The first task of a good mess manager is to avoid managing policy messes poorly. So far, bad messes and bad mess management have been discussed in the same breath, with examples drawn from the critical infrastructure field. We’re now positioned to distinguish between bad messes and bad mess management and, in the process, underscore the importance of knowing what makes for bad mess management across a variety of policy and management arenas. Managing poorly ranges from creating more muddles than already exist to producing really bad messes. I start by returning to chapter 2’s bad and worst messes and then move to a longer discussion of the principal ways messes are managed poorly. There are many ways to screw things up in policy and politics, but figure 3’s mess and reliability space highlights several pivotal ones revolving around those hubs of macro design, scenario formulation, reactive micro operations, and pattern recognition. In particular, you make a policy mess worse by trying to manage it from one hub only, by confusing one hub for another, and by jumping from hub to hub in all manner of leaps of faith that ignore, undermine, or otherwise avoid reliable mess managers in their middle domain of professional competence.

Going from a Bad to a Worse Mess: No Known Patterns or Scenarios

We saw how the autumn days of 2008 were fresh with panic after the bankruptcy of Lehman Brothers. The federal bankruptcy examiner of that collapse found “each Lehman trading desk had its own method for pricing assets and there was little consistency across desks as to methodology” (Valukas 2010, 501). “Frankly, everything is uncertain right now,” a property developer told a gathering of bankers, business leaders, and decisionmakers in Moscow later. “We don’t know whether to cut any contracts in roubles or dollars, or something else. We don’t know what prices for anything will be, what demand will be, what our
market will look like” (quoted in Tett 2009b). When the failure of practices hitherto grounded in trends and patterns combines with non-existent or otherwise wildly divergent contingency scenarios, nobody—and that includes the bridging mess and reliability professionals in banking and finance—can credibly claim to know what to do next.

It is one thing to be pushed into these unstudied conditions by an earthquake, tsunami, or other disaster. It is quite another matter to rush deliberately into what you don’t know and then wonder why this turbocharges a crisis. Turnover was so high in the financial trading sector before the 2008 meltdown that there were few traders left who had experience with the derivatives-and-leverage collapse of the hedge fund Long-Term Capital Management in 1998. Jeffrey Aronson, the chief executive of a New York–based hedge fund, told the Financial Times, tongue only slightly in cheek:

I think the best thing about working on Wall Street is that people can’t remember what they did yesterday. It’s remarkable. We do not use leverage in our distressed-security strategy. Now that times are better, some people have asked us, why don’t you employ a little leverage? People forget. They said it wasn’t so bad, maybe if we use a little leverage to enhance our returns, that’s an OK thing to do. A little more time passes and maybe let’s use a little more leverage, and before you know it we’ll do it all over again. (quoted in C. Freeland and Demos 2010)

Not to put too fine a point on it, some financiers willfully enter areas for which there are no known system patterns, no known localized scenarios, and no known managers to reconcile both—however messily—into something reliable. This kind of behavior is referred to as “faith in our financial system.”

Nor are investors and bankers alone in making such leaps. The president assures us of weapons of mass destruction that are not there. His second in command says there will be cheering in the streets when we arrive. The secretary of defense tells us the war will cost a fraction of what it costs. His second in command assures us that oil revenues will fund the war. The secretary of state gives the United Nations misleading information, and the head of a major intelligence agency says the invasion will be a slam-dunk. And so on in what ended up as a conga line of ignorance because—and this is the essential point—when you are outside your domain of competence and deliberately in unstudied conditions, you can believe anything you want and ignore anything you don’t want to hear. This has been demonstrated by preceding and succeeding presidents as well.
As for banking and finance, we know people in that sector were operating outside their domain of competence when that “super-senior debt,” whose triple-A debt rating made it “nearly as riskless as Treasury bonds,” brought AIG, the multinational insurance corporation, to its knees because that debt no longer had a market (see, for example, Tett 2008b). We know they were operating outside their domain of competence when British banks had become “so fragile that Northern Rock, which was nationalized after it collapsed, is now perceived to be the safest place for savings because its deposits are guaranteed by the government” (Werdigier 2008). We know they were operating outside their domain of competence because all this talk about safety and risk was so wrong-headed.

The financial mess has been called “the mother of all risk management failures” (Cifuentes 2008, 30). This is like thinking that walls tumble down around us because they are not supported by the best wallpaper. Once you are unable to calculate the probabilities and consequences of failure, all calls for better risk management are beside the point. You can’t manage risks if they can’t be estimated. So when reliability standards atrophied (as in housing appraisals leading up to the mortgage crisis) or were nonexistent (as in some over-the-counter derivatives), risk is incalculable. To be outside your domain of competence is to be undertaking activities that are dangerous precisely because risk assessment and management cannot navigate all that unpredictability. “It seems to me that in the whole of economic thought,” Paul Samuelson argued, “you cannot find an adequate solution to the problem of uncertainty as different from risk” (quoted in Pizano 2009, 117). Yet this confusion between risks that can be calculated and unstudied conditions that can’t be continues. A 2012 JPMorgan scandal (which also involved derivatives) led two business-page commentators to conclude: “The problem may be that JPMorgan, because of its size, has created a new risk: it’s too big to manage” (Eavis and Craig 2012). If a major interconnected firm truly becomes too big to manage, that is not a new risk, but something altogether more fearsome: a potentially unmanageable uncertainty and hazard.

