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THE SQUIRREL'S NEST 2010

Terrence McGarty

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THE SQUIRREL'S NEST

TUESDAY, MAY 4, 2010

[AN INTERESTING ADVANCE: PROVENGE AND PROSTATE CANCER](#)

The [National Cancer Institute](#) today announced an interesting treatment for advanced prostate cancer relying on patient specific immune therapy. They state:

The field of cancer immunotherapy received an important boost last week with the FDA's approval of the first therapeutic cancer vaccine, sipuleucel-T (Provenge). The vaccine was approved for use in some men with metastatic prostate cancer based on the results of a phase III randomized trial called IMPACT that demonstrated a more than 4-month median improvement in overall survival compared with a placebo vaccine. However, because of the way in which the vaccine is produced, its availability will be very limited for at least the next 12 months.

They continue:

The approval validates the concept of an active treatment approach such as immunotherapy, which is intended to train the immune system to attack cancer cells and potentially get a response "that can last for months or even years down the road," said Dr. James Gulley of NCI's [Center for Cancer Research](#), who has led several clinical trials of a different therapeutic vaccine for prostate cancer. (See the sidebar.)

Despite the approval and several decades of research, Dr. Gulley acknowledged that immunotherapy is still an emerging field. "We're just now learning how to develop potent-enough vaccines, what patient populations they are most appropriate for, and how to augment them by adding other therapies," he said.

The patient specific part is characterized as follows:

Unlike some other therapeutic cancer vaccines under development, sipuleucel-T is customized to each patient. In the days prior to treatment, patients undergo a procedure called leukapheresis to isolate antigen-presenting cells (APCs) from their blood. These APCs include dendritic cells and macrophages, among other cells, that can "present" markers, or antigens, on their surfaces that are recognized by other immune cells, thereby sparking an immune response.

The APCs are sent to a Dendreon facility where they are cultured with a proprietary manufactured protein. The end result is a vaccine with hundreds of millions of "activated" APCs

loaded with an antigen commonly found on most prostate cancer cells, called prostatic acid phosphatase (PAP). The vaccine is returned to the patient's treating physician and infused into the patient, with the intent of spurring powerful immune system cells, T cells, to neutralize tumor cells that express PAP. Patients receive three treatments over the course of 4 to 6 weeks, with each round requiring the same manufacturing process.

This path to cancer treatment is one of the ways to have the body attack the unwelcome cells. This has been a path used for decades by Rosenberg at NCI on melanoma with limited results.

In another posting at NCI they recount a somewhat negative finding where even with what were considered localized prostate cancers, those which were assumed to be in the prostate and not spread, cancer cells were discovered in the blood stream. [NCI](#) states:

Researchers from Massachusetts General Hospital (MGH) have isolated tumor cells circulating in the blood of patients with localized prostate cancer as well as from patients with advanced disease. The researchers were then able to characterize genetic changes in these circulating tumor cells (CTCs), which they stressed was an important step toward potentially using CTCs to guide the selection of therapies and improve patient care. The findings appeared in the March 31 Science Translational Medicine.

The discovery of CTCs in men with localized disease was unexpected, but this may simply have been because until now the technology had not been sensitive enough to capture the cells in patients with early-stage disease, noted one of the lead authors, Dr. Sunitha Nagrath of MGH and Harvard Medical School.

Clearly this is one step forward and a step sideways.

Posted by Terry McGarty at [2:15 PM](#)  

Labels: [Health Care](#)

THE WRONG APPROACH

In a recent [Economist](#) article the authors write about an Ohio venture investment program. It is called Techcolumbus and allegedly provides space and funds for start up ventures, trying to lure high tech to Ohio.

There is a new bond initiative called Issue 1 which is trying to raise \$700 million for this fund. The Economist states:

Issue 1, a ballot proposal, would allow Ohio to issue \$700m of bonds to finance research and development, the so-called "Third Frontier" programme. To date Third Frontier has supported the likes of TechColumbus, Ohio State University and the Cleveland Clinic. But its funding is due to run out next summer, so politicians, business and civic leaders are waging a frenzied campaign to ensure that Third Frontier survives. Ohio, they argue, must invest in a new

economy. Voters, however, have reason to be wary of spending and empty promises. It is unclear that they will support a vision that is, for most, still hazy.

The problem here is that for anyone who knows the venture business you really want several conditions precedent:

1. A management team with a proven record. That means that the investors must now such people. Rarely does some Government entity have a clue. Just look at Greece!
2. A focus on technologies or even broadly based businesses which have a well defined set of returns. I have had investors who on the one hand had high tech and on the other hand had bread factories in Bulgaria. Sometimes those bread factories do well, if you know the bread business. If you do not know the business you are almost certain to lose.
3. A ruthless, yes ruthless, management of the investments so that if they go south one does not throw good money after bad.
4. Transparency to the investors so they see what the returns are. Transparency in a closed environment of accredited investors is possible. Transparency in a public vehicle could result in unfair competitive advantages.
5. Some form of skin in the game from the entrepreneurs and high returns for the investor. The taxpayer should not be a risk taker. Bonds for toll roads, even for a golf course would be appropriate. Yet as every VC knows the bet is on the one in ten that make it. A good VC must all close down the bad company before it bleeds too much. In my experience Government entities have real difficulties with these Darwinian decisions.

Somehow this program looks like a giveaway. Wonder who gets what?

Posted by Terry McGarty at [8:48 AM](#)  

Labels: [Economy](#)

THOMAS PAINE, THE RIGHTS OF MAN, AND THE CONSTITUTION

Thomas Paine wrote the following regarding a constitution:

A constitution is not a thing in name only, but in fact.

It has not an ideal, but a real existence; and wherever it cannot be produced in a visible form, there is none.

A constitution is a thing antecedent to a government, and a government is only the creature of a constitution.

The constitution of a country is not the act of its government, but of the people constituting its government.

It is the body of elements, to which you can refer, and quote article by article;

and which contains the principles on which the government shall be established, the manner in which it shall be organised, the powers it shall have, the mode of elections, the duration of Parliaments, or by what other name such bodies may be called;

the powers which the executive part of the government shall have;

and in fine, everything that relates to the complete organisation of a civil government, and the principles on which it shall act, and by which it shall be bound.

A constitution, therefore, is to a government what the laws made afterwards by that government are to a court of judicature.

The court of judicature does not make the laws, neither can it alter them; it only acts in conformity to the laws made: and the government is in like manner governed by the constitution.

It is worth recalling these things from time to time.

Posted by Terry McGarty at [8:06 AM](#)  

Labels: [Commentary](#), [Law](#)

MONDAY, MAY 3, 2010

[GOOGLE, DISINTERMEDIATION AND THE SET TOP BOX](#)

The [Wall Street Journal](#) indicates that Google will introduce a set top box based upon Android. This is an interesting and very important move. It will cause a disintermediation of the cable and other broadband channels allowing the consumer to select content via the Internet rather than from what the cable companies purvey.

For decades the cable companies have argued, with merit in the early days, that without the bundling of content and transport there would be no broad base of content. Yet today much of the content is collecting money from those who never watch it, namely most cable customers are charged for ESPN and other sports channels even though they may never watch a single event. That is just a simple example.

Today a technically competent person can deploy a computer and then add software and then manipulate the reception of content. Yet if this can be accomplished via a single remote controlled box the barrier to entry is gone. The market explodes.

This then adds to the Internet neutrality battle. We have been arguing that video will explode in this decade. Video as content, video as communications, and video as social media; all three. How will cable handle this? Most likely led by the troglodytes at Comcast one would expect by litigation at the drop of a hat. Will the FCC have any role? Doubtful since they have a dismal record of doing anything that complies with the Courts.

Thus where does this leave the consumer. It is akin to the Trusts of the late 19th century. A few heavy handed folks controlling content via their networks. Will the Broadband gifts from the current Administration have any effect? No, they were given to places where there were no people for the most part.

As the WSJ states:

The technology—designed to open set-top boxes, TVs and other devices to more content from the Internet—is attracting interest from partners that include Sony Corp., Intel Corp. and Logitech International SA, which are expected to offer products that support the software, these people said. ...Google.. is currently planning on sharing some details about the technology with more than 3,000 developers expected to attend its Google I/O conference in ... May ...One person familiar with the matter cautioned the company could also decide to delay discussing it until the technology is more mature. Google uses the annual conference to showcase a range of technologies of interest to developers.

The [Washington Post](#) speaks of the FCC head and his uncertainty as follows:

The chairman of the Federal Communications Commission has indicated he wants to keep broadband services deregulated, according to sources, even as a federal court decision has exposed weaknesses in the agency's ability to be a strong watchdog over the companies that provide access to the Web...The sources said Genachowski thinks "reclassifying" broadband to allow for more regulation would be overly burdensome on carriers and would deter investment. But they said he also thinks the current regulatory framework would lead to constant legal challenges to the FCC's authority every time it attempted to pursue a broadband policy....

Thus where this battle will go is still uncertain. As we have argued before it may become a civil case.

Posted by Terry McGarty at [11:47 AM](#)  

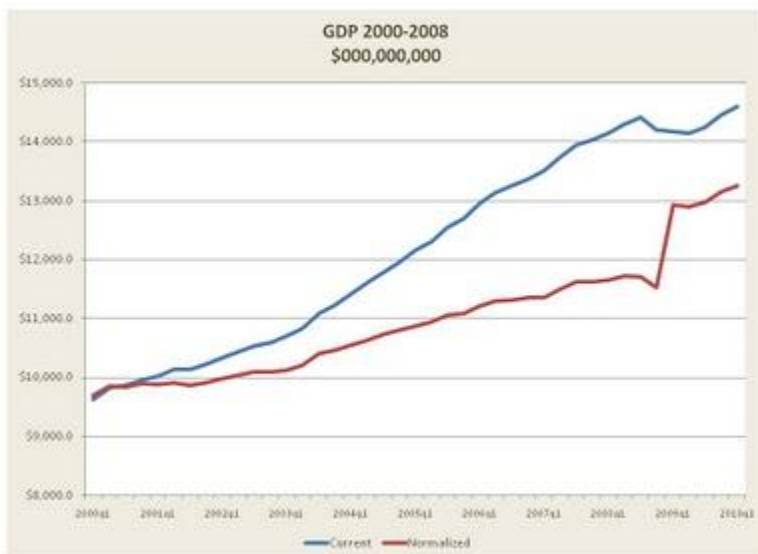
Labels: [Broadband](#), [FCC](#)

FRIDAY, APRIL 30, 2010

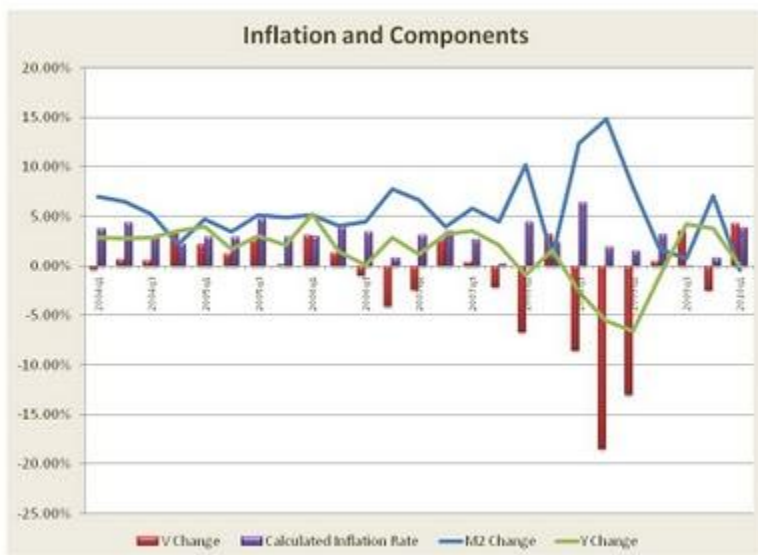
GDP, M2, INFLATION FOR Q1 2010

The Government has just released the GDP estimate for Q1 2010. The growth is reasonable. We show the results below. As the BEA states:

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 3.2 percent in the first quarter of 2010, (that is, from the fourth quarter to the first quarter), according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 5.6 percent.



We also show below the elements for inflation based upon velocity changes, M2 changes and GDP changes. Our concern here is the increase in the inflation estimate based upon V, M2 and the GDP numbers. It is again rising, albeit at not to great a number yet.



The BEA summarizes some of the details as follows:

Real personal consumption expenditures increased 3.6 percent in the first quarter, compared with an increase of 1.6 percent in the fourth. Durable goods increased 11.3 percent, compared with an increase of 0.4 percent. Nondurable goods increased 3.9 percent, compared with an increase of 4.0 percent. Services increased 2.4 percent, compared with an increase of 1.0 percent.

Real nonresidential fixed investment increased 4.1 percent in the first quarter, compared with an increase of 5.3 percent in the fourth. Nonresidential structures decreased 14.0 percent, compared with a decrease of 18.0 percent. Equipment and software increased 13.4 percent, compared with an increase of 19.0 percent. Real residential fixed investment decreased 10.9 percent, in contrast to an increase of 3.8 percent.

Real exports of goods and services increased 5.8 percent in the first quarter, compared with an increase of 22.8 percent in the fourth. Real imports of goods and services increased 8.9 percent, compared with an increase of 15.8 percent.

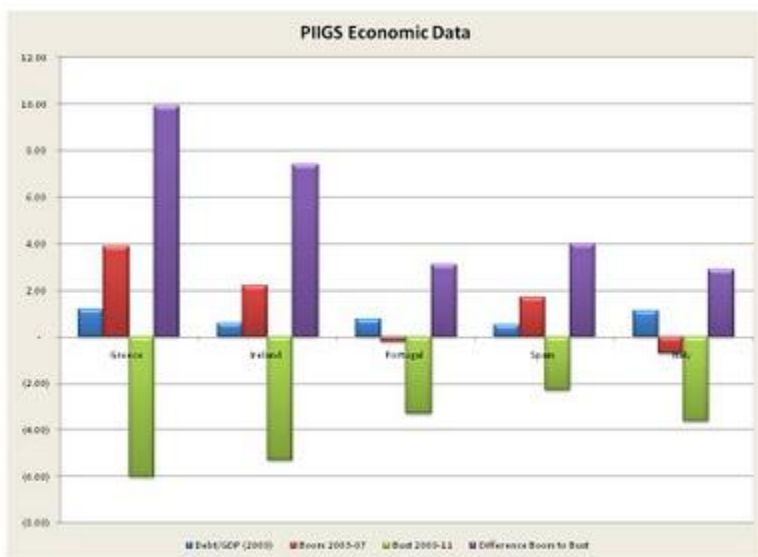
Posted by Terry McGarty at [6:42 AM](#)  
 Labels: [Economy](#)

THE PIIGS AND THE ECONOMY

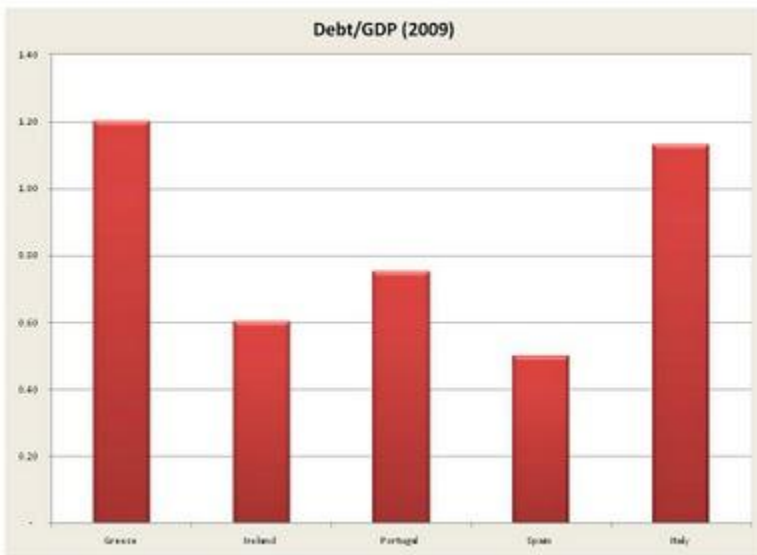


Cinzia and Gros in in [VOX](#) have written an interesting set of posts regarding the PIIGS in the EU mess.

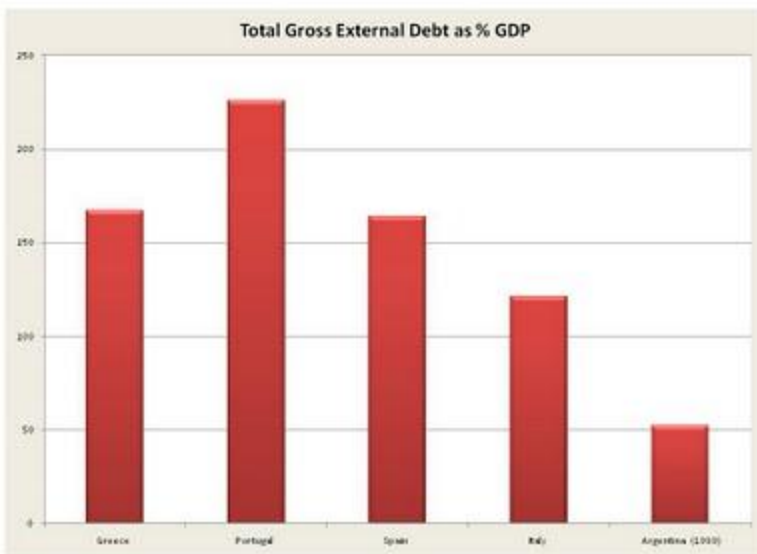
We start with the overall current economic data. Clearly Greece and Italy are in a Mess and Greece and Ireland saw the greatest swings in their economies. We show this below.



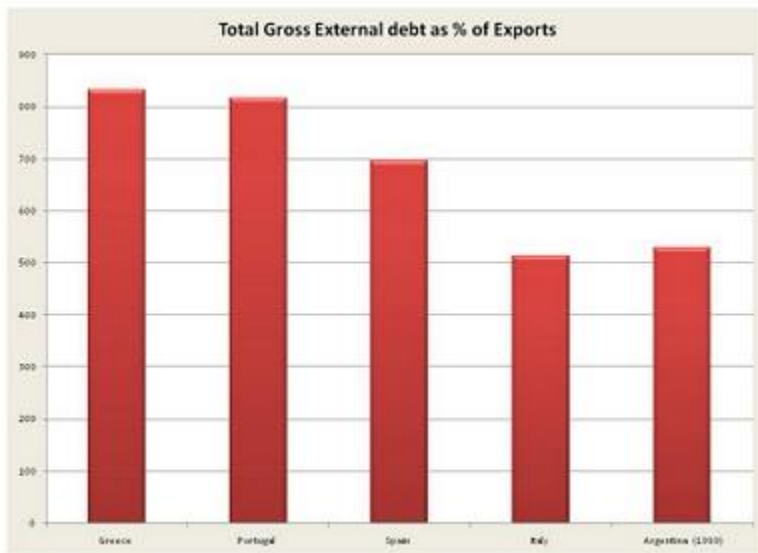
The debt to GDP numbers are shown below.



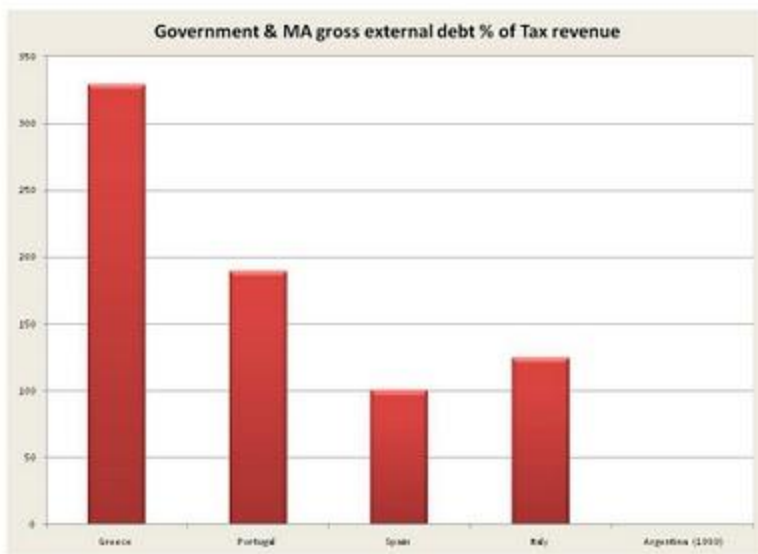
The total gross external debt is shown below. This just re-intensifies the issue as shown above.



