



# Crackers

COSMOPOLITAN CLUB OF SANTA BARBARA INC.

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Crackers Editor

Next Meeting: **Oct 2, 2014**

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## 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)

## Dues for 2014-2015

Dues are now overdue and payable at \$60/member. Checks can be deposited in a box near the entry to the Elks' Club or mailed to Cosmopolitan Club PO Box 3993 Santa Barbara, CA 93130-3993. Fred Marsh is promising that you will hear from him if he doesn't hear from you!

## Meeting Staff:

Ticket Sellers: Ray Stauffer & John Calvert  
Punchbowl: Jim Gravitt  
Invocation: Bill Alexander  
Audio-Visual: Jack Patterson, Orlando Ramirez, Bob Weber and Bill Alexander  
Sergeant-at-Arms: Ken Wolf  
Photographers: Ron White and Don Truex

**Time of Meetings** 11:30 am - 1:30 pm

## Next Meeting

**October 2 2014**

**Dr. David Kerr, MD, FRCPE**

**"Diabetes"**



Professor Kerr qualified in Medicine from Aberdeen University in Scotland in 1981, and his Doctorate in Medicine from the University of Nottingham. Subsequently he spent two years at Yale University as a Research Fellow before being appointed as Consultant physician at the Royal Bournemouth Hospital in 1993. Since 2006 he has held a Gold Clinical Excellence award from the UK National Health Service.

As well as being a full time physician and endocrinologist, Dr. Kerr ran one of the largest insulin pump centers in the UK and continued his research interests across a spectrum of diabetes topics resulting in more than 200 publications. He also is Editor of Diabetes Digest and a board member of the Journal of Diabetes Science and Technology. In April 2014, Dr. Kerr took up his current post as Director of Research and Innovation at the Sansum Diabetes Research Institute in Santa Barbara. Bob Logan will introduce.

## Future Meetings

**October 16 2014**

**Dr. Lori Gaston, President, Santa Barbara City College**

**"Santa Barbara City College Today"**

Lori Gaskin was appointed to SBCC in July 2012 and serves the 25,000 students each semester who enroll in courses for transfer preparation, career education, foundational skills and an addition 4,500 enrolled in lifelong learning classes. SBCC has been ranked #1 community college in the nation and is working to serve the underrepresented and minority student success, degree completion, transfer rates and labor market success in securing good jobs after college. She holds a B.A. and M.A in Geography from UCLA and a Ph.D. in Educational Leadership from University of Nevada, Reno. She is active in the Santa Barbara community in advisory roles for Cottage Hospital, Partners

for Education, and the Scholarship Foundation of Santa Barbara and the YMCA. She is a director of the Channel City Club, member of the Santa Barbara County Re-Entry Project, Fighting Back, South Coast Executives and the Santa Barbara Chamber of Commerce.

**WELCOME OUR GUESTS** 

Manny Espig introduced three guests: Bob Cross hosted by Art Kvass (Bob is a physicist and hiker); Steve Shaeffer hosted by John Tevenan (Steve is an Electrical Engineer) and Andy Douglas hosted by Paul Hartloff (Andy was visiting and wished he could live in Santa Barbara).

**WINE DRAWING BY BOB ZIMELS**

Merle Blasjo won a 2011 bottle of Madrona Barbera. Chuck Evans won a 2008 bottle of Chateau Puy Marcean Bordeaux.



**Welcome New Members**

**Ron Jolley** was inducted after being introduced by Kevin Ryan. Ron is a resident at the Cosmo subsidiary residence at Valle Verde and was a Certified Financial Planner working form Sagepoint Financial. His former life included work on special effects for films before the digital era. He is a California native resides with his wife Chara with whom he raised their two son in Santa Barbara. He was sponsored by Kevin Ryan, Leo Robidoux and Donovan Chalfant.



**Lawrence Kugler** was inducted after being introduced by Gordon Bjork. They became acquainted on an unplanned hike on Santa Cruz island. Lawrence was educated at Cal Tech (a classmate of Jim Davis) and UCLA where he received a PhD in Math. Subsequently he taught a University of Michigan, Flint Campus and was part of the administration there. He is active in the Dixie Daddies, a Santa Barbara Dixieland Jazz group and may be seen on U-Tube. He also tutors math students at SB City College where his wife is a Trustee.



