

# Crackers

COSMOPOLITAN CLUB OF SANTA BARBARA INC.

Vol. LVIII No. 12

Editor: Pete Kruse

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Crackers

### Cosmo Member Ailing?

If you learn of one of our members suffering from illness or injury, please notify Arlie Skov, 965-5101, [askov@earthlink.net](mailto:askov@earthlink.net).

### Next Meeting

**December 15,**

### Madrigal Singers, San Marcos High School

The elite singing ensemble from San Marcos High School — The Madrigals — will make their annual appearance at our December 15 luncheon meeting. Led by Caroline Teraoka-Brady, this award winning choral group has toured nationally and abroad during the recent past. The Madrigals never fail to infect us with the holiday spirit by way of a carefully planned program of seasonal music. Cosmo welcomes The Madrigals another year, and we are proud to help to sponsor their ambitious schedule during these economically challenging times. Wives and friends are invited to attend our holiday program December 15. In addition, our meeting on Dec. 15, will also be "Cliff Sponsel Day" to honor he and his wife for Cliff's selection as "Man of The Year" by the Santa Barbara Foundation and the Santa Barbara News Press.



### Future Meetings

**January 5, John Barletta, "Riding With Reagan" (published in 2005)**

John Barletta will discuss his experiences serving as a Secret Service agent under President Ronald Reagan. John served his country as a member of the U.S Army 1<sup>st</sup> Calvary division before joining the Secret Service in 1974 as a Special Agent. He was transferred to the Presidential Protection Division at the White

### Crackers Editor



Next Meeting: **December 15, 2011**

Next Editor: Chuck Evans

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House in 1978, during the Carter Administration. After President Reagan took office, John Barletta was placed in charge of the equestrian team because of his love of horses and superior riding skills that made him the perfect choice to protect Reagan on horseback. In 1987, he was assigned to the Western Protective Division, in charge of the ranch detail. When the Reagans left the White House, he was transferred to the Reagan Protective Division in Los Angeles. John retired from the Secret Service in 1997—and though retired, he continued to see the Reagans regularly

### January 19

Judge Tom Anderle will speak on SB Superior Courts. He will be introduced by Fred Clough.

### February 16

Gary Cunningham will speak on College Athletics. He will be introduced by Bob Hankins.

**Wine Drawing** Bob Zimels conducted the wine drawing. Harry Brown won a bottle of Donovan Parks Pinot Noir. Don Archer won the Vigilance 2010 Sauvignon Blanc. Our Speaker, Dr. Gary Bryne, won the Margerum M5.





## Welcome Our Guests

The following guests were introduced by Gordon Bjork:

Dr. Lee Witherspoon, Psychiatrist, invited by Dr. Harry Brown.

### Committee Announcements

Al Mercado announced the Christmas Dinner Dance on Dec. 6.

#### Thanks to our Staff

Joe O'Brien on the Punch Bowl  
Bill Herlinger and Mike Smith, Ticket Sellers  
Bill Spangler gave the Invocation

## WELCOME NEW MEMBER

Pete Kruse introduced our newest Cosmo member,

### William 'Bill' Stinehart, Jr.

675 Glen Annie Rd, Goleta 93117

805-685-7540,

email: [bstinehart@verizon.net](mailto:bstinehart@verizon.net)

Bill Stinehart, a native of Los Angeles, graduated with great distinction from Stanford University, from UCLA Law School, Order of the Coif, and married Patricia Kidney, graduate of USC. He always has had a team to cheer for on game day. He was a tax attorney and partner in the Los Angeles firm of Gibson, Dunn, and Crutcher, retiring in 2004. He and wife Pat have one son, and one daughter, and settled in Santa Barbara in 2008. His interests are reading and investments, and he's interested also in tennis and jogging. Bill was sponsored by Pete Kruse, Harry Stroud, and Gordon Bjork.