How much was finance and banking operating in unstudied conditions leading up to the 2008 panic? The answer certainly wasn’t hidden from view in media reports. A Citibank study found that one daily change in the dollar-yen exchange rate was nearly eleven times the standard deviation. According to one commentator, Benoît Mandelbrot, “Not if Citibank had been trading dollars and yen every day since the Big Bang 15 billion years ago should it have happened, not once” (quoted in Coggan 2004). More memorably, a sequence of “25 standard
deviation” trading days occurred on the U.S. stock market, each of which should have happened only once in every 100,000 years (Authors 2007). “If stocks really followed a bell curve . . . then a swing of more than 7 per cent in a day for the Dow Jones industrial average should happen once every 300,000 years. In fact there were 48 such days during the 20th century” (Mandelbrot quoted in Authers 2009b). If, as has been argued, the financial meltdown was “a once in the lifetime of the universe” event (Eadie 2010), then what sense does it make even to talk about a distribution of chances?

How dangerous is it to mistake risk models for the reality of unstudied conditions? Presumably the more types of risks in any given market, the more hazardous it is not to be able to measure them. Only four major types of risk were identified with respect to chapter 2’s performance modes for reliable mess management. The reality is that “the list of risks that has been added to investors’ check lists has grown” (van Duyn and Tett 2009). Some banks believe there are at least nine risks to be assessed, only one of which is said to be operational. The nine include risks associated with leverage, concentration of investment, and liquidity (Authers 2009a). The more risks there are to measure, the more difficult it is to measure any one of them, and the more that ignorance is a threat to management. After a point, this is a bit like asking you to commit to another human being who turns out to be a complete mystery.

None of this is to insist that system patterns and local scenarios must be clear in order to manage mess reliably or reliability messily. Policy messes are, to repeat, characterized by all manner of positions that are complex, uncertain, disputed, or incomplete. That said, where no patterns or scenarios exist but where you want reliability in the driver’s seat, we should expect pressure to move from prevailing and conflicting macro and micro orientations to pattern recognition and scenario formulation. A nonfinancial example of a major management mess under such pressures is instructive.

For years, the use of fingerprinting and analysis of bullets, hair, and handwriting has revolved around a macro-micro axis:

Traditional forensic scientists seek to link crime scene evidence to a single person or object “to the exclusion of all others in the world.” . . . They do this by leaning on the assumption of discernible uniqueness. According to this assumption, markings produced by different people or objects are observably different. Thus, when a pair of markings is not observably different, criminalists conclude that the marks were made by the same person or object. (Saks and Koehler 2005, 892)
The primary difficulty in the conventional approach has been its reliability (Begley 2004). A former editor of *Science*, Donald Kennedy, concluded,

The problem . . . is that its reliability is unverified either by statistical models of fingerprint variation or by consistent data error rates. Nor does the problem with forensic methods end there. The use of hair samples in identification and the analysis of bullet markings exemplify the kind of “scientific” evidence whose reliability may be exaggerated when presented to a jury. (2003, 1625)

A study of eighty-six wrongful convictions found that over 60 percent had erroneous forensic-science expert testimony as a contributing factor—the second most common one next to eyewitness errors (Saks and Koehler 2005, 893). Indeed, “error rates [have been] as high as 63 percent for voice ID, 40 percent for handwriting, 64 percent for bite marks, [and] 12 percent for hair” (Begley 2005a; see also Mnookin 2003; Santos 2007). At these magnitudes, dog sniffing is more reliable, with highly trained dogs having reported error rates of 30–40 percent (David 2004, 42). As for eyewitness testimony, a U.S. judge recently summed up the situation this way: “Study after study revealed a troubling lack of reliability in eyewitness identifications. . . . Indeed, it is now widely known that eyewitness misidentification is the leading cause of wrongful convictions across the country” (quoted in Weiser 2011).

That is not the mess forensic scientists want to be in. From our framework perspective, it is not surprising that forensic science is being pushed to greater reliability by moving to the hubs of pattern recognition and localized scenarios through “developing measures of object attributes [for hair, fingerprints, teeth], collecting population data on frequencies of variations in those attributes, testing attribute interdependence, [and] calculating and explaining the probability that different objects share a common set of observable attributes” (Saks and Koehler 2005, 892). More reliable databases from which clearer patterns and practices emerge are a specific focus for plugging the holes in current forensic science (Fountain 2009). As “basic knowledge grows, experts will be able to inform courts about the relative strengths and weakness of their theories and methods, and suggest how that knowledge applies to individual cases” (Saks and Koehler 2005, 895). Whether or not this is a paradigm shift (Begley 2005a), it is very much a major movement to different hubs in forensic science’s mess and reliability space.²
It is too early to say whether a comparable paradigm shift has been taking place in the securitized banking and finance sector, a significant portion of which operated outside established patterns and scenarios during the financial turmoil. What pathways financialization and securitization take in the future and how global imbalances will work out in terms of current account deficits and surpluses remain unanswered questions at the time of this writing. The same holds for the future of fair-value accounting and use of "dark pools" of liquidity for transactions outside conventional price discovery (on the latter, see Grant 2009c). Reporting on dark pool prices, for example, "in both the US and Europe is notoriously unreliable" (Lex Column 2010). That said, better financial practices are emerging, although that development has yet to be widely reported in the media (for an early discussion of possible improved practices resulting from the financial mess, see Ackerman 2008).

