

**From:** Gregory Brown <[REDACTED]>

**To:** undisclosed-recipients;

**Bcc:** jeevacation@gmail.com

**Subject:** Fwd: Greg Brown's Weekend Reading and Other Things.... 04/07/2013

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**Attachments:** On\_the\_Economy,\_Think\_Long-Term\_Jeffrey\_Sachs\_NYT\_March\_31,\_2013.pdf;  
Social\_Security,\_Present\_and\_Future\_NYT\_Editorial\_Board\_March\_30,\_2013.pdf;  
Using\_Medicaid\_Dollars\_for\_Private\_Insurance\_NYT\_Editorial\_March\_31,\_2013.pdf;  
State-  
Wrecked,\_The\_Corruption\_of\_Capitalism\_in\_America\_David\_Stockman\_NYT\_03\_31\_2013.pdf;  
It\_Wasn't\_David\_Stockman\_Who\_Wrecked\_the\_Economy\_Robert\_Scheer\_Huff\_Post\_04\_02\_2013.pdf; Middle-Class-Or-Middle-Of-Pack.pdf;  
My\_Little\_(Global)\_School\_Thomas\_Friedman\_NYT\_April\_2,\_2013.pdf;  
God,\_Cellphones,\_Quarterly\_Earnings\_and\_the\_Search\_for\_the\_Common\_Good\_Arianna\_Huffington\_Huff\_Post\_04\_02\_2013.pdf; HBR\_Blows\_The\_Lid\_Off\_C-Suite\_Over-Compensation\_Steve\_Denning\_Forbes\_02\_22\_2012.pdf;  
New\_Jobs\_Report\_'Should\_Be\_A\_Wake-Up\_Call,'\_Analyst\_Says\_Arthur\_Delaney\_Huff\_Post\_04\_05\_2013.pdf;  
Dr.\_Ben\_Goldacre.pdf;  
WATCH,\_What\_Doctors\_Don't\_Know\_About\_the\_Drugs\_They\_Prescribe\_Ben\_Goldacre\_Huff\_Post\_Ted\_Weekends\_April\_6,\_2013.pdf

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## DEAR FRIEND.....

Last weekend's offerings included several articles centered around economic inequality, justice inequality and the ruling by U.S. District Judge Naomi Reice Buchwald who dismissed a "substantial portion" of claims facing a number of the country's major banks and financial institutions, in a barrage of lawsuits accusing them of interest-rate rigging/commodities manipulating the London Interbank Offered Rate, commonly known as ("LIBOR"). I called the ruling "shameful," especially since several defendants had already paid billions of dollars in penalties to government regulatory agencies here in the US and in the UK without admitting any wrong-doing – which for these "too big to fall" banks/financial institutions, is just the cost of doing business, and as a result is not a deterrent for them to not do any type of criminal activity again. Concurrently, there are more than 2.2 million people incarcerated in America, five million people on probation and parole, of which more than sixty percent are members of racial and ethnic minorities. The US has the largest incarceration rate in the world and more people in jail than in either Russia or China. Obviously we are not afraid of putting people in jail..... So why when it comes to white collar crime, these guys are treated differently? I say all of this because in response of last week's readings, a dear friend who is a senior partner in a major international law firm sent me the following.

Hi Greg,

*I have been reading your blogs regularly. Having nothing to do with our love and friendship for each other, I find that you're views are getting increasingly leftist radical. Comments like "everyone on Wall Street knows" without a factual basis is incendiary and consistent with the President's campaign to engender class warfare. A huge difference between the broken economies of Europe and ours is that over there, if you are financially successful, you are*

scorned, derided and punished through regressive taxes such as France's wealth tax. The result is to drive away that country's most job creating, productive citizens. In the US, until the advent of our current President, financial success has been admired and respected. The continued success of our country, and the fulfillment of our social obligations is more likely to be achieved with our capitalistic system as opposed to the failed socialist systems of Europe.

Love ya and miss ya pal...

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## MY RESPONSE:

My Dear Friend:

I am not a socialist leftist... I just think that the manipulation of LIBOR and money laundering are serious crimes and just paying fines isn't a real penalty for people who consider it a cost of doing business. I also believe that capital gains should be taxed the same as other income.... And when the banks are calling an entire category of loans, "liar loans", yes everyone knows that this practices/products/services are bullshit. As for the LIBOR scandal, the banks have already admitted to British regulators that they conspired together to manipulate interest rates, so yes if the Judge reads any newspapers, she should know this too and if these criminal enterprises (YES, criminal enterprises) get off due to technicalities.... this is wrong too.... And just so you don't think that I always agree with President Obama, I believe that the war in Afghanistan is as stupid as the war in Iraq was.... And just so you don't think that I am a Lilly-livered liberal, I believe in the death penalty, because I feel that it is a waste of money to keep serial killers in jail until they die. And even though I don't go to church, I support bringing back school prayers..... As they hurt no one and allow kids to reflect, even if only for a minute. 100 years ago 1 in 8 people in America were immigrants and the reason why people are upset today is because they a Hispanic. 11 million people are not going to self-deport themselves, so why not allow them to become citizens as long as they don't have criminal records.

Like you, I think that the French tax laws are stupid and not just the recent raise, so please don't put me in that box. As for here in America, I just think that a guy who is running for President and the President should pay the same rate that I do 35%, instead of 13% and 22%.... And the fact that GE didn't pay federal taxes for four years may not be criminal but it is wrong and an injustice and should not be allowed.

The strength of America use to be its growing Middle Class which created the largest consumer based economy in the world. But when wealth is concentrated in fewer and fewer hands this consumer economy contracts, and this is a fact... Supply-side economics hasn't work and these policies should be corrected. Also if we had put the same \$2 to \$6 trillion in our country's infrastructure instead of two "stupid" wars it would have led to the creation of millions of jobs in addition to adding to the quality of life for everyone in the country...

Finally, I am a capitalist.... And just because I find problems, this doesn't mean that I am a socialist. I believe that we should be candid with what is wrong in our country and do whatever we can to fix it. The problem with Wall Street is the same problem with many other institutions, such as the NRA, AMA, the Catholic Church, the Republican Party and Black Churches.... They cover up the problems instead of fixing them. I include Black Churches because I believe that they should concentrate on the here and now instead of saving souls.... As for the Republican Party, the problem is their policies not that do Facebook and Twitter as good as the Democrats. As for the AMA, like teachers unions they refuse to get rid of bad doctors and bad teachers. And how many more people and kids have to die before the NRA will seriously back weapon reforms.....

I love to champion winners, but like people who castigated for taking steroids, I find Wall Street's behavior shameful and wrong. And if advocating policies that will grow the Middle Class, is class warfare, I am guilty.... Having suffered two strokes, I have firsthand experience – to know that the healthcare system in the US is broken.... And although Obamacare is far from perfect – because I believe that we should have national health for everyone like they have in almost every other industrialized country – At least it is an attempt to address the problem and like financial reforms, its major weaknesses are the watered down provisions forced in by special interest lobbyists .....

I look forward to hearing your thoughts..... Which is why I send out my weekly readings... To provoke intelligent discussion....

Wishing You a Happy Easter....

Warmest Regards,  
Greg Brown

## IN SUMMARY:

For those of you who feel that I am becoming more and more a leftist radical pushing class-warfare, I strongly believe that this is a wrong assumption. I just believe that being the wealthiest country on the planet, America should have compassion for its poor, its elderly and its children. I believe that being the wealthiest country, that we should be ashamed that currently 50 million Americans live in poverty and 15 million children go to bed hungry. I also believe that a country that spent more than \$2 trillion on wars during the past decade should find the money for universal healthcare and the best education system in the world. I believe that white collar crime should be treated with serious jail sentences and not a slap on the wrist. And like most Americans, I would like lower taxes and believe that we could lower the tax rates if we got rid of tax loopholes and treated capital gains (which is almost 40% of incomes), as earned income. When I was a kid, I was taught that the way you played the game was more important than who won. If this is still true, we should celebrate our teachers, firefighters, social-aid workers, police, nurses and others who do exceptional things on a daily basis. Even still we should champion compassion as much as we champion exceptionalism. Most of all, we should be tolerant of other's beliefs, religions, lifestyles and needs. And if we push the themes that embrace commonality and the common good. our country and our society will be stronger and better because of it.