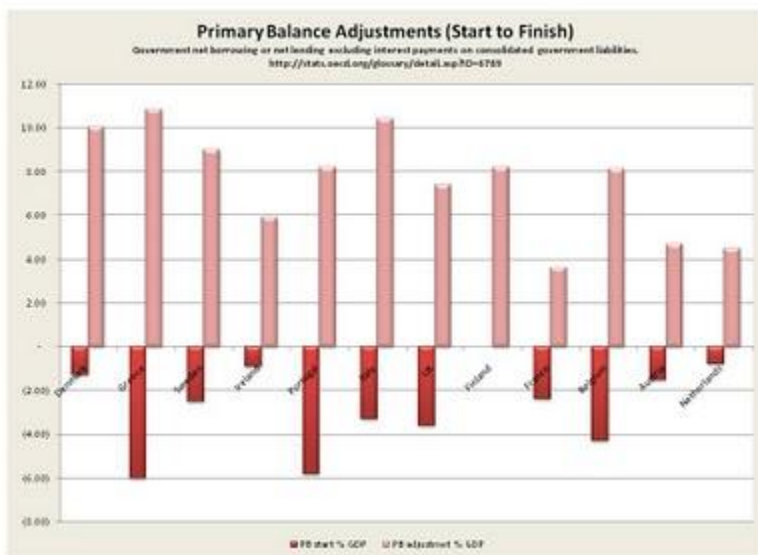
Then we have total debt as a % of exports. This we show below. Greece is way out of bounds. It is fundamentally a non exporting country, with some limited agricultural goods. It does have a strong tourist trade and the Greeks for the most part have never created any internal core businesses. They are in my experience brokers in the regional markets, reselling others exports and with little if any Greek products.



The most telling slide is the following which id debt as a percent of taxes. Greece stands out as the worst offender in this category. In my experience having started and run a Greek company the situation in Greece is unstable. There are few who pay taxes and those who do are harassed to the extreme. Greece has never established a rational taxing regime. The irony is that it is worse than Italy!



Finally the authors compare prior recoveries and look at the primary balances and the changes from bottom to top, recovery, and this is presented below.



The authors contend that recovery is possible, I question that a bit. Greece has created its own mess and only a clearing of the market by default can remedy the issue.

As the authors state:

*Our analysis shows, however, that these countries are quite heterogeneous. Portugal and Greece share a key feature, namely an extremely low rate of national savings, which implies that they have to rely continuously on large inflows of capital to finance consumption (see Gros 2010). By contrast, Spain and Ireland have substantially higher savings rates, but are more exposed to financial markets because their construction booms went hand in hand with a huge expansion of financial activity. **In short, for Greece and Portugal the problem is insolvency; for Spain and Ireland illiquidity.** Italy seems different from both these subgroups in that its savings rate is higher than even in Spain and Ireland and its foreign imbalances are much smaller.*

The above is the most telling and spot on observation. Ireland and Spain have a cash problem, a current problem, they have a lack of liquidity. One could feel safe lending to them. Greece and also Portugal are insolvent....and Greece is the worst of the lot.

Posted by Terry McGarty at [5:54 AM](#)  

Labels: [Economy](#)

WEDNESDAY, APRIL 28, 2010

[NATIONALISM: NOW AND THE FUTURE](#)



There is a debate amongst academics as to the meaning of nationalism and its evolution in our societies. Nations have been evolving for many years, for centuries in fact, and if one looks at the literature at the time of the Revolution, the Federalists as well as Thomas Paine amongst many, one sees a clear trend to create a nation, a separate and distinct nation, which culminated in the Constitution. It had become clear in short order that the Confederation, a loose "fishing, drinking and smoking" club was not sustainable. Thus in just a few years a true nation evolved, with limited philosophers to drive it, just the men who created its underlying law, the Constitution.

One may then ask as we go through one of our countries soul searching quests regarding the question, whither goest the country, we see a nation asking the question of just what a nation is and what type of nation we should become, if perchance we do not care for what we are. It appears that the current administration, the change agents of our nation as they had self proclaimed it, want such a change, and change is what we are getting. Yet we have seen all of this before, the Adams to Jefferson change, the Jackson revolution, Lincoln, Teddy Roosevelt and then Wilson, FDR, and to some degree even Reagan. It has been a continuing struggle to "change" while looking back in the principles which were at the foundation of the country.

To understand some of these issue I am reminded of how Will and Ariel Durant described James Joyce and his environs, the Irish nation, yet not allowed to be a nation under the captivity and

heavy hand of the British. From the Durants' book on a grand collection of literary luminaries they open on the section on Joyce with the following:

"I have sometimes thought how high Ireland would stand in the world of letters if all her literary sons had stayed on her soil; Swift, Burke, Goldsmith, Wilde, Shaw, Joyce...The land was fertile, the moist cold air put blushing roses in the cheeks of the girls, and lust sons were eager to plant new life in willing wombs. But the spiritual atmosphere was deadly: a government Irish in name but foreign in humiliating fact; an Anglican Church more intolerant in Ireland than in England; a Catholic Church that loyal Irishman could not criticize or reform since she had suffered in fighting for Irish liberty. And just across the water was a Britain with a larger and more literate public, a freer press, a taste for Irish eloquence and wit. So Erin's genius crossed the Irish sea, and left a lovely island to destitute peasants and Joyce's Dubliners."

In a recent book by a Northern Irish academic, McGarry (in his book *The Rising*), he states:

"Where does the history of the struggle for Irish independence begin? For traditional republicans, like nineteenth century revolutionary John O'Leary, the story of Irish freedom stretches back over eight hundred years to Strongbow's invasion of Ireland in 1169; "If the English had not come to Ireland, and if they had not stayed there and done all the evil so many of them now allow they have been doing all along, then there would be no Fenianism." Although the English Crown's formal authority within Ireland can be dated to Henry II's expedition in 1171-1172...few historians would take such claims seriously, both because the Anglo-Norman invasion formed part of a much larger and more complex history of mutual interactions and colonization between hybrid peoples of the two islands, and continental Europe.....For many nationalists, the formative era in the struggle for Irish freedom was the sixteenth and seventeenth century period of Reformation...."

McGarry denies the nationalism which was part of Ireland, denies that it ever existed until the 19th century when the nationalists, by definition those seeking separatism, were brought to the fore. McGarry in good northern Irish form beknights the good English caretakers and implies that the struggle was at worst a religious struggle, and that nationalism did not arise until much later.

I would strongly disagree for Ireland was a nation as early as the late sixth century. The writing of Columbanus to Gregory I clearly demonstrate that the Irish saw themselves as a cohesive group, separate from the Gauls and Merovingians and the Angles and Saxons. It was in fact the choice that Gregory made in sending Augustine as Bishop of Canterbury in 598 that started the split between Ireland and Britain. Gregory was battling with Columbanus since Columbanus and the Irish hierarchy has favored Greek church rules and regulations and Gregory was commencing the separation of the Bishop of Rome from Byzantium, he was not yet a Pope, still just the Bishop of Rome.

Thus one can argue that a true Irish nationalism was in place in 600 AD. What basis can one use for that statement, I will use Stalin's words from his study on nationalism, a study which he subsequently put into action when he established the USSR.

As Joseph Stalin wrote:

"What is a nation? A nation is primarily a community, a definite community or people...Thus a nation is not a racial or tribal, but a historically constituted community or people...a common language is one of the characteristic features of a nation...a common territory is one of the characteristic features of a nation...a common economic life, economic cohesion, is one of the characteristic features of a nation...a common psychological makeup which manifests itself in a common culture is one of the characteristic features of a nation...a nation is a historically constituted community of people formed on the basis of a common language territory economic life and psychological makeup manifested in a common culture."

This Ireland satisfied all of Stalin's demands as of 600, a common language, actually two, Irish and Latin, used intermingled, common land, the Island, common psychological makeup, common economic life. Thus one can argue Ireland was indeed a nation.

But to the present, the US is one nation, we struggled through the darkest hours defining that during the Civil War. Yet we are again facing a similar struggle, one where we on the one hand have the political divergence between progressives and constitutionalists, those who believe we can change anything we want whenever we so desire if it is in the best interests of the "people" versus the group who believes there is something sacred in the documents and philosophy upon which the country was founded. Secondly we have the change which could occur as we introduce new immigrants who may not have accepted the "rules" of the game and vary from "common language territory economic life and psychological makeup manifested in a common culture".

This will be the double challenge we will face as a country over the next decades. A good leader or set of leaders can make this a smooth transition, a less than good set of leaders can turn it into chaos. I default to what happened in Ireland.

Posted by Terry McGarty at [2:28 PM](#)  

Labels: [Political Analysis](#)

WEDNESDAY, APRIL 28, 2010

[AN INTERESTING STATISTIC](#)



The Vatican released a set of statistics on the growth of Catholics in the world over the past decade. They have seen almost 11% increase over this nine year period with most coming from Africa and Asia.

The [Vatican](#) states:

Over these nine years, the Catholic presence in the world has grown from 1,045 million in 2000 to 1,166 million in 2008, an increase of 11.54 percent. Considering the statistics in detail, numbers in Africa grew by 33 percent, in Europe they remained generally stable (an increase of 1.17 percent), while in Asia they increased by 15.61 percent, in Oceania by 11.39 percent and in America by 10.93 percent. As a percentage of the total population, European Catholics represented 26.8 percent in 2000 and 24.31 percent in 2008. In America and Oceania they have remained stable, and increased slightly in Asia.

The number of bishops in the world went up from 4541 in 2000 to 5002 in 2008, an increase of 10.15 percent.

The report further states:

Female religious are almost double the number of priests, and 14 times that of non-ordained male religious, but their numbers are falling, from 800,000 in 2000 to 740,000 in 2008. As for their geographical distribution, 41 percent reside in Europe, 27.47 percent in America, 21.77

percent in Asia and 1.28 percent in Oceania. The number of female religious has increased in the most dynamic continents: Africa (up by 21 percent) and Asia (up by 16 percent).

Thus it is an interesting question to ask:

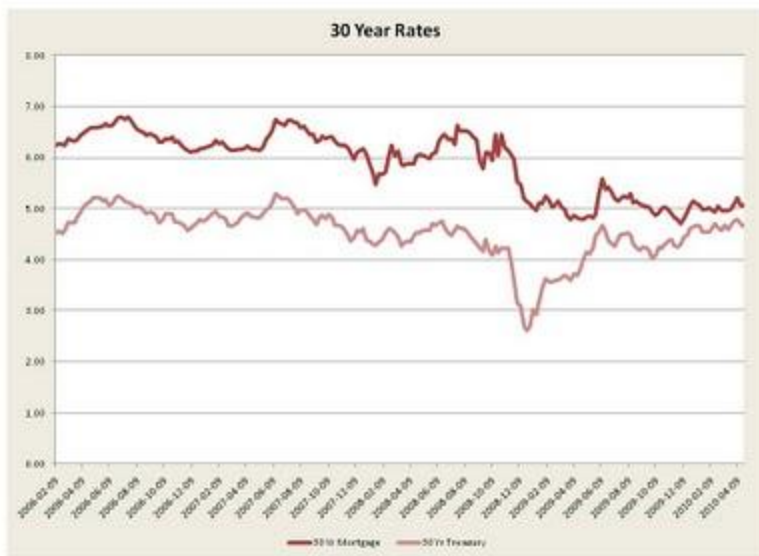
Will the next Pope be African? Clearly the choice of a German has had its problems. A Polish Pope was a strong and seasoned man who had survived the Germans and Russians and had a well tempered stand. Will that be the next Pope.

Secondly, with the growth of women in religious orders, will this also have an influence on the Church.

Posted by Terry McGarty at [12:49 PM](#)  

Labels: [Religion](#)

[30 YEAR RATES: FED VS MORTGAGE](#)



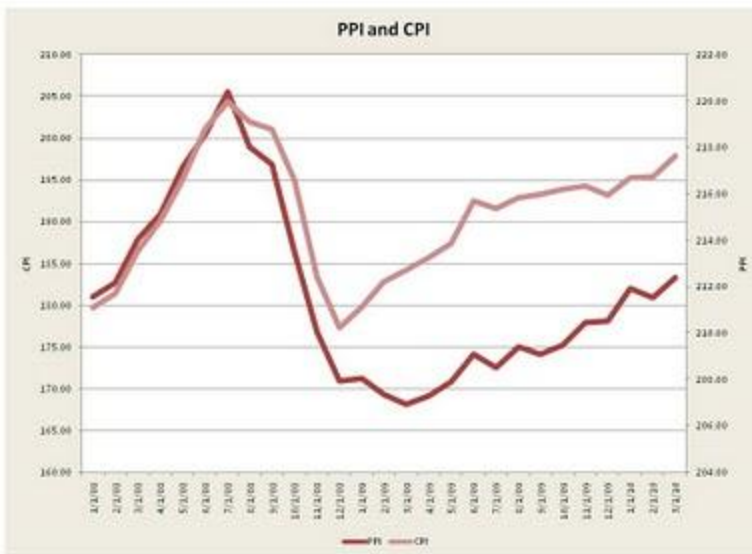
The above chart is the plot of the 30 year Treasury and Mortgage rates. What is surprising is that the Treasury rates are being held low and the mortgage rates seem stable to slightly increasing.

However if we look at the spread we see the result below:



What this tells us is that the FED is truly keeping the rates down at an abnormally low rate. This is most likely the position needed to justify the Budget long term deficit numbers but with the slow but increasing expansion of the economy we will see these explode.

The drivers for the upward pressure are seen in the PPI and the CPI. We show these below.



Note the continuing increases and they show a potential for a 7-8% inflation which will place dramatic pressure on the Fed Rates and thus on mortgage rates as well. It may even be possible to see an inverted yield curve for some period. That bodes poorly for many who have fixed incomes and long term investments.

The next look is the housing starts and the credit in consumer hands. We show that below:



Note that single family starts are slowly increasing and that consumer credit continues to decline. We anticipate a significant increase in home sales and this will be reflected first in sales of pre-owned homes but soon in new single family construction. Given the current Administration demands for funding this combination will surely drive up interest rates dramatically in the coming year.

Posted by Terry McGarty at [11:35 AM](#)  

Labels: [Economy](#)

[EPIGENETICS: NEW OR JUST A LOGICAL UNDERSTANDING OF DYNAMIC SYSTEMS](#)

In a recent paper at the [ASBM](#) conferences the authors state:

The new field of “epigenetics” is rapidly revealing how people, plants and animals do start with a certain genetic code at conception. But, the choice of which genes are “expressed,” or activated, is strongly affected by environmental influences. The expression of genes can change quite rapidly over time, they can be influenced by external factors, those changes can be passed along to offspring, and they can literally hold the key to life and death.

According to Rod Dashwood, a professor of environmental and molecular toxicology at the Linus Pauling Institute at Oregon State University, epigenetics is a unifying theory in which many health problems, ranging from cancer to cardiovascular disease and neurological disorders, can all be caused at least in part by altered “histone modifications,” and their effects on the reading of DNA in cells.

“We believe that many diseases which have aberrant gene expression at their root can be linked to how DNA is packaged, and the actions of enzymes such as histone deacetylases, or HDACs,” Dashwood said. “As recently as 10 years ago we knew almost nothing about HDAC

dysregulation in cancer or other diseases, but it's now one of the most promising areas of health-related research."

Epigenetics is merely the extension of our understanding of genes. The understanding has progressed as follows:

1. Watson and Crick: DNA yields RNA yields Proteins. This prevailed for almost 20 years. It was a one way path that led to the ultimate protein yields result paradigm.
2. Reverse Transcriptase: This was the first step in understanding that we can have some feedback in the system.
3. Micro RNAs and the emergence of "noise" on the system.
4. Pathways: The understanding that there were complex pathways and that some of the resultant proteins could feed back and influence transcription.
5. Random hits on genes that changed base pairs or even split off sections. A good example is the Philadelphia chromosome in CML.

Now we must look at genes as a complex noisy multidimensional random process system. Genes are turned on and off by the results of other genes as well as the result of what receptors on the cell surface see in the environment. At the same time genes are changing if they get "hit" by exogenous factors such as radiation. Also as cells reproduce from generation to generation that process itself is subject to errors.

The result is that the cell is a random dynamic process of the form:

$$dx(t)/dt = f(x,t) + g(t) + w(t)$$

where f is the epigenetic factor, g some extracellular effects and w just noise, real uncertainty or just stuff we do not know.

What we observe is:

$$y(t) = h(x,t) + u(t)$$

where the ys may be the genes, RNA, proteins, all driven by what is the total underlying structure and u is again noise or uncertainty. This is epigenetics.

Our ability to do two things will be essential. First we must be able to determine this functions, namely observe and identify the system. Second we must learn how to control it. That leads to cures. Looking at the world in an epigenetic system manner is essential. That I see is often a challenge for scientists who are often still trying to understand the basic science.

Posted by Terry McGarty at [7:14 AM](#)  

Labels: [Genetics](#)

[AND YOU THINK WASHINGTON HAS STICKY FINGERS](#)

Vodafone has entered the arena of trying to get more from its customers by charging Google for each time a customer seeks a result on the Google network. You see the customer already paid Vodafone for its service but now the greedy folks across the pond want to ply more for nothing.

In a recent post in [Rethink Wireless](#) they state:

(Vodafone) wanted to charge internet players like Google for their usage of his firm's networks. Now Vodafone has got behind that call too, and is to petition the European Union to take action to "facilitate bilateral agreements between telecom operators and online content providers like Google"...This amounts to a 'Google tax', enabling mobile and fixed carriers to charge online content providers variable fees according to the network quality they receive, and/or the amount of bandwidth they consume.

This is the fear of Internet Neutrality folks, the "taxing" of the user via the taxing of the provider of the service.

We have argued for years that the user may enter into agreements with the providers and the provider may charge whatever they want yet they cannot interfere with the relationships with the user and providers that the user chooses to deal with. In fact there should be some form of privacy related with who I a user desire to communicate with. And this is Europe. Just another glimpse of the anti Americanism at play.

Posted by Terry McGarty at [7:03 AM](#)  

Labels: [Broadband](#)

SUNDAY, APRIL 25, 2010

[GM, OUR MONEY AND THE FACTS](#)

The Chairman of GM, the man who when he was the CEO of ATT called it "my network" when customers were downloading data beyond the level he thought was enough, has again turned a phrase on the facts.

Specifically Ed Whitacre, the CEO of SBC, now AT&T, is quoted as stating (see [DSL Reports](#) and [Business Week](#)):

*"Now what they would like to do is use my pipes free, but I ain't going to let them do that because we have spent this capital and we have to have a return on it," says Whitacre. "So there's going to have to be some mechanism for these people who use these pipes to pay for the portion they're using. **Why should they be allowed to use my pipes?**"..... "The Internet can't be free in that sense, because we and the cable companies have made an investment and for a Google or Yahoo! or Vonage or anybody to expect to use these pipes [for] free is nuts!".... **Whitacre leans forward in his chair and raises his voice. "They don't have any fiber out there.***

They don't have any wires. They don't have anything," he argues. "They use my lines for free -- and that's bull. For a Google (GOOG) or a Yahoo! (YHOO) or a Vonage or anybody to expect to use these pipes for free is nuts!"

You see ATT was not his, the lines were not HIS. they belong to the shareholders, and now the same person alleges he paid us the taxpayers all our money back. Again a twist of the facts and an attitude which belies the truth in a self serving manner. In the case of GM the shareholders are the taxpayers and the Unions of course, always the Unions.

As [Forbes](#) has superbly stated:

Uncle Sam gave GM \$49.5 billion last summer in aid to finance its bankruptcy. (If it hadn't, the company, which couldn't raise this kind of money from private lenders, would have been forced into liquidation, its assets sold for scrap.) So when Mr. Whitacre publishes a column with the headline, "The GM Bailout: Paid Back in Full," most ordinary mortals unfamiliar with bailout minutia would assume that he is alluding to the entire \$49.5 billion. That, however, is far from the case.

