

A FORMULA FOR THE OCCURRENCE OF UNINTENDED CONSEQUENCES IN HUMAN SOCIETY

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The idea for this talk came gradually to me as I was witnessing world wide thousands of examples of human-made unintended consequences at all levels of society. Some were historical in nature; others were of very recent vintage. I began to analyze this phenomenon to see if there is a pattern to it and to see if there is even a glimmer of hope of reducing its occurrence.

Some call this phenomenon the “law of unintended consequences” This is a misnomer. I reserve the word law for the legal profession, etc. and even more so for the laws of sciences, etc. for instance the laws of gravity, thermodynamics, quantum mechanics, etc. I also parenthetically feel that the so called theory of evolution should have long ago been renamed the laws of evolution. But I digress.

The outline of this talk is as follows: First I shall present you with a suggested formula of how unintended consequences develop. Second I shall give you numerous examples of this phenomenon at various levels on human society. Thirdly, I shall suggest at least a small possible mechanism of how unintended consequences may be avoided.

The formula is:

- A grand (great) (noble) (worthwhile) etc. idea + enactment and method of implementation – LACK OF CONSIDERATION OF NEGATIVE CONSEQUENCES = some or none of the intended consequences + few or many unintended consequences.

This phenomenon can occur at any level of society.

- Individuals
- Small and large organizations
- Boards of various types
- Companies and businesses of various kind
- Governmental agencies
- Governments large and small

The effect of this phenomenon may affect only an individual or family or literally result in the death of millions of people.

Examples:

- Too numerous to report to you
 - I collect them
 - Some may be arguable by people based on ideological (political) beliefs, etc. but results speak for themselves.
 - Range from individual issues to State issues.
1. ZNZ – Florida Condo
 2. State of Maryland – The State of Maryland wanted to increase revenue by increasing the State tax for income of people making over a million dollars, They are hoping to raise \$113,000,000 extra State taxes. The result was that they actually lost \$230,000,000 in this income group as people moved to states with no income tax.
Same with New York State which wanted to increase business taxes and collect an extra \$4 billion in taxes, but this never materialized as businesses left New York State.
 3. Mental Health patients – Mainstreamed them into society.

4. Big Dig Project in Boston – In order to avoid overhead traffic in downtown Boston and the port area this project was projected to cost \$2.5 billion and to be completed in 3 years. Bottom line – it cost \$23 billion and was completed in 19 years.
5. The recent \$800 billion stimulus project (which is basically your money) report from the Huntington Post, Jan. 16, reported that stimulus checks went to 72 thousand people who were dead or in jail. No provision in this act is present to recover this money.

Other areas where stimulus money was spent were in one fraudulent “weatherization” projects, turtle crossings, ant research and other laughable projects.

Also the so called “shovel ready” projects routinely used and bought foreign-made parts and equipment this stimulating foreign economies and not ours.

Los Angeles city got \$594 million for jobs. \$111 million was spent for transportation and created only 54 jobs, i.e. \$2 million per job. \$71 million was spent on Department of Public Works and it created 7.76 jobs only.

In a press release accompanying the audits, LA. Controller Wendy Greuel said the job numbers were underwhelming. “I’m disappointed that we’ve only created or retained 55 jobs after receiving \$111 million in (stimulus) funds”, Greuel said. “With our local unemployment rate over 12 percent, we need to do a better job cutting the red tape and putting Angelinos back to work”.

The audit didn’t find any misspent funds or waste. But the breakdown of how some of the money was spent seems to indicate efficiency was not exactly the order of the day for the project managers. The Department of Transportation, for instance, spent \$9 million to install new LED light bulbs in traffic lights at 1,800 intersections. Less the \$228,000 in labor costs associated with the project, that’s nearly \$5,000 per location to change light bulbs. Another project spent \$4 million to install 65 new left-turn arrows, averaging more than \$61,500 per arrow. Greuel blamed the dismal numbers on several factors.

- Bureaucratic red tape: Four highway projects did not even go out to bid until seven months after they were authorized.
- Projects that were supposed to be competitively bid in the private sector went instead to city workers
- Stimulus money was not properly tracked within departments
- Both departments could not report the jobs created and retained in a timely fashion

“I would say maybe in a grade, a B- in creating the jobs.” Greuel told Fox News. “They have started to spend those dollars but it took seven months to get some of those contracts out. We think in the city that we should move quickly and not in the same usual bureaucratic ways.”