It is important to understand that the emergence of better practices is possible, even when initial conditions made for a bad mess or worse. Precisely when conditions are unknown, the response may be to impose tougher legal and regulatory mandates to operate reliably, which in turn encourage those skilled at pattern recognition and scenario formulation to come to the fore—particularly those who already work from better practice. We saw some of this after the Lehman bankruptcy. It became an urgent priority to close out Lehman’s trading positions, many of which were very complicated. Yet the transfer of almost all trading positions held by Lehman to other banks proceeded more smoothly than expected. The former head of the New York Federal Reserve, Gerald Corrigan, reported:

First, in line with [earlier recommendations], the dealer community adopted a common methodology for the execution of close-out against a defaulted counterparty. Because this was accomplished prior to the Lehman failure, the extraordinarily complex and delicate close-out process in the Lehman case is being managed with greater certainty and greater safety than would otherwise have been the case, helping to contain systemic risk. (2008)

The closeout was undertaken primarily by LCH.Clearnet, Europe’s largest clearer, which “in the space of just over a week, managed down the main risks associated with the Lehman default without any disruption to the markets and without having to resort to using the clearer’s main default fund” (Grant and Hughes 2008). Similar success was achieved on the U.S. side by the Depository Trust & Clearing Corporation in closing out market participants’ exposure in that country due
to the Lehman collapse (Grant 2008). The result was that “both managed down billions of dollars worth of outstanding Lehman exposures without needing to dip into their default funds” (Grant 2009b). Although complications with the Lehman bankruptcy persist, with other unknowns surfacing, what is important is that the closeouts took place in a context and format where risks could be managed more reliably, even in the uncertainty that follows a panic.4

To summarize, our framework expects movements away from macro-design solutions for the financial crisis, and from actual micro operations by individual bankers and investors, to the middle domain. We should expect professionals who work under persisting reliability mandates to move toward operating between system patterns now being recognized across a run of micro operations and toward contingency scenarios now being formulated based on design principles contextualized for local conditions. We can and should anticipate more examples of such practices to surface or reemerge in the future—not just because of, but also in spite of, the flurry of official banking and finance legislation.

**Major Types of Bad Mess Management**

Managing policy messes poorly when they could be managed better is a mess in which no professional wants or needs to be in. There are many ways to be bad mess managers, and I encourage readers to use figure 3 in chapter 3 to map out how this happens in their own work. Here I focus on three types of bad mess management that are widespread in my reading, observation, and work as a practicing policy analyst: Decisionmakers argue from only one hub or from a single standpoint at that hub; they are just as apt to confuse one hub for another; and they take shortcuts and bypass the unique knowledge and skills of mess and reliability professionals. Creating and managing policy messes in these interrelated ways take place not only in the financial mess, but also in issues as diverse as global climate change, universal human rights, and threats of global pandemics, as we shall see.

*The Hub, the Standpoint*

The mess in this case is that people treat an issue as if it were centered on and solved in one hub or at a single standpoint. Getting the design right, the numbers right, the right person for the right job, or identifying the right scenario (not to mention asking the right questions) are the seductions of those who want to believe that messes can be cleaned up or avoided altogether. The appeal of starting and stopping with the
micro-level individual or macro-level precept is so commonplace as to be nothing other than the origin and driver of many policy messes. Fixing the mess inside can never be the permanent starting point; fixing the mess outside can never be the permanent end point (Goldie 2012; Peston and Knight 2012).

Sometimes the standpoint is rendered as ineluctable logic. If we just had the political will, we would actually [fill in the blank]! The mess, of course, is that we have too much political will, treating every policy as if it were the priority. Sometimes the standpoint is said to be charismatic, worthy of being followed in its own right. How many times have Americans been told that there are over forty million uninsured people in their country, as if that must be the obvious starting point for “cleaning up” the healthcare mess?

More times than not, it is the preoccupation with the hub, not just standpoints at it, that makes for poorly managed policy messes. At one extreme is the bad mess management that comes with privileging macro design. We already know we can’t expect Theory to guide everything when it comes to managing mess reliably; what makes things worse is when a specific theory is passed off as able to do just that. The economic sciences provide many fine examples of this.

When rolling electrical blackouts take place, we ask our friends, the economists, why. After a blackout, one of them tells us it was because of all that underinvestment in the transmission grid you get when treating the grid as a public good (see, for example, Heal 2003). During a blackout, another assures us that having to shed load reflects the negative externalities associated with prices’ not fully reflecting electricity’s true cost to consumers, who thus overconsume and overload power lines. Before a blackout, a different economist declares that deregulation will guarantee the reliability we want because it reflects the Efficient Market Hypothesis in operation, where nothing can be better than market prices in reflecting what is known about energy supply and demand, including our willingness to pay for transmission (see, for example, Winston 1998). To which still another economist adds: Whether or not there is a blackout at all, rational expectations theory tells us that policy interventions are hopelessly ineffective anyway (see Economist 2006, 68). If we aren’t sufficiently convinced by this point and press our friends about what we should do to prevent blackouts altogether, they tell us not to worry—as long as electricity services are in market equilibrium, with reserve margins optimal, everything is okay. But is that realistic, we ask? Sure it is, they say, that’s what deregulation is all about! But didn’t we fail when we tried to deregulate electricity in California? Quite the contrary, deregulation
wasn’t really tried, they counter. But isn’t that like saying the Cultural Revolution failed because Madame Mao wasn’t really given a chance?

