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John R. Visser: The Crossroads of Poverty and Prosperity Study Guide, 2013

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JOHN R. VISSER: THE CROSSROADS OF POVERTY AND PROSPERITY STUDY GUIDE, 2013 Steven Alan Samson

FOREWORD

Outline

- A. GENESIS (i-ii)
 - 1. Moscow, 1991
 - 2. Nanjing, 1999
 - 3. Global Financial and Economic Crises, 2008
- B. PURPOSE (ii-iv)
 - 1. Questions about **Civil Society**
 - a. Is it both necessary and sufficient?
 - b. Measurements of success
 - 1) Tap roots in people's religious beliefs
 - 2. Limitations of Markets and Democracy
 - a. **Central planning** is discredited
 - b. Humane capitalism
 - 3. Role of culture
 - a. How value is created in an economy
 - b. Need to nurture civil society
- C. AUDIENCE (iv-vi)
 - 1. Healthy Economics Rest on Moral Commitments
 - a. Excesses
 - b. Knee-jerk laws and regulations
 - 2. Developing Countries
 - a. Lack of voice of some
 - b. Political involvement of others
 - 3. Business People
 - 4. Integrative Thinkers
 - 5. Puzzle Piece Assembly
- D. APOLOGY (vi)
 - 1. Obstacles to Getting a Hearing
 - 2. Impact of the rural Scot, **Adam Smith**
- E. CAVEAT (vi-vii)
 - 1. Respect and a Willingness to Disagree

Review

civil society

central planning

Adam Smith

CHAPTER 1: STORIES

Outline

- A. EARLIER EFFORTS ONLY SLOWLY BORE FRUIT (1-2)
 - 1. Intervention of Global Opinion Leaders

- a. Superficiality
- 2. Those Who Labor in the Trenches
- B. SOME STORIES (2-5)
 - 1. Sergei's Father and Uncle
 - 2. Yuri
 - 3. **AIDS** in Botswana
 - 4. Starving Child in Eritrea
 - 5. Depredations of "Big Men" [cf. George B. N. Ayittey, *Defeating Dictators*]
 - a. **Joseph Kony** and the Lord's Resistance Army
 - b. **Jangaweed** in the Darfur region of Sudan
 - 6. Rwanda and Eastern Congo
 - a. Hutus and Tutsis
 - b. Joseph Mobutu and the Kabila regime
 - 7. Liberia
 - a. Samuel Doe
 - b. Charles Taylor
 - c. Sierra Leone's "Procrustean bed" with the choice between long or short sleeves
 - 8. Other Atrocities
 - 9. Abdolmalek Riga and the Jundullah
 - 10. Moral and Ethical Issues
 - a. Ordinary virtues
- C. DIGGING A LITTLE DEEPER (5-7)
 - 1. Some Religious Beliefs Encourage While Others Discourage Immoral and Unethical Behavior
 - 2. **Narayana Murthy** of *Infosys*
 - a. The challenge he faced
 - b. Seeking respect
 - 3. **Bharat Jayaraman**
 - a. **Dalits**
 - 4. **Dora Akunyili**
 - 5. Aloysius Kongoli
 - 6. Chinese CEO
 - 7. Purpose: Balance the Negative with the Positive Effects of Belief Systems

Review

AIDS
Narayana Murthy
Dora Akunyili

Joseph Kony
Bharat Jayaraman

Jangaweed
Dalits

CHAPTER 2: THE GLOBAL ECONOMIC MELTDOWN

Outline

- A. CAUSES OF ASSET VALUE DECLINES (8-9)
 - 1. Financial Market Meltdown and Economic Contraction
 - a. Lightning spread of **fear and contagion**
 - b. Inadequacy of heavy **monetary and fiscal policy** stimulus artillery
 - b. **Lessons** that should be drawn
 - 1) Necessity of healthy money and financial markers
 - 2) Dependence on truthfulness, trustworthiness, and other critical values
 - 2. Conventional Wisdom: Excessive Use of Debt
 - a. **Debt** is a **means of building productive capital** [cf. J. Willard Hurst: release of energy]