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Last weekend, Easter Sunday on **Face The Nation's** news television show, Bob Schieffer hosted several religious leaders to discuss the state of religion, faith and morality. But the high point for me was Schieffer's commentary at the end – *“That there are four powerful forces in the world and human events comes down to which one prevails. Those forces are: Love, Knowledge, Ignorance and Hate. And that hate is the product of ignorance and intolerance, while love is strengthened by knowledge.”* If you have the time, I urge you to take a minute and a half to watch Bob Schieffer's commentary on the web-link below:

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As most of you know, in addition to being addicted to television (*Judge Judy to The Americans, Moyers & Company, Law & Order, Homeland, Mad Men, The Voice, Monday Mornings, Shameless, House of Lies, Unsung, Nashville, The Good Wife, Real Time With Bill Maher, The Newsroom and 60 Minutes*), I am also a serious news and information junkie, reading everything from nerdy scientific journals to hip hop magazines but two of my favorite sources is **The Huffington Post** and **TED** (*Technology, Entertainment, Design*). This week **The Huffington Post** began a new offering – **TEDWeekends**, a curated weekend program that introduces a powerful *“idea worth spreading”* every Friday, anchored in an exceptional **TEDTalk**. This week's **TEDTalk** was accompanied by an original blog post from the featured speaker, Dr. Ben Goldacre (a best-selling author, broadcaster, medical doctor and academic who specializes in unpicking dodgy scientific claims from drug companies, newspapers, government reports, PR people and quacks. As of 2012, he is a **Wellcome** research fellow in epidemiology at the **London School of Hygiene and Tropical Medicine**), along with new op-eds, thoughts and responses from the **HuffPost** community. Please feel free to see Dr. Goldacre's talk below, read the blog post and share your observations with me and others, as the mass exchange of information is the strongest power in any democracy.

**The Huffington Post** (sometimes **Huff Post**) is an American news website, content aggregator and blog founded by Arianna Huffington, Kenneth Lerer, Andrew Breitbart and Jonah Peretti, featuring

columnists and various news sources. The site offers news, blogs, and original content and covers politics, business, entertainment, environment, technology, popular media, lifestyle, culture, comedy, healthy living, women's interests and local news. **The Huffington Post** was launched on May 9, 2005 as a liberal/left commentary outlet and alternative to news aggregators such as the **Drudge Report**. On February 7, 2011, **AOL** acquired the mass market **The Huffington Post** for US\$315 million, making Arianna Huffington editor-in-chief of **The Huffington Post Media Group**. In 2012, **The Huffington Post** became the first commercially run, United States digital media enterprise to win a **Pulitzer Prize**. In July 2012, **The Huffington Post** was ranked #1 on the **15 Most Popular Political Sites** list by **eBizMBA Rank**, which bases its list on each site's **Alexa Global Traffic Rank** and **U.S. Traffic Rank** from both **Compete** and **Quantcast**.

**TED** is a nonprofit devoted to Ideas Worth Spreading. It started out (in 1984) as a conference bringing together people from three worlds: **Technology, Entertainment, Design**. Since then its scope has become ever broader. Along with two annual conferences -- the **TED Conference** on the West Coast each spring, and the **TEDGlobal** conference in Edinburgh UK each summer -- **TED** includes the award-winning **TED Talks** video site, the **Open Translation Project** and **TED Conversations**, the inspiring **TED Fellows** and **TEDx** programs, and the annual **TED Prize**. **TED's** mission is spreading ideas. They believe passionately in the power of ideas to change attitudes, lives and ultimately, the world. **TED** sees itself as a clearinghouse that offers free knowledge and inspiration from the world's most inspired thinkers, and also a community of curious souls to engage with ideas and each other. Launched April 2007, **TED Talks** is an ever-evolving work in progress, and you're an important part of it. Have an idea? **TED** want to hear from you.

**TED Talks** began as a simple attempt to share what happens at **TED** with the world. Under the moniker "*ideas worth spreading*," talks were released online. They rapidly attracted a global audience in the millions. Indeed, the reaction was so enthusiastic that the entire **TED** website has been reengineered around **TED Talks**, with the goal of giving everyone on-demand access to the world's most inspiring voices. As of November 2012, **TED Talks** have been viewed more than one billion times. Today, **TED** is best thought of as a global community. **TED** is a community welcoming people from every discipline and culture who seek a deeper understanding of the world and I invite you to become part.

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Legendary film critic Roger Ebert passed away at the age of 70 on Thursday after a long battle with cancer. His legacy speaks for itself -- he reviewed movies for 46 years at the **Chicago Sun-Times**, which calls him "*without question the nation's most prominent and influential film critic*" in their obituary -- and he will be sorely missed by movie fans across the world. The final review posted under Ebert's byline was for "**The Host**," a the story of a battle to save the world that derives itself from "**Twilight**." The review, posted on March 27, was kind but firmly negative. As is often the case with Ebert's reviews, the critic evaluated the movie by placing it in the broader context of our own lives.

On April 2, Ebert revealed on his blog that his cancer had returned and that he would be reducing his reviewing duties at the **Chicago Sun-Times**. Ebert wrote that he would be taking a "*leave of presence*," as he underwent radiation treatment, but it appears the cancer was too far gone already. "It means I am not going away," Ebert explained. "*My intent is to continue to write selected reviews but to leave the rest to a talented team of writers handpicked and greatly admired by me. What's more, I'll be able at last to do what I've always fantasized about doing: reviewing only the movies I want to review.*" The 70-year-old film critic was first diagnosed with thyroid cancer in 2002, and cancerous growths were found on his salivary glands a year later, forcing him to undergo surgeries that left him without the ability to speak. Ebert began working as the Sun-Times film critic exactly 46 years ago,

and became a household name after winning the **Pulitzer Prize** in 1975 and hosting several movie-review TV shows with Richard Roeper and the late **Tribune** film critic Gene Siskel.

Though Ebert was best-known for his film review program, his cancer and subsequent inability to speak didn't stop Ebert from doing what he loved -- writing columns, reviewing movies and connecting with readers. In recent years, he has built a huge audience on Facebook and Twitter, where he frequently comments on a wide variety of topics. Cancer took Ebert's ability to talk, eat or drink, but he refused to be pitied after all ████ been through. In a lengthy 2010 profile, Esquire writer Chris Jones noted the following scene: *"There is no need to pity me, he writes on a scrap of paper one afternoon after someone parting looks at him a little sadly. Look how happy I am."* Like fellow legendary critic and cinema historian, Andrew Sarris who died June 20, 2012, Roger Ebert is regarded in the *Pantheon of Film Critics* as he is one of the people who helped pushed cinema around the world to higher and higher levels of excellence.

Roger Ebert once wrote that *"Lists are ridiculous,"* describing them as *"ultimately meaningless."* But he wrote he put a lot of thought and effort into the prestigious Sight and Sound tally. Here, in alphabetical order, was Ebert's final picks for the best films in history and the directors who made them.

### **Roger Ebert's Top 10 Films of All Time**

***Aguirre, Wrath of God*** (Werner Herzog): The 1972 story of the travels of a Spanish soldier is "one of the great haunting visions of cinema."

***Apocalypse Now*** (Francis Ford Coppola): The 1979 Vietnam War film is "a grand and grave and insanely inspired gesture of filmmaking."