The point here is that very smart and talented economists over a sustained period gave deregulated energy markets—and deregulated financial services—their best shot, and there were still massive unforeseen and undesirable consequences that the participating economists did not predict or forecast. We must never lose sight of the fact that clever people end up in very bad messes when they manage from standpoints huddled around macro design only. Reportedly, the father of the artist Max Ernst once painted a picture of his garden, but he was so upset at having left out his backyard tree for compositional reasons that he cut down the tree to match the picture (Watson 2010, xvii). I too have cut down my share of trees to fit and frame a policy blueprint.

At the other extreme of macro design are those managing badly because they privilege micro operations as their point of departure and return. We saw some of this in our earlier discussion of street-level workers. Perhaps the best example of this privileging is the importance in policy given to naked personal opinion. Public opinion polls and surveys habitually ask us what our views are on topics about which we have never formed a view. The impulse is to dress up off-the-cuff responses as considered opinion, given that human evolution has made us all quick rationalizers (see, for example, Grigsby and Stevens 2000; Johansson et al. 2005, 119). Lipstick and the proverbial pig come to mind here. Media reports from and regarding the last quarter of 2008—which featured the collapse of Lehman Brothers, the bailout of Freddie Mac and Fannie Mae, and the further bailouts of AIG and Citigroup—are smeared with hyperbole about “herd instincts,” “mob mentality,” “mob rule,” “witch hunting,” “lynching,” “show trials,” and the ubiquitous referencing of “scapegoats” and “scapegoating” (all terms from contemporaneous reports in the Financial Times). Whatever was going on in such views of what was happening, it was not analysis about how to manage the financial mess.

None of this is new, and opinions are, to adapt T. S. Eliot’s lines from the Four Quartets, very much “In the general mess of imprecision of feeling, / Undisciplined squads of emotion.” David Hume called this “the irresistible contagion of opinion” (quoted in Gay 1966, 412). It may not be, as Voltaire thought, that opinions govern the world, but the confusion caused by decisionmakers who operate from opinion—or for that matter from a single standpoint or one hub—in order to get the policy right rather than manage major policy for the messes it necessarily entails is assuredly a deep source of bad mess management in the public and private arenas. However, this is not the only confusion.
Confusion over Hubs, with Special Attention to Prediction

Decisionmakers frequently mistake principles, patterns, scenarios, and experience for each other. The permutations are many, but I focus here on a few that make for especially bad mess management.

Anticipations based on pattern recognition are often confused with specific contingency scenarios. Go back to the mid-2000s, when Gary Becker (2005), the Nobel Prize–winning economist, argued that the performance record of nuclear reactors was by and large positive. That may have been true. But his additional argument that this record constituted a rationale for going ahead and building a reactor somewhere specific is an altogether different matter. Anticipation that a trend will continue based on systemwide generalization is not a localized contingency scenario based on contextualizing a set of design principles. The scenario for this locality right now with that technology and these safeguards must first be posed and argued, irrespective of risk assessments grounded in frequency tables across all operating reactors.

Sometimes, the confusion goes the other way, as when local scenario formulation is conflated with systemwide pattern recognition. A number of touted “best practices,” ranging from First World medicine to Third World rural development, confuse a scenario or protocol that works well in one case for the better practices that emerge across a run of cases and that then have to be customized, site by site. As Jerome Groopman puts it for medicine: “What may account for the repeated failure of expert panels to identify and validate ‘best practices’? In large part, the panels made a conceptual error. They did not distinguish between medical practices that can be standardized and not significantly altered by the condition of the individual patient, and those that must be adapted to a particular person” (2010, 13). In this book, I avoid “best practice” (singular) in favor of “better practices” (plural), because neither systemwide patterns nor localized scenarios are stable or decisive enough for a definitive “best” to be realized when it comes to policy messes.

One especially bad form of confusing scenario and pattern has been in post-9/11 risk assessment and management. It’s fair enough that critical infrastructures and businesses should plan and design for the “worst-case scenario” and formulate case-specific emergency protocols when seeking to ensure business continuity in the face of disaster. But that is the contingency-scenario side of the professionals’ domain (figure 3). You cannot ask them to ignore the other side: the pattern
recognition and the anticipations based on observed patterns across many business continuity efforts. To be reliable, professionals also look at the frequency of hazard occurrence and the magnitude of such hazards (Roe and Schulman 2008). Otherwise, they can’t differentiate risks that matter to them for the performance modes over which they manage. It is their ability to probe both scenarios, the worst-case ones and others, and multi-case patterns, patent or subtle, that helps them navigate toward reliability—even if that navigation is a matter of determining that what others take to be the worst-case is not worse enough when it comes to scenarios.

Macro design and pattern recognition are also easily confused. The head of Santander, Spain’s largest bank, proffered some advice for the financial mess: “Never buy a product you do not understand; don’t sell a product you would never buy yourself; and if you don’t know some of your customers extremely well, don’t lend them money” (quoted in Betts 2008). That may well be sensible, but woe to those who take the advice as stable design principles instead of what may have been at that time better-than-prevailing practices emerging out of dynamic systems.

Pattern recognition appears in each of the preceding types of confusion just discussed. This points to an added confusion. Remember, in our framework, pattern recognition is associated with anticipation; we base expectations and preparations on the patterns observed, when it comes to trying to manage mess reliably. The problem is that the cognitive activity of anticipation is often conflated with prediction, while the other hubs also claim a role in prediction. The result is we have different phenomena passing for prediction without people realizing that they’re actually talking about different things—which leads to more mess. How so?