6. Euclid Corridor – This project which is just outside our meeting area here was initiated to “revitalize the area between downtown Cleveland and University Circle” and it was initiated as the “rebirth of Euclid Avenue”. The \$200 million initial cost had the intended consequence of allegedly producing \$4 billion of additional investment although nobody has ever bothered to name these.

However, the unintended consequences are multiple:

- Many businesses closed or were lost in the area of the project.
- Remaining business lost revenue and barely remained in business.
- Taxi drivers I used in this area told me that traffic issues are multiple and there has not been any increase in ridership on these special buses.

Carl Monday, a reporter here in Cleveland, reported that local contractors were cutting corners by using banned chemicals in the concrete. \$200 million initial cost ballooned to \$292 million and the money used for the project resulted in budget cuts in other parts of the RTA system in Cleveland. In a sense it was basically robbing Peter to pay Paul.

7. Afghanistan – In the 1980’s the United States plus Saudi Arabia plus Pakistan funded the anti Soviets Mujahadin literally jIhad fighters, or as Ronald Reagan preferred to call them “freedom fighters”. The intended result came out that the Soviets got kicked out of Afghanistan. The unintended result is a Taliban formed from these exactly same troops and we are still fighting them.
8. Zimbabwe – This country was supposed to be an independent democratic republic in sub Saharan Africa and was previously known as Southern Rhodesia. Most white settlers were made to leave the country including their agricultural know how; their land was given to farmers without this know how; previously this “bread basket” of Africa now cannot sustain an agricultural production. All key crops are down. There is hyperinflation in the country and as of November 2008 the annual inflation rate was \$516 quintillion per cent or the prices were doubling every 1.3 days. In addition this country is a dictatorship under Mugabe now for over 20 years. This country has been reported for human rights abuse and election tampering. For instance, life expectancy at birth was 60 years in 1999 and is now 44 years – for females it is 43 years. The infant mortality increased from 53 per 1000 to 81 per 1000 and at this point there are 1.2 million people in this country that are HIV positive out of a population of approximately 12 million.
9. The Euro – to create a common currency for most of Europe, more trade, avoid exchange rate issues, etc. The intended consequences are largely implemented; however there are unintended consequences as usual of having a collection of countries with different work ethics, tax collection issues and different retirement status, etc. being all in the Euro zone. There is a monetary union, but not a political union and currently we have the so called “PIIGS” crisis involving the countries of Southern Europe. All of us are familiar with the Greek financial crisis The Greeks are notorious for not paying taxes and their retirement system is one the major problems with the current National crisis. There is even talk of creating 2 Euros – one for the Southern tier countries and one for the Northern tier.
10. Social Security System –
The idea behind Social Security was to assure at least a minimum of income for senior citizens. The intended consequences so far have been arguably done, but many senior citizens unfortunately did not have other savings and rely solely on this particular payment which never was intended to be their complete retirement fund.
There is not enough money in the Social Security system:
 - Because there is NO indexing for the increased life span of the population.
 - There is no “lock box”. As of the 50’s the Government “borrowed” – you should read this as “stole”- the Social Security money and spent it on other Government functions. Now there is a multi trillion dollar shortfall needed to cover all future recipients.
11. AMT – Alternative Minimum Tax: - which is a misnomer. It is not an alternative tax, it is a required tax.
It was introduced in 1969 originally to affect 155 households of “rich people” making over \$200,000 or more who legally used deductions to lower their taxes. Unintended consequence that by the year 2010, 20% of households will pay the

AMT. This is not indexed for inflation and never was and the general increase of income by households. The rate of the AMT of course was also increased several times.

There are now courses and web sites that promote legal ways to avoid the AMT and are discussed freely by Tax Advisors.

12. Biofuels –Ethanol and Bio Diesel

- The idea was to grow our own renewable energy source
- Less particular pollution with it.
- Decrease global warming
- Insure safe transportation and handling.