***Citizen Kane*** (Orson Welles): Said Ebert of the 1941 epic: "Its surface is as much fun as any movie ever made; its depths surpass understanding."

***La Dolce Vita*** (Federico Fellini): Made with "boundless energy," the 1960 film about a journalist in Rome was first reviewed by Ebert when he was a student at the University of Illinois.

***The General*** (Buster Keaton): This 1927 movie starring Buster Keaton is "an epic of silent comedy."

***Raging Bull*** (Martin Scorsese): Released in 1980, the tale of a fighter is "not a film about boxing but about a man with paralyzing jealousy and sexual insecurity."

***2001: A Space Odyssey*** (Stanley Kubrick): The 1968 sci-fi flick "is not concerned with thrilling us, but with inspiring our awe."

***Tokyo Story*** (Yasujiro Ozu): Released in 1953, the story of an aging couple who travel to visit their grown children is "as simple and universal as life itself."

***The Tree of Life*** (Terrence Malick): The 2011 film, which follows a father, his wife and two sons, is a movie "of vast ambition and deep humility."

***Vertigo*** (Alfred Hitchcock): Ebert thought this 1958 movie, about a private investigator hired to follow a woman, was Hitchcock's most confessional.

### **Roger Ebert's Best Movies Of Each Year Since 1967**

"Bonnie And Clyde"

"The Battle Of Algiers"  
"Z"  
"Five Easy Pieces"  
"The Last Picture Show"  
"The Godfather"  
"Cries and Whispers"  
"Scenes from a Marriage"  
"Nashville"  
"Small Change"  
"3 Women"  
"An Unmarried Woman"  
"Apocalypse Now"  
"The Black Stallion"  
"My Dinner With Andre"  
"Sophie's Choice"  
"The Right Stuff"  
"Amadeus"  
"The Color Purple"  
"Platoon"  
"House of Games"  
"Mississippi Burning"  
"Do The Right Thing"  
"Goodfellas"  
"JFK"  
"Malcolm X"  
"Schindler's List"  
"Hoop Dreams"  
"Leaving Las Vegas"  
"Fargo"

"Eve's Bayou"

"Dark City"

"Being John Malkovich"

"Almost Famous"

"Monster's Ball"

"Minority Report"

"Monster"

"Million Dollar Baby"

"Crash"

"Pan's Labyrinth"

"Juno"

"Synecdoche, New York"

"The Hurt Locker"

"The Social Network"

"A Separation"

"Argo"

Echoing President Obama who said after hearing about his death on Wednesday, *"Movies won't be the same without Roger Ebert."*

## WEEKEND READING

The U.S. Labor Department announced Friday that employers added only 88,000 jobs in March, the fewest in any month since June and well below expectations, causing the unemployment rate to decline from 7.7 to 7.6 percent. In fact, the share of the population in the workforce -- working or looking for work -- fell to 63.3 percent, the lowest level in decades. Part of the reason fewer people are participating in the labor force is that the baby boomers are hitting retirement, but another part is that the economy is lousy. In other words, a notably weak jobs report. As usual, we want to be careful not to over-interpret one month's worth of pretty volatile data. Still, over the first quarter of the year -- thus averaging out some of the statistical noise in the report -- payrolls are up 168,000 per month, compared to 209,000 per month in the fourth quarter of 2012. This deceleration in job growth and deterioration in labor force participation looks a lot like what you'd expect if you hit a still weak recovery with the repeal of the 2 percent payroll tax break and the sequester, is probably only a minor factor in these numbers, but will grow as the year progresses.

Since there are many moving parts in our economy, one month does not make a picture. But what is clear – the country has a serious jobs problem that no amount of tax cuts will cure and austerity will only make worse. And with 12 million people unemployed, 50 million Americans living below the poverty line and 15 million children going to bed hungry every night, the ideological purity of Republicans in Congress who are pushing for tax cuts that favor the rich at the cost of cutting the safety net programs that protect the unemployed, poor, students, elderly and our children is beyond shameful.... Republicans in Congress who are currently taking victory laps believing that the sequester is hurting the President's popularity, should look at these numbers and understand the pain being inflicted on our least fortunate. And as Arthur Delaney wrote this week in **The Huffington Post** – ***New Jobs Report 'Should Be A Wake-Up Call....'***

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Last week in the **New York Times**, Jeffrey Sachs wrote – ***On the Economy, Think Long-Term*** – that one of the country's economic weaknesses is because government policies are often temporary fixes instead of solid long-term plans. *"It's time to move beyond such transitory and piecemeal policies. Our underlying economic problems are chronic, not temporary; structural, not cyclical. To solve them, we need a systematic long-term approach."* His points to three obvious priorities that should be addressed with long-range perspective: infrastructure, energy and job skills, as this will ignite and encourage the creation of good jobs and begin to resolve huge problems of competitiveness and the environment.

He starts with the country's crumbling infrastructure, including fast intercity rail, renovated highways, safe water systems and refurbished waterways and coastlines – and suggest the use of public-private funding. Last month the American Society of Civil Engineers just gave the country's infrastructure a 'D+' grade and estimates that it will take \$3.6 trillion to upgrade to 'A' by 2020. The 2009 economic stimulus package included only \$106.3 billion for short-term infrastructure repair. But we really need long-term strategies – linking federal, state, regional and local efforts – that have a 10- to 20-year perspective.

The same goes for our energy system. We are in the midst of a short-term boom of shale oil and natural gas. Yet this expansion in energy production, driven in large part by two new techniques – horizontal drilling and hydraulic fracturing – won't begin to address our long-term energy needs. Like any over-hyped gold rush, today's boom will soon be tomorrow's bust; fractured gas fields have a remarkably rapid decline rate. They also threaten the local environment. More important, given the genuine and increasing impact of climate change, there is no longer any doubt that the world will have to fulfill its energy needs with low-carbon sources – whether solar, wind, nuclear or carbon-capture and sequestration. A clearly laid out federal program to support large-scale solar and wind energy, electric vehicles and other smart technologies – and backed partly by public money – would unlock hundreds of billions of dollars of private investments. It would secure America's energy future and protect the environment, too.

The third area is job skills. Germany is a good example, which boasts a low youth unemployment rate because of skills-training. There, many young people gain a job foothold through an apprenticeship with a private company partly financed by the government and this should be vastly expanded.

Sachs believes that the President and Congress should stop angling for more temporary stimulus and instead put forward sound programs for job training, low-carbon energy and modernized infrastructure, he would most likely carry the public and eventually win the political battle. And for encouragement, we can look to history because the United States government has a strong track record of success in such long-term public-private investment programs. Federal agencies helped support and guide the birth of the computer age, the Internet, the Human Genome Project, the federal highway

system, the GPS revolution, the global fight against AIDS and, of course, the space program. Each was built on the painstaking political work of a president, backed by scientific experts and private businesses, and fashioned over many years. Returning the nation to prosperity, economic fairness and a safe environment is not going to be easy and it will take long-term prospective, strategies and programs to set the country on the right path.

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This week in the **New York Times** — **Social Security, Present and Future** — in which the Editorial Board advocated that reducing the annual cost-of-living adjustment, or COLA, for Social Security benefits would be bad because most retirees are heavily reliant on Social Security having not saved enough to make up for the loss of traditional pensions. The average Social Security recipient only receive \$1,265 a month (*\$15,180 a year*), while only the top fifth of seniors, with incomes above \$57,960, do not rely on Social Security. as their largest source of income; most of them are still working. As such the reality is that Social Security will be more vital than ever for more and more retirees. To ensure that the system is paying proper COLAs, Congress should instruct the Bureau of Labor Statistics to develop a statistically rigorous index of inflation among retirees. Until this is done, cutting the COLA on grounds that it is too large would be unjustified and disingenuous.