Clearly, macro design can be seen as its own kind of prediction—in this instance, about what will happen if managers follow these principles rather than others. Localized contingency scenarios are also their own sort of prediction, when formulated as worst-case scenarios confronting reliability management. The reactive micro operations of a professional also involve prediction to the extent that the term “reactive” is based on the response that follows the stimulus. All too often these different types of predictions are intermixed, when it might well be better to ask just which type of prediction is at issue. “Even the most intelligent and informed citizen (including lawyers and judges, for that matter) cannot predict with any reasonable assurance whether a wide range of seemingly ordinary activities might be regarded by federal prosecutors as felonies,” argues a civil liberties lawyer (Silver-
gate 2009). In this example, are laws ambiguous, which undermines their predictable application, or do the run of actual prosecutions not permit any firm prediction? Is it only that the federal courts have this problem when it comes to what are or are not felonies, or is it that even the best federal prosecutors react differently when it comes to making felony determinations? The mess with respect to felony assignments may not be that we can’t predict, but that we’re trying to predict all over our management space, as if predicting were one activity only.

To conflate prediction in these ways is an especially acute form of bad mess management and involves far more than the fact that few decisionmakers know what lies ahead beyond the next step. “No one could have predicted the coincidence [of high oil prices, poor harvests, rising food demand, and high biofuel production] that has caused the food price rise,” we were told by the director of Friends of the Earth, an organization that had a few years before urged governments to encourage biofuel production (quoted in Harvey 2008). How, then, can these same organizations confidently predict devastation decades ahead if global climate change is not addressed immediately? More to the point, why would we ever believe, let alone anticipate, that they are the ones to manage us out of global climate change, if they can’t predict most—some, a few, just one—perfect storm ahead? To be blunt, if people cannot manage reliably just on time or just for now (that is, under conditions of high volatility and variable options), why should we expect them to know now how to reduce volatility just this way or just in case, performance requirements they see as necessary for future sustainability? I return to the wider problems that prediction and the future pose for reliable mess managers in this and later chapters, especially chapter 6.

Suffice it to say that, for a species that cannot anticipate how today’s run of events will show up in their dreams tonight, you’d think we would have more humility in using the same brains to jump from this pattern to that anticipation. We would do well to remember that, although some people anticipated the subprime mortgage crisis, most thought the financial mess would start with hedge funds unraveling (see, for example, Kay 2011). Certainly, no one we know predicted the actual sequence of events, in which regulated banks and unregulated investment firms, along with the commercial paper and money markets, would become problems well before hedge funds did.

**Shortcut Leaps of Faith**

Much of the poor management of policy messes comes from decisionmakers’ insistence that reliability is achieved through leaps of faith...
from hub to hub that bypass the unique knowledge bases of mess and reliability professionals. Some of the cognitive shortcuts are extremely significant, because they are undertaken all the time and are sure to induce rather than manage a policy mess.

Jumping directly from macro design to micro operations, or the other way around. Set the principle and everything should follow, or so we are often told. Much of U.S. federal regulation of biotechnology, for instance, has operated under that principle of substantial equivalence. This doctrine asserts that no real difference exists between a biotech product and any new plant or food product. The principle is so broad as to make almost any case of biotechnology indistinguishable from any case of a conventional plant or food product (see, for example, Falkner 2007; Riddle 2007).

When someone asserts that each person has the same human rights as every other person, this move goes from a macro-design principle directly to micro operations of personal experience. Those making this leap of faith are then upset when macro principles—such as those in the United Nations’ International Covenant on Economic, Social, and Cultural Rights—are qualified by all manner of country-specific protocols and reservations. The covenant guarantees our rights to education, marriage, and holidays—except, that is, when it is declared to conflict with a country’s constitution, laws, or religion.

From the perspective of this book, such reservations are not hypocritical. Rather, they must be expected if human rights are to be treated reliably. It has been left up to nation-states to enforce universalized values, and the only way we really know that human rights as macro principles are taken seriously is to see how they are applied through context-specific scenarios, contingent according to each country when not to each case. “Thou shall not kill” is all well and good, but we do not know how seriously that principle is treated until we get to grappling with qualifications such as “except in cases of self-defense.” “Granted that I should love my neighbour,” wrote R. H. Tawney, the British economic historian and critic, but “the questions which, under modern conditions of large-scale organization, remain for solution are, ‘Who precisely is my neighbour?’ and, ‘How exactly am I to make my love for him effective in practice?’” (quoted in Caldwell 2008b). To ask “What is the law?” is in effect to add the tacit suffix, “What is the law . . . in Roe v. Wade specifically?” or “in Hamdan v. Rumsfeld specifically?” and so on (MacCormick 2007, 5).

If rights and values exist only at the macro level, you counter, are we not all at risk as individuals at the micro level? Yes, but not in the way
you may mean. Just because we doubt that human rights actually exist as overarching principles everywhere equally does not stop us from recognizing that we are at risk when systems behave as if those rights did not exist, and there may be better practices to deal with such situations that are modifiable to the context in which we actually find ourselves, here and now.π

What mess is involved in leaping from macro to micro directly, and where is the bad mess management in all this? For some people, utilitarianism means that those of us who live above our needs should support those who are perishing as a result of living below their needs, especially when the latter would survive were we to transfer to them the increment above our needs. For the cost of the restaurant meals that I treat myself to every year, I could keep an African child alive. But this leap directly from macro to micro asks me to erase all the other knowledge and information I have beyond a macro-utilitarian ethics or the micro experience of a human being I do not know. I give to my church or the homeless in my town or my family members because I know these people in ways that I do not know that African child. I am, if you will, translating all the knowledge I possess within the networks I operate, rather than ignoring the bulk of that knowledge, when I give money to others. It should go without saying that I may choose to aid an African child, but that would not be because of some half-smart, macro-design principle applied universally to all children regardless of what else I know. (The English essayist William Hazlitt, on seeing Jeremy Bentham—the great expositor of utilitarianism—commented to a friend: “Ah!, that is the great lawgiver, Bentham; a remarkable man: he would make laws for the whole universe, but, as sailors say, ‘he doesn’t allow for the wind’” [quoted in Wu 2008, 153].)

