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1 – KOYAANISQATSI REDUX

I went to Hollywood one night last week to watch my favorite film of all time, *Koyaanisqatsi* (released in 1983). It was being shown on a big screen at the Hollywood Bowl, accompanied by orchestra playing the original score, conducted by its composer, Philip Glass. Oh, I didn't go to the Bowl; I watched it at my daughter's apartment about half a mile away (hi def DVD and digital sound system turned way up, thank you). It was much more enjoyable than going to the Bowl; after all, I didn't want to share the experience with an audience that undoubtedly would have, shall we say, a different appreciation of the art.

You see, the message and meaning most of the Hollywood crowd take from *Koyannisqatsi* (Hopi Indian for "life out of balance" or "crazy life") is that man has despoiled and separated himself from his natural environment. Frankly, it has always had the exact opposite effect on me. Even after what must be 100 viewings, I am continually overwhelmed, impressed and delighted by the images of what man has been able to create, invent and build to control his environment, increase his wealth, provide him his food and energy, raise his standard of living, and transport him around the planet (or across the city).

I am sure most of the Hollywood Bowl crowd has a different response, and finds the images disturbing and disgusting. This is the reactionary impulse, born of an anti-industrial, anti-development mindset. I would wager the majority of that audience has bought completely into the scaremongering of catastrophic man-made global warming, which to the properly skeptical and

scientifically literate remains unproven (oh hell, it's ludicrous on its face). This is deliciously ironic, as many sequences in *Koyaanisqatsi* were filmed in the 1970s, when most of the same crowd were hectoring us about global cooling (doubly ironic, as a cooling may now actually be upon us).

My first review of the film, published some 25 years ago, needs only minor updating.

This truly remarkable film by Godfrey Reggio has no plot, no characters, no dialogue. The images of the film are awe-inspiring: first, huge expanses of pristine nature: deserts, rivers, mountains, mesas, lakes, waterfalls, clouds. Then grand-scale technology: huge earth-moving machines, power plants (nuclear and otherwise), oil refineries, food-processing plants, space shuttles, rockets, jets, freeways, subways, skyscrapers, shopping malls, train stations (and of course the obligatory atomic bomb explosions and mushroom clouds) – all shot in fascinating slow-motion and/or time-lapse format by cinematographer Ron Fricke. The accompanying music by Philip Glass is eerie, haunting and perfect.

The film is a visual, aural and emotional feast. If it bores you, you don't understand you are looking at, in juxtaposition, the majestic indifference of nature; the supreme accomplishments of physical engineering; and some of the most awful consequences of attempts at social engineering. Some of the images that make indelible impressions, all set to a majestic, driving score:

- desert rock formations unchanged through thousands, if not millions of years

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- huge power transmission lines stretching forever across barren desolation
- the implausible flying behemoth that is a 747
- the flow of vehicles on a freeway, at night, from 50 stories up, that in time-lapse photography really does look just like the flow of blood through vessels, arteries and capillaries as seen through a microscope
- row upon row of huge, empty, abandoned south Bronx tenements
- the razing of the Pruitt-Igoe housing project in St. Louis (the most graphic depiction of public policy failure ever committed to film, I should think)
- the rush of commuters who in time-lapse photography look like ants swarming an anthill
- various mass production activities: mail-sorting machines, industrial assembly lines, escalators, elevators, revolving doors, conveyor belts, money counting machines, huge bowling alleys, movie theaters
- finally, the high resolution satellite photograph of a massive city grid (Los Angeles, of course) overlaid, first, on a printed circuit microchip board, and secondly, on an intricate Hopi Indian woven blanket. The matches are nearly perfect.

A very noticeable detail of the '70s-era footage from Los Angeles is the blanket of smog that covers the city; I can tell you, having lived here all of these years, that the situation is dramatically improved. (I now see far-off mountain ranges daily; in the '70s that was rare.) Environmental quality has been improving over the decades (read *The Skeptical Environmentalist* by Bjorn Lomborg for the statistical evidence). The solutions to the problems that technology causes often end up being more technology, sensibly and carefully applied.

The single greatest contributor to the amelioration of LA smog, for example, is the catalytic

converter. Instigated and required by government, you say? Developed and produced by industry in response to marketplace demand, says I.

I find the movie very relevant today. It seems some of our new political overlords seem to think they can have a productive economy without production, without what the film depicts: heavy industry; mass processing of food, clothes, consumer and industrial goods; massive residential and commercial development; huge efforts devoted to energy extraction, production and transmission; untrammled mobility for goods, people and vehicles. Now I'm a "new economy" guy myself, but I realize that our wealth, standard of living and quality of life – the current and future prospects for hundreds of millions of us – are dependent upon these activities, and that the health of the industries that make them possible are far more important than any particular small sub-species of bird, fish, ant or rat (the threats to which are always exaggerated anyway).