Because a loan of such a huge amount would have been politically controversial, the Obama administration handed GM only \$6.7 billion as a pure loan. (It asked for only a 7% interest rate--a very sweet deal considering that GM bonds at that time were trading below junk level.) The vast bulk of the bailout money was transferred to GM through the purchase of 60.8% equity stake in the company--arguably an even worse deal for taxpayers than the loan, given that the equity position requires them to bear the risk of the investment without any guaranteed return. (The Canadian government likewise gave GM \$1.4 billion as a pure loan, and another \$8.1 billion for an 11.7% equity stake. The U.S. and Canadian government together own 72.5% of the company.)

But when Mr. Whitacre says GM has paid back the bailout money in full, he means not the entire \$49.5 billion--the loan and the equity. In fact, he avoids all mention of that figure in his column. He means only the \$6.7 billion loan amount.

In fact it was not Uncle Sam, it was the taxpayers and our children, grand children and great grand children. Facts seem to be something this man has problems with. Where is all of our money? Forbes details it quite well. Are we all fools? No we just have another Administration appointee who seems to twist the facts to his aggrandizement, but fortunately we have that "fact" and then the truth from Forbes.

One wonders why he needed to make this statement at all. Why not just tell the truth, they borrowed more money to pay back the old money. Anyone looking at GM would have seen that they lost money the past quarter as they had stated but if that were the case any logical person would have asked where they got the money to pay back the loan. And we think we have problems with Wall Street!

Posted by Terry McGarty at [9:18 AM](#)  

Labels: [Economy](#)

THE BRITS NEVER CHANGE

The [Times of London](#) today revealed that the UK Government which invited the Pope to the UK, a first for the Government, had its Foreign Office draw up a briefing package to discuss what would be accomplished in the visit.

The Times states:

The document also suggested that the National Anthem be changed, from God Save the Queen to God Save the World.

As the Foreign and Commonwealth Office was forced into a rapid damage-limitation exercise with an official apology for an "unacceptable" document, sources told The Times that the entire visit could now be in jeopardy.

The document was drawn up by the Foreign Office as part of a briefing pack and sent to officials across Whitehall.

It also suggested that Benedict XVI could demonstrate a hard line on child abuse by "sacking dodgy bishops" and launching a helpline for abused children.

The Government's papal visit team document also recommended that he sing a song with the Queen for charity and apologise for the Spanish Armada.

The Times continued:

A Foreign Office spokesman said that David Miliband, the Foreign Secretary, was aware of the document and "appalled" by it.

The ideas in the paper, entitled The Ideal Visit We Would Like to See, were drawn up by what the Foreign Office described as "a group of three or four junior staff in a team working on the papal visit".

It was attached as one of three "background documents" to an e-mail headed Policy Planning Ahead of the Pope's Visit, dated March 5, which invited officials to attend a meeting.

The author of the e-mail, said to be an Oxbridge-educated junior civil servant in his twenties, admitted that some of the ideas were "far-fetched". Recipients included Nicola Ware, a senior Foreign Office official, as well as Downing Street, the Department for International Development and the Northern Ireland Office.

One suggested that Pope Benedict should be persuaded to spend a night in a council flat in Bradford and "do forward rolls with children to promote healthy living".

The memo also featured a list of "positive" people who could be associated with the trip, including Tony Blair and Susan Boyle, the Britain's Got Talent singing star. Wayne Rooney, the footballer, and Richard Dawkins, the atheist, are considered "negative".

You see, Dawkins has already called for the immediate arrest and imprisonment of the Pope.

Is this some aberrant civil servant or is this the true reflection of the UK Government? I believe that it is the latter. After all it is the same Government which starved to death half the Irish population and still occupies one third of Ireland.

Would the Pope ever get an apology from the Queen, one whose own family travails often place papal foibles to shame, doubtful. My suggestion, Pope, stay out of the UK, besides the food is not that good anyway.

It gets even better in the [Guardian](#). It states:

An internal Foreign Office memo about this September's papal visit to Britain which started as a Friday afternoon joke, today has resulted in a formal government apology to the Vatican.

The memorandum, apparently written following a brainstorming session by a group of junior civil servants planning events for the four-day visit by Pope Benedict XVI, suggested among other ideas that he might like to start a helpline for abused children, sack "dodgy" bishops, open an abortion ward, launch his own brand of condoms, preside at a civil partnership, perform forward rolls with children, apologise for the Spanish armada and sing a song with the Queen.

It was circulated across Whitehall, including to Downing Street with a covering note suggesting it should not be shown externally and adding, unnecessarily perhaps, that its ideas were far-fetched.

The joke fell very flat indeed after the memo was leaked to the Sunday Telegraph, with David Miliband, the foreign secretary, said to be appalled, a grovelling apology from his department and a formal expression of regret offered to the Vatican by the British ambassador Francis Campbell.

The Guardian continues:

The civil servant responsible, said to be in his 20s, appears to have written the document on a Friday in early March, some weeks before the latest waves of child abuse accusations engulfed the Catholic church, which has indeed resulted in the departure of several bishops, including two this weekend, in Ireland and Belgium....The ludicrous nature of the suggestions did not prevent some within the Catholic church reacting to what they claimed was a disrespectful slur, demanding apologies that many senior Vatican officials have in recent weeks declined to offer children abused in church care.

Ludicrous is a bit light handed a characterization indeed. Perhaps one should demand the absolution for the Government. That was the way it worked in the past, that is before Henry VIII used the chopping block so effectively.

But wait, it is not over yet. Just look at the comments to the article in the [Independent](#). The readers in the UK make such suggestions as:

"The Pope Must Die"...Why are we apologising for one of the best, most hilarious things the government has produced. The pope is a supporter of paedophiles, advocates encouragement of the spread of HIV in Africa to the point of genocide, discriminates against gay people, thinks women do not have the right to choose whether they have a baby or not, and thinks women do not even deserve to have the same rights as men. This man and his entire catholic organisation have stolen mass wealth from the world for centuries. This is NOT a good man. He is disgusting and despicable and should be put on a par with people like Pinochet, Slobberdan Milosevic, and the like.

Perhaps God sent the volcano over the Brits as a warning! Perhaps also the Pope should truly reconsider this visit. Clearly the Brits do not want him and the Government is messing this up even further. That volcano may just erupt again, and keep all travel to a standstill.

Posted by Terry McGarty at [5:29 AM](#)  

Labels: [Commentary](#)

FRIDAY, APRIL 23, 2010

[A BAYESIAN APPROACH TO CANCER](#)

In a recent [Science](#) article they discuss the great deal of knowledge available about genes and cancer yet they ability to align them in some sensible fabric which allows both assessment and prediction is still wanting.

The problem discussed in the article is that after thousands of sample and genes being analyzed the information regarding cause and effect is still lacking. Pathways are understood but what causes what is not. The approaches are to this point ones which are basically inferential and correlative. Bert Vogelstein is quoted as:

The skeptic is Bert Vogelstein, who spoke at a Monday plenary session on cancer genomes at the annual meeting of the American Association for Cancer Research in Washington, D.C. Vogelstein looked across all the studies published since 2007 that have sequenced the 21,000 or so protein-coding genes involved in cancer, known as the cancer "exome." The analysis covered 78 tumor samples and eight cancer types (the majority of the studies were done by Vogelstein's group). Vogelstein also threw in data for 22 medulloblastomas (a type of brain tumor) that his team has not yet published.

The article goes on to state:

Even at this early stage of the planned survey--with data on just 100 tumor samples—"we can already answer many of the fundamental questions about the cancer genome," Vogelstein said. For example, tumors typically have from 30 to 80 single-base mutations, except for types that take less time to develop such as leukemia (about 10 mutations). Melanoma and lung cancer round out the high end (100 to 200 mutations) because they are caused by environmental carcinogens that cause lots of mutations. (Deletions and amplifications add a few more genetic glitches.) To Vogelstein this looked like the outline of a basic pattern that won't change much. But he gathered some more details.

Vogelstein searched databases for all mutations in genes found in solid cancers in the past 2 decades; for 353 cancer subtypes, he came up with 130,072 mutations in 3142 genes. But not all contribute to cancer. The challenge is to figure out which mutations are "drivers" and which are "passengers." To pick out the drivers, Vogelstein assumed that mutations in suppressor genes had to truncate the gene's protein; for oncogenes he included only mutations seen in at least two tumors. That distilled the gene count to just 319 potential driver genes, 286 of them tumor suppressors and 33 oncogenes.

Nearly all these genes fall into 12 "core" signaling pathways, Vogelstein said. And that picture—about 320 genes in 12 pathways--is unlikely to change much even when thousands more tumor samples are sequenced, he argued. So far, the cancer exome projects have found only two new driver genes (IDH1/2 in glioma and FOXL1 in granulosa tumors). Vogelstein predicts that most new driver mutations will be rare; and nearly all will be part of same 12 pathways.

The problem is that there is no clearly underlying model for the temporal behavior of cancer. In addition there are many genes and many small segments yielding micro RNA as well, almost 1000 micro RNA elements generated by gene segments of about 20-40 base pairs. The question is how does one integrate this into a model.

Vogelstein then says:

Vogelstein summed up by saying that cancer has gone from "a complete black box" to something that "we really kind of understand." The "sobering" part, he said, is that he doesn't expect there will be many new genes or genetic breakthroughs. He has pinned his own hopes for preventing cancer deaths on using genetics to diagnose cancers early, when they're more treatable.

But the problem is that most cancer researchers are discovering facts and not models. We know that genes yield RNA which yields proteins. Proteins are facilitators of various pathways either blocking or accelerating them as on or off switches or speeding them up or slowing them down in a catalytic manner. We may not know the specifics but with the data we can generate dynamic system models and using Bayesian approaches applied to system identification we can then determine the details of the models.

Any good systems analyst knows then that we can ascertain if the systems are observable and/or controllable. That is we can ascertain if we can observe the states, namely the genes and proteins, and if we can then via controllability we can readily drive the system, namely the cell to a desired state, namely non-malignant.

It will likely take a new generation of cancer researchers to get from the determination of genes and their effects to being able to model the "system". It is akin to the world of electronics and control going from handbook designs to fully computerized optimal designs. This is a cultural phenomenon and it just requires time.

Posted by Terry McGarty at [4:40 PM](#)  

Labels: [Health Care](#)

FRIDAY, APRIL 23, 2010

NOT QUITE SO

The [New York Times](#) reported the following:

The Catholic archbishop of Los Angeles called the authorities' ability to demand documents Nazism. While police demands of documents are common on subways, highways and in public places in some countries, including France, Arizona is the first state to demand that immigrants meet federal requirements to carry identity documents legitimizing their presence on American soil.

Let me make two observations. First where was Pius XII when there were real Nazis, not to mention the Cardinals when the child abuse was destroying the Church. Second, California had a law until the early 1980s which required providing identification to Police whenever they desired to find out who you were. It was a remnant of the laws during WW II restricting the Japanese before they were interred. That was an FDR period law.

Not that I am a major supporter of random stops, in fact I am a Warren and Brandeis fan who believes in the right to be left alone, a right that seems to have all but abandoned.

As Warren and Brandeis said:

*"Recent inventions and business methods call attention to the next step which must be taken for the protection of the person, and for securing to the individual what Judge Cooley calls the **right "to be let alone."** Instantaneous photographs and newspaper enterprise have invaded the sacred precincts of private and domestic life; and numerous mechanical devices threaten to make good the prediction that "what is whispered in the closet shall be proclaimed from the house-tops." For years there has been a feeling that the law must afford some remedy for the unauthorized circulation of portraits of private persons; and the evil of the invasion of privacy by the newspapers, long keenly felt, has been but recently discussed by an able writer. The alleged facts of a somewhat notorious case brought before an inferior tribunal in New York a few months ago, directly involved the consideration of the right of circulating portraits; and the question whether our law will recognize and protect the right to privacy in this and in other respects must soon come before our courts for consideration.*

There must be a balance in law and rhetoric. The Cardinal clearly has stepped over the bounds. Perhaps one should clean one's own house before throwing stones. It may be my sixteen years of Catholic education and two years in a Franciscan seminary that does it, but when Cardinal bespeak like this they must do so from the high ground. Clearly they are still in the swamps. As for the law, it has gone back and forth on this use, but alas we have never truly have the right to be let alone. Where is Justice Brandeis when we truly need him!

Posted by Terry McGarty at [2:43 PM](#)  

Labels: [Law](#)

[THE FCC, THE CABLE CARD, AND THE INTERNET](#)

The [FCC issued an NPRM](#) today regarding the cable card issue. We have discussed this issue before. Simply the cable companies have a monopoly on the interface box or boxes in your residence. They lease you a cable modem and a TV interface at what I consider extortionary prices. Typically it is about \$9 per month per box. You pay that per box forever. There is no alternative. They get tons of money from this process.

Now the FCC in its wisdom is trying to get a better solution. Yet one must remember this is the FCC and most likely whatever it rules it will mess it up and get the Federal District Appeals Court to rule it illegal. But let us hope there can be some progress.

The FCC states:

1. In this Notice of Inquiry, the Commission seeks comment on specific steps we can take to unleash competition in the retail market for smart, set-top video devices ("smart video devices") that are compatible with all multichannel video programming distributor ("MVPD") services. Our goal in this proceeding is to better effectuate the intent of Congress as set forth in Section 629 of the Communications Act of 1934, as amended. In particular, we wish to explore the potential for allowing any electronics manufacturer to offer smart video devices at retail that can be used with the services of any MVPD and without the need to coordinate or negotiate with

MVPDs. We believe that this could foster a competitive retail market in smart video devices to spur investment and innovation, increase consumer choice, allow unfettered innovation in MVPD delivery platforms, and encourage wider broadband use and adoption.

2. More specifically, we introduce the concept of an adapter that could act either as a small “setback” device for connection to a single smart video device or as a gateway allowing all consumer electronics devices in the home to access multichannel video programming services. Unlike the existing cable-centric CableCARD technology, this adapter could make possible the development and marketing of smart video devices that attach to any MVPD service anywhere in the United States, which could greatly enhance the incentives for manufacturers to enter the retail market. As conceived, the adapter would communicate with the MVPD service, performing the tuning and security decryption functions that may be specific to a particular MVPD; the smart video device would perform navigation functions, including presentation of programming guides and search functionality. The Commission seeks comment on this concept. We also invite any alternative proposals that would achieve the same objective of eliminating barriers to entry in the retail market for smart video devices that are compatible with all MVPD services.

The FCC continues:

17. Ideally, the Commission’s all video (“AllVid”) solution would work for all MVPDs and lead to a nationwide interoperability standard, much as Ethernet and the IEEE 802.11 standards have led to nationwide interoperability for customer data networks while allowing broadband service providers to deploy differing proprietary network technologies. The AllVid solution would be designed to accommodate any delivery technology that an MVPD chooses to use and allow MVPDs to continue unfettered innovation in video delivery, because the MVPD-provided AllVid adapter, rather than the consumer-owned smart video device, would be responsible for all communication with the MVPD. At the same time, it would allow consumer electronics manufacturers to design to a stable interface and to integrate multiple functions within a retail device. This approach would provide the necessary flexibility for consumer electronics manufacturers to develop new technologies, including combining MVPD content with over-the-top video services (such as videos offered from, for example, Amazon, Hulu, iTunes, or NetFlix), manipulating the channel guide, providing more advanced parental controls, providing new user interfaces, and integrating with mobile devices.

18. Two previous standardization approaches help to illustrate how this solution could unleash competition and innovation in equipment used with MVPD services, while allowing unfettered innovation in the services themselves: (i) The Carterfone and Computer Inquiry decisions required that the telephone network be terminated in a standardized RJ-11 interface; and (ii) broadband services developed using divergent and rapidly developing network technologies terminated in an adapter that presents a standardized Ethernet interface.

19. The RJ-11 interface requirement allowed the development of a vibrant retail market for answering machines, cordless phones, fax machines, modems, and other customer-premises equipment used with the telephone network.⁴² The requirement that the network terminate in a standardized interface with no carrier-supplied terminating device was implemented in the context of a single telephone network that used a single, stable delivery technology. It was a

workable and successful solution in that context because our telephone network was based on a nationwide standard.

20. Broadband services differ from telephone service in two key respects that have led to a significantly different approach. Multiple broadband operators provide services using divergent network technologies; and those technologies are not static but are rapidly developing. Numerous broadband delivery technologies exist – among them cable, digital subscriber line (“DSL”), satellite, wireless broadband, and optical fiber to the home. In each system, the operator provides a customer with an interface device such as a cable modem that performs all of the network-specific functions and connects via an Ethernet port to a multitude of competitively provided customer-premises devices including computers, printers, game consoles, digital media devices, wireless routers, and network storage devices. This approach has promoted an innovative and highly competitive retail market for devices used with broadband services. At the same time, because each operator terminates its service in an interface device that it can swap out as needed to accommodate innovations in delivery technologies, this approach has freed service providers to innovate in their networks without changing the Ethernet connection to which customers attach their devices. For example, a DSL provider can introduce a new, faster technology in its network and, if necessary, swap in a new DSL modem that incorporates the new technology, without changing the customer interface or requiring customers to replace devices they use with the service. This allows consumers to benefit from new and improved services without incurring the cost of replacing devices they have purchased at retail – replacing a single modem is more cost-effective than replacing each device that accesses broadband services.

The problem is why can't we have a device like an 802.11 device or an Ethernet router or the like. Because the cable companies "bundle" their services. Frankly that is utter nonsense. With cable ready TVs of two decades ago there was no bundling. The cable companies have just heavily handedly moved in and set prices with no reasonable market controls. They have a stronger monopoly than AT&T ever did. The FCC may have an opportunity here and it should be interesting to watch.

Posted by Terry McGarty at [12:56 PM](#)  

Labels: [Broadband](#), [CATV](#), [FCC](#)

[WILSON, TEDDY ROOSEVELT AND THE PROGRESSIVES](#)

The book by Milkis on [Teddy Roosevelt and the Progressives](#) is in many ways a tale of the present. The 1912 election was a turning point for American politics. It brought in Wilson and sent Teddy packing, but in many ways left the baggage that Teddy brought with him around for what seems a permanent stay.

Milkis tells a wonderful tale based on extensive research about this election. It is a historically well written piece albeit filled with consecutive facts but lacking in the interpretation and historical glue to make it a superb work, it is masterful notwithstanding.

The path of the book works back and forth on the New Freedoms of Wilson and the New Nationalism of TR. Milkis discusses these in Chapter 1 and the discussion is a somewhat back

and forth discussion of the principles and the time which evoked them. The New Nationalism is best described in the TR speech of the same name in 1910. The New Freedoms is best described by the author on page 205 in a memo from Brandeis to Wilson. There is the ever presence of Brandeis in this book which is a powerful description of the great mind evolving his thoughts through the somewhat academic mind of Wilson. Brandeis states:

"The two parties (Wilson and the Democrats versus TR and the Progressives) differ fundamentally regarding economic policy....The Democratic Party insists that competition can and should be maintained in every branch of private industry...if at any future time if monopoly should appear to be desirable in any branch of industry, the monopoly should be a public one.....the New Party (Progressives) ...insists that private monopoly may be desirable..."

This is a powerful statement which reflected the beginning in many ways of the power of the executive and the dominance of the central Government over the entire economy. Wilson agreed with this statement and what is most telling in the Milkis book is that the 1912 election was truly and election on principles, principle articulated directly by the players in that election. They were direct and forthright and presented their views of how the Government and the country should be run. Lacking was as reflected by Milkis any discussion of what the Constitution and Founders had ever intended. There appeared to be a unanimous agreement that change, as articulated by either Wilson/Brandeis or TR and the Progressives, was well within their purview and powers, independent of the Constitution.

The Socialists agenda under Debs is somewhat articulated by Milkis and he states on p 23 that Debs viewed the Progressives as "a reactionary protest of the middle classes, built largely upon the personality of one man and not destined for permanence." Ironically it would be Wilson who imprisoned Debs for his ideas, as well as my grandmother who headed the Socialist Party in New York. Wilson would leave Debs to rot for years until the Republican Harding pardoned him.

TR is quoted in his New Nationalism speech on p 40 as saying:

"The New Nationalism puts national need before sectional or personal advantage...Nationalism regards the executive as the steward of the public welfare. It demands of the judiciary that it shall be interested primarily in human welfare rather than property...."