The financial mess itself has been littered with macro-micro leaps of faith that ignore better practices at the pattern-recognition hub or differences between local contexts when it comes to application scenarios of broad policy. To pick one example, a major part of financial-reform efforts has focused on proposals to bring largely unregulated over-the-counter (OTC) derivatives into clearinghouses and exchanges, where there would be greater supervision and regulation. Nonfinancial institutions (for instance, in the food, transportation, and energy sectors) argued against this, as they had long used derivatives as part of their hedging strategies. In the view of nonfinancial institutions, they were being blamed for financial turmoil that had instead been caused by financial institutions in their speculative use of OTC derivatives (Grant, Milne, and van Duyn 2009). A blanket transfer of OTC derivatives to the
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exchanges or clearinghouses would, in the view of these nonfinancial institutions, penalize them for something they did not do, while at the same time raise their cost of business without warrant. If so, you would think that before passing a law to require that each derivative transaction take place within a clearinghouse or exchange, someone would be interested in what, if any, were the better practices that had emerged from nonfinancial institutions’ use of such derivatives for hedging purposes—if only to ensure that such a new law did not ban what already worked. Yet I have not found one reference to any such investigation in my reading and research. ⁸

We see all manner of reverse micro-to-macro metaphysics. A classic move is to base one’s social or political ideals on one’s deep tacit knowledge. Yet ideals based in individual experience make sense for policy only when scenarios can be formulated and patterns recognized that incorporate and differentiate the experiences, case by case and across cases. How so? For example, the political philosopher Raymond Geuss, argues:

It is not, then, that we proceed as follows: first we have an intuition about “equality” as the basis for political philosophy; then we observe that in this particular case equality is violated (because not everyone is getting “equal” medical care); finally, we infer that we are in the presence of a social evil that needs to be rectified. It is, rather, that there are any number of different reasons for thinking that mass death for want of medical help is a bad thing . . . and we think that in this case the reason that so many people are dying is that those who need it are not receiving medical help, not that the treatment is “unequally distributed.” (2008, 80)

Other micro-to-macro moves are prevalent as well. Complex adaptive systems are said to arise autochthonously and nonlinearly out of micro behavior (see Ehrlich and Levin 2005 on the importance of thresholds and phase transitions in “the evolution of norms”). Individuals acting under norms of economic rationality and the cleansing rinse of self-interest are said to spontaneously generate efficient markets; widely chaotic systems are argued to have underlying kernels of determinism. No wonder such thinking leads to even more muddles. “Our default reflex is that the world knows what it is doing, and that is extravagant nonsense,” says Jeremy Grantham, a respected market strategist, about human behavior leading up to the financial mess (quoted in Nocera 2009, b5). Adam Smith, who mentioned the “invisible hand” only three times in his work—and then in dissimilar ways (Rothschild 2001, 116–56)—also described commercial society far more aptly as “the great scramble” (quoted in Porter 2000, 389). Yes, individual micro behavior
can aggregate into patterns we can base empirical generalizations on. Yes, human greed led to patterned behavior that included financial bubbles, and, yes, policy design has a role in addressing them. Yes, bone and muscle have something to do with anatomy and, yes, analysis carves nature better at its joints. But all this sophistry to the effect that what really matters truly reduces to the micro begs the question of who synthesizes the scramble and jumble of patterns and anticipations to manage the messes that arise on a case-by-case basis.

Jumping directly from pattern recognition to macro design, and then to localized scenarios. The move from the systemic patterns to their supposedly direct implications for policy and legislation, and then post-haste to different scenarios or protocols to implement that overarching policy, is extremely popular. We teach our policy students to do this all the time. Its popularity, however, does not make the move any less disabling when we rely on it in our policy messes.

Global temperatures and the world’s carbon dioxide emissions are increasing; therefore we must have a global strategy to deal with global climate change. To be effective, any such worldwide strategy must therefore differentiate and comprehensively deal with the United States and China, if only because those two very different countries together account for most of the emissions, albeit in very different ways (see, for example, Wirth, Gray, and Podesta 2003). There are, however, no “therefores” there.