The intended consequences were done. Unfortunately there were unintended consequences –

- The price of corn increased and there is a secondary increase on the price of all corn based products, i.e. just about all foods.
- Michael Pollan wrote a book that most of our food products and what we buy in fast foods contain a huge amount of corn products. There were riots in Mexico because the tortilla corn meal doubled in price.

Does producing Biofuels use more energy than they can generate?

Another dark cloud looming over Biofuels in whether producing them actually requires more energy than they can generate needed to grow crops and then convert them into Biofuels. Cornell University researcher David Pimentel conducted a 2005 study and found that producing Ethanol from corn required 29 percent more energy than the end product itself is capable. Similarly troubling numbers in making Biodiesel from soybeans are noted.

The environmentalists say that if the use of Biofuels is promoted, then more and more land will be used to produce crops to make Biofuels. It is also known that an increase of fertilizers will be needed for this production of corn. This will result in a loss of habitat for various species of animals and plants.

A concern that seems valid is that with the increased use of Biofuels the farmers may start to grow crops meant for Biofuels production rather than the ones that can be used as food. A reduced food production can increase the prices and cause the inflation to rise. The problem is expected to be at its worst in the developing countries. It is estimated that a total of 100 million people may suffer from the increase in the food prices.

Although many researches show that Biofuels do not emit enough carbon dioxide to trigger the greenhouse effect, another revelation has happened. A new research has revealed that the burning of materials to produce Biofuels emits enough nitrous oxide to create a greenhouse effect.

The process of Biofuels production has been termed as non-sustainable. Most of the Biofuels when produced tend to create a negative effect on food production. Also, no method of Biofuels production has been discovered that does not cause any environmental problems.

Transportation and Handling

In the previous section it was the same aspect which gave these types of fuels an edge over the other. But when disadvantages of biofuels a different aspect comes to the fore. Due to the poor oxidation of biofuels, their long term storage is a problem issue. In situations where the temperature is low, biofuels can thicken the plug and fuel filters.

Engine Compatibility

Amongst biofuel pros and cons, this is perhaps the most significant of them that is compatible with the engines today. The engines we have are made in such a manner that

these clean fuels create a problem in the operation of the engine and consequently the vehicle. The engine cannot work at its best and the deal breakers may include injector coking, fuel filter plugging, severe degradation of engine lubricant, elastomeric seal hardening and swelling, and piston ring breaking and sticking.

Less Energy

Even though the energy source is clean, the overall energy content is lower than conventional fuels. This leads to an engine operation with wastage and loss of power to some extent.

Another issue is if biofuel has to be made from crops a huge chunk of crops will need to be dedicated to that, leading to shortage of that crop as an agricultural commodity. People might miss out on that crop when it comes to consuming it as food.

Friends of the Earth – not exactly a liberal organization stated “that corn ethanol is worse than gasoline and is the dumbest program ever created by the government”.

Tremendous money subsidies to farmers have been given to grow this corn for ethanol and this is YOUR DOLLARS. For every gallon of ethanol we all have paid collectively \$1.78 per gallon.

13. United Nations – Goal

Establish a one world organization to maintain peace and end conflicts and many other “noble” endeavors. Unfortunately all countries have equal voting status except for the Security Council and equal status of participation in various committees and councils.

The United Nations unfortunately does not have an independent judicial branch to monitor negative actions of the UN. The unintended consequences are:

- Corruption of the entire UN system
- UN Human Rights Council welcomes such human rights abusers such as Libya, China and Cuba.
- UN Committee on Women Rights elect Iran on the committee
- UN Disarmament Commission elects Iran’s representative as Vice Chairman
- UN peacekeeping troops involved in sex scandal in Liberia with girls as young as 8 years of age.
- Oil for food program with Iraq – Saddam Husain stole \$2 billion of humanitarian aid.
- There was a pay off to top French, Russian, and other officials to the tune of millions of dollars in this program.
- Kofi Anan’s son participated in the scandal

HOW THE OIL- FOR- FOOD MONEY FLOWED TO CORRUPT POLITICIANS

What France Got

- Vouchers for 11 million barrels of oil to former interior minister Charles Pasqua (each voucher for 10 million gallons could generate between \$1 and \$3.5 million in revenue)
- Rights to develop a rich Iraq oil field.
- Payoffs to top French politicians, including diplomat Jean-Bernard Merimee (who holds the official title of “Ambassador for Life”), who took \$156,000 in bribes to renovate his Moroccan vacation home while he served as a “Special Adviser” to UN Secretary – General Kofi Annan.