- 1) Poorest countries lack this flow of funds
 - 2) Consequences of the lack of widespread honesty
 3. Plethora of Questionable Values
- B. ROLE OF THE U.S. FEDERAL GOVERNMENT (9-10)
1. **"Easy Money"** Used to Ward off Recession
 - a. Interest rates kept at historic lows
 - b. Housing bubble
 - c. Stagnation of savings
 2. Fundamental Assumption that the Government's Job Is to **Manipulate Interest Rates**
 - a. Questions of justice
 - 1) **Redistribution of funds** from savers to borrowers
 - b. **Fannie Mae (FNMA)** and **Freddie Mac (FHLMC)**
 - 1) Purchase of risky **subprime mortgages**
 3. **Mortgage Purchases** Made with Massive Amounts of Debt [The mortgage crisis developed as a result of a government push in the 1990s to make homeownership more widely available]
 - a. Risks to investors
 - b. Sleight of hand on the **defaults on mortgage-backed securities** [pools of hundreds of mortgages that have been packaged together and sold to investors]
 - c. **Strategic default** by home-buyers
 - d. **Non-recourse laws**
 4. Investment Banks
 - a. **Mark-to-market accounting** [as opposed to historical cost accounting and also known as fair value accounting in futures trading, in which the value of an asset fluctuates, especially when markets become volatile]
 - b. Government-imposed capital requirements [banks were required to
 - c. Forced sale of mortgage-backed securities
 - 1) Toxic assets [declining value]
 - d. Vicious cycle increased **risk aversion**
- C. SERIOUS MORAL AND ETHICAL CRACKS AT THE INDIVIDUAL AND BUSINESS LEVELS (10-11)
1. Buying Unaffordable Houses with Unsustainable Debt
 - a. **Overextended borrowing** against appreciating assets
 2. Investors
 - a. Risky mortgage-based securities
 - b. Lending of life savings
 3. Greed in Banking and Investment Industries
 - a. Asset design: **Risk shifted to customers**
 - b. Ponzi schemes
 - c. Unconscionable **bonuses** [encouraging a culture of financial risk-taking] that depleted resources
 - d. **Risk shifted to taxpayers** [That is also the nature of limited liability laws]
 - e. Lucrative fee-based income
 - f. Credit default insurance
 - g. Role of **ratings agencies** [which have more recently been criticized for downgrading the credit-worthiness of entire countries]
 - h. Blind eye turned to the big picture
- D. FUNDAMENTAL VALUE AND ASSUMPTIONS ABOUT LIFE (11-14)
1. Breakdown of Checks and Balances
 - a. **Bandwagon effect**
 - b. Chasing fantasies
 2. Institutional and Societal Effects
 3. Government's Role
 - a. Risk of entire financial system
 - b. Fraudulent **limited liability structure**
 - c. Caps on recovering debts

4. Actions Taken During the Crisis, 2008
5. Massive **Redistribution from Savers to Borrowers**
6. Focus of the Book: What People Believe

Review

fear and contagion	monetary and fiscal policy	debt
building productive capital	lessons from the meltdown	easy money
manipulation of interest rates	redistribution of funds	Fannie Mae, Freddie Mac
subprime mortgages	mortgage purchases	default on mortgage-backed securities
strategic default by home-buyers	non-recourse laws	mark-to-market accounting
risk aversion	overextended borrowing	risk shifted to customers
bonuses	risk shifted to taxpayers	ratings agencies
bandwagon effect	limited liability structure	redistribution from savers to borrowers

CHAPTER 3: LESSONS FROM FLYOVER COUNTRY (AND SOME QUESTIONS THAT NEED ASKING)

Outline

- A. INTRODUCTION (15-16)
 1. Northwest Iowa
 - a. Illustration of the religious roots of economic development
 2. Sioux County
 - a. **Dutch and German settlers**
 - b. Economically healthy beehive
- B. ECONOMIC LEADERSHIP (16)
 1. A Reflective Place
 - a. Economic base is both diverse and resilient
 - 1) Manufacturing
 - 2) Agriculture
 - 3) Education and community spirit
- C. THE IMPORTANCE OF LOOKING CAREFULLY (16-18)
 1. One of the Most Traditionally Religious Counties
 - a. Highest percentage of church members
 - b. Safety
 - c. Health
 2. Nuances of Religious Beliefs and Their Impact on Economic Outcomes
 - a. Discernment requires spending time and talking with people
 - b. Working in community
 - c. Local businesses support public and Christian schools
 3. Sioux Center motto: Progress Through Cooperation
- D. TOCQUEVILLE WOULD HAVE LIKED THIS PLACE (18)
 1. Civil Society
 - a. Religious commitments of the people have spawned volunteer organizations
- E. HIDDEN EFFICIENCIES FOUND (19-20)
 1. **John Wesley**
 - a. Wealth accumulation
 - b. Better bank and insurance rates
 - c. Reasonable housing prices
 2. Study by **Janel Curry-Roper**, rural geographer ["Contemporary Christian Eschatologies and Their Relation to Environmental Stewardship" was published in *The Professional Geographer*, 42 (May 1990): 157-69. The abstract reads: "Contemporary Protestant

Christians hold differing views of the future that affect their attitudes toward the environment. Dispensationalism tends to use ecological deterioration as a gauge to predict Christ's return and the end of the present age. Postmillennialism teaches that the natural and human world will improve up to Christ's return and puts responsibility on Christians for that improvement. Amillennialism and Historic Premillennialism teach that the possibility of ecological and social improvement is limited in the present age though Christians are to attempt to heal the earth's wounds to show evidence of a future renewed earth."] Sioux County is heavily Calvinist and probably postmillennial.

- a. Individualism/utilitarianism scale
- b. Work as a vocation or sacred calling
 - 1) Steady accumulation of social capital
- 3. Longevity
- 4. Correlations Found in Similar Studies
 - a. **Amish**
 - b. Rice on Swedish Lutherans
 - c. McQuillan on German Mennonites
 - d. Pederson on Norwegian Lutherans
 - e. Dilly on religious/economic patterns
- F. CONCLUSION (20-21)
 - 1. Incompleteness of a Secular Approach
 - 2. Economically Distinct Enclaves
 - a. **Competing belief systems**
- G. QUESTIONS TO SET THE STAGE (21-24)
 - 1. How What People Believe Affects Development
 - a. Beliefs about the world
 - b. Beliefs about people
 - c. Values
 - d. Change
 - e. Education
 - f. Authority
 - g. Wealth and poverty
 - h. Relationships and social programs
 - i. Efficiency and stewardship
 - j. Products and services
 - 2. How Religions or Worldviews Differ with Respect to Their Perspectives
 - a. Structures and processes
 - b. Justices
 - c. Business practices
 - d. Economic habits
 - e. Political structures and activity