It was this denial of the Lockean property construct which was at the heart of the Constitution. Milkis on the same page reinforces the TR stance of "human rights" trumping "property rights". There does seem to be the conflict, perhaps of the time, that humans have property and that in many ways it was property via Locke that defines the individual as compared to a vassal of the King. TR and the Progressives seem to be driven by the Trusts and their "property" and the general hatred for these same Trusts.

On p 44 Milkis discusses the conflicts of TR and the Constitution. I would have liked to see this better presented, it is discussed but it is in itself a key element of importance who relation to the present is key. This returns again on p 91 where Milkis states:

"In the end, TR and his political allies proposed to emancipate public opinion from the restraining influence of the Declaration (of Independence) and the Constitution..."

TR was clearly a man who had his own ideas and the facts and history of the country be damned. The Wilson plan of the New Freedoms was in contradistinction to TR. On p 202 the author compares and contrasts them but in many ways they had much in common. Monopolies seem to dominate the discussion. TR was advocating for the referendum, recall and the like, pushing the power down to the people, and even to the extent of having recall of the President (see p 219). In contrast Wilson was defending natural rights but stopped way short of recalls as TR had done (p 226)

Overall the book is a superb introduction to these many issues. The growth of the larger electorate, the conflict between large industries and labor, the expansion of the middle class, and even the conflicts on racial issues. TR had become an idealists with a platform designed to attract the largest group of common voters. He had developed his own ideas as how the country should be run and his New Nationalism was in a sense a new Constitution, drafted by a single man who then set out to sell it. Wilson was driven by the intent to concentrate mow power in both the executive as well as in Washington.

The book by [Woodrow Wilson: A Biography](#) by Cooper is a wonderful companion to this book. As a final note, the discussions on pp 274-275 places Wilson is the poorest of light as he deals with the civil rights of the blacks. Milkis details the occasion when Trotter, a black leader and editor of the Boston Guardian, was thrown out of Wilson's office abruptly because he disagreed with the President's refusal to even discuss the separate but equal position of the Democrats. Wilson as a Virginian had strong ties to the south and the south was the core to his ongoing efforts. This truly was a sad day.

Milkis has prepared a superb book worthy of reading today. It tells the tale of how many of the changes we see again coming up today are in many ways a replay of a century ago. The only critique that I have is that it should have been longer and included some greater detail. But it stands quite well as it is.

Posted by Terry McGarty at [11:43 AM](#)  

Labels: [Books](#)

[THERE IS NO SURPRISE HERE](#)

The Actuary for Medicare and Medicaid, Mr R Foster, is quoted in the [Hill](#) today about the impact of the new health care bill on both programs.

He states:

The CMS analysis, provided to The Hill on Thursday, concludes that the healthcare overhaul will reduce the number of the nation's uninsured from 57 million to 23 million.

However, the report raises several warnings about the impact of healthcare reform.

Foster states, "The additional demand for health services could be difficult to meet initially with existing health resources and could lead to price increases, cost shifting, and/or changes in providers' willingness to treat patients with low-reimbursement health coverage."

The demand will be local, and the greatest impact will most likely be in lower middle class communities where the bulk of the new "customers" will come from. This will most likely not be a uniform impact. In addition it is not at all clear how this demand will be managed. If local then the peak could be quite excessive. In addition physicians still have the right to not accept new patients. Thus if you are in the system now you most likely are safe but getting in will be difficult.

The report continues:

The report also suggests that some employers will stop offering their employees healthcare coverage benefits: "A number of workers who currently have employer coverage would likely become enrolled in the expanded Medicaid program or receive subsidized coverage through the [Health] Exchanges. For example, some smaller employers would be inclined to terminate their existing coverage, and companies with low average salaries might find it to their -- and their employees' -- advantage to end their plans..."

This may or may not become a problem depending on the plans offered. If the new plans are PPO type plans, or worse HM plans, then there will be a drastic reduction in service quality for those on the plans.

Posted by Terry McGarty at [6:29 AM](#)  
Labels: [Health Care](#)

MISSED THAT BULLET

Yesterday I gather was the second day of a disaster for those with XP SP2 and McAfee. I was on the road when this disaster hit with my Windows 7 machine and no connectivity.

In a [ZD Net blog](#) the author explains what McAfee saw as the problem:

The document, entitled "McAfee FAQ on bad DAT issue," is written in Q&A format and includes the following exchange:

How did this DAT file get through McAfee's Quality Assurance process?

There are two primary causes for why this DAT file got through our quality processes:

– Some specific steps of the existing Quality Assurance processes were not followed: Standard Peer Review of the driver was not done, and the Risk Assessment of the driver in question was inadequate. Had it been adequate it would have triggered additional Quality Assurance steps.

– there was inadequate coverage of Product and Operating System combinations in the test systems used. Specifically, XP SP3 with VSE 8.7 was not included in the test configuration at the time of release.

This is amazing. There were most likely millions of systems brought down. The press details some from the US, UK, Australia and all around the world. The response from McAfee was minimal to say the least. The problem is that there will most likely be a set of class action suits and this will destroy the company. Sloppy.....and deadly.

Posted by Terry McGarty at [6:12 AM](#)  

Labels: [Commentary](#)

TUESDAY, APRIL 20, 2010

TELECOM INNOVATION

In a recent posting by some person from the [Telecom Council of Silicon Valley](#) they state:

Historically, telecom innovation happened in distributed labs around the world. And despite some phenomenal inventions, the overall pace was languid. In just the past 15 years though, increasing competition has put the spurs to this sector and meshed it with the swifter high-tech industry. In that time, the telecom industry has become a fast-moving, energetic market, with explosive growth that attracts some of the best entrepreneurs and investors in the world. In an accelerating industry, innovations rule. And the innovations that link telecom investors and entrepreneurs worldwide find their nexus in the Silicon Valley.

I find this an amazingly false statement for anyone who has been in the industry for a while. Just think of the following:

1. Tymenet, a data communications network which preceded the Internet in the late 70s and early 80s.
2. The VSAT business which sprung up from the early 80s and which became the basis of a great deal of distributed wireless networks.
3. Linkabit and the development which it produced for the telecom business ranging from satellites thru CATV.
4. Qualcomm the follow on to Linkabit needs no discussion.

and the list goes on.

In my opinion, have spent a few years there, the biggest drag on telecom was Bell Labs. It was under the ATT Chairman Kittel in the 70s that he had to get Bell Canada and BNR to develop the digital switch, it became Norther Telecom, while the US Bell Labs refused to go digital.

The author continues:

These garage-stage startups tend to exist below the radar of the industry and telecom investors -- you really need to be in Silicon Valley to see them. And you need to be networked in the Valley as well; they don't advertise in trade journals. Telecom innovation is happening across the Valley – from the moonlighting mobile application developer to a founder team working on fiber-to-the-home services. The Telecom Council of Silicon Valley, the organization that connects telecom companies with innovation, actually saw more startups in 2009 than 2008.

Again many telecom start up were in Dallas, Boston, and Reston VA and the I 270 corridor in Maryland. They were the builders of what we see today in telecom. Yes Silicon Valley made many contributions but they were always driven by people in a widely distributed geographical area and not just Silicon Valley and in addition they existed and prospered before the explosion of the VC markets.

Thus I find this piece a bit self serving and lacking in facts. Entrepreneurs will find ways to get things done with or without VCs. However they need capital and the current Financial Control Bill in the Senate may hinder that effort by lumping entrepreneurial investments into a par with Goldman Sachs and others. If that happens that would just add another layer of complexity but the entrepreneur always finds a way to the other side of the mountain, even outside of Silicon Valley.

Posted by Terry McGarty at [11:28 AM](#)  

Labels: [Telecom](#)

[EARTH DAY 2010](#)



These are some of my 4000 Hemerocallis seedlings planted this Spring from crosses I made last year. My species plants from China, Russia, Japan and Korea are budding out. We now have over 500 registered hybrids, most of the world's species, and thousands of hybrids that I have

created over the years. In addition I have planted 120 trees in the last three years on the edge of the land to keep the nasty deer out, squirrels are fine as are chipmunks. But deer, pure rodents.

I remember the first Earth Day in 1970 on the MIT campus. Hundreds of city kids gathering for a song fest, and perhaps some meeting dates for the day, and bemoaning the fate of the planet. Now forty years later there are some of us who actually do something to get plants and a few animals back into the eco system. We have planted tens of thousands of these hybrids in New Hampshire on the mountain side behind our home and it is the same latitude as their homes in China and the other parts of Asia. Hopefully they find it a fine new home.

So for my many plants. Happy Earth Day and I hope your pollen finds a friendly partner!

Posted by Terry McGarty at [7:56 AM](#)  

Labels: [Commentary](#)

MONDAY, APRIL 19, 2010

[BOOKS, AUTHORS, READERS AND DISINTERMEDIATION](#)

I first met Ken Auletta at a reception on the Intrepid in New York in 1992. He is a brilliant and articulate observer of American culture and one should read his musings as they tend to reflect the changes that we as a society are going through. He may not be a great prognosticator of the future but he is superb in telling us how we got to where we are now.

In a current article in the [New Yorker](#) on the future of publishing he writes of the battle brewing between Apple and Amazon, a battle which may very well leave the publishers behind. You see Apple is trying to compete with Amazon with its iPad whereas Amazon has a business model which works.

Auletta states:

A close associate of Bezos puts it more starkly: "What Amazon really wanted to do was make the price of e-books so low that people would no longer buy hardcover books. Then the next shoe to drop would be to cut publishers out and go right to authors." Last year, according to several literary agents, a senior Amazon executive asked for suggestions about whom Amazon might hire as an acquisitions editor. Its Encore program has begun to publish books by self-published authors whose work attracts good reviews on Amazon.com. And in January it offered authors who sold electronic rights directly to Amazon a royalty of seventy per cent, provided they agreed to prices of between \$2.99 and \$9.99. The offer, one irate publisher said, was meant "to pit authors against publishers."

This means that Amazon is trying to disintermediate the publishers and generate a new distribution channel for authors. The issue is clearly that there are many authors out there, and to data the author in the trade press must get an agent who then gets a publisher and the process continues. Agents are gatekeepers, editors are funnels, and the publishers are all too often seekers of the hits very much akin to the old record business.

However one must look at the book business in a totality. The trade books the ones we read for pleasure are all too often short term hit businesses. On the other hand companies like Thompson make a fortune on text books, the prices of which are extortionary. For example calculus is calculus and has not changed in 200 years or more. So why pay \$175 for a new calculus book when you can get a used one for say \$5 at most. The universities are in collusion with the publishers and this just drives up the costs of education. Another example is economics. They charge a fortune for the current edition and yet the last edition is basically the same as were the last three before that. Supply and demand just has not changed that much in say ten years.

Auletta continues:

Asked to describe her foremost concern, Carolyn Reidy, of Simon & Schuster, said, "In the digital world, it is possible for authors to publish without publishers. It is therefore incumbent on us to prove our worth to authors every day." But publishers have been slow to take up new technologies that might help authors. Andrew Savikas, O'Reilly Media's vice-president for digital initiatives, is shocked that publishers have done so little to create digital applications for their books. "Nothing is stopping publishers from putting apps for books on iPhones," he said. "There are fifty million iPhones in the world. That's a great customer base." Budget-conscious publishers have also reduced the editing and marketing and other services they provide to authors, which has left a vacuum for others to fill. Author Solutions, a self-publishing company in Bloomington, Indiana, has ninety thousand client-authors. For books that attract commercial interest, the company has partnered with publishers like Harlequin to release them through traditional channels, but with more generous royalties.

Yes with the Internet authors can publish independent of the classic publisher. Amazon allows electronic publishing by having a low cost distribution channel connecting author with reader. Yes it may eliminate the editor, a function which has value, but it makes a more timely dissemination of a product.

Auletta again states:

Most publishers mistrust Amazon and think it is unnecessarily secretive. It won't tell them details about customer habits, or the number of Kindles sold, or what it costs to make a Kindle. It won't even disclose the percentage of revenues its book sales represent, saying only that "media"—movies, music, and books—accounted for fifty-two per cent of sales in 2009.

Publishers say that the negotiations with Apple were less contentious. There were arguments over the price of e-books, with publishers wanting the top price set at seventeen dollars and Apple insisting on fifteen. "Once Apple had determined that they were going to accept the agency model," a publisher said, "they were very tough: Take it or leave it." But the Apple people "had a much more agreeable feel than Amazon did. They said they would share some consumer data about buying e-books. We have no such data from Amazon."

But books have different uses. We read some for pleasure, we use some for learning, we use others in our profession, we seek old ones for wisdom, and the list goes on. I often use ABE Books as often as Amazon. Almost all, if not all of my books are for professional use. I am not a novel reader, have not read one in years, so as one who writes I use the book as a physical entity upon which I apply my yellow tags along with comments. For that I need a paper copy. Even if I have a soft copy I often print output a paper version for the purpose of marking it up. I thus use work back and forth with soft and hard copies. I see no use for either Kindle or iPad. Yet I use the computer almost always as a working source of documents. Kindle is great for novels, iPad for say text books. Yet neither is targeted to the writer as of now.

Yet Auleta recognizes the change in distribution channels. As the record companies lagged and did not respond the publishers are doing the same. They have even more at risk.

It will be interesting to see how this plays out. I suspect that authors and readers will meet in the 21st century bookstore named Amazon and not Apple.

Posted by Terry McGarty at [4:01 PM](#)  

Labels: [Books](#), [Commentary](#)

[GETRTING THE NUMBERS RIGHT](#)

The [projections for 2010 Medicaid spending](#) are \$412 B and are estimated to grow to \$513 B by 2013 and that is before the expansion of the Medicaid coverage under the new plan.

In a recent [DeLong](#) rant against the Republicans he states:

Yet Another Reason the Country Would Be Better if We Shut the Republican Party Down Today...

Total Medicaid spending this year is currently pegged at \$280 billion. How Coburn can think that all \$280 billion that will be spent this year on Medicaid is waste--plus an extra \$20 billion in waste even though we do not spend it--is beyond me.

I don't have a good feeling about this fiscal commission--not at all.

Well unfortunately for the good Professor, it is \$412 B not his \$280 B.

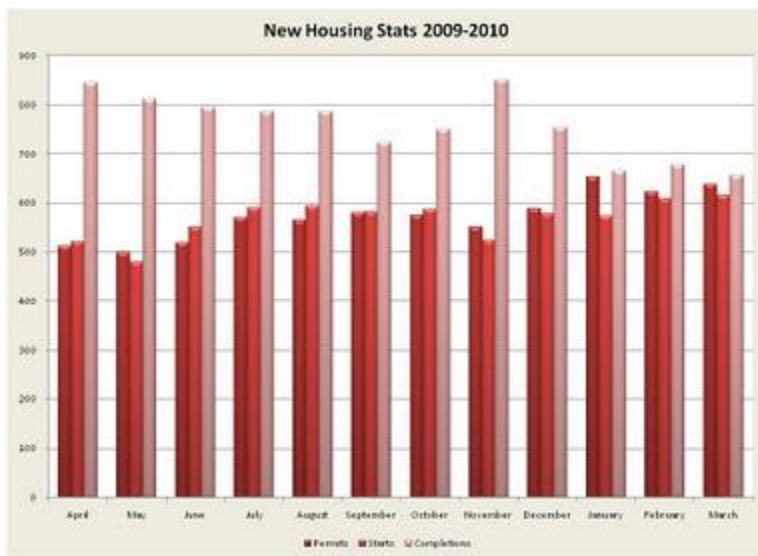
The statistics are readily available and the alluded to Coburn suggestion about reducing fraud is truly a major concern about Medicaid.

Posted by Terry McGarty at [8:11 AM](#)  

Labels: [Economy](#), [Health Care](#)

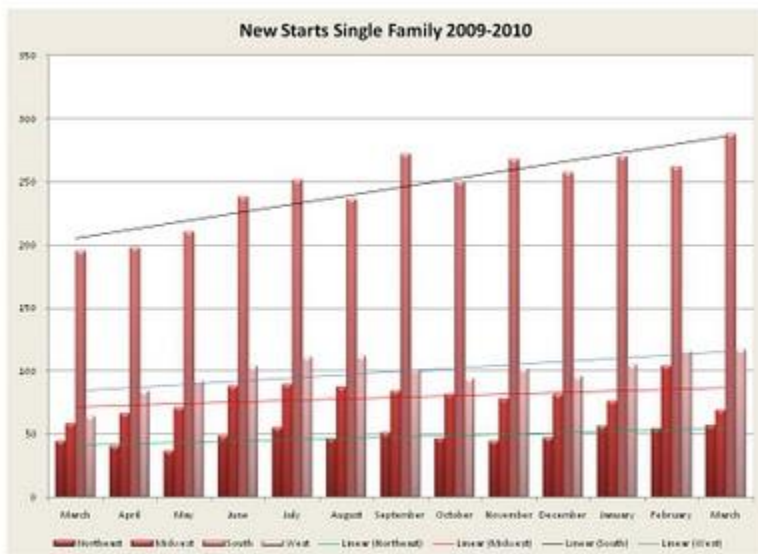
[HOUSING AND THE RECESSION](#)

The [Census](#) has just released the most recent stats on housing and they appear to demonstrate a continual growth in the positive direction.



The above is a summary of new housing; starts by class from start through completion. Note that starts are growing and completions is declining. That is a good sign since the decline is a lagging indicator and the starts are a leading indicator. The growth in starts is continuing at a good rate from the low of last year but is still lagging from a few years ago, which frankly is not at all surprising.

As for the regional characteristics we show the single family starts by region below.



The regional differences are clear in the above. The south has a dramatic growth in starts while the northeast is lagging. This is quite common. What is quite positive is the growth in western starts.

Thus we believe that the leading indicator of starts demonstrates a slow but progressing recovery.

Posted by Terry McGarty at [6:18 AM](#)  

Labels: [Economy](#)

SUNDAY, APRIL 18, 2010

GENERATIONS, EXPECTATIONS AND ENTREPRENEURS

I went to a talk last week at the Rayburn Office Building in DC. The speaker was Prof Weigel from MIT and she did a splendid job. But the take aways were interesting.

This may be common knowledge but we characterize our generations as follows:

- 1981 – 2000: Generation Y / Millennials
- 1965 – 1980: Generation X
- 1946 – 1964: Baby Boomers
- 1926 – 1945: Silent Generation
- 1916 – 1925: Greatest Generation

That placed me and a few other old folks at the Silent Generation. It was not clear to the three of us what we were so silent about but I suspect it must have been something.

Then the kicker came in. Namely what characterizes the so called Millennials. They are:

- Expect mobility and frequent change
- Want to excel and move ahead quickly
- Value “killer” lifestyle, diversity, friends
- Assume technology, internet, constant connectivity
- Multitask fast
- Institutions are irrelevant
- Rewrite the rules
- Optimistic / realistic
- Nurtured as children

When I go back I remember many of the same expectations. Except one that is, since I was raised during WW II all I remember was women running the world and men went off to War. I kept thinking how long it would be until I too was to be sent a packing. Thus being nurtured was not something they did back then, you see there was no time and no people to do it. Thus you just winged it and grew up.

The speaker went on to pose the following:

If we understand them better, we can design engineering work and organizations that will attract and retain them.

This was the strangest statement that I had ever heard. Yet it must be a Gen X or Baby Boomer speaking to a Gen Y. If we the Silent Folks were to deal with this issue we would tell them they were lucky to have a job!

Yet this was a pitch about aeronautics and since that community focuses on Government work, never really see much entrepreneurial aeronautics, it does not apply to EECS students, who all aim to be entrepreneurs of some sort.

Posted by Terry McGarty at [4:56 PM](#)  

Labels: [Economy](#), [Education](#)

[WILL THIS HAPPEN HERE?](#)

The [Times](#) in the UK has an interesting story today about the NHS, the National Health System, in Britain.

It states:

A WOMAN has been denied an operation on the NHS after paying for a private consultation to deal with her severe back pain.

Jenny Whitehead, a breast cancer survivor, paid £250 for an appointment with the orthopaedic surgeon after being told she would have to wait five months to see him on the NHS. He told her he would add her to his NHS waiting list for surgery.

She was barred from the list, however, and sent back to her GP. She must now find at least £10,000 for private surgery, or wait until the autumn for the NHS operation to remove a cyst on her spine.

“When I paid £250 to see the specialist privately I had no idea I would be sacrificing my right to surgery on the NHS. I feel victimised,” she said.