What is missed in these leaps is the unique knowledge base of mess and reliability professionals in the middle, whose task it is to make sense of the differing scenarios and patterns for the sake of dealing reliably with climate change. What is bypassed is how professionals are actually adapting to a climate change they do not know how to reduce or otherwise mitigate definitively (see, for example, Adger et al. 2005). These professionals include those who are searching for better practices with respect to energy use, here and abroad, and who are familiar with what it would take to translate and modify those practices so they would actually work in the case at hand. In fact, when it comes to global climate change, these managers are increasingly being asked to take the region—not the globe—as the system of interest, and then to determine what regional better practices have to be modified in light of subregional or local differences. The atmospheric scientist Charles Kennel points out:

Regional climate differs in complexity and character from global climate. The factors that combine to drive global climate may have a different balance regionally. Today’s global models clearly delineate differences between
the responses of oceans and continents and of high-latitude and tropical zones to climate change. A true regional assessment, however, differs from a regionalized global assessment in its spatial specificity; topography and coastal proximity create local climatic and ecological zones that cannot be resolved by contemporary global models, yet must be evaluated to make a regional impact assessment meaningful. Increasing global models’ spatial resolution is helpful but not sufficient; new analytic tools are needed to provide useful regional climate forecasts. Scientists must develop truly regional climate impact models that will help local leaders see what the future holds and understand how actions they can take will make a difference in their region. (2009, 48–49)

Needless to say, even with a specific region denominated as the system of interest, the managers’ casting about for better practices will very likely turn interregional at some point. Otherwise, we would expect global climate changes to be managed more poorly than they are.9

What is especially troublesome about the direct jumps from patterns to macro design and then to scenarios is how the anticipations based on perceived patterns are articulated and extended to other hubs. Take the numbers 186 and 800. They represent, respectively, the deaths at the time of writing due to avian flu, also known as H5N1 influenza, and SARS, or severe acute respiratory syndrome (in comparison, Hurricane Katrina killed an estimated 1,400 people, while nearly 285,000 people were estimated to have died globally in the 2009 pandemic influenza A [H1N1] epidemic [Science 2012, 1626]). Say that by the time you read this, the avian flu and SARS figures are some orders of magnitude higher: Epidemiological and public health models predict up to 300 million and 25 million deaths, respectively, should the viruses lead to pandemics.10 We again see the move: Take a number, declare it so charismatic that it must be followed, draw out its systemwide implications through global models, and then weave an anticipated crisis narrative out of the concatenated hypotheticals. But what the global crisis narrative about a possible worldwide pandemic should provoke is not an urgent international policy change, but rather the insistent question: Do localized scenarios, such as context-specific contagion models, confirm or reinforce the globalized crisis narrative?

A pandemic crisis narrative is a crisis scenario, and for mess and reliability professionals, scenarios are important for reliability purposes when they are localized around how, in this case, regional scenarios differ from global ones. If the anticipation is that we should be prepared for avian flu to kill up to 300 million people, then the imme-
mediate question should be: If we look at regional models involving the H5N1 virus, do we get close to the anticipated 300 million deaths by working from the local or regional scenarios, then across all scenarios, to a worldwide estimate?

When a cluster of family members dies of avian flu somewhere in Asia, the immediate response should not be to conclude that this first and foremost has implications for human-to-human transmission of the H5N1 virus on the global scale (see, for example, McNeil 2008; Rosenthal 2006). Rather, the first-order policy response should be to determine how these deaths fit into a regional (even country) epidemiological model for the spread of avian flu. Thereafter, what are the interregional models for the spread of the contagion, if it starts in Southeast Asia? It is important to recognize from the outset that differences of scientific opinion exist over the incidence of the virus even within countries and regions (see, for example, Zamiska and Pottinger 2005).

Does this mean we need not be worried about avian flu on a global scale? Are we to throw out these global epidemiological models or forecasts? Of course not. The real questions are: Where do we start when we determine what precautions to take—with systemwide patterns and models, or with local and regional scenarios? Do we ask to what extent the contagion models take into account and are based on intraregional and then interregional models of the contagion spread? The answer, in our framework’s perspective, is that we have to do both if we want to provide vaccine reliably.∞

Just how does leaping directly from pattern recognition to macro design—without first assessing localized contingency scenarios and anticipations based on the recognition of system-level patterns—end up making for more policy messes or making the ones we already have worse? What’s really lost if we bypass mess managers, especially when “big picture” issues of design and global trends issue their clarion call? A great deal is lost, and it is worth considering several examples to see how this is so.

Consider three empirical generalizations that are currently popular: (1) megaprojects to construct huge infrastructures, such as dams and major road systems, are habitually underestimated in terms of cost, overestimated in terms of benefits, and undervalued in terms of environmental impacts (see, for example, Flyvbjerg, Bruzelius, and Rothengatter 2003); (2) a project developed incrementally is better than a megaproject implemented all at once or only as originally designed (see, for example, Easterly 2005); and (3) promoting trade is often
better than project aid (see Bhagwati 2002, 2005). Put aside for the moment contrary evidence (see, for example, Sharma 2005) and accept for the purposes of argument their status as generalizations (that is, as mean observations over a wide distribution of observations).

Even if these statements were generalizable for the systems they describe (as I believe they are), they scarcely justify jumping to macro-design principles that assert there should be no more planning for megaprojects; what projects there are should be smaller and incremental; and trade must be preferred over project aid. The three generalizations can in no way be taken to argue against localized scenarios insisting that in this case megaprojects and project aid are appropriate, because here other things are not equal. The burden of proof, of course, rests with those who argue for such context-deep contingency scenarios in the face of system-level pattern recognition and anticipations to the contrary.