## PROPOSED FOR MEMBERSHIP

Henry Benjamin "Ben" Chambers

46 Brranca Ave., Apt. !

Santa Barbara, CA 93109

805.712.9619; email is [irenejchambers@aol.com](mailto:irenejchambers@aol.com)

A native of Virginia and former President of Kenmark Industries in Santa Barbara, Ben has applied for membership. Ben holds a BSME and was an officer in the US Navy in the Underwater Demolition Team (now know as Navy Seals). Before his retirement in 1992 Ben worked as an engineer for 40 years including the founding of two Engineering companies which specialized in heavy load moving hydraulic machinery used in shipbuilding and offshore construction. Ben and his wife, Irene, have lived in Santa Barbara since 1963 and they have two sons

and two daughters.

Ben's sponsors are Ron White, Paul Hartloff and Ed Loper

### Regular Events

**Bridge** – Join us for FUN Bridge upstairs at the Elks Club after all regular meetings; we play until 3:30 PM Chairman Steve Morgan, 637-1332, or [smmphd@cox.net](mailto:smmphd@cox.net). For the next meeting Mike Cribbs will substitute for Steve at 563-2814, or [cribbism@cox.net](mailto:cribbism@cox.net).



The top three bridge scores at the Nov 3rd meeting were:

Hal Thompson came in 1<sup>st</sup> with 3640 points,  
Jim Belden came in 2<sup>nd</sup> with 3090 points,  
and Ralph Edebo was 3rd with 3060 points.

**Tennis** - The tennis group plays doubles twice a week at a private court in Shadow Hills starting at 8:00 AM Mondays and Thursdays. All tennis players are invited to participate. Contact Bruce Long (805) 692-4072 or [bruce93103@cox.net](mailto:bruce93103@cox.net).



### Cosmo Computer Society- Jim Stubchaer

Cosmo Computer Society meets monthly on the third Tuesday, upstairs at the Elks Club. Discussion starts at 10:00 AM, and a feature presentation starts at 10:30 AM, concluding with a no-host fellowship luncheon in the Elks Grill. All COSMO members are welcome. Bob Gerity, Program Chair; Howard Glenn, Chairman, 967-2633, [hbglennc@cox.net](mailto:hbglennc@cox.net).



**S.A.G.E. Investment Group** –S.A.G.E. meets monthly at 10 AM on the first Tuesday at the Elks Club, followed by a no-host lunch in the grill downstairs. At S.A.G.E. we discuss past and possible future trends in the economy and the stock market. We would welcome your participation. Co-Chairs: Dick Evans, 967- 6930, [dickevans@mac.com](mailto:dickevans@mac.com) and Walter Naumann, 448-5061, [wjnaumann@aol.com](mailto:wjnaumann@aol.com).



### Golf

#### Mondays - Santa Barbara Golf Club (Muni).

Tee times from 9:30 AM to 11:00 AM. Regular walking senior rate is \$25 for 18 holes. Contact Ron Singer (805) 684-1355 or [rsinger916@aol.com](mailto:rsinger916@aol.com) by prior Friday for your tee time. Twin Lakes (Par 29) at 9:00 AM. Work on your short game. These outings are a great way to gain new members so invite your friends.



**Wednesdays – Ocean Meadows** (Par 36) at 8:30 AM. Work on your long-ball skills.

**Additional play at various courses** - Contact Ron Singer to get on the e-mail notification list for the Floating Golf Game Circuit. Mondays are usually at Muni, Wednesdays are often at

Glen Annie, Fridays' locations have included La Purisma, Glen Annie, Soule Park, and Rancho San Marcos. A. B. Clark and Steven Stonefield will select the floating golf game sites, so you may contact either of them. Ron Singer, Golf Chair: [rsinger916@aol.com](mailto:rsinger916@aol.com).

### **Christmas Cheer for Carlos and Staff at Elks Club**

Ron Singer, as Treasurer, presented a \$1000 check to Carlos as a Christmas Gratuity on behalf of the Club and introduced Carlos and his staff to the cheers of those present.

