



Global  
Business Leadership

# SHAKING THE GLOBE NEWSLETTER

Courageous  
Decision-making in  
a Changing World



## Government and Groupthink

Volume 3, issue 3

When I watched the film *Pirate Radio*, I laughed, learned and was transported back to the rock and roll rebellion of the sixties in the U.K. I had no idea that the U.K.'s only licensed radio station for broadcast prior to 1964 was the government-owned and operated BBC. The government feared that commercial radio, even ad jingles, threatened society. But, in 1964, a handful of entrepreneurs started Radio Caroline, broadcasting rock and roll from a ship three miles off the coast of England in international waters so that their operations would not be illegal. The government resented its lack of control over the morals of its citizens and pressured advertisers and others to stop supporting these radio stations, to no avail. Next the government began a public relations attack on the "pirates," applying that term to dissuade advertisers and the public from supporting them. When that too failed, Prime Minister Harold Wilson's government in 1967 finally forced the closure of the "pirate" broadcasting ships by passing a Marine Offences Bill into law. Ultimately, BBC launched Radio One in September 1967 as the first national pop station. The first independent commercial radio stations did not launch until 1973.

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*The gem cannot be polished  
without friction,  
nor man perfected  
without trials.*

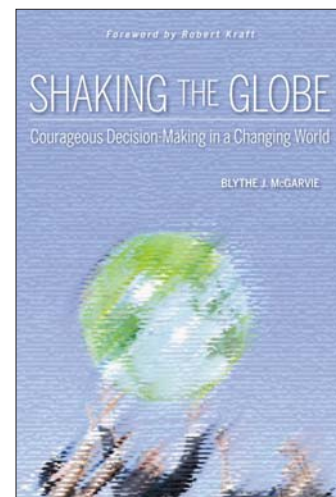
— Chinese Proverb

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One lesson from the story of pirate radio stations is that government leaders often fight to protect people from themselves, believing they know best what others should do. To impose their moralistic judgment, they will even change laws to consolidate power and build their political position. No longer worried about rock and roll, the latest bugaboo for the government is the financial services industry. This investigation into **Goldman Sachs** by Congress together with Congress's attempts to show that Goldman Sachs created the recent financial and housing meltdown reflects the fear of our government leaders. Furthermore, this suggests that Congress is trying to impose moral constraints when its own laws do not accomplish its ends. The government did not perform its job over the last several years while the hous-



McGarvie with  
U.S. Treasurer **Rosie Rios**.



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ing bubble and excess liquidity in markets were forming; now the government is looking to pin responsibility for the financial collapse on other entities. As author Bethany McLean writes in a recent *New York Times* article, “**Meet the Real Villain of the Financial Crisis**”:

*More important, it was Congress that sat by idly as consumer advocates warned that people were getting loans they'd never be able to pay back. It was Congress that refused to regulate derivatives, despite ample evidence dating back to 1994 of the dangers they posed. It was Congress that repealed the Glass-Steagall Act, which separated investment and commercial banking, yet failed to update the fraying regulatory system.*

I am not arguing for or against the current proposed regulations. I am arguing that it is wrong to jump on the bandwagon to castigate a company that doesn't control the system. We are experiencing a “groupthink” reaction to the recent economic turmoil. The U.S. Congress and President would have us believe that the financial services industry serves no good purpose or is antithetical to the “public welfare.” Groupthink implies that a group makes a decision based on group dynamics and fear of dissenting from others. It involves uncritical adherence to favored solutions, often times voiced as moral or ethical imperatives to discourage contradictory opinions of the minority. Bad military decisions, such as the escalation of the Viet Nam War, have been attributable to groupthink. Goldman Sachs may have made some bad decisions and lacked critical thinking itself. But, that is no reason for the government's response to mimic the process. Some of the signs of **groupthink**, such as a collective rationalization, direct pressure on dissenters, self-censorship, and illusion of unanimity, and self-appointed “mind guards” are all evident in the current persecution of financial firms. One action each of us can take to avoid groupthink is to challenge others to think and to probe the underlying assumptions in our policies and actions. • • •



McGarvie with Editor-in-Chief of the *Huffington Post*, **Arianna Huffington**.

**Global Perspective:**  
Items of Note

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*It is curious — curious that  
physical courage  
should be so common in the world,  
and moral courage so rare.*

— Mark Twain

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