Critics of Social Security like to tell you that it is insolvent. But this is due to the demographic ("bubble") pressures of the *"baby boomers"* and the current weak economy. It is currently solvent only until 2033, while Social Security solvency is gauged over a 75 year period. Even without reforms, it still has the ability to pay about 75 percent of promised benefits for 75 years. There is no magic bullet here. The way to fix this shortfall is to either cut benefits or raise revenue/taxes. Since so many seniors are reliant on Social Security, cutting benefits would impose severe hardship on tens of millions of Americans. The easiest reform to close a third of the gap, is to raise the level of wages subject to Social Security payroll tax to about \$200,000 from the current \$113,700. This would bring the taxable wage base in line with rising incomes among top earners. And another change is to raise the payroll tax rate, currently 6.2 percent for both workers and employers. The rate has not been raised since 1990. A one percentage point increase could be phased in over 20 years and still raise enough revenue to close about half of the funding gap. Social Security has given Americans a wonderful safety-net and although it is currently being stressed, it can easily be fixed with means testing and some of the other reforms that **Times Editorial Board** recommended.

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The Obama administration and Republican officials in several states are exploring ways to redirect federal money intended to expand Medicaid, the main public insurance program for the poor, and use it instead to buy private health insurance for Medicaid recipients. The approach could have important benefits for beneficiaries and for the future of health care reform. But the idea also carries big risks. Federal officials will need to enforce strict conditions before agreeing to any redirection of Medicaid dollars that were originally intended to enlarge the Medicaid rolls. The law provides hugely attractive financial incentives for states to add more people. The federal government will pay 100 percent of the cost of caring for newly eligible enrollees for the first three years, tapering to 90 percent in later years. Even so, some state officials, mostly Republicans, are proposing that the very generous federal financing for expansion be used instead to pay the premiums of poor people on new electronic health care exchanges, created by the reform law, where people can shop for subsidized private insurance.

Private insurance obtained on the exchanges is suppose to help poor beneficiaries in a number of ways. They are suppose to be less vulnerable to disruptions every time their incomes fluctuated above or below the boundary line that determines whether they are poor enough to qualify for Medicaid, where they would see one array of doctors, or slightly better off and eligible for subsidized insurance on the exchanges, where they might see a completely different group of doctors. Providers would be paid the same amount whether treating a Medicaid recipient or a privately insured patient, potentially creating

a wider network of doctors for Medicaid patients. And some poor residents of states resistant to expansion, who would otherwise be frozen out by a glitch in the reform law, could gain coverage through the exchanges.

In the **New York Times Editorial — *Using Medicaid Dollars for Private Insurance*** — the Editorial Board believes that the main benefit could be political, in that it might seriously engage Republicans in the whole health reform effort, make it easier to carry out the law and reduce the appetite among Congressional Republicans to gut the law. The weakness with private exchanges is that private insurance is almost always more costly than Medicaid. This could force a cutback in the number of people covered because the money won't go as far as promised. There is also a risk that poor people will end up with fewer benefits and higher cost-sharing on the exchanges despite regulations that should prohibit that. As a result, Federal officials must be vigilant in ensuring that recipients on the exchanges receive the same services and same cost-sharing limits that they would under an expanded Medicaid program. State officials who don't want to play by those rules would be better off using the generous federal dollars as originally intended — to expand their Medicaid programs to cover many more of their uninsured residents. But again, my preference would be to get rid of the middlemen whose first priority is to make money for their shareholders and enact a universal national health service for all.... And for those who want "*concierge medical care*" can supplement the basic national healthcare with insurance.

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This week **The Huffington Post** started a new section — ***TED Weekends*** with a piece by Dr. Ben Goldacre — ***WATCH: What Doctors Don't Know About the Drugs They Prescribe*** — who presents a convincing argument that in today's world the line between science and rhetoric is becoming increasingly blurred by presenting mainly positive data about a drug's safety and effectiveness, pharmaceutical companies attempt to persuade their audience (doctors and patients) to adopt a particular image of their drugs. They want to present the image of a medicine that has been proved safe and effective in numerous carefully regulated clinical trials. This image is a "*preferred reality*" -- the reality that the drug company wants us to believe. The whole truth about the drug would have to include negative data from clinical trials in which the drug was not effective or was even harmful. If drug companies revealed the downsides of a drug, including missing outcomes, doctors would have a different picture. They might not be so quick to prescribe the drug, and patients who heard the whole story might not be so willing to take it.

The Greek philosopher Aristotle called rhetoric "*the art of persuasion.*" Greek rhetoricians were public speakers or orators who tried to persuade audiences to accept a certain point of view. Today, we tend to think of rhetoric in the context of politics. In the political arena, skilled rhetoricians do their best to persuade us that abortion or gay marriage is good for society or bad for society or simply neutral. Rhetoricians are not constrained by facts or truth. Their goal is to get their audience to believe in a "*preferred reality*" -- that is, the reality they want people to believe. Because the goal of rhetoricians is to sway opinion, we don't usually think that rhetoric has much to do with science. We think of scientists as dealing with hard truths and the laws of physics speak for themselves.

In a review by Dr. Marilyn Wedge on Dr. Goldacre's presentation, she concedes that most writers, including herself, present a preferred reality to their readers, as it is only natural for a writer to selectively choose or cherry-pick outcomes in order to portray a certain image. She writes, "*for example, in my recent book on family therapy as an alternative to psychiatric drugs for kids, I don't fill the pages with my most spectacular failures. On the contrary, I want to persuade readers that family therapy is an effective solution to a wide variety of kids' problems. Of course I primarily include cases in which my method has been successful. That means I must plead guilty to what Goldacre calls 'selective referencing.'*"

Getting back to Dr. Goldacre's concerns, he cites an example in cancer research where several researchers of note reported in the journal *Nature* how they had tried to replicate 53 different basic science studies looking at potential treatment targets in cancer, and out of those 53 studies, they were only able to successfully replicate six. Forty-seven out of those 53 were unreplicable. And they say in their discussion that this is very likely because freaks get published. People will do lots and lots and lots of different studies, and the occasions when it works they will publish, and the ones where it doesn't work they won't. And their first recommendation of how to fix this problem, because it is a problem, because it sends us all down blind alleys, their first recommendation of how to fix this problem is to make it easier to publish negative results in science, and to change the incentives so that scientists are encouraged to post more of their negative results in public.

But it doesn't just happen in the very dry world of pre-clinical basic science cancer research. It also happens in the very real, flesh and blood of academic medicine. So in 1980, some researchers did a study on a *Class 1c* drug called Lorcainide, an anti-arrhythmic drug, a drug that suppresses abnormal heart rhythms, and the idea was, after people have had a heart attack, they're quite likely to have abnormal heart rhythms, so if we give them a drug that suppresses abnormal heart rhythms, this will increase the chances of them surviving. Early on its development, they did a very small trial, just under a hundred patients. Fifty patients got Lorcainide, and of those patients, 10 died. Another 50 patients got a dummy placebo sugar pill with no active ingredient, and only one of them died. So they rightly regarded this drug as a failure, and its commercial development was stopped, and because its commercial development was stopped, this trial was never published.

Unfortunately, over the course of the next five, 10 years, other companies had the same idea about drugs that would prevent arrhythmias in people who have had heart attacks. These drugs were brought to market. They were prescribed very widely because heart attacks are a very common thing, and it took so long for us to find out that these drugs also caused an increased rate of death that before we detected that safety signal, over 100,000 people died unnecessarily in America from the prescription of anti-arrhythmic drugs.