What Russia Got:

- Vouchers for 55 million barrels of oil to the Russian foreign ministry.
- Vouchers for 53 million barrels to Vladimir Zhirlnovsky, former Russian Presidential candidate and Deputy Speaker of the Duma (the Russian equivalent of the U.S. House of Representatives).
- Vouchers for 110 million barrels to the Russian Communist Party
- Vouchers to a former Chief of Staff to Vladimir Putin
- Vouchers to the Russian Orthodox Church
- Rights to another Iraq oil field

What the UN Got:

- \$1.9 billion in cash from Iraq oil sales
- 13 million barrels of oil to the head of the Oil-for-Food Program, Benon Sevan, later indicated on bribery charges

What Kojo Annan, Son of the UN Secretary-General Got:

- \$2,600 per month for four years after he left the employment of a Geneva company that got an Oil-for-Food contract while he worked for them

What Saddam Got:

- More than \$12 billion in cash for his personal use

What the Iraqi People Got:

- SOREWED! After all the bribery, graft, and outright theft, all they got were the leftovers.

And that's not all. During the entire time the UN officials were supervising the Oil-for-Food program, they never even noticed when Saddam shook down another \$1.8 billion from corporations and government officials who were bidding to provide the food and other necessities to his starving citizens. It's especially hard to understand why UN officials did nothing about their own employees who were on the take—or why Secretary-General Annan had no idea that his own son was riding the profitable bandwagon of surreptitious payoffs.

What an outrage!!

An independent judicial report concluded that the UN “failed to put in place systems which can expose and deter crimes like fraud and sexual abuse, or harassment and discrimination”.

The UN General Assembly's anti-American bias was starkly revealed when Venezuela's flamboyant President, Hugo Chavez, received warm, enthusiastic, and sustained applause for calling America “the biggest terrorist” and “the greatest threat...over our planet, placing at risk the very survival of the human species”. He also branded President Bush a devil, a fascist, an assassin, a dictator, an imperialist, and a genocidal liar.

More than five years after 9/11, nearly one-third of the nations continue to ignore demands for cooperation from the UN's anti-terrorism committee on nuclear proliferation, the Al-Qaeda Committee admitted that 72% (130 out of 192) of UN Nations failed to file mandatory reports merely detailing their actions against suspected terrorists, and the Counter-Terrorism Committee was still trying to find out what, if anything, U.N. members had done to actually counter terrorism. Even the UN's own top nuclear official, Mohamed ElBaradei, conceded that when it comes to global crises, “too often the Security Council's engagement is inadequate, selective, or after the fact”.

14. Cash for Clunkers –

- The deal was to stimulate car production and revitalize the economy with cleaner emission cars on the road.
- The intended consequences may or may not have been achieved but unintended consequences are present also. All of us contributed part of the \$5,000 subsidy for each car bought.
- Price of used cars skyrocketed

- There was a marked decrease of car donations to charities.

Time does not allow me to expand on many other huge debacles such as:

- “Everyone should own their own home” concept and the recent and ongoing housing mortgage crisis (Ninja loans) □
- The false promise of the minimum wage
- Title IX support of colleges and its deleterious effect in the name of equality.
- Government financial support of so-called family based agriculture also called “let’s grow alpacas” (cute but useless animals overall) for the sake of “tax benefits”.
- Government to regulate the credit card industry in the name of the “public” which now has to go to local “pay-day” lenders and pawn shops where they pay 52-800% on loans and still go there if there is no other place to go in terms of credit.

15. And now one mega example – China 1957-1966

I have used a lot of the information from the book called “Mao’s Great Famine” by Frank Dikotter.

November 1957

Mao visits Moscow. Impressed by the Soviet Sputnik, the first satellite launched into orbit, he declares that the “East wind prevails over the West wind”. In response to Khrushchev’s announcement that the Soviet Union will outstrip the United States in economic production in fifteen years, he declares that China will overtake Britain in the same period.

