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1 – WHEN RADICALS RULE – FOR THIRTY YEARS

Contrary to popular notions held even here in southern California, Santa Monica was never really a beach town or bedroom community. It was a blue-collar industrial town, home to the famed Douglas Aircraft from before World War II until the 1970s.

When I first lived there in the early '70s, the city was pretty dilapidated, decaying and declining (except for the attractive neighborhoods of large expensive homes in the city's northern sections). I remember a lot of retirees, students, and like me and my wife, renters of small apartments in old buildings. The tiredness of the place was incongruous with its great location and weather. But then the first of several spectacular rises in real estate values took off. Rents started rising precipitously as well, and in a city where 80% of residents were renters, a political earthquake shook the establishment: in 1979 voters passed rent control and soon after that elected a slate of politicians backed by the SMRR – Santa Monicans for Renter Rights – to a majority on the city council. It has now been 30 years that the city of Santa Monica has been dominated by the politics and politicians of SMRR. What have they wrought?

There have been some momentous battles. Property owners, denied the full use and fair value of their property, came to calling the place “the People’s Republic of Santa Monica.” As economists would predict, rent control resulted in the loss of rental units (and therefore the number of renters), slowed construction of new units, led to the deterioration of existing units as landlords

deferred maintenance, decreased the city’s diversity, and increased its exclusivity. These were all opposite effects the original intentions of the new radical rulers.

But rent control was not the only “social justice” concern on the SMRR agenda; “homeless friendly” policies led to an explosion of homeless people in the city, which comedian Harry Shearer reminds the nation every week on his NPR radio show is “The Home of the Homeless.”

Other battles fought over the years have involved traffic issues, a living wage ordinance, preferential parking zones, McMansions, development and redevelopment, planning, zoning, schools, affordable housing requirements, and the height of fences and hedges – a thousand things big and small one would expect in a city of 85,000 residents and an annual budget of over \$500 million. At some point in the 1980s, the SMRR-dominated City Council, once anti-development, realized that development could generate millions of dollars for city government necessary for funding its political agenda. Massive rezoning and redevelopment were approved. The money flows in, and the City Council spends.

One might think that inconsistent policies often causing opposite effect of their intentions would have weakened the left. But two large factors have come into play over time. First, SMRR does not rule without consent and consensus – many, perhaps more than half, of home owners have supported the progressive politics and policies

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of the SMRR-controlled city council. Secondly, despite the concerns of some property owners and economists, Santa Monica has prospered. Despite powerful regulation, hotels, arts, jobs, and restaurants continue to flow into the city. Opponents on both sides concede most of the population is content and satisfied with the status quo.

This has been accomplished with pragmatism and a willingness to change policies that were not working. The worst effects of rent control are in the past due to a state law that allowed vacancy decontrol. Same with homelessness: residents wanted to be “progressive” but realized that being kind to the homeless only increased their numbers; the city responded and changed policies. Took years, as does everything there, but the problem has become more manageable (or less visible anyway).

The city still overdoes it on permits, regulations, etc., but homeowners and business want to be “progressive,” so they go along with it (and they like regulation when it benefits their interests).

The city decided to make itself a tourist destination, and it is, but when it looked like nothing but hotels would be built, voters passed a proposition to halt hotel development. On the other hand, last November voters defeated Prop T, which would have limited most commercial development in the city to 75,000 square feet a year for the next 15 years.

Santa Monica Place, a huge indoor shopping mall, outlived its usefulness, so now it’s being rebuilt as an outdoor mixed-use development. A living wage law was passed by the City Council, and then repealed by voters.

SMRR is a political machine that has dominated the city for 30 years, using money, favors, jobs for the connected (and bupkis for those not) to build voting blocs for power and control. It inserts its

people onto all the boards and commissions with input into policymaking. Their power ultimately comes from persuading renters, who are still a big majority of the city’s inhabitants, that they need SMRR for protection from “greedy landlords.”

So SMRR dominates political life in the city of Santa Monica, but it does so with the consent of many homeowners, property and business owners, as well as renters. Santa Monica is green, PC, insufferably “tolerant,” self-satisfied, etc., but still doing well for itself. Taxes, rules, regulations and restrictions are onerous, but people and businesses still want to be there.

I have lived through and observed the political battles of the last 30 years as a renter, homeowner and briefly as a landlord (never again, thanks). The transformation of Santa Monica reflects an interesting story: left-leaning activists who realize they can bend the establishment by controlling it from the inside. They then become the new establishment, but like in today’s left-leaning academia, work to make sure they themselves are never similarly deposed. And yes, I wonder if it holds lessons for the nation, with President Obama and the Democrats now in control and looking to implement a left-leaning agenda.

What might those lessons be? One, particularly difficult for conservatives to accept, is that the time-tested machinations of leftist political machines sometimes work. They work for the powerful and the connected (who get to have their cake and eat it too: financial reward with a patina of progressivism), and they are *perceived* to work for the powerless and unconnected (however deleterious in reality). And that the left can come to power and rule with the consent of the governed, if it doesn’t “push the envelope” beyond a certain point, changes course when warranted, rewards cronies and allies, co-opts opponents where possible (and freezes them out

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where not). It worked for Tammany Hall, it has worked for Mayor Daley, and it seems to be working for Obama. Saul Alinsky would be proud of his protégé.