Review

Dutch and German settlers
Amish

John Wesley
competing belief systems

Janel Curry-Roper

CHAPTER 4: WEALTH CREATION AND ECONOMIC DEVELOPMENT

Outline

- A. MEANING OF WEALTH (25-26)
 - 1. Material Wealth

- a. **Deng Xiao Ping**: “To get rich is glorious”
 - b. Preoccupation with money
 - c. Stock ownership
 - 2. New Stock Markets
 - 3. Those Who Are Left Out or Behind
 - 4. Measurement of Wealth
 - a. WIDER
 - 1) Wealth is less equitably distributed than income
 - 2) Difficulties of conceptualizing and measuring wealth
- B. NATURE OF WEALTH (27)
- 1. Correlation of Economic Development and Accumulation of Wealth
 - a. **Net worth**
 - b. Difficulties of valuing assets
 - c. Work that is not monetarily compensated
- C. WEALTH AND INCOME DEFINED, AND THE IMPORTANCE OF DISTINGUISHING BETWEEN THEM (27-29)
- 1. Discrepancy between Real Assets and Net Income of the Poor
 - a. **Negative income**
 - 1) Selling off assets or taking on debt
 - 2. Measurable Assets: What Is Seen [cf. Bastiat’s “What Is Seen and What Is Unseen”]
 - a. What is unseen
 - 3. Income Contributes to the Creation of Wealth but Also Requires Wealth in the Form of Assets
 - a. Shifting expenditures from immediate needs to appreciating [growing] assets
 - 4. Need to Accumulate Some **Surplus**
 - 5. **Five Ways to Increasing a Person’s Wealth**
 - a. Retained earnings and surpluses
 - 6. Other Forms of Wealth
- D. THE IMPORTANCE OF STARTING AT THE BEGINNING (29-30)
- 1. Review of Misconceptions about Wealth Creation
 - a. Adam Smith and other enlightenment figures
 - 2. Need to Evaluate Ideas
 - 3. Goal: Uncovering the Truth about the Wealth Creation Process
 - 4. Purpose: To Know What to Do (and Believe) and Why
 - 5. First Step: to Probe the Mystery of Wealth

Review

Deng Xiao Ping	net worth	negative income
surplus	five ways to increasing a person’s wealth	

CHAPTER 5: EXPLAINING THE MYSTERY OF WEALTH: ADAM SMITH’S CONTRIBUTION

Outline

- A. SEVEN SOURCES OF WEALTH (31-32)
 - 1. Conventional Components
 - 2. Moral Components
 - 3. **Adam Smith on Self-Interest**
 - a. Smith did not use the term *laissez faire*
 - b. Virtues associated with widespread commercial activity
 - 4. Self-interest as a Motivator
 - a. Products and services

- b. Benefits that accrue to social cooperation
 - 1) Promotion of moral behavior
 - 5. Components of Wealth Creation
- B. OUR COMMON ENDOWMENT (32-33)
 - 1. Effects of Political Structures on the Waste and Underutilization of Resources
 - 2. **Jared Diamond**
 - a. **Temperate climates**
 - b. Relative suitability of native plants [The great Columbian biological exchange began the globalization of various foods in the 16C]
 - c. Early domestication of animals in the Middle East favored this area and Europe
 - 3. A Good Chunk of Our Wealth Is a Gift
- C. SAVINGS HANDED DOWN FROM PREVIOUS GENERATIONS (33-34)
 - 1. Another Gift
 - 2. Role of **Savings** in Wealth Creation
 - 3. Thankfulness and Accountability
- D. NEW WEALTH FROM LIMITATIONS TO CONSUMPTION (34)
 - 1. Importance of Self-Control and Self-Denial
 - a. What **real wages** require: Investment in capital equipment
 - b. What increases in **capital** require: Increased savings or parsimony
 - 2. **Frugality** of Savers and Lenders
 - a. Resultant inequality and increased wealth creation
 - b. Diseconomies that result in lack of productivity
- E. INVESTING WEALTH PRODUCTIVITY (34-35)
 - 1. Critical Importance of Specialization and Division of Labor
 - a. **Pin making**
 - b. Freedom to expand businesses make **economies of scale** possible
 - 2. Historical Obstacles to Productivity
 - a. **Primogeniture** [property passed to a single heir, usually the eldest son] and **entails** [perpetuation of this practice]
 - b. "Cooperative" farms vs. "private" garden plots
 - 3. Other Forms of Unproductivity
 - a. War
 - b. Squandered inheritances
 - c. Bankruptcy
 - d. Political "black holes"
 - 4. Neglect of Stock Markets
- F. MINIMIZING **DEPLETION AND DEPRECIATION** (35-36)
 - 1. Capital Investment and Its Efficient Use
 - a. Reducing costs to maintaining it
 - 1) Smith viewed capital as stored labor
 - 2. Crusade to Provide More for Less
 - a. **Myth of planned obsolescence**
 - 3. Germs Deplete Human Capital
 - a. Special immunities of Europeans [cf. Lanes]
 - b. Diamond on the Impact of Colonization
- G. CREATING AN ATMOSPHERE WHERE MARKET VALUE OF ASSETS WILL RISE (36-38)
 - 1. **Moral Conduct** and Institution Making
 - a. Self-interest can be made to serve the public good
 - b. Markets require good moral capital
 - 2. Officials Need to Foster Incentives for People to Act in the Common Interest
 - a. Desire for limited government
 - 1) **Principle of subsidiarity** (institutional pluralism)
 - 2) Denunciation of special interests
 - b. Markets may help promote the public good by balancing competing interests
 - c. Role of governments: promote justice and encourage moral decency