Now actually, in 1993, the researchers who did that 1980 study, that early study, published a *mea culpa*, an apology to the scientific community, in which they said, "*When we carried out our study in 1980, we thought that the increased death rate that occurred in the Lorcainide group was an effect of chance.*" The development of Lorcainide was abandoned for commercial reasons, and this study was never published; it's now a good example of publication bias. That's the technical term for the phenomenon where unflattering data gets lost, gets unpublished, is left missing in action, and they say the results described here "*might have provided an early warning of trouble ahead.*"

Goldacre: Now these are stories from basic science. These are stories from 20, 30 years ago. The academic publishing environment is very different now. There are academic journals like "*Trials*," the open access journal, which will publish any trial conducted in humans regardless of whether it has a positive or a negative result. But this problem of negative results that go missing in action is still very prevalent. In fact it's so prevalent that it cuts to the core of evidence-based medicine. So this is a drug called Reboxetine, and this is a drug that I myself have prescribed. It's an antidepressant. And I'm a very nerdy doctor, so I read all of the studies that I could on this drug. I read the one study that was published that showed that Reboxetine was better than placebo, and I read the other three studies that were published that showed that Reboxetine was just as good as any other antidepressant, and because this patient hadn't done well on those other antidepressants, I thought, well, Reboxetine is just as good. It's one to try. But it turned out that I was misled. In fact, seven trials were conducted comparing Reboxetine against a dummy placebo sugar pill. One of them was positive and that was published, but six of them were negative and they were left unpublished. Three trials were published comparing Reboxetine against other antidepressants in which Reboxetine was just as good, and they were published, but three times as many patients' worth of data was collected which showed that Reboxetine was worse than those other treatments, and those trials were not published. I felt misled.

Now you might say, well, that's an extremely unusual example, and I wouldn't want to be guilty of the same kind of cherry-picking and selective referencing that I'm accusing other people of. But it turns out that this phenomenon of publication bias has actually been very, very well studied. So here is one example of how you approach it. The classic model is, you get a bunch of studies where you know that they've been conducted and completed, and then you go and see if they've been published anywhere in the academic literature. So this took all of the trials that had ever been conducted on antidepressants that were approved over a 15-year period by the FDA. They took all of the trials which were submitted to the FDA as part of the approval package. So that's not all of the trials that were ever conducted on these drugs, because we can never know if we have those, but it is the ones that were conducted in order to get the marketing authorization. And then they went to see if these trials had been published in the peer-reviewed academic literature. And this is what they found. It was pretty much a 50-50 split. Half of these trials were positive, half of them were negative, in reality. But when they went to look for these trials in the peer-reviewed academic literature, what they found was a very different picture. Only three of the negative trials were published, but all but one of the positive trials were published. Now if we just flick back and forth between those two, you can see what a staggering difference there was between reality and what doctors, patients, commissioners of health services, and academics were able to see in the peer-reviewed academic literature. We were misled, and this is a systematic flaw in the core of medicine.

In fact, there have been so many studies conducted on publication bias now, over a hundred, that they've been collected in a systematic review, published in 2010, that took every single study on publication bias that they could find. They found that publication bias affects every field of medicine. About half of all trials, on average, go missing in action, and the review showed that positive findings are around twice as likely to be published as negative findings.

This is a cancer at the core of evidence-based medicine. Because if you flipped a coin 100 times but then withheld the results from half of those tosses, you could make it look as if you had a coin that always came up heads. But that wouldn't mean that you had a two-headed coin. When in reality it would mean that you were a fraud. And this is exactly what we blindly tolerate in the whole of evidence-based medicine. And to Goldacre calls this research misconduct. And yet, for some reason, if somebody conducts 10 studies but only publishes the five that give the result that they want, we don't consider that to be research misconduct. And when that responsibility is diffused between a whole network of researchers, academics, industry sponsors, journal editors, for some reason we find it more acceptable, but the effect on patients is damning.

Goldacre points out that this is happening right now, today with a drug called Tamiflu. Tamiflu is a drug which governments around the world have spent billions and billions of dollars on stockpiling, and we've stockpiled Tamiflu in panic, in the belief that it will reduce the rate of complications of influenza. Complications is a medical euphemism for pneumonia and death. (Laughter) Now when the Cochrane systematic reviewers were trying to collect together all of the data from all of the trials that had ever been conducted on whether Tamiflu actually did this or not, they found that several of those trials were unpublished. The results were unavailable to them. And when they started obtaining the write-ups of those trials through various different means, through Freedom of Information Act requests, through harassing various different organizations, what they found was inconsistent. And when they tried to get a hold of the clinical study reports, the 10,000-page long documents that have the best possible rendition of the information, they were told they weren't allowed to have them. And if you want to read the full correspondence and the excuses and the explanations given by the drug company, you can see that written up in this week's edition of PLOS Medicine.

And the most staggering thing of all of this, is that not only is this a problem, not only do we recognize that this is a problem. And this is not a difficult problem to fix. We need to force people to publish all trials conducted in humans, including the older trials, because the FDA Amendment Act only asks that you publish the trials conducted after 2008, and we have to ask why are we only limiting studies over

the past five years. As Goldacre points out, we need to publish all trials in humans, including the older trials, for all drugs in current use, and you/we need to tell everyone you/we know that this is a problem and that it has not been fixed. Goldacre's argument is clear and as my mother would have said, "*the more information you can get the better decision you can make.*"

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Last Sunday Ronald Reagan's former budget director, David Stockman wrote a disturbing op-ed in the **New York Times** — ***State-Wrecked: The Corruption of Capitalism in America***

— asserting that the overall American system of crony capitalism is in fact wrecked. Ronald Reagan laid the groundwork for complete decay by declaring "*deficits don't matter.*" Alan Greenspan's "*loose monetary policies*" pandered to financial interests. George W. Bush "*dived into the deep end, bankrupting the nation through two misbegotten and unfinanced wars, a giant expansion of Medicare and a tax-cutting spree for the wealthy that turned K Street lobbyists into the de facto office of national tax policy.*" The housing market exploded, "*abetted by phony credit ratings, securitization shenanigans and willful malpractice by mortgage lenders, originators and brokers.*" In a take no prisoners critique Stockman says that the culprits are bipartisan — it was Bill Clinton who deregulated the too-big-to-fail banks, and it was George W. Bush and Barack Obama who bailed them out which took crony capitalism into overdrive and possibly beyond the tipping point.

Additionally, it is a good to read about the negative effects of decommissioning the Glass-Steagall Act and the temporary-timid measures to address the cascading disastrous consequences.

Stockman pointed out — *that over the last 13 years, the stock market has twice crashed and touched off a recession: American households lost \$5 trillion in the 2000 dot-com bust and more than \$7 trillion in the 2007 housing crash. Sooner or later — within a few years, I predict — this latest Wall Street bubble, inflated by an egregious flood of phony money from the Federal Reserve rather than real economic gains, will explode, too. Since the [REDACTED] 500 first reached its current level, in March 2000, the mad money printers at the Federal Reserve have expanded their balance sheet six-fold (to \$3.2 trillion from \$500 billion). Yet during that stretch, economic output has grown by an average of 1.7 percent a year (the slowest since the Civil War); real business investment has crawled forward at only 0.8 percent per year; and the payroll job count has crept up at a negligible 0.1 percent annually. Real median family income growth has dropped 8 percent, and the number of full-time middle class jobs, 6 percent. The real net worth of the "bottom" 90 percent has dropped by one-fourth. The number of food stamp and disability aid recipients has more than doubled, to 59 million, about one in five Americans.*

Stockman continues — the Main Street economy is failing while Washington is piling a soaring debt burden on our descendants, unable to rein in either the warfare state or the welfare state or raise the taxes needed to pay the nation's bills. By default, the Fed has resorted to a radical, uncharted spree of money printing. But the flood of liquidity, instead of spurring banks to lend and corporations to spend, has stayed trapped in the canyons of Wall Street, where it is inflating yet another unsustainable bubble. When it bursts, there will be no new round of bailouts like the ones the banks got in 2008.