We see another example of taking empirical generalizations as covering principles in the pioneering work of Elinor Ostrom and her colleagues. Ostrom, the late Nobel laureate in economics, found in her review of the literature and case studies eight “design principles” for the management of common pool resource (CPR) institutions (1990, 90ff.). These institutions include a variety of organizational forms—such as grazing associations or groups of community gardeners or forest dwellers—that manage common pool resources with few if any private property rights. Ostrom’s design principles for CPR management entail the institution’s having clearly defined boundaries for the area being managed, including access to graduated sanctions (such as the ability to exclude outsiders) and conflict resolution mechanisms for CPR management. “By ‘design principle,’” Ostrom writes, “I mean an essential element or condition that helps account for the success of these institutions in sustaining the CPRs and gaining the compliance of generation after generation of appropriators to the rules in use” (90). She is quick to point out that the principles should not be thought of as necessary conditions for successful CPR management, though she speculates that future scholarly work will “identify a set of necessary design principles and that such a set will contain the core of what has been identified here” (91).

Assume that Ostrom is correct: More scholarly work confirms that clearly defined boundaries, graduated sanctions, and conflict resolution mechanisms are identified in CPR management systems across a run of many more case studies (for her update, see Ostrom 2005, 258ff.). Such generalized findings in no way constitute design principles, even in her sense. At best they are a set of descriptive regularities that may or may not anticipate better practices.
To be clear, even macro design’s second best should not be confused with a system’s better practices that surface across a run of cases of micro operations. Every such distribution has its tail cases, and what works best at one particular site may not coincide well with what works best as an empirical average. Such blended knowledge simply cannot be equated to a formal precept or covering principle, even if disaggregated into context-specific protocols. In fact, the permanent gap between pattern recognition and macro design in the framework is quite a healthy one in avoiding bad messes when, as the philosopher Gilbert Ryle observed: “Efficient practice precedes the theory for it” (1949, 30).

From the perspective of the mess and reliability framework, it is possible that CPR management exists at some sites that in no way evince the eight features, however generously scripted. Indeed, for a Third World development that is complex, uncertain, disputed, and unfinished, we would expect there to be different conditions that have yet to be observed in the cases of past and current CPR management reviewed in the scholarly work. If conditions were not that dynamic, there would not be the pressures we continue to observe to modify better CPR management practices in light of emerging conditions elsewhere.

Other leaps of faith across the hubs. Our list of shortcuts to more mess could easily be extended. Here, though, consider an example of an especially mess-inducing leap, as exemplified by the controversy over the No Child Left Behind Act of 2001 in the United States. It is said that implementation of this educational reform has failed some regions and communities (failed local scenarios), therefore it has failed children’s education at individual schools in those places (failed micro operations), and therefore we need to redesign the act or replace it altogether with some other macro policy (see, for example, Dillon 2005).

Yet there are more than fourteen thousand local school boards in the United States (Kraft and Furlong 2004, 283). This too is a very large number, and it means there is very probably a wide range of experience with respect to implementation of the legislation—including that in districts demographically like the ones that have failed. If so, why then would anyone recommend that we change the act to make it work for failed sites and students without first identifying those districts that are similar to the ones that failed, but are doing better—even in the absence of new legislation? Wouldn’t we first want to determine if the failed sites could do as well if not better than their counterparts elsewhere, under like conditions? Why would we ignore a higher bar that
many children and teachers have jumped on the promise that overhauling macro design will deliver the right bar everywhere? Avoiding the professional middle in such leaps erases the knowledge we already have and wastes resources, an inefficiency we can ill afford when the reliability stakes are as high as they are in U.S. education.

What If the Bad Mess Is the Management?

Up to this point, my focus has been on bad mess management. However, because mess can be its own form of management, it is important to ask: Are there ways in which these messes manage us?

Janet Tavakoli, the president of a structured finance company, argued—as have many others—that bankers and investors knew that securitized financial instruments were dangerous. These instruments could nonetheless be assembled in ways that facilitated huge gains through short selling (that is, selling a borrowed financial instrument to make a profit by purchasing the instrument at a lower price later and then returning it to its owner). “The risky tranches—those that any investment banker worth their salt knew were write-offs—were used to create other packages that their buddies ‘managed’ in one fund, while shorting in their hedge funds,” Tavakoli maintains (2009). Once the financial mess started signaling that “you’d be a fool not to want to make money this way!,” it ended up managing the traders.

Some observers go further and argue that the financial mess continues to manage us, rather than the other way around. Jeffrey Friedman, the editor of Critical Review, insists that bankers and investors reacted rationally to perverse incentives in banking regulations that accreted over the decades preceding the financial meltdown. Worse, such incentives can be expected to persist: Future “regulators will tend to assume that the problem with which they are grappling is a new [induced] ‘excess of capitalism,’ rather than an unintended consequence of an old mistake in the regulation of capitalism. Thus, instead of repealing the old regulation . . . they [will] add a new one, creating fresh possibilities for the process to repeat itself” (2009, 165; see also Meltzer 2010).

If there is good news in any of this, it is that better management of mess later on is not always possible without having first managed or been managed poorly beforehand. Taking risks and failing raises the premium on doing better later. “How can anyone settle for safety when they have never taken a risk?” asked the famous racecar driver Hellé Nice (Mount 2004). The psychologist Daniel Gilbert put it this way: “When we face the pain of rejection, loss, misfortune, and failure, the
healthy psychological immune system strikes a balance that allows us to feel good enough to cope with the situation but bad enough to do something about it” (Gilbert 2006, 177–78). My own view is that having learned to manage a bad mess, say, for example, hunger, and being now able to prevent it from worsening is a good mess to be in, because hunger is something we can actually manage better. For me, the crux of good mess management is avoiding bad mess management. But there is more to good mess management than that, a topic we turn to next.