3. **Early Development Studies** Focused Inordinately on Government's Role in Alleviating Poverty [P. T. Bauer was an early critic of this orthodoxy]
 - a. Poverty seen as a cause of underdevelopment
 4. Later Study of Non-monetary Resource-related Issues
 - a. **Brain drain**
 - b. Other demographic factors, including population growth [most of the developed world and many other countries are experiencing demographic decline]
 - c. **Human Development Index**
 5. Importance of Markets and Democracy to Development
 - a. Lack of property rights as an obstacle
 - b. External debt problems
 - 1) Capital mobility and exchange rate policies
 - c. Government mismanagement and corruption
 6. Importance of Ethics
 - a. Research by **Hernando de Soto** [*The Other Path* and *The Mystery of Capital*] and Amartya Sen
 - b. World Bank studies
 - c. Critical roles of freedom and empowerment
- H. THE BELIEFS OF PEOPLE (38-39)
1. Divine Benevolence and Human Character Problems
 - a. Channeling
 - b. Smith's **Theory of Moral Sentiments**
 - 1) Love of mankind
 - 2) Opposed excessive attention to commerce
 - 3) Existence of society depends on the cultivation of virtues
 2. Consequences of the Neglect to Discuss the Impact of Worldviews
 - a. Focus on empirical studies
 - b. Unwillingness to recognize the **role of worldviews**

Review

Adam Smith	self-interest	Jared Diamond
Temperate climates	savings	real wages
capital	frugality	pin making
economies of scale	primogeniture	entails
depletion	depreciation	myth of planned obsolescence
moral conduct	early development studies	brain drain
Human Development Index	Hernando de Soto	<i>Theory of Moral Sentiments</i>
role of worldviews		

CHAPTER 6: THE IMPORTANCE OF INTANGIBLE WEALTH TO DEVELOPMENT

Outline

- A. COMPANY WEALTH CREATION (40-41)
 1. Share of Stock
 - a. Liquidation value
 - b. **Dividends**
 2. Entitlement to a Share in the Profits
 3. Variables
- B. STOCK MARKET PRIMER: BASICS OF STOCK VALUATION (41-43)

1. Promise of Future Money
2. Prospects of a Future Payoff
3. **Determinants of a Stock's Price**
 - a. Quality of decisions and operations
 - b. Conditions in the financial markets
 - c. **Low interest rates**
4. Risk
5. Summary
6. What Lowers the Value of Companies
- C. FAITH AND WEALTH: ASSET PRICES A HARBINGERS OF THINGS TO COME (43-45)
 1. Business Requires Gathering and Coordinating a Wide Variety of Assets
 2. Faith
 - a. Belief in the American economic judgment
 3. Object of this Faith Proved Unworthy
 - a. Heightened uncertainty, pessimism, and recession
 - b. Beliefs about the future
 4. Mark McGwire's \$3 Million Baseball
- D. THE IMPORTANCE OF EMBRACING UNCERTAINTY: THE ROLE OF FINANCIAL MARKETS (45)
 1. Ability to Embrace Uncertainty
 - a. Why less or more risk may be chosen
 - b. Development of efficient financial markets
- E. THE IMPORTANCE OF DEBT (45-46)
 1. The Logic of Borrowing to Start a Business
 2. Borrowing and Lending Affect the Wealth Creation Process Only Indirectly

Review

dividends

determinants of a stock's price low interest rates

CHAPTER 16: PUTTING IT ALL TOGETHER: AN INTEGRAL PICTURE OF THE WEALTH CREATION AND ECONOMIC DEVELOPMENT PROCESSES

Outline

- A. INTRODUCTION (149-150)
 1. Productive Process
 - a. **Seven forms of wealth/capital**
 2. Capital
- B. A BROADENED UNDERSTANDING OF THE TERM CAPITAL (151-157)
 1. Physical Capital: Assets Like Land, Infrastructure, Buildings, Machinery
 2. Economic Capital: The Financial Capital Needed for Companies to Operate
 - a. **Inflationary monetary policies** destroy wealth
 3. Intellectual/Emotional/Aesthetic Capital: Literacy Rates, Educational Levels, Quality of Education, and the Distribute of Needed Skills, Intelligence and Creativity
 - a. "Labor"
 - b. Thinkers vs. doers
 - c. Investment
 - 1) **Return on investment**
 - 2) Educational achievement as a proxy
 - d. **Emotional intelligence**
 - e. Family