### **Last Meeting:**

#### **December 1, Gary Bryne, PhD**

### **"How the Government Functions as your Investment Partner"**



The Federal Government exists within a unique world. It has methods of making decisions that are both unusual and dysfunctional at times, but establishes parameters within which all investors must operate. Gary Byrne has an insider's knowledge of how the government works and operates. As a former presidential appointee and a long time investment company president, he will discuss how the government determines the playing field and makes decisions that impact how you invest and why the consequences are frequently different than what you planned.

Dr. Byrne received his BA from the University of the Redlands and his PhD from the University of North Carolina. From 1990 to 1996 Presidents Bush and Clinton appointed him chairman and administrator to a number of business-related Federal Boards. He is also a former college professor, bank president, and author of several business-related books. Currently he is the president of an investment company called Vesta Capital Partners. He was introduced by Jim Shaw, a fellow Biking club member and Program Committee Chair.

Dr. Byrne commenced with a statement that the present environment is the most unusual he has experienced in the last 31 years. The Federal Reserve interventions in the money supply and financial conditions in both the US and Europe make today more complex, more difficult to understand and more difficult to predict than any time in his experience. He suggests that the following rules may help in determining what may happen in the future.

RULE 1. BUDGET DECISIONS ARE CONTROLLED BY THE BENEFICIARIES OF GOVERNMENT PROGRAMS, NOT THE TAX PAYERS. Those who receive funding from the federal government have developed extensive ties to the various members of Congress thru political contributions and other assistance which makes them the important factor when it comes to political decisions about budget funding. If an agency administrator is so bold as to challenge the status quo, his life will be made miserable by weekly appearance before Congressional Committees controlled by allies of the beneficiaries. Jim was told by one Committee Chair before whom he appeared that if he persisted in trying to reduce the budget for his agency from \$2 Billion to \$1.8 Billion that it would be increased to \$2.5 Billion in the next budget cycle.

RULE 2. THE CEO OF ANY AGENCY DOES NOT HAVE MUCH CONTROL OF THE BUDGET OR PERSONNEL OF HIS AGENCY, UNLIKE THE PRIVATE SECTOR. The budgeting process takes much time. Agency heads today are working on the budget for 2013. Once they have put their budget together, it is sent to OMB for approval, and then submitted to the relevant committee (See Rule 1). By law (Anti Deficiency Act) an Agency head commits a criminal offense if he overspends his approved budget. This gives agencies great incentive to game the spending process. On the other side, a sequestration decision by the Supreme Court makes it illegal to spend less than the Congress has authorized. So you can't spend only what you need.

RULE 3. MIDWESTERN SENATORS HAVE 15 TIMES THE REPRESENTATION IN THE SENATE AS CALIFORNIA. This leads to inordinate political power for the agricultural Midwest and one result is agricultural policy which is the most egregious example of waste in the entire Federal budget.

RULE 4: CONGRESS IS NOT MUCH DIFFERENT THAN IT HAS BEEN SINCE 1950. The point of this is to debunk the theory that things are really intractable now because of the inability of the Conservatives and Liberals to compromise and get things done. Jim points to the reality that there have really been three parties all of this time. The Southern Democrats were the conservative party and they controlled the committees of the House and Senate and all of the financial related committees. The Republicans were the blend party which actually didn't control anything but had members who were conservative and members who were liberal and would vote with their respective blocks on important issues. The Northern Democrats were the liberal party and they controlled all of the social welfare committees. The conflicts between the factions of the Democratic Party were worked out behind closed doors and could actually make progress. For example, from 1950 to 1980 the debt to GDP ratio moved from 120% (after World War II) to 60%. Democrats lost control of the financial committees in 1994 and the parties have realigned on philosophical lines so that the Current Republicans represent about 35% of the voters and are conservative, the Democrats