Winter 1957-Spring 1958

In a series of party conferences Mao attacks Zhou Enlai and other senior leaders who opposed his economic policy. He promotes his own vision of mass mobilization and accelerated collectivization of the countryside, demanding increased agricultural and industrial targets. The slogan “going all out, aiming high, and achieving more, faster and more economical results” becomes the party line

Winter 1957-Summer 1958

A campaign of repression targets hundreds of thousands of party members critical of economic policy. Several provincial party leaders are purged and replaced by close followers of Mao. Opposition from within the party is silenced.

Winter 1957-Spring 1958

A massive water-conservancy campaign is launched, marking the start of the “Great Leap Forward” for hundreds of million of ordinary villagers compelled to work for weeks on end on remote projects, often without sufficient rest and food.

Summer 1958

Khrushchev visits Beijing, but tensions appear as Mao decides to shell several islands in the Taiwan Strait without first consulting his Soviet ally, triggering an international crisis with the United States. Moscow is forced to take sides by throwing its weight behind Beijing, proclaiming that an attack on the People’s Republic of China would be considered an attack on the Soviet Union.

Summer 1958

The mass mobilization of villagers around huge water projects - Milton Friedman - requires much larger administrative units in the countryside, leading to the amalgamation of farm collectives into gigantic people’s communes of up to 20,000 households. Everyday life in the communes is run along military lines. Almost everything, including land and labor, is collectivized. Communal dining replaces private

kitchens, while children are left in the care of boarding kindergartens. A work-point system is used to calculate rewards, while even money is abolished in some communes. Backyard furnaces are used to melt all sort of metal objects in order to contribute to the party's escalating steel target. Famine conditions appear in many parts of the country.

November 1958-February 1959

Mao turns against local cadres who produce inflated targets and promise an imminent transition to communism. He tries to rein in some of the worst abuses of the "Great Leap Forward", but continues to push forward with collectivization. He announces that mistakes made by the party are only "one finger out of ten". In order to meet foreign obligations and feed the cities, food procurements in the countryside increase sharply. The famine spreads.

March 1959

At a Shanghai Conference Mao launches a withering attack on senior party members and presses for even higher procurement targets in the countryside, up to a third of all grain, despite widespread famine.

July 1959

At the Lushan Conference Mao denounces Peng Dehuai and other leaders as an "Anti-party clique" for criticizing the "Great Leap Forward".

Summer 1959-Summer 1960

A campaign of repression is launched against party members who expressed critical views similar to Peng Dehuai and his allies. Tens of millions of villages die of starvation, disease or torture.

July 1960

Soviet advisers are withdrawn from China by Khrushchev. Zhou Enlai and Li Fuchun move the trade structure away from the Soviet Union towards the West.

October 1960

A report on mass starvation in Xinyang, Henan, is handed over to Mao by Li Fuchun.

November 1960

An emergency directive is issued allowing villagers to keep private plots, engage in sideline occupations, rest for eight hours a day and restore local markets, among other measures designed to weaken the power of the communes over villagers.

Winter 1960-1961

Investigation teams spread over the countryside, bringing to light the full dimensions of the catastrophe. Large quantities of food are imported from the West.

Spring 1961

Inspection tours by leading party members result in a further retreat from the "Great Leap Forward". Liu Shaoqi places the blame for the famine on the shoulders of the party but absolves Mao of all responsibility.

Summer 1961:

The consequences of the Great Leap Forward are discussed at a series of party meetings.

January 1962:

At an enlarged party gathering of thousand of cadres in Beijing, Liu Shaoqi describes the famine as a man-made disaster. Support for Mao wanes. The famine abates, but continues to claim lives in parts of the countryside until the end of 1962.

1966:

Mao launches the Cultural Revolution

The bottom line of this whole debacle is that we will never know the exact numbers of people who died, but approximately 30 million deaths were calculated out of a

population, at that time, of 650 million people in China. The suffering has been indescribable. Although to quote Mao again “Revolution is not a dinner party”.

1. Back in 1990, the U.S. Government seized the Mustang Ranch brothel in Nevada for tax evasion and, as required by law, tried to run it. They failed and it closed. Now we are trusting the economy of our country to the same idiots who couldn't make money running a whore house and selling booze?
2. You cannot help the poor, by destroying the rich.
You cannot strengthen the weak, by weakening the strong.
You cannot bring about prosperity, by discouraging thrift.
You cannot lift the wage earner up, by pulling the wage payer down.
You cannot further the brotherhood of man, by inciting class hatred.
You cannot build character and courage, by taking away men's initiative and independence.
You cannot help men permanently, by doing for them what they could and should do for themselves.