- 1) Television, video games
 - 2) Stanley Greenspan: six experiences provided by healthy families
 - f. Factors that affect spiritual/moral capital
 - 4. Spiritual/Moral Capital
 - a. Religious beliefs
 - b. Influence on civil society
 - 5. Environmental Capital
 - a. **Renewable vs. nonrenewable**
 - b. Sparrows in China (Four Pests Campaign during the Great Leap Forward)
 - c. Kerosene and gasoline
 - 6. **Political Capital**
 - a. Rule of law
 - b. Effective regulatory agencies
 - c. Effective conflict resolution procedures
 - d. Widespread political participation
 - e. Willingness to deliver public goods
 - f. Widespread corruption and arbitrary actions can undermine the other forms of capital
 - g. Government capital is especially important due to the authority it carries
 - 7. **Social Capital**
 - a. An appreciation for diversity is required [basis of a division of labor]
 - b. Open access
- C. THE IMPORTANCE OF CAPITAL (157)
- 1. Income (GDP)
 - 2. Investment Building Up the Seven Forms of Capital
 - 3. Accumulated Capital as a Cushion against Economic Insecurity
 - 4. It Is a Better Measure of Economic Health
- D. THE IMPORTANCE OF INTANGIBLES [cf. Bastiat's What Is Unseen] (158)
- 1. Amartya Sen and the World Bank
 - 2. Future Global Development Will Depend on the Movement of Intangible Forms of Capital
- E. BUILDING AND RETAINING HEALTHY AMOUNTS OF CAPITAL (158-159)
- 1. Impact of Endowment, Accumulation, Technology, and Depreciation or Depletion
 - a. Selective attention given these factors

Review

forms of wealth/capital	inflationary monetary policies	return of investment
emotional intelligence	renewable vs. nonrenewal resources	
political capital	social capital	

CHAPTER 17: THE DEVELOPMENT WHEEL CONTINUED: STRUCTURE AND CORE

Outline

- A. CAPITAL IMPAIRMENT (160-161)
 - 1. This Model as an Analytical Tool
 - a. Shortages in various forms of capital
 - 1) Excessive emphasis on material and financial capital has eroded other forms
 - 2. **Russia**
 - a. Shortages of financial capital due to **centrally planned economy**
 - 3. Sub-Saharan Africa

- 4. Middle East
- B. THE INTERRELATIONSHIP BETWEEN THE FORMS OF CAPITAL (161-162)
 - 1. Interdependence of All Segments of the Wheel
 - a. How a machine increases in value
 - 2. Each Segment Is an Input and an Output of Productivity
 - a. Synagogues and churches
 - b. Educational institutions
 - 3. Need for Careful Attention to this Interdependence
 - 4. Fruits of Appropriate Attention
 - a. Synergies
- C. THE IMPORTANCE OF BALANCE (163-164)
 - 1. Subjective Well-Being
 - 2. **David Myers'** Research on Happiness
 - a. Intangible factors
 - 3. Satisfaction Levels Correlates with Knowing What Should Be Done
- D. APPLICATION TO DEVELOPING COUNTRIES (164-165)
 - 1. Brain Drain
 - 2. Holistic Development
 - 3. **Microfinance**
 - 4. Appropriate Aid and Technologies
 - a. Need to reexamine **conventional wisdom** concerning development aid [often inappropriate], population control [often contributing to "gender-cide"], wage minimums [exacerbating youth unemployment], or economic stimulus programs [often creating politically self-serving taxpayer-financed boondoggles]
- E. THE CORE (165-167)
 - 1. Worldview
 - a. Three reasons for tis centrality
 - 2. Best Companies Intentionally Choose Healthy Values
 - a. Countries must do the same
 - 1) AIDS
 - 2) Two **significant moral lapses**
 - a) The consequence is that money is diverted to fighting preventable diseases
 - 3. Care and Maintenance of Capital
 - 4. **Blind Spots** in Worldviews
 - a. **Materialistic**
 - 1) Status symbols
 - b. **Individualistic**
 - c. **Darwinian/Malthusian**
 - 1) Assumption that the world is **zero-sum** [in a zero-sum game in game theory, what one side wins, the other side loses]

Review

Russia	centrally planned economy	David Myers
microfinance	conventional wisdom	significant moral lapses
blind spots	materialistic worldview	individualistic worldview
Darwinian/Malthusian worldview		

CHAPTER 18: THE DEVELOPMENT WHEEL CONTINUED- ESSENTIAL CATALYSTS

Outline

- A. THE KEY ROLE OF ENTREPRENEUR (168-169)
1. Two **Key Elements**: Civil Society and Entrepreneurship
 - a. Bottom up efforts to build up capital
 - b. Social and economic entrepreneurs
 - 1) **Capital gatherers**
 2. Effects of Worldview on Entrepreneurial Activity
 - a. Entrepreneurial activity may be stymied by **misguided government regulations**
 - 1) Some languages lack the vocabulary to distinguish business people from speculators
 3. Exaggeration of Negative Characterizations by Political, Academic, and Other Elites
 - a. Restriction of business startups, etc.
 - 1) A byproduct of **anti-business sentiment** is the demise of civil society
NOTE: As J. Budziszewski puts the dilemma: "Curb materialism, and the merchants grow indolent" (*Revenge of Conscience*, p. 70).
 - 2) Not-for-profits are similarly affected
 4. Results of a **Paucity of Entrepreneurs**
 - a. Production of low-value-added subsistence items and cultural artifacts
 - b. Dependence on top-down government initiative
- B. THE IMPORTANCE OF CIVIL SOCIETY (170-172)
1. Changing Use of the Concept
 - a. Ancient Greek concept
 - b. Modern emphasis on voluntary communal problem-solving
 - c. **Universal Declaration of Human Rights**
 2. Mediating Institutions
 3. Definition
 - a. **Robert Bothwell**: summary of approaches to **measuring civil society**
 - 1) Observing behaviors
 - 2) Inspecting societal foundations
 - 3) Examining broad outcomes
 - 4) Examining institutions
 - b. Interdependence of civil society and capital
 - 1) Transparency and participation in companies
 - 2) Corporate social responsibility
 4. **Civic Index**
 - a. Ten objectives
 5. Reminder that Most Forms of Capital and Wealth Creation Have a **Communal Dimension**
- C. THE IMPORTANCE OF FREEDOM AND COMMUNICATION (172-174)
1. Freedom
 - a. Relation to acceleration of development
 - b. **Significance of globalization**
 - 1) Early forms converted output of land and labor into relatively mobile products
 - 2) Trade becomes a way to gain access to needed forms of physical and environmental capital
 - 3) Effects of mobility and financial liberalization
 - 4) Personal interaction and cultural exposure
 2. **Consequences of Imbalances** Show the Importance of Freedom and Communication
 - a. Seeking greener pastures
 - b. Loss of potential financial investment due to a failure to reform
 - 1) Potential financial and physical investment moved from Africa to Asia [Mercantilist policies impede the kind of open access that attracts investment]
 - c. Heart of reform is rooted in worldviews
 3. Ideally, Worldviews Will Be Altered in Favor of Entrepreneurship and Civil Society

