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To: "Dr. Baruch Fischhoff - Chair, National Academy of Sciences panel on Improving Intelligence" <baruch@cmu.edu>

From: Lloyd Etheredge <lloyd.etheredge@yale.edu>

**Subject: 7. Correcting for Missing Variables: Tom Wolfe and
Understanding International Finance**

Dear Dr. Fischhoff:

Concerning ideas for your agenda: Your National Academy of Sciences Report to Admiral Blair might want to include a chapter on correcting for missing variables. Here is one example of what I mean:

The US Government and Political System: Inside Their "Masters of the Universe" Status Drama

Most US analysts whose sense of political behavior is shaped by mainstream news media will have a blind spot about status variables. One of the benefits of Tom Wolfe's New Journalism is that it illustrates the added intelligence of including (missing) status variables/narratives (while he is considered a novelist & journalist, he worked with anthropology-oriented professors at Yale for his Ph.D. He is a good scientific observer.)

A specific (and perhaps urgent) recommendation is for Admiral Blair to experiment with re-writing the intelligence briefings for the President & Congress using the model of the "Masters of the Universe" status psychology of Wall Street's high rollers invoked by Wolfe in Bonfire of the Vanities. Thus governments - US and abroad - can be seen as *inside* a world where the current entry-level salaries for bright undergraduates is (salaries plus bonuses) > \$200,000/year. Which is above what we pay (in this world's sensibility) for the talent level of Congressmen and Senators. In the world of international finance and an intercontinental lifestyle, even Presidents and Prime Ministers (Obama at \$400,000 and V.P. Biden at \$227,300) are at the level of junior managers. The Washington lobbyists - including former Congressmen and Senators - that the financial world hires to manipulate elected officials and regulators are paid more, after they

change sides.

Thus, I don't think that the most informative intelligence narratives are the technocratic economics language favored by the talented publicists and lobbyists of this world - e.g., abstruse errors of using the wrong equations for "risk management" or media portrayals that governments are in charge of the future of the world. If Admiral Blair's briefings tell Congressmen and Senators and President Obama (etc.) how they are *really* being viewed, they will have a gut-level reaction (i.e., adding emotional intelligence [a longer discussion via Salovey, Goleman, etc.] to cognitive intelligence) that will help them to see the world more clearly and become more effective.

If Admiral Blair tells his staff to look for these missing variables, they probably can find and link together an abundance of vivid evidence via the wiretaps, emails and other NSA/CIA penetrations of the financial world that should be underway. We know from the emails and later courtroom revelations and interviews of the energy crisis - e.g., in the DVD (2005) Enron: The Smartest Guys in the Room - how the state of California was viewed by the high-rolling traders at Enron. Once you hear the *language* that was used behind closed doors and the tone of their laughter, you hear what the Governor of CA should have heard if he wanted to be in touch with reality.

Multimedia, Empathy, and Added Information

Re a missing variables chapter: You also might want to discuss experiments with multimedia presentations - e.g. audio & video information that is excluded. Jerry Post, who created the first Office of Political Psychology at the CIA and who pioneered alternative formal methods of personality-and-politics forecasts [Post (Ed.) The Psychological Assessment of Political Leaders (2003)] recognized that President Reagan could acquire useful gut-level empathy for Gorbachev and other foreign leaders from video, alongside written intelligence briefings. Matlock's Reagan and Gorbachev: How the Cold War Ended (2005) has fascinating ideas about how Reagan, a former movie actor, acquired his information and intelligence to see a Third Act that even Alex George, one of our most astute analysts of psychological processes in international relations, said that he could not have predicted. . . . Jerry may be on to something and (as you may recall from my earlier suggestion of a predator-prey model with global alpha predators and asymmetries of brainpower and money) I think that international finance would be an exciting case/experiment,

if newly written as Tom Wolfe would write it, with the benefit of current Enron-style quotations, in Admiral Blair's intelligence briefings.

Bueno de Mesquita's Forecast

As I understand Bueno de Mesquita's forecasting methods, all of the governments of the world - including the US government & taxpayers, etc. - are likely to lose. The other side is smarter, more focused, better organized, and the individuals have enormous personal and financial incentives to win. And to keep doing this. Perhaps this more candid forecast could be mentioned by Admiral Blair to President Obama and to Congress?

with my best regards to you and your study group,

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