**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 [smmphpd@cox.net](mailto:smmphpd@cox.net); Co-chair Ed Loper, 967-8630, [oliveloper@cox.net](mailto:oliveloper@cox.net).



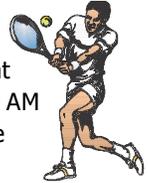
**S.A.G.E. Investment Group**

We meet monthly at 10 AM on the first Tuesday at the Elks Club. At S.A.G.E. we discuss past and possible future trends in the economy and the stock market. We would welcome your participation. Chair: Walter Naumann, 448-5061, [wjnaumann@aol.com](mailto:wjnaumann@aol.com).



**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).



**Golf**

Mondays we usually meet at the Santa Barbara Golf Club, (Muni). Tee times range between 9:30 AM to 11:00 AM. Regular walking senior rate is \$26 for 18 holes. Contact Ron Singer (805) 684-1355 or [rsinger916@aol.com](mailto:rsinger916@aol.com) by the prior Friday for your tee time. These outings are a great way to gain new members, so invite your friends.



We also have additional games at various courses. Contact Ron Singer to get on the e-mail notification list for the Floating Golf Game Circuit. Wandering Wednesday and Floating Friday locations will include courses throughout the tri-county area. A. B. Clarke 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).

**Upcoming Special Events**

**Sunday Matinee, October 5, 2014**

**Circle Bar B Ranch and Show**

**Wait-listed - This event is over-subscribed**

Enjoy an outdoor barbeque lunch at 1 PM followed by a show at 2 PM. Lunch includes tri tip or chicken, veggies, salad and dessert. The show is the play "Boeing Boeing". It is a French farce adapted for the English-speaking stage and features a swinging bachelor whose perfect life gets bumpy when the 3 stewardesses he is engaged to arrive in town simultaneously. The play has played on Broadway and holds the Guinness Book of Records for the most performed French play throughout the world. Plan to arrive at the Ranch at 1800 Refugio Road, Goleta for the social hour 12 to 1 PM. The cost for lunch and show is \$42. Make checks out to Cosmopolitan Club. Contact Ben Chambers 712-9619 or [hbenchambers@aol.com](mailto:hbenchambers@aol.com).

## Operatic Opportunities

Once more Cosmopolitan Club members will be offered an opportunity to join others in Sunday lunch at La Cumbre Country Club followed by the following operas at the Granada Theater:

**November 9** "Rigoletto" by G. Verdi

**March 8** "L'Italiana in Algeri" (The Italian girl in Algiers) by G. Rossini

**April 26** "A Streetcar Named Desire" by A. Previn

All performances start at 2:30 PM, and lunch at noon, allowing for ample time to get to the Granada Theater. The price of \$90.00 per person includes lunch and opera tickets.

If interested, please contact Fred Sidon at [frsidon@impulse.net](mailto:frsidon@impulse.net)

**Annual Christmas Dance** will be held at LaCumbre Country Club on Tuesday, December 9<sup>th</sup> reported by Thore Edgren. Bruce Long will be acting chair because Albert Mercado will be on vacation. Please make your reservations early to avoid cancellation for lack of participation. Christmas is coming soon!



**Annual Santa Barbara Symphony Dinner and Performance** will be held on January 17, 2015 in the afternoon reported by Art Kvass. This popular event will feature the Symphony playing the music from the soundtrack of the Charlie Chaplin film, **City Lights**. Chaplin was a cellist and composed the score. Although the film had an embedded soundtrack, the quality was not good and it will be a joy to hear the in person performance by the Symphony which will accompany a screening of the film.

## Proposed Cosmo Roundtable

Jim Davis proposes a group or groups to discuss major themes in human affairs. Managed by a group organizer, the opening 30 minutes may feature a lead speaker or perhaps a video. Subsequent discussion will allow all participants the opportunity to share their thoughts. Jim posted a sign-up sheet in the lobby and is available to explore the idea with interested members: 884-9858, [jidco@hotmail.com](mailto:jidco@hotmail.com).

**November 6, 2014**

### Blue Visions Lecture

Return engagement of Richard Salas and his Blue Visions Lecture

## Blue Visions Lecture



Richard Salas brings us awe inspiring images and thrilling adventures from the making of his second book of underwater photography, "Blue Visions".