- a. As opposed to increases in selfishness, waste, power grabs, and violence
- b. Predominant worldviews will show themselves for what they are
- c. Negative traits have the most potential to restrain development
- d. People must have the opportunity to evaluate the alternatives
- 4. Unexpected Ways Core Beliefs Can Influence Development
 - a. Evangelical sharing: *e.g.*, societies influenced by Protestant Christianity
 - b. Misguided varieties
 - 1) **Propaganda machines** with monopoly status, *e.g.*, one-party states and those with established religions without religious freedom
 - c. Importance of **freedom of religion**
- D. CONCLUSION: TEN ATTITUDES AND UNDERSTANDINGS THAT ARE CRITICAL TO THE DEVELOPMENT PROCESS (174-176)
 - 1. **Ultimate Purpose:** Goods and Services that Enable People to Flourish
 - 2. Properly Defined, Wealth Is a Good Thing
 - 3. Voluntary, Bottom-up, Communal **Construction of Institutions**
 - 4. Primary Economic Development Role of These Institutions: Choose Projects That Promise High Returns on the Investments Made in Them
 - 5. People Are Most Motivated and Productive When They Can Apply the Deepest Desires of Their Hearts
 - 6. The Deepest Desires of People's Hearts Are Rooted in **Foundational Commitments**, to Coalesce into a Worldview
 - 7. Pretending That There Are Clear Lines between Secular and Religious Beliefs Profoundly Changes the Nature of Development, Sometimes for the Worse
 - 8. Allowing People the Freedom to Follow Their Hearts Brings Other Challenges
 - a. The use of incentives for wealth creation will necessarily lead to **unequally distributed wealth**
 - b. Good things like motivation and freedom only lead to service and stewardship if people's hearts are oriented in the right direction
 - c. People's hearts can only be oriented in the right direction if honest and open conversations take place about the most basic questions of life
 - d. **Honest and open conversations** require that people be permitted to bring all of their knowledge and beliefs, including religious beliefs, to the table
 - e. All participants must accept the fact that some of their knowledge and beliefs may not only be unpersuasive to others, but may be irrelevant, wrong or harmful and in need of changing
 - 9. Meaningful Dialog Must Take Place at the (Deepest) Worldview Level
 - a. **Structural justice** [This idea implies the idea of separate self-governing spheres, as expressed by Althusius's concept of symbiosis, Kuyper's sphere sovereignty, and the Roman Catholic subsidiarity]
 - 10. The Dialog That Occurs Must Lead to the Widespread Distribution of **Pro-Development "Worldview Elements"**
 - a. Things are not as they should be and that it is humankind's responsibility to improve them
 - b. Respect for and high expectations of those in authority
 - c. A stewardship ethic
 - d. The ability to see oneself objectively and others sympathetically
 - e. A deep concern for people outside one's family and friendship circles [as opposed to clannishness and other forms of identitarianism]
 - f. Understanding of high integrity conduct
 - g. Understanding of the virtue of humility

Review

key elements
anti-business sentiment
Robert Bothwell

capital gatherers
paucity of entrepreneurs
measuring civil society

misguided government regulations
Universal Declaration of Human Rights
Civic Index

communal dimension
propaganda machines
foundational commitments
structural justice

significance of globalization
freedom of religion
unequally distributed wealth
pro-development worldview elements

consequences of imbalances
construction of institutions
honest and open conversations

CHAPTER 19: PRO-DEVELOPMENT WORLDVIEW ELEMENT #1 – A STRONG SENSE THAT THINGS ARE NOT AS THEY SHOULD BE AND THAT IT IS HUMANKIND’S RESPONSIBILITY TO IMPROVE THEM

Outline

- A. REJECTION OF POVERTY (177-78)
- B. A PASSION FOR THE FREEDOM TO DIAGNOSE PROBLEMS AND FIX THEM (179-80)
- C. SEEING CIVIL SOCIETY AS NORMATIVE (180-88)
 - This is a Christian as opposed to a Darwinian or evolutionary presupposition
 - 1. **Benefits of Widespread Participation**
 - a. **Robert Putnam** [author of *Bowling Alone*] on the habits formed in civil society: networking and trust relationships
 - b. People take ownership of their activities: Commitment to organizations and their goals
 - c. Total Quality Management
 - d. Balanced Scorecard
 - e. Taking responsibility
 - 1) participation promotes personal growth
 - 2. Benefits of **Transparency**
 - a. Lowers the cost of accessing information and ideas
 - 3. Benefits of a Commitment to Peaceable Change
 - 4. Indirect Benefits of Civil Society Organizations on Economic Development
 - 5. Examples of the Impact of Civil Society on Economic Development
 - a. **Grameen Bank** founded by **Muhammad Yunus**
 - b. World Vision’s role in Ethiopia’s Ansokea Valley
 - 6. Increasing Civil Society

