planning and budgeting) in the third Millennial BOS. What a disappointment, given the positions I vied for in the new Coalition government and relative to my "vaulting ambitions".

Oh well, my current day colleague (Shevek) is willing to assist and I leave it to the XYZ generation (particularly Dr. Leete) to deal, during the next century, with all the other ideas presented here. At that juncture (Christmas 2100), they (Coverdale and Shevek) have an interesting conversation, dining in the great phalanstery in the great hall of the Northern Kingdom, a Vermont retreat that they enjoy in their constant travels and communications between Boston, Washington, and Lamoille, Co., Vermont. They then, characteristically, sort of "Walk Away from Omelas".

Ursula Le Guin characterized one of two short stories about "walking away" (using ideas she acknowledged borrowing from Dostoevsky and William James), referring to ideals as a "probable cause of future experience": To quote James:

"Or if the hypothesis were offered us of a world, in which Messrs. Fourier's and Bellamy's and Morris's utopias should all be outdone, and millions kept happy on the one simple condition that a certain lost soul on the far-off edge of things should lead a life of lonely torment, what except a specificial and independent sort of emotion can it be which would make us immediately feel, even though an impulse arose within us to clutch at the happiness so offered, how hideous a thing would its enjoyment when deliberately accepted as the fruit of such a bargain?"

The "lost soul" paragraph is followed immediately by:

"All the higher, more penetrating ideals are revolutionary. They present themselves far less in the guise of past experience than in

that of probable causes of future experience, factors to which the environment and the lessons it has taught us must learn to bend".

William James

From "The Moral

Philosopher and

The Moral Life"

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