This may very well be the effect of the now operational Comparative Clinical Effectiveness panes established under the new Health Care plans.

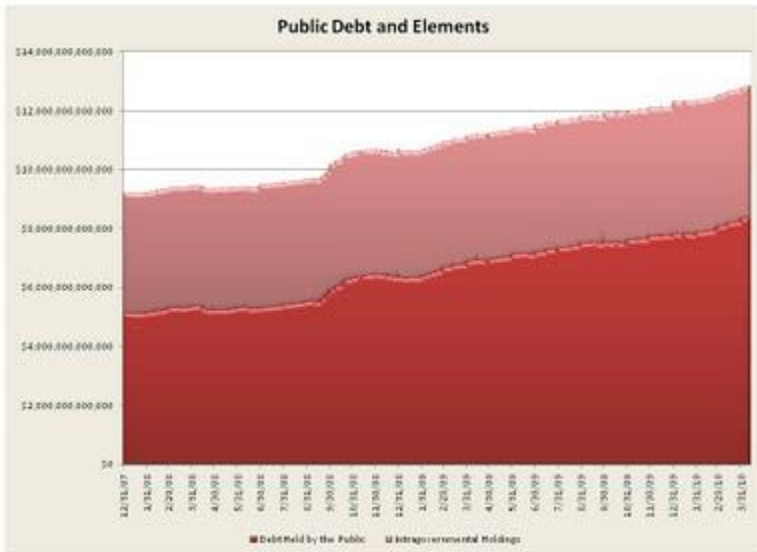
Posted by Terry McGarty at [1:43 PM](#)  

Labels: [Health Care](#)

SATURDAY, APRIL 17, 2010

[UPDATE ON DEBT](#)

The public debt continues to grow. We show the latest numbers below. It is now well above \$12 trillion and growing.



The interesting observation is to look at the rate of change. We do this below by plotting the 10 day moving average and the 120 day moving average.



We are now averaging a rate of increase at almost 50% per annum. This is an unsustainable level. Again we would argue that only through organic growth via private industry will we ever see this change. The current Administration fails to see or appreciate this and the result will most likely be an inability to sell the growing debt.

Posted by Terry McGarty at [11:02 AM](#)
 Labels: [Economy](#)

THURSDAY, APRIL 15, 2010

YOU REALLY CAN'T MAKE THIS STUFF UP!

I have been following Prof DeLong at Berkeley for a while. It is always good to see what the other side says, just listening to your friends creates a closed atmosphere. That is why I listen to Pacifica Radio as well. Pacifica also can be received as far as New Haven on nights returning from MIT so I have the habit of turning to it when I get to the Parkway south.

Now DeLong has published a treatise on [Global Warming](#) and I thought I would recount some of his suggestions. Here is what he says:

So what do we do now? I think we should do four things:

- Pour money like water into research into closed-carbon and non-carbon energy technologies in order to maximize the chance that we will get lucky—on energy technologies at least, if not on climate sensitivity.*
- Beg the rulers of China and India to properly understand their long-term interests*
- Nationalize the energy industry in the United States.*
- Restrict future climate negotiations to a group of seven—the U.S., the E.U., Japan, China, India, Indonesia, and Brazil—and enforce their agreement by substantial and painful trade sanctions on countries that do not accept their place in the resulting negotiated system.*

Well the nationalizing of all power companies is a bit much, it is akin to Venezuela, Cuba, and the like. Now he teaches at Berkeley and frankly I have no idea who he is. Yet this type of ranting, in my opinion, is so far to the left that it loses any credibility.

He continues:

Nationalize the Energy Industry. In the 1960s it became very clear that the price of oil in the United States needed to be higher: Because of powerful congestion and pollution externalities, we were overinvesting in the automobile civilization. A larger tax on oil would nudge the economy closer to the social optimum. In the 1970s it became very clear that the price of oil in the United States needed to be even higher: Because of instability in the Middle East, unacceptable geopolitical risks were being generated by our dependence on the Middle East as a source of energy. A larger tax on oil would nudge the economy into a configuration in which this geopolitical danger would be lessened. And at the start of the 1990s it became very clear that the price of carbon energy needed to be higher: global warming.

Yet it never happened. It never happened because of what Lloyd Bentsen's aides used to call the "ullengaz" industry—"oil and gas." Powerful enough to block desirable public policy regulation and adjustment for nearly fifty years now. In general I am opposed to state-run nationalized industries: that is definitely the private sector's place, not the government. But the

interaction of rent-seeking politics with the flaws of America's political system have made me willing to make an exception in the case of America's oil industry: the increased allocative inefficiency that will flow from government ownership and management is, in my judgement, likely to be much less than the increased political efficiency that will flow from no longer having the energy industry able to purchase enough Representatives and Senators to block needed policy moves that it fears will be adverse to its interests. So nationalize—not to expropriate or to penalize the shareholders, but to get this particular selfish and destructive political voice out of American governance.

This is the voice of the left and perhaps this is the rant that creates the countervailing forces of the Tea Party. The left complains about the Tea Party but no one complains about this. This is in effect in my opinion an appropriation by fiat of private property. Locke would roll over in his grave.

DeLong also has some undecipherable rant it seems about the [Pope and the NY Times](#). And I thought I was idiosyncratic. At least I have some basis in historical fact upon which to argue. Perhaps I should remove him from my list, yet perhaps it is good to watch this process, for it portends what truly may happen to this Country if it falls into the hands of people like this, if I read this all correctly.

Posted by Terry McGarty at [5:48 PM](#)  

Labels: [Global Warming](#)

THURSDAY, APRIL 15, 2010

[BROADBAND, VIDEO, NET NEUTRALITY AND OTHER THINGS](#)

In the beginning when the Internet was first being developed there was a metaphor developed by Dave Clark at MIT which was that the Internet was an hourglass, thin in the middle with all of the intelligence at the edges. This maximized innovation. It worked for the past 40 years.

We show this below. The intent was to keep the middle, the IP stuff and below, easily changeable because we all knew that no one had the best ideas and we would need to continually update the net. Moreover we knew that for those of us who had developed large switches, where the intelligence was in the network and was hierarchical that change was impossible. Thus keep the intelligence at the edge, never let it migrate to the center.

Internet as Hourglass (Clark)



Now we have the classic protocol stack, albeit now a bit aged but it does present a reasonable paradigm. Thus we see layers at the bottom, 1 thru 3, stay within the net, whereas all others are user based, or should be.

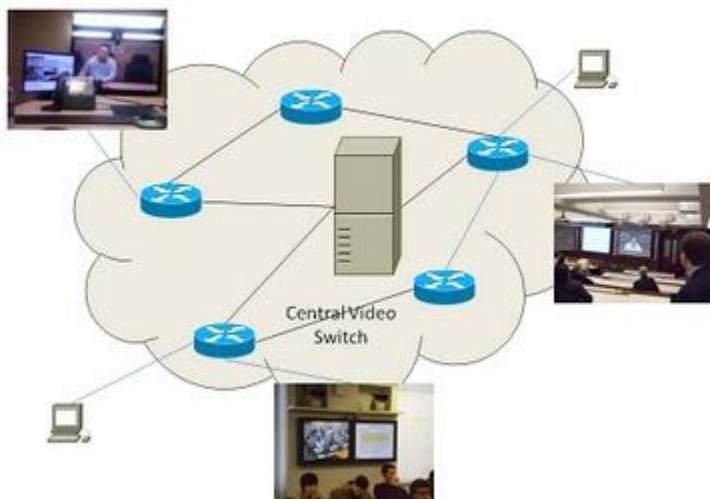
Protocols



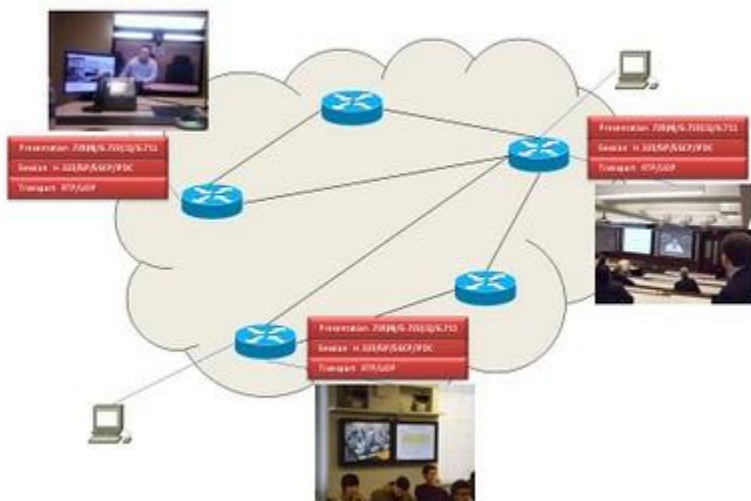
Constant - Voice Packets ride on UDP/RTP

Variable - Several Signaling Protocols

We first look below at the Cisco/AT&T Telepresence architecture. It is a true throwback to the past. It demands an internal centralized controller ostensibly for scheduling. My current video systems do not need such a centralized approach and they work peer to peer. The create multimedia communications paths using session layer. In 1987 I wrote a paper detailing this for broadband and it is slowly being adopted.



Now below we show the hourglass approach. We use the outer layers as the control layers and this will allow any user set to communicate with any other user set.



Now we have several issues resulting from an analysis as above.

1. Net Neutrality is a true blurring of this model of the hourglass. It starts to put things into the center of the network for such euphemistic purposes such as network management. Nonsense, network management in the simplest sense is an SMTP protocol on IP. It does not belong inside the network.

2. Video to thrive must be built on an hourglass. The best will prosper in a true Darwinian sense. Doing say what Cisco is doing in Telepresence is a true throw back to what is not a well know dated artifact of the past, centralized control. The presence of AT&T in this mess is a true sign of its pending collapse. The use of say Internet 2 rather than the AT&T system is a true step forward.

3. Video will and is becoming the largest growing user of the bandwidth. This will be true on both wired and wireless applications. One need look not further than LTE architectures to see its presence. Thus it is essential to keep the edge alive and growing to enhance the video apps.

Posted by Terry McGarty at [3:55 PM](#)  

Labels: [Broadband](#)

[HEALTH CARE QUALITY STATS](#)

The Agency for [Healthcare Research and Quality](#) has just released its 2009 report on health care. This is worth the read. The trends reflect the limited improvements in the system. It is a reflective report and does not really look forward.

They state:

Despite the data limitations, we find that health care quality in America is suboptimal. The gap between best possible care and that which is routinely delivered remains substantial across the Nation. Receipt of quality health care also varies widely. For example, caregivers reported that 95% of hospice patients received the right amount of pain medication, but only 8% of patients needing care for alcohol problems received such treatment at a specialty facility. Across the core report measures tracked in the NHQR, the median level of receipt of needed services was 58%. We can and should do better.

Moreover, despite efforts to transform the U.S. health care system to focus on effective preventive and chronic illness care, it continues to perform better when delivering diagnostic and therapeutic care in response to acute medical problems. Our system achieves higher performance on hospital measures, such as acute treatment for heart attacks, than on outpatient measures, such as cancer screening and diabetes management. For example, between the 2008 and 2009 reports, five measures attained overall performance levels exceeding 95%.ii Four of these five measures relate to hospital care for heart attack. In addition, all 10 of the worst performing process measures tracked in this NHQR are measures of outpatient care, and 6 of these relate to preventive services.

One of the concerns is that much of the concern about prevention is truly a patient duty and we continue to disconnect the patient from the outcome. Patients who smoke, who are obese, who fail to get the proper tests especially if family history tells them they should are as much to blame as is the system. A physician can only deal with a patient and their propensity to get ill if the patient shows up and then follow through.

Posted by Terry McGarty at [2:26 PM](#)  

Labels: [Health Care](#)

THE DESTRUCTION OF MEDICARE

I find it interesting to read through the [Massachusetts Medical Society](#) blog today regarding how Medicare has reduced its payments so much that physicians can barely cover their bill processing costs.

The blog starts with:

So far, more than 600 Massachusetts physicians and patients have signed on to the [national Stop the Medicare Meltdown petition to Congress](#). Today, the Massachusetts Radiological Society threw its support to the petition.

Overall, more than 36,000 signatures have been recorded nationwide. To reach the goal of 1 million signatures by May 31, however, we need more doctors and even more patients to sign on. [Share it with your colleagues today!](#)

The comments that have been posted by Massachusetts physicians and patients are impressive. They profoundly underscore the importance of getting a permanent solution to the Medicare physician payment problem.

Here are just a few of them.

One physician states:

When reviewing my medical bills I am appalled by the reimbursement authorized by Medicare for doctors and hospitals. Many do not seem adequate to cover required paperwork expenses. Please fix Medicare by developing a rational Medicare physician payment system that automatically keeps up with the cost of running a practice and is backed by a fair, stable funding formula.

This is just the beginning. It is not that we did not warn the folks. The problems as we see them are:

1. Drastic reductions in Medicare will drive physicians out of practice to those who need it the most and who have already paid for the services.
2. The increase in taxes, including that on Medicare patients via dividend taxation, and the like, will further tax those who have the least, namely fixed income people.
3. The new "student loan" program for physicians will place the Government in the position of controlling where the new physicians will practice and thus drive quality out of the system.

And this is just the beginning. I saw a Tea Party rally today in Morristown, NJ, just sort of stumbled into it but I thought how coincidental, for this is where Washington started his final assault on the British who like our current controllers as depleting the Colonies of their money and freedom. Happy April 15th to all!

Posted by Terry McGarty at [1:56 PM](#)  

Labels: [Health Care](#)

[THE POPE, AUGUSTINE, AND THE DONATISTS](#)



The current Pope is having a dreadful time of it, and he seems to be flailing about in the new world of instant comments. In seeing what is happening I thought back to the 4th century, for those of you with limited education experiences that is some time in the 300s. The problem at that time was the waxing and waning of persecution of the Church and the on and off executions which the Roman Emperors so prized themselves in doing.

The Church had several schools of thought at the time when certain priests and bishops gave up their faith rather than submit to the lions or whatever. When all of this was over these same priests and bishops sought to get their positions back. Well as one could imagine some of the faithful, those who had actually remained faithful objected and denied them their place. They came to be called Donatists. Thus the Donatists basically said that if you committed an act which was seriously sinful you were out, period. Frankly not a bad idea. However there were many others who took the position that once a priest always a priest. Prime amongst them was Augustine of Hippo.

Augustine argued that once a priest always a priest and he won the day. The result is that the Church now keeps these malcontents around causing problems. Had the Donatists won the Church would have thrown them out on their ears years ago. This to me is the core of the problem and it is but one of the problems engendered by Augustine and his theories.

Just to mention two ore, the Pelagian "heresy" and the "just war theory". Pelagius was one of the errant Irish monks who had the habit of thinking somewhat outside the box. He stated that man could by his good deeds attain salvation. Augustine said, no way, no matter how good your deeds if God did not give you grace, namely you would be predestined, you were destined to salvation or perdition and your deeds were useless. This position became the core position of Calvin and the 16th century Protestants, leading to the great splitting. You see, Pelagius had a good idea, deeds do counts and perhaps God may actually want us to follow up on those rules that were handed down.

The third Augustinian issue, the just war, was a polemic to justify killing pagans. Well the corollary to the just war is the unjust aggressor. Namely the bad guy who we are now permitted to kill. At one extreme is the unjust aggressor which results from say rape, a woman gets pregnant and the child is the "spoils" of the aggressor. A natural extension of the Augustinian principle is that clearly the woman is free to terminate the presence of this unjust aggressor. Thus a basis for abortion, albeit not one spoken of in Church discussions.

My point being that Augustine was the font of many principles which have left the Church somewhat worse for the wear. Perhaps one should reconsider the works of the Bishop of Hippo.

Posted by Terry McGarty at [11:59 AM](#)  

Labels: [Commentary](#)

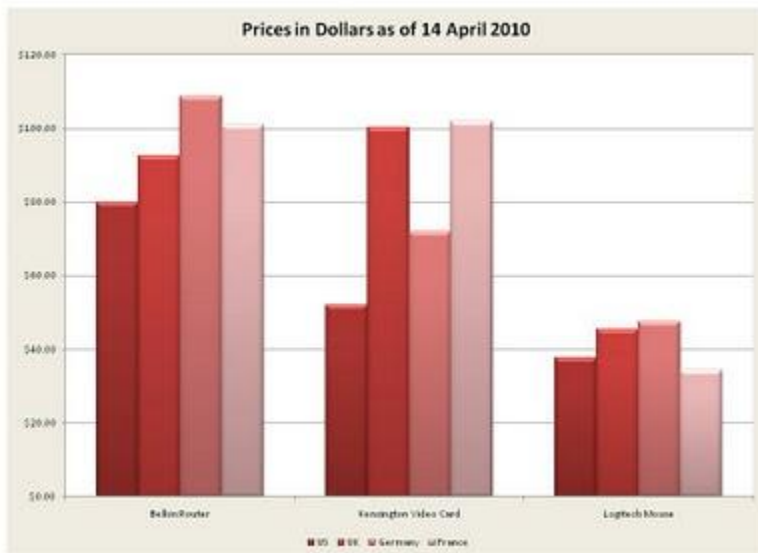
WEDNESDAY, APRIL 14, 2010

[A SIMPLE VIEW OF THE VAT](#)

Having lived in Europe for almost ten years I became acutely aware of the VAT. It is everywhere and it drives retail prices sky high. I give here a simple analysis that anyone should do for themselves.

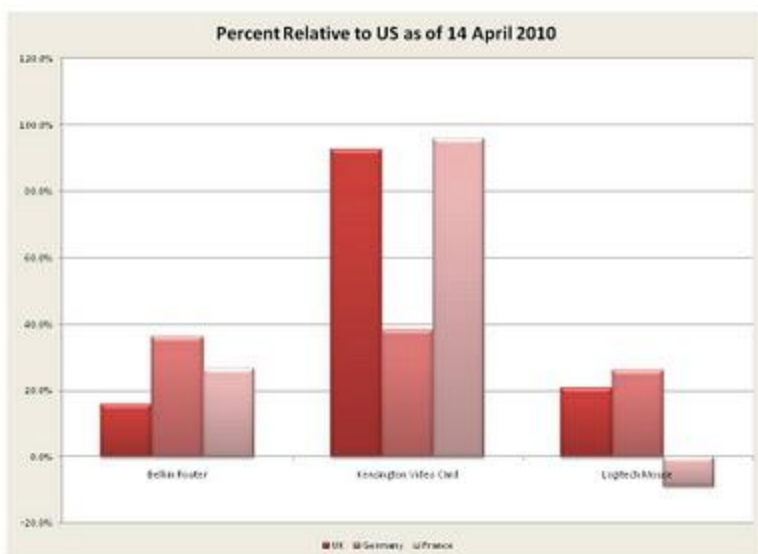
1. Select several items which you have purchased recently as I did, a mouse, a router, and a video card.
2. The go to Amazon and look at the prices in the US, UK, France and Germany.
3. Get the exchange rate for the day on which you select the prices.
4. Calculate the prices all in dollars.
5. Then calculate the percent above the US prices for each. This is a measure of the impact of the VAT. Amazon is an amazing market price clearing tool. It allows the buyer to see the costs of tariffs and VAT.

First we show below the prices in dollars for each by country.



As expected we in the US have the lowest price except for the mouse in France. One may wonder why just for that but alas there must be some tale regarding mice in France but that is for another day.

Now we show the percent differences. This we do below.



The above tends to reflect the VAT taxes more than anything else. They easily are a 20% tax on everything you buy, and it gets worse depending on the number of chains of value added. That is why Europe is so expensive and moreover why they have a poor entrepreneurial base.