Review

benefits of participation
Grameen Bank

Robert Putnam
Muhammad Yunus

transparency

CHAPTER 20: PRO-DEVELOPMENT WORLDVIEW ELEMENT #2 – RESPECT FOR AND HIGH EXPECTATIONS OF AUTHORITY

Outline

- A. THE IMPORTANCE OF AN APPROPRIATE UNDERSTANDING OF AUTHORITY (189-90)
- B. CORRUPTION AND DEVELOPMENT (190-91)
 - 1. **George B. N. Ayittey**: Absence of Leadership Capable of Ushering in Civil Society

- 2. Damage Caused by Corruption
- C. AN EXAMPLE OF THE DESTRUCTIVE NATURE OF CORRUPTION: MUGABE'S ZIMBABWE (191-93)
 - 1. **Robert Mugabe**
- D. WHY CORRUPTION PERSISTS (193-94)
- E. THE IMPORTANCE OF JUSTICE (194-98)

Review

George B. N. Ayittey

Robert Mugabe

CHAPTER 21: PRO-DEVELOPMENT WORLDVIEW ELEMENT #3 – A STEWARDSHIP ETHIC

Outline

- A. A **STEWARDSHIP ETHIC** (199)
 - 1. **Four Primary Elements** [cf. "The Lesson" Henry Hazlitt in *Economics in One Lesson*]
- B. DOING WHAT IS MOST BENEFICIAL (199-203)
 - 1. Prioritization Given to Solving Major Problems
 - a. Behavioral change
 - 2. Need to Factor in Values and Priorities [No Place for Mandeville's *The Fable of the Bees*]
 - 3. Focusing on Needs Rather than Wants Helps Sustainability
 - 4. Growth Spurt of the 1990s
 - 5. Too Much of this Growth Was **Unsustainable**
 - a. Depletion of natural resources
 - b. Transition of Communist economics to markets
 - c. Decreases in defense spending
 - d. Reduction of trade barriers
 - e. Flow of foreign capital
 - f. Increases in time devoted to economic activity
 - 6. Demographic Boost [Baby Boom] to the American Economy Was Diminishing
 - a. Japan's problems in the 1990s
 - b. Retirement of **baby boomers**
 - c. Ebbing flow of immigrants
 - 7. Short-term Stimulation Often Cannot Be Repeated
 - a. Fatigue in the markets
 - 8. Savings
 - a. **High debt levels**
 - b. Bubble burst
 - 9. Need for a Worldview Reorientation
- C. ACCOMPLISHING NEEDED TASKS WITH AS FEW RESOURCES AS POSSIBLE (204-206)
 - 1. Technological Innovation
 - a. Communications
 - b. LED technologies
 - c. MP3 players
 - d. Hybrid vehicles
 - e. Social cooperation
 - 2. Stewardship Ethic
 - a. **Externalities**
 - 3. Costs to Consumers
 - 4. Importance of Beliefs and Values
 - a. Rest

- b. Good work habits
 - 5. How a Country May Be Competitive
- D. MINIMIZING WASTE AND THE DEPRECIATION AND DEPLETION OF EXISTING ASSETS (206-08)
 - 1. Depreciation and Depletion
 - 2. Nonrenewable vs. Renewable Resources
 - a. Wealth vs. income
 - 3. Depletion of Common Property [Garrett Hardin's *Tragedy of the Commons*]
 - a. Aral Sea
 - b. Breakdown in trust
- E. THE IMPORTANCE OF ADDRESSING FUNDAMENTAL PROBLEMS RATHER THAN JUST SYMPTOMS OF PROBLEMS (208-10)
 - 1. Gregg Easterbrook: *The Progress Paradox*
 - a. Money spent on symptoms rather than on solving underlying problems
 - 2. Crime and Terrorism Prevention in the United States
 - a. World Bank: **cost of crime**
 - 3. Poor Management of Physical Capital
 - a. Car crashes
 - b. Topsoil erosion
 - c. Pollution
 - 4. Social Capital
 - 5. Consequences of a Materialistic Worldview

Review

elements of stewardship ethic	unsustainable growth	Baby Boom
high debt levels	externalities	cost of crime

CHAPTER 24: PRO-DEVELOPMENT WORLDVIEW ELEMENT #6 – HIGH INTEGRITY CONDUCT AS NOT ONLY PRAISEWORTHY BUT MANDATORY

Outline

- A. INTRODUCTION (233-34)
 - 1. **Confucius**
 - a. Five key elements
 - 2. Ralph Barton Perry
- B. THE IMPORTANCE OF TRUSTWORTHINESS (235-39)
 - 1. Decline of Trust in the USSR
 - 2. Trust and Organizational Efficiency/Information Flow
 - 3. Trust as an Investment
 - 4. Trust and Governance
- C. HONESTY AND DEVELOPMENT (239-45)
- D. A LOVE FOR WORK (245-47)