We are really talking about the role of government here, not only in protecting nature. What the film shows me is that it is in fact government's job to protect the "other" environment: the environment that encourages, promotes and allows incentives for production. Part of this environment is the need for massive infrastructure: energy systems, water systems, waste systems, transport systems, roads, dams, etc., etc., in adequate capacity and in good repair. Mass production and economies of scale bring good quality cheap to millions, and provide opportunities to generate incomes, grow wealth and lead productive, modern lives. More efficiency can also create more nature; for example, the millions of acres of non-redundant farmland turned into forest or open space.

We used to know and understand this as a society. Our political elites were devoted to it. Now, not so much. We need to relearn the basic lessons and regain that consensus again.

- Market and industry analysis
- Strategic business direction
- Growth dynamics

- Trend identification and analysis
- Keynotes and presentations
- Proprietary research and reports

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2 – US CDI BACK IN POSITIVE TERRITORY

For the first time since September 2008 the CDI is back in positive territory and at the highest level since April 2008. The upswing is remarkable, 40 points up from -27 in June to +13 in July. The three-month moving average is up from -18 to -6, the highest level since October 2008. The surge in the CDI is based

on positive developments in nearly all product segments, most significantly the demand for food and grocery store items. Consumers have stepped out of the woods, but there is still a long and not well-paved way to walk before private consumption in the US is back to a balanced and sustainable level.

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.

For more information and to subscribe, go to www.consumerdemand.com.

3 – PUTTING THE CURRENT HEALTH CARE DEBATE IN PERSPECTIVE

I have been analyzing and writing about health care trends and issues since the 1980s. The themes have been pretty consistent: rising expenditures and the need for reform, viewed through the economist's prism of incentives and disincentives. My prescriptions have been pretty consistent too: competitive market-based reforms to improve efficiency, quality and rationality. Having providers compete for consumer markets improves products and services, and controls costs, in virtually every other industry. To maintain that healthcare is different, is too important to be left to market forces, has it exactly backwards: healthcare is too important *not* to be left to market forces.

The current healthcare reform debate is floundering on the usual shoals: who pays, and who decides. To put the whole matter in perspective

it is instructive to turn to two classic books. The first, *A Conflict of Visions: Ideological Origins of Political Struggles* (Thomas Sowell, 1987) explains that the source of all of our political divisions is the basic philosophical divide between those with a *constrained* view of man and those with an *unconstrained* view. The constrained vision of man sees human nature as unchanging and selfish, the unconstrained view as malleable and perfectible. The book builds a convincing case that ethical and policy disputes are ultimately based on the differences in these visions.

As concerns healthcare reform, those with an unconstrained view see no intractable reasons why problems of access, affordability, liability, innovation, etc., etc. cannot be solved with sufficient moral, monetary and political commitment.

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With good intentions, good policies and good leaders, they believe, society can extend high-quality healthcare to all citizens at a reasonable cost, satisfying all stakeholders. In contrast, those with a constrained view see imperfections of men and policies as inevitable, moral and intellectual limitations as inherent, and unharmonious relations between “interests” as natural. Furthermore, they realize that actions undertaken in attempts at social engineering will themselves have costs and unintended consequences.

The second classic book that offers perspective on the current healthcare policy debate is *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics* (Jane Jacobs, 1992). Jacobs argues that modern societies utilize two distinctive moral systems – one being suited to the world of commerce (the commercial moral syndrome), the other to the world of politics (the guardian moral syndrome). The problem is that we don’t always know which system of morality to employ in concrete situations, and the wrong choice can have disastrous consequences. As concerns healthcare policy, the attempt to employ the guardian instead of the commercial syndrome is likely to fail. To understand why, consider the precepts that characterize each of the syndromes:

THE COMMERCIAL MORAL SYNDROME

- Shun force
- Come to voluntary agreements
- Be honest
- Collaborate easily with strangers and aliens
- Compete
- Respect contracts
- Use initiative and enterprise
- Be open to inventiveness and novelty
- Be efficient
- Promote comfort and convenience
- Dissent for the sake of the task

- Invest for productive purposes
- Be industrious
- Be thrifty
- Be optimistic

THE GUARDIAN MORAL SYNDROME

- Shun trading
- Exert prowess
- Be obedient and disciplined
- Adhere to tradition
- Respect hierarchy
- Be loyal
- Take vengeance
- Deceive for the sake of the task
- Make rich use of leisure
- Be ostentatious
- Dispense largesse
- Be exclusive
- Show fortitude
- Be fatalistic
- Treasure honor

Both systems are valid for the purposes for which they have evolved (the commercial syndrome for production, trade and the allocation of goods; the guardian syndrome, used by the military, police, fire service, etc. for protection). But the two syndromes stand in contradiction to each other. Indeed, many of society’s conflicts arise from attempts to impose the precepts appropriate for one syndrome on areas where the other syndrome should prevail. (It is why, for example, government-run businesses bog down in waste, inefficiency and disappointed hopes.)

Is there a way out of this dilemma? No, the conflict is intractable. Until we treat healthcare like any other economic good, commodity or service, the problems associated with trying to “solve” it will prove intractable as well.