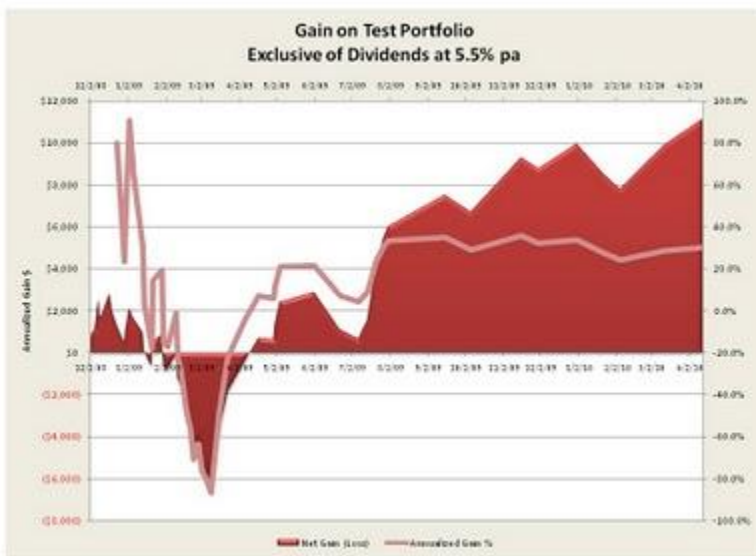
Perhaps some of our economic brains in DC should at least have to live under this oppression before assigning us to it.

Posted by Terry McGarty at [9:33 AM](#)  

Labels: [Economics](#)

TUESDAY, APRIL 13, 2010

[DOW 11,000 AND THE BASELINE PORTFOLIO](#)



This is our baseline portfolio which we have been tracking since December 1, 2008. The interesting observation is that the annualized gain has been stable to slightly decreasing since August of last year. There was the dip a year ago and then it rebounded and has remained on a constant uptick, yet if one looks at it from August 2009 onwards the gains are relatively modest but steady.

The issue is that it is a rebound gain but the question still is that of inflation and deficit/debt.

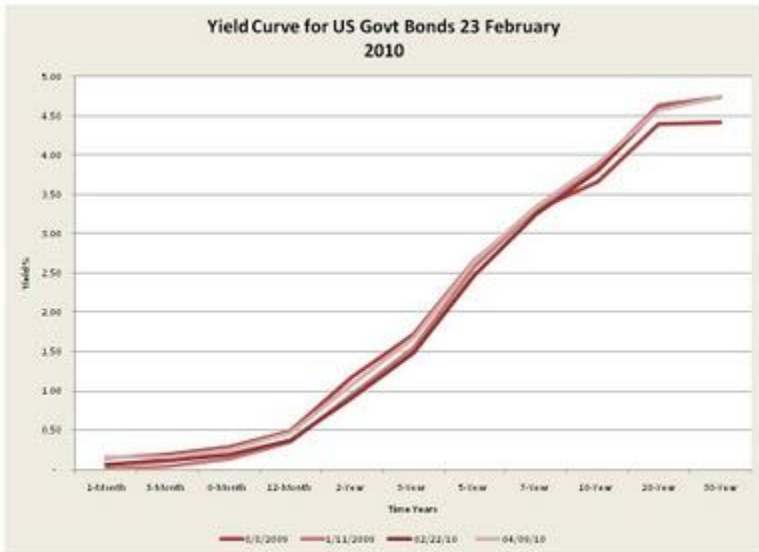
Posted by Terry McGarty at [5:32 AM](#)  

Labels: [Baseline Portfolio](#), [Economy](#)

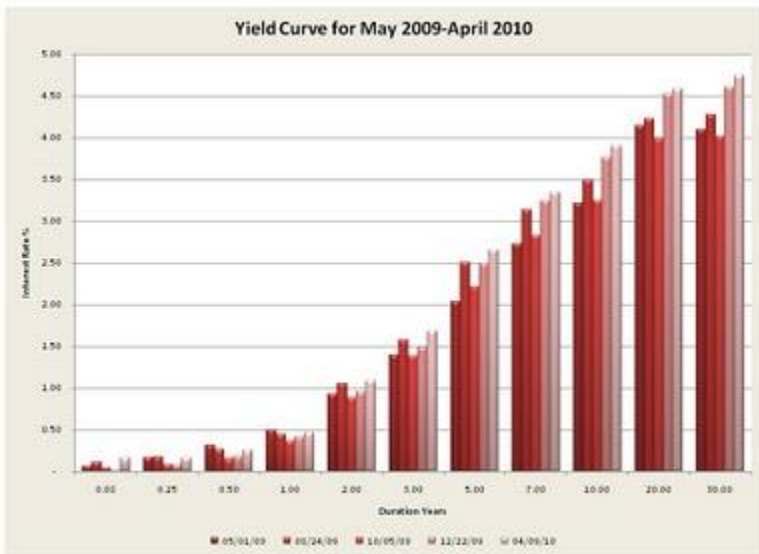
MONDAY, APRIL 12, 2010

[THE YIELD CURVE: APRIL 2010](#)

First we show the yield curves for several past periods below.



The we show below the yields by duration of maturity by date. We can see the creep in the short terms rates as well as the spreads in longer term rates.



Then we show the spread over time between the two levels as below:



The we show the spread and the spread specifically of the two benchmark rates. The spread has been constant for the past several weeks.



Finally we show the spread over time below. This is an alternative view.



This indicates we have seen a stable market for funds and that there is no significant creep upwards. We will look at the CPI, PPI and estimated inflation with the next issuance of the GDP for Q1 2010.

Posted by Terry McGarty at [6:11 PM](#)  

Labels: [Economy](#)

TUESDAY, APRIL 6, 2010

[INTERNET NEUTRALITY THE FCC AND BROADBAND](#)

The [DC Appeals Court](#) today ruled on the Comcast case regarding the FCC and Net Neutrality. Basically they affirmed what we have been saying all along, namely the FCC has no authority.

The Court states:

Through the Communications Act of 1934, ch. 652, 48 Stat. 1064, as amended over the decades, 47 U.S.C. § 151 et seq., Congress has given the Commission express and expansive authority to regulate common carrier services, including landline telephony, id. § 201 et seq. (Title II of the Act); radio transmissions, including broadcast television, radio, and cellular telephony, id. § 301 et seq. (Title III); and “cable services,” including cable television, id. § 521 et seq. (Title VI). In this case, the Commission does not claim that Congress has given it express authority to regulate Comcast’s Internet service. Indeed, in its still-binding 2002 Cable Modem Order, the Commission ruled that cable Internet service is neither a “telecommunications service” covered by Title II of the Communications Act nor a “cable service” covered by Title VI. In re High-Speed Access to the Internet Over Cable and Other Facilities, 17 F.C.C.R. 4798, 4802

Simply put the FCC has no authority and this will naturally extend to the entire Broadband domain. One would have thought that Harvard Law graduates would have had some exposure to the law.

We argued this position in a paper we wrote on [Internet Neutrality](#) almost five years ago. There we stated that the FCC had no statutory standing and that the grounds for Internet Neutrality as we defined it was based in common law principles. Simply that if I were to enter into an agreement with say Comcast to have them carry my bits from A to B then they could charge whatever and deal with the bits in any manner as long as it was not discriminatory to me or the other parties. If they agreement states that they will deal with streaming video in a certain manner, and do so for all streaming video, then that is what I buy. Simple.

The Comcast case does no deal with that discrimination.

Posted by Terry McGarty at [2:23 PM](#)  

Labels: [Broadband](#), [Internet Neutrality](#), [Law](#)

SUNDAY, APRIL 4, 2010

HIGH IQ RISK TAKERS

[Friedman](#) has written another of his commentaries on American decline discussing the slow reduction of High IQ risk takers.

He starts by saying:

Message: If we want to bring down unemployment in a sustainable way, neither rescuing General Motors nor funding more road construction will do it. We need to create a big bushel of new companies — fast. We've got to get more Americans working again for their own dignity — and to generate the rising incomes and wealth we need to pay for existing entitlements, as well as all the new investments we'll need to make.

Frankly the key question is who is the "we" that does the creating? We happens to be the individuals who have both the brains and the spirit to seek out the implementation of what they believe. An entrepreneur is one who combines both intellect and the drive to see it implemented. Friedman is a reporter and not to my opinion an entrepreneur. He seems never to have created a job based on his ideas. He tells others what he thinks he sees.

Entrepreneurs are risk takers but seem never to feel the risk is an impediment, rather the risk is the driver which moves them forward. When I started my international company in 23 countries all I had was a handful of plan tickets and my credit cards. I had an idea and went forth as a dream merchant selling the idea and seeking others to join in. It was perforce of the drive and the dream, and not just any financial return. One must have to have been an entrepreneur to understand what drives them.

Friedman goes on:

In addition, because of our vibrant and meritocratic university system, the best foreign students who wanted the best education also came here, and many of them also stayed. In its heyday, our unique system also attracted a disproportionate share of high-I.Q. risk-takers to high government service. So when you put all this together, with our free markets and democracy, it made it easy here for creative, high-I.Q. risk-takers to raise capital for their ideas and commercialize them. In short, America had a very powerful, self-reinforcing engine for growing innovative new companies.

Yes, no one in their right mind would ever go into Government Service. At one time the CIA for example was a home to the best and brightest. Now it seems to have become a haven for well paid GS 13s who would feel just as comfortable in the Department of Agriculture. Why, well who would want to go to Washington. It is mostly a town of game playing, there is always the proverbial career "back stabber" and the like. Why work there, you learn nothing and can contribute nothing. It is all a political game and entrepreneurs generally are not good political game players, look at Google, they hired Eric Schmidt to play that role, and play it he has done well.

Friedman ends with:

We need health care, financial reform and education reform. But we also need to be thinking just as seriously and urgently about what are the ingredients that foster entrepreneurship — how new businesses are catalyzed, inspired and enabled and how we enlist more people to do that — so no one ever says about America what that officer says to Tom Cruise in "Top Gun": "Son, your ego's writing checks your body can't cash."

Yes in a way the entrepreneur is a kindred spirit of the fighter pilot, yet there is a great difference. The entrepreneur leads a band of followers, and as a leader the band gets bigger and better and the entrepreneur must get the band to a critical mass so that it can survive. The pilot goes to battle and wins or loses. The entrepreneur must survive and sustain their move forward.

Friedman's points have merit. We need the Entrepreneur, the dream merchant, the individual with a dream who will cover the plant in search of the dream. The Government can do one thing, just stay out of the way! Yet the current Administration is sowing the seeds of destruction of the entrepreneur by placing costs on them which will drive them to other countries. They will not go away, they will just go elsewhere! On that point Friedman is spot on.

Posted by Terry McGarty at [8:27 AM](#)  

Labels: [Commentary](#)

BROADBAND AND THE WRONG NUMBERS

The [Economist](#) has published an article extolling the Google broadband effort as well and commenting on the state of broadband in the US today.

There are three issues upon which I will opine.

First, there is an explosion of real time video applications which are being delivered across the Internet.

From the high end Cisco Telepresence to the lower end Skype, iVisit, and others. At the top end one needs to have a special room, high cost monitor and if a commercial entity you need to have access to a network specifically made for Telepresence, namely a high cost ATT network. This is a clear barrier to entry for major players. But alas that is ATT and Cisco. Universities are disintermediating this by using the Internet and specifically Internet II.

This video explosion, real time video, is changing the way we use and see the Internet. I use it as a real time displacement for my office, for conferences and the like. It is low costs and works well. The problem is that at the low end it is designed for the least common denominator, namely DSL. The result is poor images and the like. But the potential is there to explode.

Second the Economist misrepresents the true costs of deploying fiber. This is a pandemic problem amongst policy planners which is why frankly centralized Government planning is a fundamental evil in and of itself. It is done by people who have no real experience.

The Economist wrongly states:

Though it cost Verizon a hefty \$1,350 to bring fibre into a home, the \$19 billion investment in FiOS was considered worthwhile. It stemmed the tide of telephone subscribers defecting to cable companies, which offered faster internet access bundled in their television and telephone packages at the time.

This is false. As we have demonstrated before many times the cost is closer to \$3500. Just the ONT, CPE, and drop cost \$1500! Then you have to add the fiber plant plus all the other stuff. Where the Economist got this number is any one's guess but it is not even close!

Fiber is costly, no matter where you deploy it. Yet it has certain long term strategic advantages that exceed the limited ability of cable. The Cable companies extol the virtues of DOCSIS which is trying to put ten pounds in a one pound bag, no matter what Comcast law suits try to portray.

Third, wireless is good but!

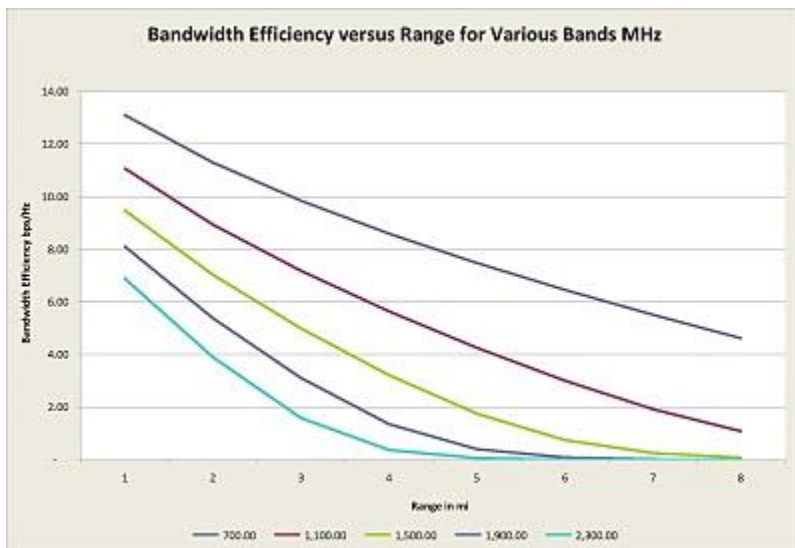
The Economist states:

In future, presumably, Verizon will offer customers who missed out on FiOS a chance to get high-speed broadband over the airwaves instead of through an optical pipe. The LTE (long-term evolution) technology that Verizon and other wireless carriers are testing is vastly cheaper to install than fibre. And with tweaks, LTE should be able to offer data rates of 150 megabits a second or more—much the same as the DOCSIS 3.0 broadband technology being deployed by the cable companies.

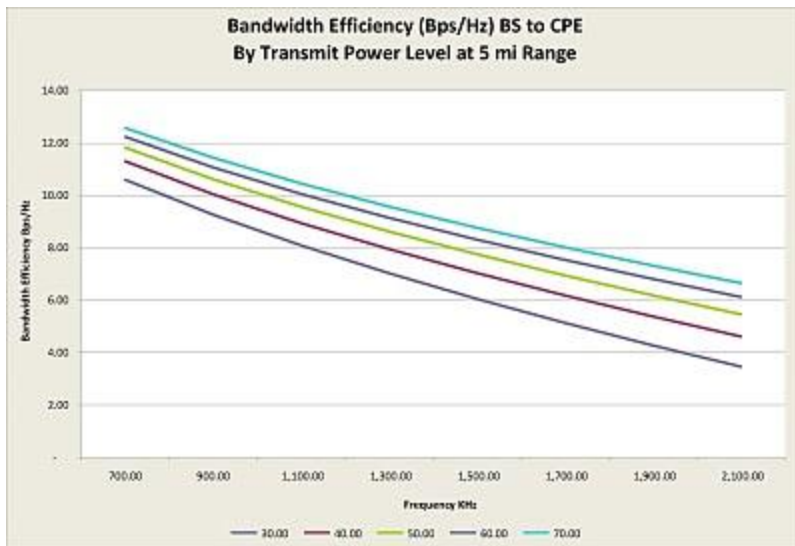
Let's deal again with some facts, something I find many time eludes the Economist. Well it is the Brits any way, they always seem to play fast and loose with facts, just look a Global warming, but a tale also for another day.

The facts are that LTE allows more efficient use of spectrum. Namely by using high modulation efficiency along with integrated multiple access via OFDM one can get close to Shannon limits on the bps/Hz. We show this below:

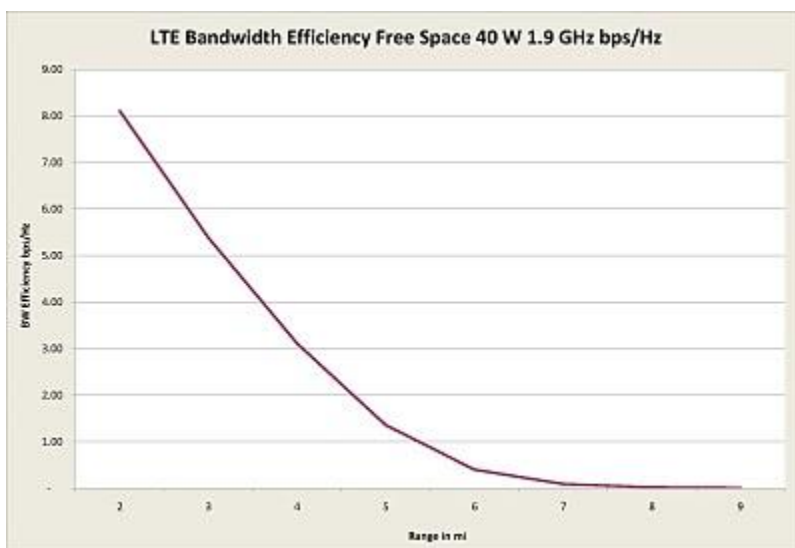
First, we show bps/Hz versus range for a variety of frequency bands. Remember that if we say have 20 MHz of bandwidth and we use a bandwidth efficiency of 7.5 bps/Hz then we have a maximum capacity of 150 Mbps! That is somewhat unrealistic but close. It makes the point. The lower the frequency the greater the range. Missing from this simple analysis is the complex issues of shadowing, diffraction, multipath and the like. For anyone interest you should read my papers in the early 1970s at MIT on my MIT site, I did most of the original research in the experimental area, thus I speak from experience, again not somethings which seems to bother the Economist.



Second we show the same plot but now as a function of frequency at various ranges.



Third and finally we show the bandwidth efficiency versus range for the 1.9 GHz band.



Note that we can still get 1 bps/Hz at 5 miles, assuming all we assumed above, but then it goes to zero. This means lots of cells.

Thus can wireless surpass cable, possibly, at a lower cost, maybe, but alas like cable the wireless systems must share the spectrum with others, something that is not necessarily part of fiber.

As for the FCC Report, here the Economist seem to be spot on. They state:

The report—all 376 pages of it—has, however, been greeted by a resounding raspberry. It calls for 100m households to get 100-megabit access by 2020, while the rest of the country is assured at least four megabits a second. Americans, in other words, will have to wait another decade to get what other wealthy countries now take for granted.

And perhaps this is why Verizon is chilling on its fiber deployment. The FCC is positioning itself at the market maker for broadband, another attempt to control the economy in a Galbraithian fashion by the current Administration.

As [CNET](#) states:

Verizon Communications is nearly finished building its Fios fiber-to-the-home network. And now it will concentrate on expanding its customer base, say executives.

Verizon, which began building its all-fiber network nearly six years ago, is quickly approaching its goal of passing 18 million homes in about 70 percent of its original customer footprint by the end of this year.

Verizon took a bold risk when it decided to build the Fios fiber network. Its telecommunications counterpart SBC Communications, which is now AT&T, decided to invest substantially less capital to extend fiber to the node or to the neighborhood. AT&T, which uses existing copper lines to deliver service to customers, said it would invest \$4 billion in upgrading its network. Verizon committed to spending \$22.9 billion.

Initially, Wall Street was skeptical about Verizon's bet. It costs Verizon about \$750 per customer to wire an entire neighborhood for the Fios Fiber service. And for every customer who signs up for service, Verizon spends an additional \$600 to bring wire directly to the home.

Why should Verizon spend billions when on the one hand the FCC is going to tell it what to do, on the other hand the Government is taking money way which is could have invested in infrastructure as a new health care tax. The uncertainty in the slowly crumbling free market is perhaps the canary in the broadband tunnel.

The [Wall Street Journal](#) stated:

Verizon Communications Inc. will no longer seek new cities to roll out its FiOS TV service as the company nears the end of its \$23 billion network upgrade project.

The New York-based telecommunications provider has wagered heavily that its bundle of faster Internet service and television would give it an edge over its cable rivals, and has spent the last six years replacing much of its older, slower copper lines with faster fiber-optic ones. One of the hurdles has been getting community approval to offer television service, or what's known as a video franchise.

Verizon made it known that it would not seek anymore franchises after sending a letter last week to city officials in Alexandria, Va., telling them that the company has stopped seeking nationwide permission to offer television service in new markets. Among the other large cities not getting access to FiOS TV are Boston and Baltimore.

The company, however, said it is still working through existing negotiations with about a dozen local communities, mostly in New York, Massachusetts, and Pennsylvania. The company also continues to expand the availability of FiOS to its existing markets.