CHAPTER 25: PRO-DEVELOPMENT WORLDVIEW ELEMENT #7 – THE IMPORTANCE OF HUMILITY

Outline

- A. HUMILITY'S FIRST COUSINS (248-49)
- B. HUMILITY AND FORGIVENESS (249-50)
- C. HUMILITY AS A PREREQUISITE FOR REALIZING THE POSITIVE CONTRIBUTIONS OF RELIGIOUS BELIEFS TO DEVELOPMENT (250-51)
- D. HUMBLY ENLIGHTENED? (252-53)
- E. HUMILITY AND ORGANIZATIONAL LEADERSHIP (253-54)
- F. HUMILITY, LEADERSHIP, AND THE RISE AND FALL OF NATIONS (254-58)
 - 1. China
 - a. Marco Polo
 - b. Neo-Confucianists
 - 2. American Pride
 - a. School shootings
 - b. Corruption, discrimination, and favoritism
 - 3. Successful **Diaspora Groups**
 - a. Jews, Quakers, Puritans
 - b. Indians
 - c. Overseas Chinese
 - 4. Racial or Ethnic Arrogance
 - 5. Recovery Following Humiliating Defeat
- G. HUMILITY AND THE ABILITY TO SEE BOUNDARIES (258-60)

Review

diaspora groups

CHAPTER 26: CHRISTIANITY AND PRO-DEVELOPMENT WORLDVIEW ELEMENT #1 – THE REJECTION OF HUMAN SUFFERING AND INFRINGEMENTS ON HUMAN RIGHTS

Outline

- A. INTRODUCTION (261-262)
 - 1. People of the Book
 - a. Inspiration
 - b. Jesus
 - 2. Biblical Principles
 - a. Christian influences
 - 1) Intertwined with parallel secular influences
- B. GOALS (262)
 - 1. Limited Focus
- C. APPROACH (262-263)
 - 1. Belief Systems Are Lived Out Imperfectly
 - 2. Foundational Christian Principles
- D. LIMITING THE SCOPE OF THE DISCUSSION (263)
 - 1. Some Worldviews Are Incompatible with Voluntary Bottom-Up Institutions
- E. **CHRISTIAN PERSPECTIVE ON WHAT NEEDS TO BE IMPROVED** (263-267)
 - 1. Rejection of Poverty
 - a. **Core tenet:** World is tainted by sin
 - 1) Corollary: the duty to subdue the earth and make all things new
 - 2) Insatiable march for better ways to do things
 - b. Relating to the poor and disenfranchised (oppressed)
 - 1) Warnings to oppressors

- 2) Tithes and offerings
 - c. Institutional expressions
 - 2. Acceptance of Wealth
 - a. Four recurring themes
 - b. One of many possible benefits of work
 - c. Responsibility and accountability
 - 3. Christians and Income Equality
 - 4. The Roots of Wealth
 - a. **Parable of the Talents**
 - 1) Surpluses
 - b. **Risk-taking** as an ordinary part of life
 - c. Gambling enjoined
 - 5. Development as Normative, Even if It Brings Some Inequality
- F. FREEDOM AS NORMATIVE (267-
 - 1. The Freedom to Constantly Improve Things
 - 2. Exodus from Slavery
 - a. Special feast days and memorials
 - b. Freedom to pursue truth
 - c. How to use freedom

Review

core tenet: Christian perspective Parable of the Talents risk-taking
 exodus from slavery

CHAPTER 34: THE LIMITED ABILITY OF SECULARISM'S COMMITMENTS TO AUTONOMY, FREEDOM, REASON AND SCIENCE TO PROMOTE PRO-DEVELOPMENT WORLDVIEW ELEMENTS

Outline

- A. THE SECULAR COMMITMENT TO AUTONOMY AND FREEDOM (350-52)
- B. SECULAR COMMITMENTS TO MATERIALISM AND FAITH IN SCIENCE (353-58)
 - 1. Materialism
 - 2. Darwinian Competition
 - 3. Science and Reason as the Answer
 - 4. Combined Effects of Autonomy, Materialism, and Faith in Science and Reason
 - a. Reliance on mechanistic solutions to the **AIDS problem**
 - 1) Unwillingness to address risky behaviors
 - 2) Delays caused by reliance primarily on technology
 - 3) Weak-kneed relativism
 - 4) Misguided beliefs and practices allowed to persist
 - b. Narrowness of Secularism's belief in reason and science

Review

AIDS problem

CHAPTER 35: A STORY OF SECULAR INFLUENCES GONE WRONG

Outline

- A. SHAWN JACKSON'S STORY (359-60)
- B. REVELATION (360-63)
- C. SHAWN'S EDUCATION (363-66)
- D. THE IMPACT OF SECULAR IDEAS ABOUT AUTONOMY AND FREEDOM (366-68)
- E. THE IMPACT OF SECULAR IDEAS ABOUT WEALTH AND THE MATERIAL WORLD (368-69)
 - 1. **Property** Is Something Held in Trust for the Benefit of Others
 - 2. Political System with an Overemphasis on Money and Material Things
 - a. Constituent service becomes central rather than the good of all
 - b. **Middle-class entitlements** and earmarks [designated uses]
 - c. Political discussions about the **minimum wage**
 - 1) Consequence: Outsourcing of lesser-skilled jobs
 - 3. Money and Material Things Seen as the Key to Achieving Happiness
- F. FREE AT LAST (369-70)

Review

property

middle-class entitlements

minimum wage