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Constantin Malik

How **Crowd
Psychology** and
Cybernetics

Transform the
Way We Govern

Ahead of
Change

edition

MALIK

Ahead of Change

Constantin Malik is an expert in management cybernetics. He holds a Master Degree in Law and earned a Doctoral Degree in Psychology having integrated crowd psychology, managerial cybernetics and law to new approach on government. He is the secretary of the board of directors at Malik Management, an international knowledge organization in the field of general management consulting and education. He lives in St. Gallen, Switzerland.

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How Crowd Psychology and Cybernetics Transform
the Way We Govern

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To my parents

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German preface for editionMALIK

Die alte Welt vergeht,
weil eine neue Welt entsteht.

Wirtschaft und Gesellschaft gehen durch eine der tiefgreifendsten Umwandlungen, die es geschichtlich je gab. Als Begriff wählte ich 1997 dafür »Die Große Transformation«, denn bereits damals war das Ausmaß des heraufziehenden epochalen Wandels deutlich zu sehen. Was heute lediglich als eine finanzielle und ökonomische Krise zu eng gesehen wird, kann weit besser als die Geburtswehen der neuen Welt des 21. Jahrhunderts verstanden werden.

In dieser neuen Welt werden Organisationen eine höhere Ebene des Funktionierens erreichen. Sie werden doppelt so gut wie bisher funktionieren, aber nur die Hälfte des Geldes dafür benötigen. Die universelle Herausforderung wird für sie das Meistern von bisher noch nie erfahrener Komplexität durch neues Management sein.

Geld ist dafür aber weit weniger wichtig als Intelligenz, Vorstellungskraft, Information, Kommunikation und Gestaltungswille. Das neue Wissen hierfür und darauf gestützt neue, biokybernetische Lösungen sind bereits da. Deren Kern sind die evolutionären Naturgesetze aus Kybernetik und Bionik für das Selbstorganisieren und Selbstregulieren. Diese Gesetze zu verstehen und sie zu nutzen, ist das neue Kapital der neuen Welt und die Grundlage für Leadership von Personen und Organisationen.

Die editionMalik ist die Plattform für das zuverlässige Funktionieren von Organisationen in der hochkomplexen Umwelt des 21. Jahrhunderts. Sie ist die systemische Orientierungs- und Navigationshilfe für Leader, die den Wandel vorausdenken und -lenken.

Fredmund Malik
St. Gallen, Januar 2010

Über Malik sagt der Doyen des Managements, Peter F. Drucker:

»Fredmund Malik has become the leading analyst of, and expert on, Management in Europe as it has emerged in the last thirty years – and a powerful force in shaping it ... He is a commanding figure – in theory as well as in the practice of Management.«

Author's preface

Wars, revolutions and financial manias are not a necessity. There are ways to prevent them. There are ways to transform the way we govern to ensure a functioning society. What it takes is to be ahead of change is to anticipate change and prepare for it. For this, new methods and instruments are needed – and a whole new way of thinking. Crowd Psychology and Management Cybernetics lead the way.

We have the unique chance today to change something that appears to be an everlasting law: that mankind needs a complete breakdown before it can achieve further progress. We have this chance because today we have the tools to change it.

The crisis we are witnessing is, in my opinion, far from over. And it has the capacity to become the worst crisis this world has seen in centuries. But it is not too late to prevent a disaster. The methods pursued until now, however, lead straight to it. This book offers an alternative way.

What I present here to the reader is a revised version of my dissertation, which I finished in 2006. Looking back at the last two years, it becomes clear to me that I should have made it available sooner. Although four years seems like a long time, and one would think that a lot may have changed since, I am even more convinced today that the direction I pursued was, and still is, right and that the suggestions in my book remain valid and have even gained in urgency.

I want to thank my father, Prof. Dr. Fredmund Malik, who has always been my greatest source of knowledge, inspiration and support and from whom I have learned everything. Further thanks go to Prof. Dr. Linda Pelzmann for encouraging me and allowing me to think and go beyond academic frontiers; Robert R. Prechter jun. and Matt Lampert of Elliott Wave International and the Socionomic Institute for their input and support.

Constantin Malik
Davos, January 2010

Part I – Delay

1. Law and Future

1.1 Law's delay

Law lags behind society. Ever since legal systems have existed – probably ever since consciously set rules were laid down – the law has trailed societal developments. It is something that is immanent in our legal and political systems. First, there needs to be a change of some sort. Then we go and try to regulate the new and integrate it properly into our presently given structure. It does not look like there has ever been a time when legal rules were actually ahead of changes in society.

Of course there has always been the attempt to directly shape society and its future. Monarchs and dictators did so. Their will was the law. But this is a completely different matter because they did not anticipate future developments. They did not try to see what the future might bring so they could pass laws applicable to these future cases. They tried to create the future themselves. To some extent this might even have worked, but true societal change has found them unprepared time and again. Revolutions and wars prove this. Changes in society are stronger than monarchs or parliaments. They have the power to sweep away existing structures and institutions. And it appears there has never been a time when such changes were anticipated and regulated – and thereby mitigated – in advance.

Today, as society seems to move at an ever-increasing speed and all spheres of life are getting increasingly complex and complicated, the time lag between change and regulation seems to grow as well, since our lawmaking bodies are not able to keep up with the pace set by society. It takes a long time for a law to be passed. Experts need to be consulted, problems need to be cleared up and agreements need to be reached before a bill can be passed. At the same time, governments take on more and more matters that they consider to be in need of regulation. Meanwhile, society moves on.

Most scholars do not seem to mind. In fact, they seem to consider it normal that society is ahead of the law. John Morison of the School of Law at

Queen's University Belfast writes that »Legislation must always follow along behind changes in public opinion. There is thus, inevitably, a lag between law and real life ...«¹ According to Georg Müller lawmaking »... often is less a matter of shaping future developments and more a process of adapting the law to preceding changes in the value judgments of society.«² And another scholar writes: »The law always follows progress. Technology, the economy, and science are constantly creating new necessities for regulation required of the lawmaking process.«³

1.2 A future unknown

So the problem is well known, yet it does not appear to be considered a problem. Or it is recognised as a problem, but is hampered by the age-old mantra of »Why bother if we cannot change it anyway?« I actually do believe that this is the very reason why the time lag between changes in society and legal regulation is not addressed more often: Most scholars think that we cannot change it. And when you think about it: How could it be otherwise? It is all a matter of knowing the future – and we do not know the future. We have no means of peeking into the future and forecasting or anticipating future events and developments (or so we believe), which in turn would allow us to make adjustments ahead of time. The only thing that we know about the future is that it is uncertain. So surprises, be they good or bad, cannot be helped. We are doomed to sit and wait what might happen and then try to make the best out of it.

It is of course not entirely true that everybody thinks in this manner. Especially where the economy is concerned we are confronted with forecasts every day: There are experts who predict the state of the economy next year; they predict recessions and inflations; there are stock market analysts who tell us which way the markets are going to develop next month, if Microsoft's stocks are going to rise and if oil prices will come down. They try to guess and anticipate what the future might bring and they do so with a lot of confidence.

In the legal field there is less talk of predicting the future especially when it comes to legislative action. Of course, one can argue that legislation is always for the future because laws may not – with few exceptions – be applied retrospectively and they are passed to regulate present and future cases. However, such future cases are never genuinely new but are of the same na-