Journey with Richard through the underwater majesty of the islands that dot the Pacific from the border of Mexico to the Equator. Meet the creatures he has met on his dives, as he shares his knowledge and art. He will introduce you to animals of all kinds and sizes, and he brings a unique sense of family to these endangered species, as they look back at him through the lens of his camera.

In addition to enjoying his gorgeous photos, and authentic speaking style, you can expect to be tickled by Richard's humor. His mission as an artist is to bring people a new appreciation of the ocean and marine life through his underwater images, which he shares with passion.

[www.bluevisionsinc.com](http://www.bluevisionsinc.com)      [richard@askphotography.com](mailto:richard@askphotography.com)

**November 18, 2014**

### Camarillo Aviation Museum

Enjoy the sights and sounds of the rare vintage warbirds, restored and maintained by the Southern California Wing of the Commemorative Air Force. Details to follow. Call Harry Stroud (805) 653-5117 for details.



**Last Meeting**

September 18 Benjamin J. Cohen, PhD

"The Outlook for the World Economy: Should we be Worried?"



*Benjamin J. Cohen*

Benjamin J. Cohen is Louis G. Lancaster Professor of International Political Economy at the University of California, Santa Barbara, where he has been a member of the Political Science Department since 1991. He was educated at Columbia University, earning a PhD in Economics in 1963. He has worked as a research economist at the Federal Reserve Bank of New York (1962-1964), and previously taught at Princeton University (1964-1971) and the Fletcher School of Law and Diplomacy, Tufts University (1971-1991). A specialist in the political economy of international money and finance, he serves on the editorial boards of several leading academic journals and is the author of fourteen books. Hugh Vos introduced him.

Dr. Cohen's answer to the question in the title of this talk was YES! This was based on his assessment that the United States is facing a more sluggish recovery at best, Europe is facing stagnation and deflation, Japan is facing stagnation and deflation, China is facing a significant slowdown and we are all possibly facing "secular stagnation". As he reminded us, Economics is known as the dismal science and suggested nothing in his presentation would disabuse us of that characterization.

Despite the latest International Monetary Funds July 2014 forecast of World growth in 2015 of 4.0%, the US at 3.0%, Europe at 1.5%, UK at 2.7%, Japan at 1.1% and China at 7.1%, Dr. Cohen suggests this is not grounds for optimism because while there are some encouraging signs, the forecast is still well below pre-crisis world growth, the outlook is dismal for Japan and slowing in Germany and

UK and a sharp slowdown in China. More importantly, the forecast has a history of an "optimism bias" in which out years projections tend to be higher than nearer years, projections are degraded over time and actual outcomes are even worse. It was suggested that optimism bias is not the result of a conspiracy, but rather some measure of wishful thinking and some the legacy of earlier times.

The US has some positive indicators, including five years of recovery since the Great Recession of 2008-2009, growth at an annual rate of 4% in the second quarter of 2014, and unemployment down to 6.1%. This coupled with monthly job gains in excess of 200,000 since January, job openings at their highest level since 2001, new claims for unemployment benefits are down, interest rates remain very low and stock indices remain near all time highs can be read as things could be worse. However, the negative domestic indicators must be considered, such as second quarter growth was mainly inventory accumulation, deleveraging continues which depresses spending, job growth is sharply down in August, the declining labor participation rate as the cause of lower unemployment, wages are stagnate, consumer confidence is low and stocks may be seriously overpriced. And international negative indicators must be added, such as persistent sluggishness in Europe (our largest market), renewed slump in Japan, slowdown in China, risks of new financial crises in Europe, the wars in Ukraine and the Middle East, and the impact of Ebola.

In summary, outlook for the US is sluggish recovery at best, no recession but no boom either. The main reasons are continued deleveraging, low consumer confidence and sluggishness elsewhere. The US is caught in a vicious circle: slow growth means continued labor market pressures and wage stagnation; wage stagnation means continued growth inequality; growing inequality means less aggregate demand all of which indicates a decline in long term growth potential from about 3% in the 1990s to below 2% today.