The true moral of the Fios tale is stated in this story. It is the Franchise. [We wrote on this five years ago](#) after we saw the irrational, in my opinion, stand by certain towns in New England where they sought the world from any new entrant when all we asked for was equality. But that was we believed then and now a cable induced action.

The Verizon target is:

Verizon still intends to connect 18 million households to FiOS by the end of the year, with some residual deployments slipping into 2011. By the end of the rollout, 70% of Verizon's households will have access to FiOS Internet, with slightly less getting access to TV service, Kula said. At the end of last year, 15.4 million households were connected to the high-speed network, although not everyone was able to get the service yet.

The 15 million HH connected at a cost to date of \$23 billion is incorrect as we calculate it. One should recall as we have above the cost of the ONT and two CPE units alone is \$1500. This the \$1500 that the WSJ quotes accounts only for the total customer premises equipment and somewhere else there must be hidden the fiber and other electronics!

The Franchise is and will remain the cable companies most powerful ally. In addition is the cable boards or state commissions which are packed with political hacks in my opinion and experience and tend to keep the status quo. The last statement in the WSJ article is the most telling. Especially since we told them that six years ago! Namelky:

Achieving franchises on a community-by-community basis is among the arduous tasks. Getting approval often means meeting individual demands from each city, including setting aside channels for local use and other city improvements. It takes roughly 18 to 24 months to get a franchise, Mr. Kula said.

Thus why is the US "behind". Not due to any national policy, due solely to the Franchise, which exists no where else in the world. I had dealt with Franchises when I was at Warner thirty years ago. It was chaos then. Now it is reduced to stupidity. It is not even recognized by the FCC! They seem at the FCC to be totally clueless. It reminds me of 1968 and a "friend" who a summer vacation in Thailand and having them recount the tales of Vietnamese traffic on the Trail and then having them name the NVA rest stops after those on the New Jersey Turnpike. The JCS Staff apparently did not find such a naming as funny and the person who did it, albeit done with some sarcasm I gathered at the time, yet to those in the field at the time, the truth and the facts did resonate with reality. Thus the FCC in its "Plan" is akin to the JCS planning staff in 1968, they seem to get the "facts" by listening to themselves and failing to gain the truth from the trenches.

Does Verizon have a chance forward, say in wireless. There is still the Vodafone problem. Also there is what I would term the Seidenberg problem as well. Not that Seidenberg has any

problems it is just that he will be approaching retirement and one wonders what his replacement will be like, for the very survival of the company may depend on this person. Seidenberg brought Verizon to its current position, but like Moses may not be there when it enters the promised land, one devoid of copper and filled with fiber and wireless!

Posted by Terry McGarty at [7:23 AM](#)  

Labels: [Broadband](#)

SATURDAY, APRIL 3, 2010

[A NOVEL VIEW OF HEALTH CARE](#)

[Google Insights for Search](#)



Gadgets powered by Google

The above is from [Google Insights for Search](#) and is in interesting way to follow the health care debate.

Posted by Terry McGarty at [8:14 AM](#)  

Labels: [Health Care](#)

FRIDAY, APRIL 2, 2010

[VERIZON WRITES OFF A BILLION UNDER NEW HEALTH CARE LAW](#)

[Verizon](#) stated yesterday the following:

Under the Patient Protection and Affordable Care Act, which became law on March 23, 2010, and the Health Care and Education Reconciliation Act of 2010, Verizon Communications Inc. (Verizon) and other companies that receive a subsidy under Medicare Part D to provide retiree prescription drug coverage will no longer receive a Federal income tax deduction for the expenses incurred in connection with providing the subsidized coverage to the extent of the subsidy received. Because future anticipated retiree health care liabilities and related subsidies are already reflected in Verizon's financial statements, this change requires Verizon to reduce the value of the related tax benefits recognized in its financial statements in the period during which the law is enacted. As a result, Verizon expects to record a one-time, non-cash tax charge of approximately \$970 million in the first quarter of 2010 to reflect the impact of this change.

This is near Billion dollar write off. Verizon is just another major corporation which must take money from developing new jobs and send it to the Government. How many jobs were lost or destroyed by this Law, well is one uses the number of \$100,000 per employee, then we have 10,000 such jobs lost or destroyed! Where is the current Vice President when we really need him. And that is just one company and just one part of this new law.

Stand by as we see the implications grow and grow. One should compare this to the proposal we made six months ago, however our proposal did not line the pockets of Congress and Unions!

Posted by Terry McGarty at [10:26 AM](#)  

Labels: [Health Care](#)

[KAISER AND ITS MYTHS](#)

The [Kaiser Health News](#) presented a recent set of true or false statements regarding the new health care plan. It is worth a short discussion regarding their analysis since for the most part we disagree based upon the facts in the Bill, now the Law.

It is first interesting to see that they like we do focus on the Comparative Clinical Effectiveness issue first. It is that issue that we have argued for almost a year is the one which is the most concern.

First let us define the CCE issue. Basically CCE is the process of performing many clinical studies and determining the relative merits of various procedures, process, medications and the like and presenting the results in a logical clinical manner so that physicians can assess the best approach for their patients. It is critical, however, to recognize that all patients are different and that no average person ever exists in nature. The CCE as presently conducted, as in the gold standard of the New England Journal of Medicine, is published each week in an open and critical manner, and as expected the results may be valid for some period until another study is performed.

Thus CCE is like our legal system and living dynamic system of confrontation with the facts. It is not stable and is subject to near instantaneous rebuttals in the court of medical procedure.

In contrast the CCE plan in the current law directs the process to a single point of Government control with a Board overseen by political appointees including union leaders, patient rights advocates and the like. Frankly what union leader knows anything except how to get more for less! That has been the collective history of unions since the 1930 under FDR. That is why we have lost our manufacturing base and why many companies have fled to other lands. But that is a tale for another day. The issue is why in God's name would anyone appoint an SEIU representative to a CCE panel! That is an immediate cause for the rejection of the results. Yet the CCE panel will memorialize the results and recommendations and not suggest as Kaiser states.

As Kaiser states:

The law states that the institute does not have the power to mandate or even endorse coverage rules or reimbursement for any particular treatment. Medicare may take the institute's research into account when deciding what procedures it will cover, so long as the new research is not the sole justification and the agency allows for public input.

This is a shift from Congress' position when it created the Medicare Part D drug benefit in 2003; back then it banned any use of comparative effectiveness research in determining what would be covered.

In fact once the Government takes over this process it will degenerate into a "standards" setting body. The very proposal is the antithesis of science. The science of Medicine requires a free market of ideas and studies, one rejecting the conclusions of another as freely as the first set of conclusions was presented. The Government CCE Panel will as surely as the sun rises each day place a chilling effect on all. Kaiser is in my opinion clueless of this or complicit in the destruction of medicine as we now know it!

The second Kaiser statement regards Medicare. They state:

Cuts in the Medicare Advantage plans under the health care overhaul "will cause massive disruption for the more than 10 million seniors" and many of them will lose coverage.

Partially true.

That was the warning in a statement from America's Health Insurance Plans, a lobbying group, days before the health overhaul cleared Congress, echoing a Republican criticism.

The new health law will cut \$136 billion in spending on the Advantage program by 2019, which currently pays private plans to administer Medicare benefits and pays them about 14 percent more than the per-patient cost of the traditional Medicare program. Plans use that subsidy to lure members with lower premium costs or extra benefits not normally paid for by Medicare, such as vision care or better prescription drug coverage. Some Democrats and analysts have argued the higher rates are wasteful.

In fact Medicare will suffer greatly. As Medicaid has been reduced to that pool of physicians with no other source of income, the Medicaid mills, so too may Medicare be reduced to the same sorry state. It will reduce the practice of medicine to the practice of teaching in public schools, a sinecure for the intellectually lacking. Anyone familiar with Medicaid knows all too well that it is at best marginal care and in all cases the lowest bidder type of care. One can already see this transition in the fleeing of quality physicians who treat those over 65 to non-Medicare practices.

The third point is the IRS as enforcer. They state:

The IRS will be hiring thousands of new agents to check that people have health insurance and people who don't will be sent to jail.

Mostly not true.

This claim arises from a provision of the health care law that would require Americans to purchase health insurance or else face fines. The Internal Revenue Service will be tasked with enforcing this provision.

The Congressional Budget Office said the number of new employees the IRS will need has not been determined, though it did estimate the agency's cost could reach approximately \$10 billion over the next 10 years.

House Ways and Means Committee Republicans used the CBO estimate in a report on the bill's effect on the IRS. In that report, Rep. Dave Camp, R-Mich, said, "the IRS could have to hire more than 16,000 additional agents, auditors and other workers just to enforce all the new taxes and penalties." Camp called such an increase in personnel, "a dangerous expansion of the IRS' power." The IRS currently has about 93,000 employees.

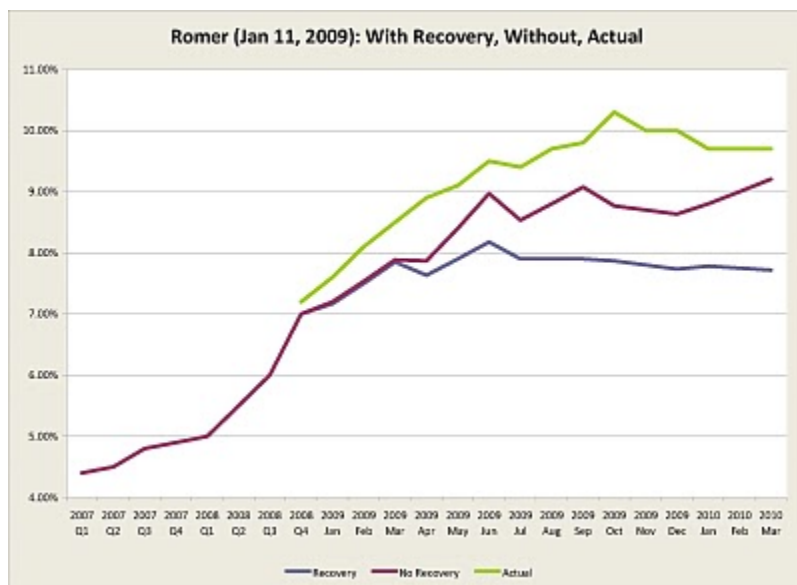
The IRS is clearly the enforcer. This is another point we made almost a year ago! Kaiser rejects its true validity. The Law is quite clear, the IRS shall enforce its compliance or fine accordingly. How does Kaiser think they will do this, by individual and personal compliance. The number of people being controlled will be massive since it is now individuals and not families! The costs of the new IRS software alone will be tens of billions and we all know that the first three to five software contacts will be disasters, it is after all a Government contract! There will be horror stories about the IRS and terminally ill old ladies, just wait! This is the IRS after all, we know they are not there to be helpful, they collect taxes.

Kaiser continues but I believe my first three points clearly demonstrate what in my opinion is a false fluff piece on behalf of the current Administration. This is a shame for Kaiser could have played a useful role here if they had in my opinion been more targeted on the facts and not their agenda, whatever it is.

Posted by Terry McGarty at [9:50 AM](#)  

Labels: [Health Care](#)

[THE SAGA OF THE ROMER CURVE](#)



The Romer curve continues. We are still at 9.7% unemployment as stated by [DoL](#).

However they also state the following:

In March, the number of unemployed persons was little changed at 15.0 million, and the unemployment rate remained at 9.7 percent. (See table A-1.)

Among the major worker groups, the unemployment rates for adult men (10.0 percent), adult women (8.0 percent), teenagers (26.1 percent), whites (8.8 percent), blacks (16.5 percent), and Hispanics (12.6 percent) showed little or no change in March. The jobless rate for Asians was 7.5 percent, not seasonally adjusted. (See tables A-1, A-2, and A-3.)

The number of long-term unemployed (those jobless for 27 weeks and over) increased by 414,000 over the month to 6.5 million. In March, 44.1 percent of unemployed persons were jobless for 27 weeks or more. (See table A-12.)

This is a somewhat concerning discussion especially when one considers the number of long term unemployed is increasing. This may readily mean that the actual rate is substantially higher. We have done that analysis earlier and suspect it to be the same. True unemployment we estimate is still well above 12%.

Posted by Terry McGarty at [9:09 AM](#)  

Labels: [Economy](#)

TUESDAY, MARCH 30, 2010

PATENTS AND GENES

The gene which is linked to breast cancer and other cancers, BRCA, was patented by a company named Myriad. The ACLU took them to court, the DC Patent Court, and sued to have the Patent rejected, namely you cannot patent genes.

Is this good or bad. It costs money to ascertain genetic structure, yet the gene was from a person who in turn received nothing. Myriad did something that can now be done by thousands of first year grad students. Does any of this make sense.

The DC Court threw out the Patent. An interesting analysis is presented by [Noonan](#) and is worth a read.

Noonan states:

As a reminder, the following U.S. Patents were at issue in this litigation: U.S. Patent 5,747,282, 5,837,492; 5,693,473, 5,709,999, 5,710,001 and 6,033,857. They are assigned to Myriad Genetics, the University of Utah Research Foundation, and the National Institutes of Health (the '282, '001 and '441 patents); Myriad Genetics, Centre de Recherche du Chul, and the Japanese Cancer Institute (the '473 and 999 patents); and Myriad Genetics, Endo Recherche, HCS R&D Ltd. Partnership, and the University of Pennsylvania (the '492 and '857 patents). All but the '492

and '857 patents claim priority to an application filed August 12, 1994; all but the '473 patent (December 2014) and the '857 patent (March 2017) will expire (upon timely payment of maintenance fees) in 2015.

Noonan continues:

As the District Court predicts, however, this case is now headed to the Federal Circuit, which may benefit from amici curiae briefs from those stakeholders, such as major patent bar groups, universities and others, who sat on the sidelines during the District Court case. The dangers and negative consequences of a ban on gene patenting have been set out before and won't be repeated here. That doesn't make the outcome any less dangerous, or the consequences any less threatening to the biotechnology industry or our society.

There appears to be a great deal of concern in the Press over this issue on both sides. We however see merit in both sides and find this a Solomon like problem.

Posted by Terry McGarty at [1:22 PM](#)  

Labels: [Health Care](#)

[THE NEW HEALTH CARE LAW: INTENDED AND UNINTENDED CONSEQUENCES](#)

The response of many companies to the new Health Care law will have many intended and unintended consequences. The letters from Congressman Waxman, an almost dictatorial response, are typical of what we expect as things mature in this area.

Just look at the [Waxman edict to Verizon](#) wherein he demands:

To assist the Committee with its preparation for the hearing, we request that you provide the following documents from January 1, 2009, through the present: (1) any analyses related to the projected impact of health care reform on Verizon; and (2) any documents, including e-mail messages, sent to or prepared or reviewed by senior company officials related to the projected impact of health care reform on Verizon. We also request an explanation of the accounting methods used by Verizon since 2003 to estimate the financial impact on your company of the 28% subsidy for retiree drug coverage and its deductibility or nondeductibility, including the accounting methods used in preparing the cost impact released by Verizon this week.

Just imagine how much this will cost Verizon! And where do you think the money will come from, the rate payers. Not only do we get slammed by Health Care legislation but we get slammed by Waxman by making an incredible workload even greater. Waxman, a man who never created a single job, is creating overhead which will further reduce corporate value. Was this intended or unintended?

The issue is simple. To pay for the new Bill, the Congress eliminated the tax deductibility of drug benefits from corporations, and thus what Verizon and all others had anticipated as a deduction to their employees and retirees was now a charge and thus they had to report it to shareholders! Waxman took umbrage with this. You really cannot make this up!

Waxman further asserts:

After the President signed the health care reform bill into law, your company told its employees that provisions in the law could adversely affect your ability to provide health insurance. A Verizon executive vice president sent an e-mail to all Verizon employees stating that "we expect that Verizon's costs will increase in the short term" as a result of health care reform. Verizon also cautioned employees that "changes affecting the Part D subsidy will make it less valuable to employers, like Verizon, and as a result, may have significant implications for both retirees and employers.

The new law is designed to expand coverage and bring down costs, so your assertions are a matter of concern. They also appear to conflict with independent analyses. The Congressional Budget Office has reported that companies that insure more than 50 employees would see a decrease of up to 3% in average premium costs per person by 2016? The Business Roundtable, an association of chief executive officers from leading U.S. companies, asserted in November 2009 that health care reform could reduce predicted health insurance cost trends for businesses by more than \$3,000 per employee over the next ten years.

Will these people ever learn? They get the "facts" they want when they hold Congressional hearings, and if perchance something else is introduced they damn it on the spot. So will they learn? Doubtful!

The main question is what else will we find here!

Posted by Terry McGarty at [12:54 PM](#)  

Labels: [Health Care](#)

SUNDAY, MARCH 21, 2010

[SOME FACTS ON BROADBAND](#)



The [NY Times](#) had an [editorial today](#) on broadband and one of the [faculty of Harvard Law School](#) also wrote an op ed piece. In none of these polemics has anyone addressed any facts! Sometime and somewhere the facts should be included. So let me take another opportunity to relay them to those dreamers who think that this can be done quickly and painlessly.

1. First, the cost of fiber is as follows:

a. The cost of aerial construction is about \$4500 per mile. That is fairly low and it assumes that the pole is pristine clean and there are no other costs and that aerial is all we need. That is also just the labor.

b. The cost for buried is almost \$30,000 per mile, again just for labor.

c. The cost for make-ready, namely the cost to fix the pole so that the space one uses for simple aerial is \$21,000 per mile. That is the cost to have the power and telcos move their stuff.

Now assume that we have say 20% buried, 50% make ready, and 80% aerial. The total labor costs per mile are \$6000 plus \$8400 plus \$3600 or \$18,000 per mile. If one were to borrow this money say from RUS with a 5.5% annual interest and a twelve year pay back one would pay \$180 per month per mile for the fiber construction costs alone. That is about 1% of the CAPEX per month.

Now let us look at the cost of the fiber. The fiber is about \$4000 per mile or \$40 per month per mile.

The added electronics is about another \$500 per subscriber or \$5 per month per sub.

Now we have the drop costs of \$200 per subscriber, the electronics of \$500 per subscriber and the in home electronics for a 2 television set home of \$1000 per subscriber. Thus the subscriber per home costs are \$1700 per subscriber. However the per month costs are much higher since the lifetime of the electronics is six years. Namely it is 1.6% of the CAPEX per month or \$27.20 per month per subscriber.

Now let us look at a simple middle class suburban neighborhood of homes with 200 feet of frontage, namely 200 feet from property line to property line. When one adds in streets and dead space that amounts to 300 feet or about 36 homes per mile. That is pretty dense for a lot of America. You see many are well below twenty but let us use 36. Then assume we have 50% penetration, a real wild optimistic guess, you will see why soon. That is 18 subs per mile.

The full fiber costs were \$22,000 per mile or now \$1225 per sub plus \$1700 per sub for a drop and equipment for a total of \$2975 per sub. This is an optimistic number.

Now the costs per month for the system alone is:

a. For the fiber and with 18 subs per mile we have \$10 per sub per month for the construction, plus \$2.25 per month per sub for the fiber or a total of \$12.25 per month per sub for the stuff on poles.

b. The for the equipment we have \$27.20 per sub per month.

Thus we have \$39.45 per sub per month just for the CAPEX alone!

Now for the other costs.

2. The monthly operating costs fall into several categories.

a. The pole attachments are \$2 per month per pole. There is about 120 feet between poles so each home has two poles and at 50% penetration this is \$4.00 per month per sub for pole attachments.

b. Equipment maintenance is 5-10% per annum or say 0.5% of the CAPEX per month. There is approximately \$3000 CAPEX per sub and this is reflected in a \$15 per month per sub for maintenance costs.

c. The next cost is the Internet transit costs, the cost to peer with the Internet backbone. It is about \$10-20 per Mbps per month. That means that if you were to stream at 1 Mbps 24 hours a day each and every day it would cost that much. But no one does that, they go on and off. So let's do a simple calculation. Let us assume that someone is on 30% of the time, and that when they are on they are transmitting or receiving 20% of that time and let us assume they do so at 25 Mbps. That is a heavy user. This equals 1.5 Mbps as a load per sub. Assume we get a good deal at \$10 per Mbps per month so each sub costs \$15 per month.

Thus the total monthly cost of service is \$4.00 plus \$15.00 plus \$15.00 or \$34.00.