Instead, America will descend into an era of zero-sum austerity and virulent political conflict, extinguishing even today's feeble remnants of economic growth. And if he is anywhere close to being right..... Wow..... And the flawed behavior of the public sector described by Mr. Stockman is not the root cause of the America's economic decline. It is the consequence of the private sector's decline, stemming from its focus on the short-term and the stock price..... and the loss of both the public and private sector's moral compass on behalf of the greater good of the country and its people.

Stockman's critics point out that as early as 1981, Stockman was well aware that the voodoo economics of cutting taxes and public sector deficits while increasing defense expenditure and still balancing the budget, was nonsense. The math didn't add up. From the outset, Mr. Stockman knew that Reagan intended to expand defense spending, regardless of the merits or the effect on the deficit. Thus Mr. Stockman's current claim that he resigned as director of the OMB in 1985 because of "*the destruction*

of fiscal rectitude under Ronald Reagan” is hard to accept. Because if that were the case, then Mr. Stockman would have resigned in 1981, when he was well aware of the fiscal disaster that was under way from the beginning. Instead, he stayed on for four more years, and presided over the continued growth of deficits and expanded corporate welfare. Ben Bernanke, dismisses Stockman's critique as “cranky old man stuff. ...” What his critics find so disturbing is not a quant argument about the purity of monetary policy but rather the bold assertion that the overall American system of crony capitalism is in fact wrecked. This is a contention that most Americans might readily agree with in terms of their daily experience, but one that the hardly suffering pundit class would rather not contemplate. And for all of the strident attacks on Stockman's column, I have yet to read a serious critique of his most unabashed claim, that the bailouts and quantitative easing that have saved Wall Street and brought the stock market back to historic heights represent class warfare with the vast majority of Americans on the losing side — the famed 47%/takers.

Although a bit of a long read, it's well worth it. As it is an honest assessment of who is getting richer while the economy continues to die and insight into the reasons for the continual running of the FRB presses for the last five years. Stockman's article puts many pieces of the tale of the mismanagement of the public treasury together with pressures from the corporate world into one narrative that conjures up the bigger picture of what's happened since 2008. Stockman gives a sobering outlook on what may be coming down the pike: Basically it's too late to change course — The problem is so systemic to the US political and financial system that in order to save it, most of the apparatus would need to be scrapped. Even worse, our illness has spread beyond our borders — And the power players, both within and outside our country, are squeezing the last bit of juice from the lemon that is the US economy. As Robert Scheer wrote critiquing Stockman's op-ed this week in the **Huffington Post** — ***It Wasn't David Stockman Who Wrecked the Economy*** — If this is true we have to ask why the fiasco's enablers -- Alan Greenspan, Robert Rubin and Lawrence Summers -- and the more disastrous ones to follow were crowned "***The Committee to Save the World***" on **Time** magazine's Feb. 15, 1999, cover and are still welcomed in those polite circles where truth-teller Stockman (like Daniel Ellsberg) is being treated as a pariah in a shoot-the-messenger frenzy.

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When I was growing up my parents were confident in knowing that the education that I received in public schools during the 1950s and 1960s in Mount Vernon, New York was better than almost anywhere else in the world, especially in China, Japan, Korea, Russia and Eastern Europe. Wow.... how things have change. Since 2000 the Organization for Economic Cooperation and Development (OECD), an intergovernmental organization of industrialized countries instituted the Program for International Student Assessment (PISA) as an international assessment that measures 15-year-old students' reading, mathematics, and science literacy. PISA also includes measures of general or cross-curricular competencies, such as problem solving. PISA emphasizes functional skills that students have acquired as they near the end of compulsory schooling. The PISA is conducted every three years with the most recent assessment in 2012 — results will be released on December 3, 2013. Attached, please find the PISA 2009 results that was released on December 7, 2010 for comparison.

This week Thomas Friedman wrote an op-ed in the **New York Times** — ***My Little (Global) School*** — describing a pilot study in an America Achieves report entitled “***Middle Class or Middle of the Pack?***” that is being released Wednesday. The report compares U.S. middle-class students to their global peers of similar socioeconomic status on the 2009 PISA exams. The bad news is that U.S. middle-class students are badly lagging their peers globally. “*Many assume that poverty in America is pulling down the overall U.S. scores,*” the report said, “*but when you divide each nation into socioeconomic quarters, you can see that even America's middle-class students are falling behind not only students of comparable advantage, but also more disadvantaged students in several other countries.*” American students in the second quarter of socioeconomic advantage — mostly higher middle class — were significantly outperformed by 24 countries in math and by 15 countries in

science, the study found. In the third quarter of socioeconomic advantage — mostly lower middle class — U.S. students were significantly outperformed by peers in 31 countries or regions in math and 25 in science. The good news, is that, for the first time, we have documented that there are individual U.S. schools that are literally outperforming every country in the world.

See the web link: <http://www.americaachieves.org/docs/OECD/Middle-Class-Or-Middle-Of-Pack.pdf>

Top performing countries, and regions of countries, include Shanghai, China; Taipei; Singapore; Hong Kong; Korea; and Finland. In math, the United States also falls behind Estonia, Slovenia, Iceland and the Czech Republic. Analysts also found some hopeful news, however, from results of a pilot test by the same organization that developed PISA. Of the 105 U.S. high schools that participated in the pilot, some were nearly on par with the top performing nations, even when they had significant percentages of low-income students. These weren't anomalies; these schools have very clear expectations and values, according to America Achieves. They hire strong and knowledgeable teachers, use data, classroom observations and mentoring to continually improve teaching and stress accountability. "Like their counterparts in many high-performing countries, high-performing schools in the U.S. are data-driven and transparent not only around learning outcomes but also around soft skills like completing work on time, resilience, perseverance and punctuality. The use of data to measure student improvement and teacher performance is often embedded in the school culture," according to the report.

So what's the secret of the best-performing schools? It's that there is no secret. The best schools, the study found, have strong fundamentals and cultures that believe anything is possible with any student: They "work hard to choose strong teachers with good content knowledge and dedication to continuous improvement." They are "data-driven and transparent, not only around learning outcomes, but also around soft skills like completing work on time, resilience, perseverance — and punctuality." And they promote "the active engagement of our parents and families." If you look at all the data, it's clear that educational performance in the U.S. has not gone down. We've actually gotten a little better. The challenge is that changes in the world economy keep raising the bar for what our kids need to do to succeed. Our modest improvements are not keeping pace with this rising bar. Those who say we have failed are wrong. Those who say we are doing fine are wrong." The truth is, America has world-beating K-12 schools. We just don't have nearly enough. But the trend is that education is getting better almost everywhere else in the world. And in a world where competition is global, a generation that is falling behind its peers in education will be at a serious disadvantage and same for the country.

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I first met my second wife Lisa in South Africa in 1980 when she working with Amnesty International in the fight for the greater good of the oppressed majority. Raised by a mother who grew up in a European royal family who ingrained an obligation of *Noblesse Oblige* in Lisa and her siblings. *Noblesse oblige* is a French phrase literally meaning "*nobility obliges*". The Oxford English Dictionary says that the term "*suggests noble ancestry constrains to honorable behavior; privilege entails to responsibility.*" Being a noble meant that one had responsibilities to lead, manage and so on. One is not to simply spend one's time in idle pursuits — sometimes applied more broadly to suggest a general obligation for the more fortunate to help the less fortunate. Aside from being 25 and drop-dead gorgeous, one of Lisa's most attractive attributes when we first met was her sense of giving to the less fortunate, whether it be working with Amnesty International, Greenpeace or being a "big sister" to a teenage girl in the South Bronx.