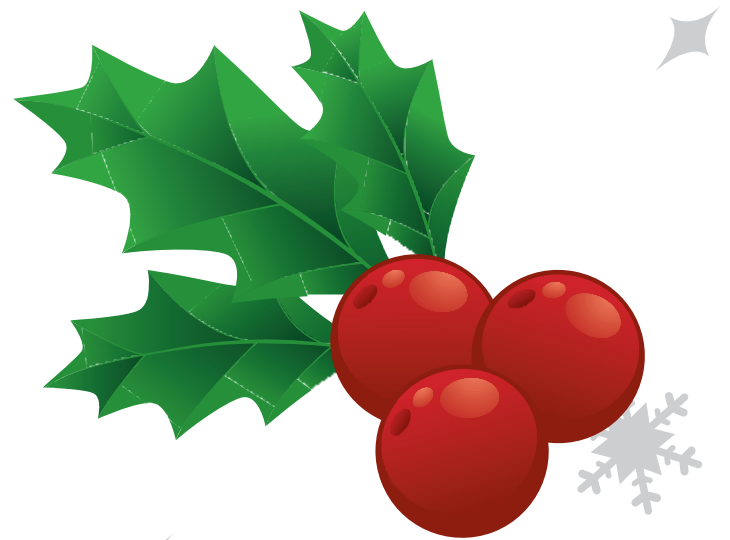
represent about 35% of the voters and are liberal, and the Independents represent the balance and will vote with the block they favor on an ad hoc basis. This realignment is more in line with the way political parties have been organized in Europe. The only thing really different is that the fights are now in the open instead of behind closed doors.

RULE 5: PRESIDENTS WHO COME TO OFFICE WITH AN AGENDA FOR A MAJOR POLICY CHANGE CANNOT KNOW WHAT THE UNINTENDED CONSEQUENCES OF THEIR AGENDA MIGHT BE. President Reagan came to office wanting to lower taxes, reduce regulations, win the cold war and reduce the size of government. He accomplished three of the four goals. George H. W. Bush came to office satisfied with the way things were. He focused on reducing spending for a ten year period based on a deal he and the Democrats made and kept. New taxes were part of the deal, but the Democrats limited the size of discretionary spending for the ten year period. Bush set the ground work for the prosperity which Bill Clinton enjoyed and probably would have won reelection but for the negative effect of the "No Taxes, Read My Lips" pledge and the economic recovery was about one quarter slower than would have made him successful. Bill Clinton wanted to lower long term mortgage rates and traded some modest tax increases for reduction on government regulation via the Paperwork Reduction Action, which permitted Jim to reduce the size of his agency by one half. In 1996, he wanted to increase home ownership from the 62-63% to 70% and promoted the Community Redevelopment Act which required banks to make loans in areas where they had branches. The problem was it became political and there was sever pressure to reduce lending standards, which resulted in the Subprime lending industry, supported by Fannie Mae and Freddie Mac, probably an unintended consequence. The result was we thought we had greater demand for housing than actually existed and we overbuild 7 million homes between 1996 and 2005. Since that time, the rate of new housing starts has dipped well below the actual need (which is determined by multiplying the number of folks turning 30 by .5). Gary expects that the overbuilt housing inventory will be liquidated in another two years and which time it will move back to the 3.5 million units annually and will probably result in 3 million good construction industry jobs.

The balance of the presentation focused on the current debt of the US, the rate at which such debt may be serviced at current rates of 2.5% and what will happen when the interest for US government borrowing returns to its historic level of about 7%. Debt service will move to about \$1.2 trillion per year and we will have to refinance about \$5 trillion annually. This debt service would be more than the cost of all discretionary spending and will force action to reduce the debt and change the tax code. If no action is taken voluntarily, it will be force on the US by the Bond market which will continue to demand more interest, which will require action, much as it has done in Greece and Italy.

In response to a question about what he would do if "King for a Day", he said he would only need an hour. He would revise the tax code by eliminating all deductions except mortgage interest, child credit and maybe philanthropy. He would set up a flat tax at between 5 and 20 % to raise the revenues needed and would institute a VAT to capture the \$300 Billion lost through the underground economy. A great presentation; Thought provoking.

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*Happy  
Christmas  
Everyone!*