Perhaps at the heart of its success is that like all successful political machines, SMRR “fixes potholes.” Frank Gruber, who writes a weekly column about life and politics in Santa Monica for *The Lookout News*, calls this “squeaky wheel government.” SMRR council members try to turn every complaining resident – and there are many – into happy SMRR voters. Whatever the aims of SMRR, they have created a popular government.

Gruber, who considers himself an “old leftie”

of the “jobs, housing, education, environment” school, takes SMRR to task for putting the needs of comfortable voters (traffic, for instance) ahead of the needs of the larger community (such as jobs for minority youth). (A collection of Gruber’s columns has recently been published in a book called, fittingly, *Urban Worrier: Making Politics Personal*.)

In the 2008 elections, in which Santa Monicans voted overwhelmingly for Barack Obama, all four incumbents of the City Council won easily. SMRR seems as entrenched as always. In at least this paradisiacal portion of Southern California, left-wing government appears to be working – even if sometimes at odds with its own old radical objectives.

2 – CDI DECLINES IN JUNE; WAS MAY A FALSE DAWN?

CONSUMER DEMAND INDEX SIGNIFICANTLY DOWN – BUT STILL ABOVE ALL TIME LOW

After a surprisingly strong upswing in May, the CDI for June fell by more than 20 index points and now stands at -27, down from -5 in May as lower demand for clothing and food drags the aggregated index down. However, this is still 10 points above the all-time low of February 2009. The three-month moving average is also down but less dramatically so, from -13 in May to -18 in June.

Was May’s upturn in consumer spending plans a false dawn? We don’t think so. In aggregate, earnings and spending were up during the month, according to government statistics. But savings were up even more. Consumers are being cautious, as our June data reflect. But rising aggregate income almost always leads to higher spending, and that is what we expect through the rest of the year. Become a subscriber and be among those in the know.

– Jørn Thulstrup, Roger Selbert

The Consumer Demand Index is a monthly survey of American households’ buying plans for the next 90 days. Unlike other measures of consumer “confidence” or “sentiment,” the CDI measures what percentages of US households are, in the next 3 months, actively planning to buy in a wide range of durable and non-durable goods, including cars, white goods, PCs, TVs, home furnishings, kitchenware, clothes/footwear, and food/groceries. We also measure, uniquely, what percentage of households are NOT in the market in ANY of the product categories surveyed.

The CDI consistently anticipates the direction of movements in both ISM (supply management) and CPE (consumer expenditure) surveys and, according to two recent independent analyses, outperforms competing indexes (Conference Board, University of Michigan) in predicting consumer behavior.

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3 – INDIVIDUALIZATION

I have long argued that the individual is becoming the basic unit of society, and that this is not detrimental to collective well-being, but beneficial.

WHAT IS INDIVIDUALIZATION?

- An approach that regards and treats people as individual human beings
- Processes and policies that differentiate between and among individuals
- The ability to provide customized, personalized products and services, the ultimate result and goal of which is the antithesis to mass markets, mass media, mass education, mass production, undifferentiated products, services, markets, people

Individualization is underpinned and driven by a convergence of trends (and their manifestations):

Social trends (toward self-determination)

Economic trends (toward self-reliance)

Cultural trends (toward self-definition)

Demographic trends (toward smaller and single households, diversity)

Technological trends (toward ubiquitous, cheap computing power and bandwidth)

Individualization is manifesting itself in every facet of life and business. For example:

Education (adaptive, tailored learning)

Healthcare (targeted drugs, therapies, treatments)

Employment (self-management)

Manufacturing (mass customization of products)

Retailing/Selling (personalization of services)

Marketing/Advertising (reaching markets of one)

Entertainment (addressable/interactive media)

Communication (the iPhone application platform)

WHAT ARE THE EFFECTS AND BENEFITS OF INDIVIDUALIZATION?

People want to be regarded and treated as individuals, and respond favorably to individualized

treatment whether as consumers, employees, clients or constituents.

THE FUTURE BELONGS TO INDIVIDUALIZATION

Science ensures that the 21st century will be the century of the individual. So argues Charles Murray in the 2009 Irving Kristol Lecture at the American Enterprise Institute. Murray makes the case that individualization will be bolstered, and collectivism undermined, by scientific discoveries in biology, neuroscience and genetics. These findings will undercut the assumptions upon which collectivist social policies are based: that differences among group outcomes can be remedied by social engineering (the equality premise); and that human beings are malleable through the right government interventions (the New Man premise).

Within a decade, argues Murray, no one will try to defend these premises. All sorts of groups will be known to differ in qualities that affect what professions they choose, how much money they make, and how they live their lives in all sorts of ways (gender differences will be first). And it will be acknowledged that human nature tightly constrains what is politically or culturally possible.

If social policy cannot be built on the premise that group differences must be eliminated, or that human nature is malleable, what can it be built upon? It can be built upon the restoration of the premise that used to be part of the warp and woof of American idealism: people must be treated as individuals, answers Murray. "The success of social policy is to be measured not by equality of outcomes for groups, but by open, abundant opportunity for individuals. It is to be measured by the freedom of individuals, acting upon their personal abilities, aspirations, and values, to seek the kind of life that best suits them."

The effects on policy debates are going to be sweeping.