This week in **The Huffington Post**, co-founder Arianna Huffington wrote — **God, Cellphones, Quarterly Earnings and the Search for the Common Good** — a review of the new book by Jim Wallis called — **On God's Side: What Religion Forgets and Politics Hasn't Learned About Serving the Common Good**. Wallis, in addition to being CEO of the [REDACTED]. — based Christian ministry Sojourners, is one of our most compelling thinkers and writers -- not just on

religion and spirituality but on American public life as well. According to Wallis, we have traded *"the idea of public servants for the false idols of power and privilege."* And *"we have lost something as a nation when we can no longer look at one another as people, as Americans."* So he wrote the book to get at *"the root of what I believe is the answer to our current state of unrest."*

And this is what he concluded: It is not about right and left -- or merely about partisan politics -- but rather about the quality of our life together. It's about moving beyond the political ideologies that have both polarized and paralyzed us, by regaining a moral compass for both our public and personal lives - - by reclaiming an ancient yet urgently timely idea: the common good. The book draws inspiration from Abraham Lincoln's famous line: *"[M]y concern is not whether God is on our side; my greatest concern is to be on God's side..."* Wallis calls this *"probably the most important thing about religion ever said by an American president."* For Wallis, the key to being on God's side is a focus on the common good. *"That old but always new ethic simply says we must care for more than just ourselves, or just our own group,"* he writes. *"We must care for our neighbor as well, and for the health of the life we share with one another. It echoes a very basic tenet of Christian and other faiths -- love your neighbor as yourself -- still the most transformational ethic in history."*

But, as Wallis writes this doesn't seem to be the direction things are currently headed in our country. Instead of strengthening our commitment to equality, social justice, and our sense of unity as a nation, our public and political discourse is breaking us apart. The question is, where is change going to come from? Much of Wallis' book focuses on the fact that it's unlikely to come from Washington. *"There is a war going on today in our nation's political discourse,"* he writes. We've lost our civility, the ability to have public discussion that isn't harsh or dismissive but respectful and genuinely open to dialogue and disagreement. We've also lost our ability to really listen to one another. We've lost our capacity for political compromise, for actually finding solutions instead of just continually blaming each other for problems. The problem is that it's hard to see Washington changing any time soon, or, at least, it's hard to see change coming from inside Washington. Our political life right now seems stagnant, stalemated -- like the trench-warfare battle lines of World War I. Small battles and skirmishes are won or lost -- and are covered with breathless import by the media -- but the scope of what passes for solutions grows ever smaller.

Today the debate in Washington isn't just shrinking bit by bit, it's disappearing faster than the polar ice cap. My dear friend Calle's grandfather, Otto von Bismarck famously said, *"Politics is the art of the possible"* -- but in our politics, achieving the possible is seen not as art but as capitulation. Since Washington is not working we need to explore avenues for the common good outside of the beltway. We have to change the modus operandi, whereby incentives in politics veer toward fundraising and the incentives in business have come to be dominated by quarterly earnings and short-term growth. Therefore even though both the public and private sectors are off course, it's more likely that the private sector -- which includes not just businesses but non-profits and individuals committed to making a difference -- will be able to course-correct more rapidly.

In 1890, Alfred Marshall, one of the founders of modern capitalism, coined the term *"economic chivalry,"* and wrote that the *"desire of men for approval of their own conscience and for the esteem of others is an economic force of the first order of importance."* That's still as true today as it was then. But the question is, what is it that gives a person *"the esteem of others"* and thus the *"approval of their own conscience?"* We can't change our general need for the approval of others and ourselves, but what we approve of -- what we think of as success -- can change. In a word: incentives. If our collective definition of success is simply greater quarterly earnings at all costs, then that's the route to approval that people will pursue. But how can we widen the definition of success to include the notion of the common good?

One of the costs of that short-term pursuit of success defined simply as money and power is often our health and well-being. Right now, stress costs American businesses \$300 billion a year. But thankfully more and more companies are realizing that not only are healthy profits and healthy

employees not exclusive, they go hand in hand. According to the iOpener Institute, increasing happiness in the workplace can reduce the cost of sick leave by 19 percent and the cost of employee turnover by 46 percent, and increase productivity by 12 percent. This is why around one-quarter of all large U.S. businesses currently offer some sort of stress reduction program.

One way to encourage the other three-quarters would be to provide stronger incentives. For instance, during earnings calls, the all-important Wall Street analysts whom CEOs and directors are always trying to impress with ever bigger quarterly profits could ask about what the CEO is doing to ensure the health and well-being of his or her employees. It would give the analysts a better idea of the company's long-term financial health, as well. One way to shift toward that longer-term perspective is by disconnecting from the noise and distraction of our ever-wired world. ***In On God's Side***, Wallis writes: "...let's be honest, cellphones have become the 'significant other' for lots of people today. Many spend more time with them each day -- thumbing away on the keyboards or having long conversations from anywhere and everywhere -- than with any person in their lives." As the Arab Spring proved, cellphone cameras, social media, Twitter and Facebook allows a increasing number of people to work together for the greater common good..... and this is a good thing for us all, as it allows anyone and everyone to be part of noblesse oblige in the rebuilding of the common good.

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In preparing for this weekend's offerings earlier this week I ran across a 2012 **Forbes** article by Steve Denning — ***HBR Blows The Lid Off C-Suite Over-Compensation***. Denning — “If some progressive journal were to write about overpaid CEOs, it wouldn't be news. It would be just another “dog bites man” story. But when **Harvard Business Review**, the pillar of the business establishment, writes that the C-Suite is so grossly overcompensated that US competitiveness is being systematically undermined, it's big news. It's a “man bites a pack of dogs” story. Throughout HBR's 90 year history, it has been a cheerleader for the C-Suite. Issue after issue, year after year, HBR has tirelessly nurtured the C-suite, tended it, encouraged it, cared for it, defended it, and celebrated it, as well as providing guidance for those aspirants who would like to gain access to the hallowed citadel. So HBR can hardly be accused of any anti-business bias when it publishes an incisive article detailing how and why the C-Suite of US business is so grossly overcompensated that the practices are inexorably pushing the US economy into decline. In effect, the article describes in detail what the various Occupy movements have long suspected but never knew how the rip-off was executed. The article makes clear that overcompensation of the C-suite is not merely an issue of “fairness” or “whining by the 99 percent”. The phenomenon is having disastrous *business consequences*, including a serious mis-allocation of capital and talent, repeated governance crises, rising income inequality and an overall decline of the US economy.”

At the heart of the disaster, according to HBR, is market-based compensation — the idea that the C-Suite and financial managers should be compensated by the issuance of stock. The idea was intended to align managers' interests with those of shareholders, but the result has been the opposite. According to HBR, the idea of market-based compensation is “*intellectually flawed*” and “*a foundational myth*.” That's because in implementing market-based compensation, there is a failure to distinguish results due to sheer luck (beta) from the results due to skill (alpha). Thus when someone is running an oil company while the price of oil is skyrocketing, it doesn't need a lot of skill to generate high profits: such executives shouldn't receive outsized compensation from a rising tide that lifts all boats.