Dr. Cohen is a believes in the growth of income inequality and presented some statistics on the growth of the income share of the top 10% of those in the US for the period from 1980 to 2010: a 41% growth in the top 10%; a 213% growth in the top 1%; a 337% growth in the top .1%; and a 509% increase in the top .01% based on the Thomas Piketty and Emmanuel Saez study. EDITOR'S NOTE: The validity of this study has been questioned and some believe discredited because it does not take into account government transfers to low earning groups; this was not discussed. Nor was the share of US income taxes paid indicated: It was reported in the Wall Street Journal of September 19, 2014 that according to a 2010 report from the nonpartisan Tax Foundation that the top 1% earns 19% of gross national income and pays 38% of all federal taxes; the top 5% earns 34% and pays 59%; and the top 10%

earns 45% and pays 71%. The bottom 50% pays 3%.

Prospects in Europe are dismal because of persistent stagnation (the third recession in six years), approaching deflation and high unemployment. Dr. Cohen attributes this to the dominance of the German austerity culture ("austerity uber alles") and a decline of the long term growth potential to 1% or below because of a rapidly aging population and declining productivity growth. Is Europe the new Japan?

Prospects in Japan are even more dismal; there is no recovery after 25 years. "Abenomics" contains three arrows for growth: Monetary policy which the Bank of Japan is doing all it can; Fiscal policy which has been defeated by tax increases; and structural reform which is defeated by vested interests, e.g. domestic rice farmer's subsidy. Here too is a decline in long-term growth potential (worse than Europe) caused by a rapidly aging population and severe limits on opportunities for women and immigrants.

The significant slowdown of the growth in China is based on several key factors; Growth of the GDP in China relies on excessive investment in infrastructure (empty cities and buildings) and exports (to a declining export market due to the economic condition in market countries); a rapidly ageing population (even when compared to Europe and Japan and exacerbated by the "one child" policy); the difficulty of transition from extensive development (based on mobilizing labor resources) to intensive development (based on higher productivity which is based on investment of capital goods); and Stein's Law "Anything that can't go on forever, won't". In addition there are other obvious problems; the credit boom (bubble) which has overvalued real estate developments; growing inequality between the large majority of peasants and wealthy city dwellers who are politically connected to the Communist Party (some of which is the result of credit allocated on the basis of political and not economic criteria); pollution of land, air and water resources and Energy and water shortages. Is China headed for a hard (crash) landing or a gentle (gradual) landing? This story is familiar because it is a repeat of Japan a generation ago.

Hugh Vos asked three questions about China. **How will China use its huge dollar balances?** Best guess is that it will not be used to attack the dollar (that would be shooting oneself in the foot) but will probably be used for strategic investments outside China. **Why is China starting to accumulate US Real Estate?** If it is the government, it could be strategic investment, but it is more likely individuals who are worried about China's future and want to have a place outside China if things deteriorate. **Is US-China trade a guarantee of continued good relations?** Split result: Yes, too much to lose "commercial peace"; No, Too many frictions over specific issues (e.g solar panels).

Dr. Cohen believes we are facing "secular stagnation" because the potential for growth is declining in all major economies due to aging populations, diminishing returns from the IT revolution compounded by increasing global uncertainties. Whether it can be avoided depends on three issues: labor force participation; increases in productivity and income distribution. He believes government action is required in the areas of population/immigration policy, training and education programs, research and development and income redistribution.

Is he optimistic or pessimistic about the future—YES. Optimistic in the sense that this is the best of all possible worlds, and Pessimistic in agreeing with the optimist.

## QUESTIONS FROM FLOOR

**Weber—Is Human labor superfluous?** Manufacturing takes only 10% of labor and agriculture only 3-4%; the rest is services which is the area for growth.

**Zimels—Impact of tsunami and atomic meltdown in Japan?** Only short term increase in cost of infrastructure replacement and higher energy costs until nuclear reactors are put back on line.

**Cause of empty cities in China?** China set growth rate as goal, and needs to keep it up to employ population; if not successful government could fall.

**Mackenzie—Is China capitalistic?** Yes in sense that it is controlled (sort of) by market forces; No in sense that means of production are not privately owned.

**Davis—Impact of government controls on growth?** Did not discuss tax policy but stated there is a need for tax fairness as part of the social compact to serve needs of all citizens. Agreed some regulations impact growth, but have to look at noneconomic policies in context of social compact.

**Comment on India?** Miracle it has survived as democracy. Will be largest country in world; has 14 alphabets, great diversity of populations, excellent education. Issues to solve are poverty, lack of effective infrastructure and repressive bureaucracy.