Do you recognize the author? It was Abraham Lincoln.

Very, very wise words, written years ago and we still don't get it.....

3. The budget should be balanced, the Treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands should be curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance.
- Marcus Tullius Cicero, 55 BC

Those who forget the past are bound to repeat it.

COMMENTS:

“The road to hell is paved by good intentions”. Why are unintended consequences so common? Some thoughts:

All grand (great) ideas are NOT grand. They often are:

- Impractical or totally utopian.
- Ideologically formulated without regard to the real world.
- Prohibitively expensive
- Occasionally very destructive e.g. in China –not based on reality and human behavior
- Do not conform to true proven rules of economics, biology and other sciences
- They often are enacted by a brainless and irresponsible bureaucracy □ □
- Often myriad of regulations, government agencies, oversight failures, cost overruns, poor accountability and even corruption occur
- The ideas often are carried out but cost accounting is done haphazardly and the projects are often off schedule.
- There are sins of commission and sins of omission
- Many are “feel good” ideas and projects
- Statism
- There is an uncritical belief in Authority
- Other peoples money is used without regard
- Etc. etc.

Notice how also these ideas have powerful but misleading names.

- Cash for Clunkers
- No child left behind

- The Great Leap Forward
- New Deal
- Fair Deal
- The Great Society
- The War on Drugs
- The War on Poverty
- The War on Cancer
- Oil for Food Program
- Just say No
- Sputnik Moment or (Space Junk)

Actually I argue that many of these disasters have foreseeable consequences. I will bring up the concept of the Devil's Advocate.

Devil's Advocate

During the canonization process of the Roman Catholic Church, the Promoter of the Faith (Latin: *promoter fidei*), popularly known as the Devil's Advocate (Latin: *advocatus diaboli*) was a canon lawyer appointed by Church authorities to argue against the canonization of the candidate. (1) It was their job to take a skeptical view of the candidate's character, to look for holes in the evidence, to argue that any miracles attributed to the candidate were fraudulent, etc. The Devil's Advocate opposed God's advocate (Latin: *advocatus Dei*; also known as the Promoter of the Cause), whose task is to make the argument in favor of canonization. This task is now performed by the Promoter of Justice (*promoter iustitiae*), who is in charge of examining how accurate is the inquiry on the saintliness of the candidate.

The office was established in 1587 during the reign of Pope Sixtus V and abolished by Pope John Paul II in 1983. (2) This reform changed the canonization process considerably, helping John Paul II to usher in an unprecedented number of elevations; nearly 500 individuals were canonized and over 1,300 were beatified during his tenure as Pope as compared to only 98 canonizations by all his 20th century predecessors, which has led many to question the validity of the process and whether all of those canonized today are deserving of the recognition. (*citation needed*).

Such a dramatic increase suggests that the office of the Devil's Advocate had served to reduce the number of canonizations. It is argued that it served a useful role in ensuring the canonizations did not proceed without due care and hence the status of sainthood was not easily achieved. In cases of controversy the Vatican may still seek to informally solicit the testimony of critics of a candidate for canonization. The British born American columnist Christopher Hitchens was famously asked to testify against the beatification of Mother Teresa in 2002, a role he would later humorously describe as being akin to "representing the "Evil One, as it were, pro bono.

"My friends, we live in the greatest nation in the history of the world. I hope you'll join with me, as we change it."
- Barack Obama

"Life's tough, pilgrim, and it's even tougher if you're stupid". - John Wayne

What am I suggesting? I have rather the naïve idea that if anybody - organizations, government, etc. were making decisions, implementing new ideas, etc. have a "Devil's Advocate" or a "trouble shooter" or an "unintended consequences forestaller" or some such other independent body on hand to try to avoid the development of unintended consequences as much as possible the world will be a better, safer and more realistically run place. However, the more authoritarian, ideological, or dictatorial the entities, the less this is implementable.

All I can do is hope for some human wisdom to surface on this issue.