Moreover those who should be monitoring compensation—pension funds, mutual funds and foundations—have not only been asleep at the wheel: they have been actively complicit in the debacle. They have “*readily outsourced performance evaluation and compensation in order to avoid their obligation to make tough decisions and bring pay into line with performance.*” (“*Outsourced*” here is a euphemism for “*abandoned.*”)

*“The combination of a foundational myth and absent monitors over the past two decades gave rise to harmful incentives, asymmetrical payoffs and windfall compensation levels... The result has been the creation of perhaps the largest and most pernicious bubble of all: a giant financial incentive bubble.”* This in turn results in *“the twin crises of American capitalism: repeated governance failures, which lead many to question the stewardship abilities of American managers and investors and rising income inequality.”* Even worse, the skewed incentives and huge unearned windfalls have given rise to righteous but unwarranted belief in entitlement: the individuals *“now consider themselves entitled to such rewards. Until the financial incentives bubble is popped, we can expect mis-allocations of financial, real and human capital to continue.”*

## **The elements of the debacle**

Among its many points the article makes are:

- **The system rests on a false narrative of entrepreneurship and “sweat equity.”**
- **Obvious mechanisms to separate skill from luck are ignored.**
- **Managerial compensation is inversely related to shareholder returns. Pension funds and others are hiding their own insolvency.**
- **The system results in a misallocation of capital and talent,**
- **The system generates rising income inequality.**
- **Repeated governance failures raise questions about the stewardship abilities of US business.**

## **Suggested Reforms**

- Boards and big investors such as pension and mutual funds must stop outsourcing compensation, do their job of separating luck from skill and base compensation on longer-term accounting metrics.
- Big investors like pension funds and foundations should stop allowing the repackaging of new assets or expecting alternative assets to resolve latent fund insolvency

## **Constraints to change**

HBR is however not optimistic when they look at the constraints to change:

- **Regulation and taxes may make things worse:** Tempting as it may be to try to fix the problem by regulation, HBR worries that regulations may have unintended consequences and simply make things worse, citing the example of the limits on deductibility of executive pay as a regulation that backfired. One area “where policy may be helpful” is the carried-interest rule which benefits private equity and hedge funds by mis-characterizing labor income as capital income.
- **Appeals to ethics are likely to be ineffective:** The moral problems of the current system are obvious. Yet appeals to ethics will be powerless in the face of these “high-powered financial incentives”.
- **Markets will not correct the excesses:** The article documents the profound conflicts of interest that prevent capitalism from self-correcting. Compensation committees comprise co-beneficiaries of the system who have no incentive to rock the boat. Pension funds can avoid

responsibility by leaving it to “the market” to monitor the investment managers they hire. Self-interested managers from alternative investments “happily adopt the incentive schemes that provide their brethren with windfall gains.

### **What’s missing from the picture?**

For an article that gives us so much, it might seem ungrateful to ask for more. Nevertheless:

- **The article overlooks hidden C-suite retirement benefits:** By focusing only on market-based compensation for executives, the article overlooks the analogous unsustainable bubble of C-Suite retirement benefits, as documented by Ellen Schultz in her incisive book, *Retirement Heist*. The amount of money involved in executive incentives is extraordinary. For instance, at General Electric[GE] the unfunded liability for executive pensions **increased** from \$1.1 billion in 2000 to a staggering \$4.4 billion in 2010. By contrast in the same period, GE’s share price **decreased** by some 60 percent. Schultz’s book shows that these practices are as endemic in large firms today as flawed market-based compensation.
- **The article doesn’t name names or quantify the phenomenon.** The article says that the unsustainable bubble is “huge”. How big is “huge”? It would have been helpful to cite other sources, such as the excellent 2005 book, *Pay without Performance*, which documents and quantifies the scale of the problem.
- **An egregious exponent is highlighted as a model of the future:** It is extraordinary that in the very issue of magazine which exposes CEO over-compensation, an egregious exemplar of the phenomenon (Jeff Immelt, CEO of General Electric [GE]) is highlighted—at the front of the magazine—as a model of the future. During the eleven year period of Immelt’s tenure, GE’s stock price has declined by around 60 percent while C-suite compensation has exploded.
- **The placement of the article:** HBR’s article appears at the back of the magazine, on page 124, almost as an after-thought. It takes a careful reader to realize that the substance of the article undermines most of the other proposals in the issue that are aimed at “*reinventing America*”. Thus Thomas Kochan in a generally excellent article on page 64 about *The Jobs Compact For America’s Future*, is puzzled as to why big US firms have systematically avoided “the high road” in terms of providing a workplace that draws on the creative talents of the workforce and instead have systematically adopted practices that demoralize workers. Kochan could have found the answer to his puzzlement sixty pages later in HBR’s article on page 124 showing how incentives encouraged C-suite incumbents to feather their own nests, rather than create value for shareholders or generate innovative workplaces.

### **Over-compensation is unsustainable**

As HBR makes clear, despite the constraints to change, the overcompensation of the C-suite and the financial sector is not sustainable. It causes serious mis-allocation of capital and talent, repeated governance crises, rising income inequality and an overall decline of the US economy. It obviously cannot continue, if only because, as Margaret Thatcher used to say in a different context, “*Sooner or later you run out of other people’s money.*” -- *And where is the sense of the “common good?”*

**THIS WEEK'S QUOTE**

*It is difficult to get a man to understand something when his salary depends on not understanding it.*

**Upton Sinclair**

## A BIT OF MAGIC

**For your magical amusement ! By Penn and Teller--notice that Teller has no Sleeves on him and still does amazing magic.**

**How can the impossible suddenly look so easy?**



[v=nZM4Iu0sosM&vq=medium](#)

## THIS WEEK'S MUSIC

This week I would like to share the music of Bobby Womack, who was born March 4, 1944 in Cleveland, Ohio and is an American singer-songwriter and musician. Bobby is an active recording artist since the early 1960s, when he started his career as the lead singer of his family musical group The Valentinos and as Sam Cooke's backing guitarist. In March 1965, just three months after Sam Cooke's death, Womack created scandal by marrying Cooke's widow, Barbara Campbell. Womack's career has spanned more than 50 years and has spanned a repertoire in the styles of R&B, soul, rock and roll, doo-wop, gospel, and country. Womack wrote and originally recorded The Rolling Stones' first UK No. 1 hit, "*It's All Over Now*" and New Birth's "*I Can Understand It*" among other songs. As a singer he is most notable for the hits "*Lookin' For a Love*", "*That's The Way I Feel About Cha*", "*Woman's Gotta Have It*", "*Harry Hippie*", "*Across 110th Street*" and his 1980s hit "*If You Think You're Lonely Now*". In 2009, Womack was inducted into the Rock and Roll Hall of Fame. . On May 24, 2012, it was announced that Womack's surgery to remove a tumor from his colon was successful and he was declared cancer free. And on January 1, 2013 Womack admitted that he has struggled to remember his songs and other people's names, leading doctors to suggest that he is in early stages of Alzheimer's disease. Womack currently lives in Los Angeles. Please set back and enjoy the sounds of music legend Bobby Womack.

Bobby Womack - *That's The Way I Feel About Cha*(1971) --

[v=JdIGkpmc4jU](#)

Bobby Womack - *Love Has Finally Come At Last* --

Wilton Feilder & Bobby Womack - *No matter how high i get* --

[v=fbOp84L7rTc](#)

Bobby Womack - *If You Think You're Lonely Now* --

[v=sbbZ\\_k1Z8gU&list=RD02cG3Hr7n7YCU](#)

Bobby Womack - *I CAN UNDERSTAND IT* --

[v=hOcmdyf2PNI&list=RD02cG3Hr7n7YCU](#)

Bobby Womack - *Harry hippie* --

Bobby Womack - *WOMAN'S GOTTA HAVE IT* -- [REDACTED]

Bobby Womack - *And I love Her* -- [REDACTED]  
[WWK340&list=RD02cG3Hr7n7YCU](#)

Bobby Womack - *Gypsy Woman* -- [REDACTED]  
[v=OXvjRxurNLQ&list=RD02cG3Hr7n7YCU](#)

Bobby Womack - *A Change is Gonna Come* -- [REDACTED]  
[2AwQ&list=RD02cG3Hr7n7YCU](#)

Bobby Womack - *Across 110th Street* -- [REDACTED]

*I hope that you have enjoyed this weekend's offerings and wish you a great week...*

Sincerely,  
Greg Brown

--  
Gregory Brown  
Chairman & CEO  
GlobalCast Partners, LLC

[REDACTED]