We can add them to yield, \$73.45 per month per sub, before any operating costs! Now these numbers may vary depending on density of HH and penetration. Higher density and penetration will make some better but not all. A triple play will make things much better and an overbuild on an existing system, say a Verizon overbuild, may make them even better. But from whole cloth you really face an up hill battle.

3. Now add operating costs. They are as follows:

- a. Billing is \$2.00 per month per sub
- b. Network Management is \$1.00 per month per sub
- c. Customer Care is \$2.00 per month per sub
- d. Overhead is \$2.00 per month per sub.

That is \$7.00 per month per sub for OPEX!

The total is \$80.45 per sub per month! That is a lot. How can cable companies do it, the secret is video and voice. The CAPEX is marginal and the OPEX is shared. The COS is also somewhat shared.

So how do these industry opinion leaders deal with these facts. Well frankly they don't, for they appear to be clueless. We did these number when we obtained our RUS funding five years ago and it is a risky business. Two competitors is about all the market can stand. That is what we have today.

As to Amsterdam, it is totally different. It is dense in terms of housing, as is most of France, they lived in clustered areas as compared to the US. The US is different and thus more costly.

The US is geographically and demographically different than many countries, having lived from time to time in 23 of them. Thus when we look at the costs of broadband in isolation it is quite high. What one wonders is the role of Government in this area. Economics drives the deployment, not wishful thinking and politics, at least it should. Not one of these opinion writes seems to have the slightest bit of experience in this field yet they make statements for which they have no basis in fact.

At some time perhaps these opinion leaders may have to face the facts, but we suspect the facts are a bit above their arguments. These opinion makers want the Government to fund, build and operate the backbone! This was abandoned by almost all nations decades ago, yet they want to recreate it here!

Imagine if the world was run by engineers instead of lawyers and economists, facts would matter. Oh by the way, China is!

Posted by Terry McGarty at [9:45 AM](#)  

Labels: [Broadband](#)

TUESDAY, MARCH 16, 2010

[THE FCC PLAN AND REALITY](#)

Today the FCC issued its [Broadband](#) magnum opus. Before getting into it I want to relate a few tales.

This past weekend we had a torrential downpour, some may call it Gorian Global Warming, I just called it a heavy Spring rain, but whatever. As usual, Jersey Central Power and Light let the power go again. You see there is one street where there are hundreds of trees with branches between the power lines. Duhh! Ya think they would cut them. Every year at least once the trees fall and the lines are cut for 24+ hours! Well again this weekend. And the Government wants Smart Grids, it's the last 1000 feet, stupid, and that indeed is what the power guys are, stupid!

Now the old copper lines for the telephone worked, they always work. I have had 10 power losses in the last three months, we went on battery backup, and Cablevision goes dead at 11 AM like clockwork! They even adjust for EDT! Amazing!

Now to broadband. You see copper telephone has its own power, broadband fiber does not, it relies on house current! So guess what, when the morons at the local power company drop the circuits as they are wont to do frequently then your wonderful broadband goes dead too. You see glass does not conduct power from the Telco Central Office.

This is the law of unintended consequences. 100 Gbps goes to zero really quickly! Especially when you have no power. You see, we moved my US company to the Czech Republic in 2002 mainly due to continual power outages in the US, amongst other factors!

Thus the FCC has a wonderful Plan, but in the end, unless the current Administration nationalizes the telcos also, and I thought all nations had abandoned that dumb idea, that it is ultimately still a market decision as to what someone gets depending on where they chose to live. Perhaps we will see communications nationalized also, as will be newspapers, education, autos, banks, healthcare, and on and on. Who would ever thunk!

Posted by Terry McGarty at [8:18 AM](#)  

Labels: [Broadband](#)

MONDAY, MARCH 15, 2010

[SOME OF THE RECONCILIATION BILL](#)

The following are three sections of the Reconciliation worth reviewing.

The first is the standards for the plans mandated. There is no intention to manage demand in this plan. It mandates massive amounts of coverage and there is not a single element of responsibility

on the part of the patient to improve their own health. For example one may become as obese as one whats and one is insured for all resulting harm to society at large by those who remain healthy. The elements are:

Subtitle B—Standards Guaranteeing Access to Affordable Coverage

SEC. 111. PROHIBITING PRE-EXISTING CONDITION EXCLUSIONS.

SEC. 112. GUARANTEED ISSUE AND RENEWAL FOR INSURED PLANS.

SEC. 113. INSURANCE RATING RULES.

(a) IN GENERAL.—The premium rate charged for an insured qualified health benefits plan may not vary except as follows: (1) LIMITED AGE VARIATION PERMITTED.—By age (within such age categories as the Commissioner shall specify) so long as the ratio of the highest such premium to the lowest such premium does not exceed the ratio of 2 to 1. (2) BY AREA.—By premium rating area (as permitted by State insurance regulators or, in the case of Exchange-participating health benefits plans, as specified by the Commissioner in consultation

SEC. 114. NONDISCRIMINATION IN BENEFITS; PARITY IN MENTAL HEALTH AND SUBSTANCE ABUSE DISORDER BENEFITS.

SEC. 116. ENSURING VALUE AND LOWER PREMIUMS. (a) IN GENERAL.—

A qualified health benefits plan shall meet a medical loss ratio as defined by the Commissioner. For any plan year in which the qualified health benefits plan does not meet such medical loss ratio, QHBP offering entity shall provide in a manner specified by the Commissioner for rebates to enrollees of payment sufficient to meet such loss ratio.

Subtitle C—Standards Guaranteeing Access to Essential Benefits

SEC. 121. COVERAGE OF ESSENTIAL BENEFITS PACKAGE. (a) IN GENERAL.—

A qualified health benefits plan shall provide coverage that at least meets the benefit standards adopted under section 124 for the essential benefits package described in section 122 for the plan year involved.

(1) NON-EXCHANGE-PARTICIPATING HEALTH BENEFITS PLANS.—In the case of a qualified health benefits plan that is not an Exchange-participating health benefits plan, such plan may offer such coverage in addition to the essential benefits package as the QHBP offering entity may specify.

(2) EXCHANGE-PARTICIPATING HEALTH BENEFITS PLANS.—In the case of an Exchange-participating health benefits plan, such plan is required under section 203 to provide specified levels of benefits and, in the case of a plan offering a premium plus level of benefits, provide additional benefits.

SEC. 122. ESSENTIAL BENEFITS PACKAGE DEFINED.

(a) IN GENERAL.—In this subdivision, the term “essential benefits package” means health benefits coverage, consistent with standards adopted under section 124 to ensure the provision of quality health care and financial security, that— (1) provides payment for the items and services described in subsection (b) in accordance with generally accepted standards of medical or other appropriate clinical or professional practice; (2) limits cost-sharing for such covered health care items and services in accordance with such benefit standards, consistent with subsection (c); (3) does not impose any annual or lifetime limit on the coverage of covered health care items and services; (4) complies with section 115(a) (relating to network adequacy); and (5) is equivalent, as certified by Office of the Actuary of the Centers for Medicare & Medicaid Services, to the average prevailing employer-sponsored coverage.

(b) MINIMUM SERVICES TO BE COVERED.—The items and services described in this subsection are the following:

(1) Hospitalization.

(2) Outpatient hospital and outpatient clinic services, including emergency department services.

(3) Professional services of physicians and other health professionals.

(4) Such services, equipment, and supplies incident to the services of a physician’s or a health professional’s delivery of care in institutional settings, physician offices, patients’ homes or place of residence, or other settings, as appropriate.

(5) Prescription drugs.

(6) Rehabilitative and habilitative services.

(7) Mental health and substance use disorder services.

(8) Preventive services, including those services recommended with a grade of A or B by the Task Force on Clinical Preventive Services and those vaccines recommended for use by the Director of the Centers for Disease Control and Prevention.

(9) Maternity care.

(10) Well baby and well child care and oral health, vision, and hearing services, equipment, and supplies at least for children under 21 years of age.

(c) REQUIREMENTS RELATING TO COST-SHARING AND MINIMUM ACTUARIAL VALUE.—

(1) NO COST-SHARING FOR PREVENTIVE SERVICES.—There shall be no cost-sharing under the essential benefits package for preventive items and services (as specified under the benefit standards), including well baby and well child care.

(2) ANNUAL LIMITATION.—

(A) ANNUAL LIMITATION.—The cost-sharing incurred under the essential benefits package with respect to an individual (or family) for a year does not exceed the applicable level specified in subparagraph (B).

(B) APPLICABLE LEVEL.—The applicable level specified in this subparagraph for Y1 is \$5,000 for an individual and \$10,000 for a family. Such levels shall be increased (rounded to the nearest \$100) for each subsequent year¹ by the annual percentage increase in the Consumer Price Index (United States city average) applicable to such year.

(C) USE OF COPAYMENTS.—In establishing cost-sharing levels for basic, enhanced, and premium plans under this subsection, the Secretary shall, to the maximum extent possible, use only copayments and not coinsurance.

The above set of benefits will be quite costly. The idea of a catastrophic coverage was totally rejected. There is gross neglect of cost sharing of any reasonable form. For those under \$100,000 annual income there is Government, namely taxpayer, support.

The next area is the bundling issue, namely giving control over to the hospitals along with Government. The Plan states:

SEC. 1152. POST ACUTE CARE SERVICES PAYMENT REFORM PLAN AND BUNDLING PILOT PROGRAM.

(a) PLAN.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the “Secretary”) shall develop a detailed plan to reform payment for post acute care (PAC) services under the Medicare program under title XVIII of the Social Security Act (in this section referred to as the “Medicare program”). The goals of such payment reform are to— (A) improve the coordination, quality, and efficiency of such services; and (B) improve outcomes for individuals such as reducing the need for readmission to hospitals from providers of such services.

(2) BUNDLING POST ACUTE SERVICES.—The plan described in paragraph (1) shall include detailed specifications for a bundled payment for post acute services (in this section referred to as the “post acute care bundle”), and may include other approaches determined appropriate by the Secretary.

(3) POST ACUTE SERVICES.—For purposes of this section, the term “post acute services” means services for which payment may be made under the Medicare program that are furnished by skilled nursing facilities, inpatient rehabilitation facilities, long term care hospitals, hospital based outpatient rehabilitation facilities and home health agencies to an individual after discharge of such individual from a hospital, and such other services determined appropriate by the Secretary.

(b) DETAILS.—The plan described in subsection (a)(1) shall include consideration of the following issues: (1) The nature of payments under a post acute care bundle, including the type of provider or entity to whom payment should be made, the scope of activities and services included in the bundle, whether payment for physicians’ services should be included in the bundle, and the period covered by the bundle.

(3) Whether the bundle should be applied across all categories of providers of inpatient services (including critical access hospitals) and post acute care services or whether it should be limited to certain categories of providers, services, or discharges, such as high volume or high cost MS–DRGs.

(4) The extent to which payment rates could be established to achieve offsets for efficiencies that could be expected to be achieved with a bundle payment, whether such rates should be established on a national basis or for different geographic areas, should vary according to discharge, case mix, outliers, and geographic differences in wages or other appropriate adjustments, and how to update such rates.

(5) The nature of protections needed for individuals under a system of bundled payments to ensure that individuals receive quality care, are furnished the level and amount of services needed as determined by an appropriate assessment instrument, are offered choice of provider, and the extent to which transitional care services would improve quality of care for individuals and the functioning of a bundled post-acute system.

(6) The nature of relationships that may be required between hospitals and providers of post acute care services to facilitate bundled payments, including the application of gain-sharing, anti-referral, anti-kickback, and anti-trust laws.

(7) Quality measures that would be appropriate for reporting by hospitals and post acute providers (such as measures that assess changes in functional status and quality measures appropriate for each type of post acute services provider including how the reporting of such quality measures could be coordinated with other reporting of such quality measures by such providers otherwise required).

(8) How cost-sharing for a post acute care bundle should be treated relative to current rules for cost-sharing for inpatient hospital, home health, skilled nursing facility, and other services.

Finally there is the proposal for Health Centers, or a modicum of the old Public Health Care System. It is funded as follows:

TITLE I—COMMUNITY HEALTH CENTERS SEC. 2101. INCREASED FUNDING.

Section 330 of the Public Health Service Act (23 U.S.C. 254b) is amended— (1) in subsection (r)(1)— (A) in subparagraph (D), by striking “and” at the end; (B) in subparagraph (E), by striking the period at the end and inserting “; and”; and (C) by inserting at the end the following: “(F) Such sums as may be necessary for each of fiscal years 2013 and 2019.”; and (2) by inserting after subsection (r) the following: “(s)

ADDITIONAL FUNDING.—For the purpose of carrying out this section, in addition to any other amounts authorized to be appropriated for such purpose, there are authorized to be appropriated, out of any monies in the Public Health Investment Fund, the following:

“(1) For fiscal year 2010, \$1,000,000,016 “(2) For fiscal year 2011, \$1,500,000,000. “(3) For fiscal year 2012, \$2,500,000,000. “(4) For fiscal year 2013, \$3,000,000,000. “(5) For fiscal year 2014, \$4,000,000,000. “(6) For fiscal year 2015, \$4,400,000,000. “(7) For fiscal year 2016, \$4,800,000,000. “(8) For fiscal year 2017, \$5,300,000,000. “(9) For fiscal year 2018, \$5,900,000,000. “(10) For fiscal year 2019, \$6,400,000,000.”.

There is no part of the Reconciliation which speaks to abortion thus eliminating the Stupaks, if they so chose.

Posted by Terry McGarty at [6:35 PM](#)  

Labels: [Health Care](#)

[WE TOLD YOU SO:HIGH YIELD DEBT IS NEXT](#)

The [NY Times](#) today finally has an article on the explosion or implosion of high yield debt. We wrote about this two years ago when this down turn, a nice term if you will, for the current economy. They seem to indicate about a trillion of such debt coming due in the next three to four years.

They state:

When the Mayans envisioned the world coming to an end in 2012 — at least in the Hollywood telling — they didn’t count junk bonds among the perils that would lead to worldwide disaster. Maybe they should have, because 2012 also is the beginning of a three-year period in which more than \$700 billion in risky, high-yield corporate debt begins to come due, an extraordinary surge that some analysts fear could create a glut in the debt markets.

With huge bills about to hit corporations and the federal government around the same time, the worry is that some companies will have trouble getting new loans, spurring defaults and a wave of bankruptcies.

We saw Sirius and then Fairpoint, and the list goes on. There is really well over two trillion in such poorly structured high yield debt, the old junk bonds. It will take the Times about another year or two to catch on to this one.

The Times continues:

“An avalanche is brewing in 2012 and beyond if companies don’t get out in front of this,” said Kevin Cassidy, a senior credit officer at Moody’s.

Private equity firms and many nonfinancial companies were able to borrow on easy terms until the credit crisis hit in 2007, but not until 2012 does the long-delayed reckoning begin for a series of leveraged buyouts and other deals that preceded the crisis.

That is because the record number of bonds and loans that were issued to finance those transactions typically come due in five to seven years, said Diane Vazza, head of global fixed-income research at Standard & Poor’s.

We see that this will cause additional depression on major segments of the market. Even large companies like Verizon live on debt and this may very well drive up the cost of debt, an ersatz inflation.

The Government debt will add to the problems just when all whatever is breaking out. The geniuses in Washington will be creating the next perfect storm just in time for the 2012 election, Mayans notwithstanding.

Posted by Terry McGarty at [6:00 PM](#)  

Labels: [Economy](#)

BEWARE THE IDES OF MARCH



CAESAR

Who is it *in the press* that calls on me?
I hear a tongue, shriller than all the music,
Cry 'Caesar!' Speak; Caesar is turn'd to hear.

Soothsayer

Beware the ides of March.

CAESAR

What man is that?

BRUTUS

A soothsayer bids you beware the ides of March.

CAESAR

Set him before me; let me see his face.

CASSIUS

Fellow, come from the throng; look upon Caesar.

CAESAR

What say'st thou to me now? speak once again.

Soothsayer

Beware the ides of March.

Here is the [Reconciliation Bill](#) from the House. Yes this is an added 2309 pages on top of the almost 3000 we already have and yes it reintroduces the Public Option plus more Government Control!

iii

111TH CONGRESS
2D Session **H. R.** _____

To provide for reconciliation pursuant to section 302 of the concurrent resolution on the budget for fiscal year 2010.

IN THE HOUSE OF REPRESENTATIVES

MARCH __, 2010

Mr. SPARTAN from the Committee on the Budget, reported the following bill which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To provide for reconciliation pursuant to section 302 of the concurrent resolution on the budget for fiscal year 2010.

1 *Be it enacted by the Senate and House of Represent-*
2 *atives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Reconciliation Act of
5 2010".

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of divisions is as follows:

DIVISION 1—HOUSE COMMITTEE ON WAYS AND MEANS: HEALTH CARE REPORT

DIVISION 2—HOUSE COMMITTEE ON EDUCATION AND LABOR: HEALTH CARE REPORT

Perhaps 2010 would be a good year to die, for some. Except, of course, if you are a Government Employee or Union Member, and of course that goes without saying. I wonder who will be left to create value in our economy and pay all those taxes that will be demanded? You see, despite the talk about the Restaurant at the End of the Universe, middlemen do not survive with us thinkers and doers all dead!

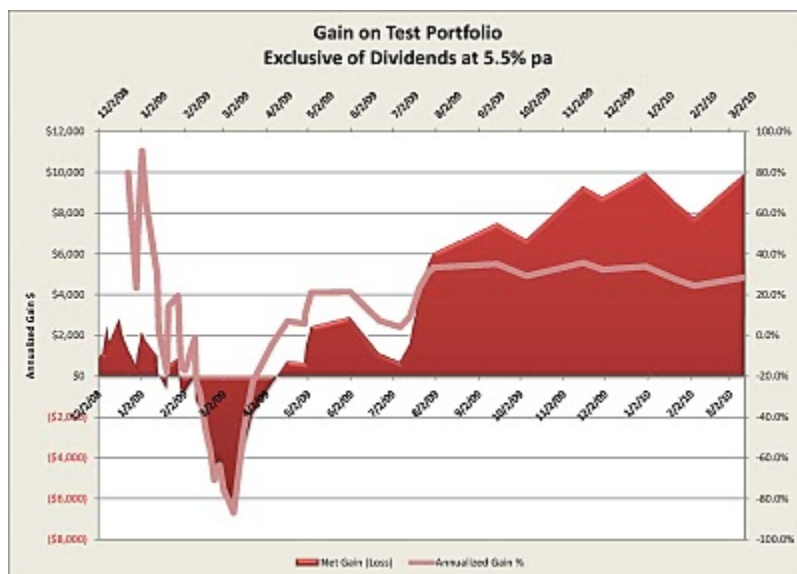
Thus beware the Ides of March!

Posted by Terry McGarty at [4:17 AM](#)  

Labels: [Health Care](#)

SATURDAY, MARCH 13, 2010

BASELINE PORTFOLIO: MARCH 2010



We continue to track the Baseline Portfolio which we created in early December 2008. The first observation is that the annualized gain, albeit still high, has been slowly declining. The portfolio showed significant volatility at the beginning of the current Administration but has since shown a slow but continuing decline.

The major stock which is a surprise is still Verizon. The reasons for its decline are still somewhat a mystery since we see significant top side as LTE and other technologies are deployed. IBM and Dow Chemical are the greatest returns showing over 60% in this period. IBM has been a solid predictor of a recovering business climate and Dow Chemical is a harbinger for strong economic growth. In many ways Verizon would be a lagging stock in such a combination.

Kraft and J&J show a 15% return, modest and better than the Treasury rates especially when dividends are added in. Both are also market laggards. They await for the consumer to return.

Posted by Terry McGarty at 1:04 PM  

Labels: [Baseline Portfolio](#)

CHINA, GOOGLE, AND THE US

[China Daily](#) has an interesting combination of articles. The first is the one on [Google](#) and its actions in China. There it states:

Google "will bear the consequences" if it stops censoring search results on its Chinese website, the Ministry of Industry and Information Technology (MIIT) said on Friday. The statement by Minister Li Yizhong at a press conference was the strongest one yet by the Chinese government over the issue since Jan 12, when the US-based Internet search giant threatened to pull out of China because of cyber attacks that it claimed originated from the country. The Chinese

government welcomes Google to expand its market share in the country if it abides by Chinese laws and regulations, Li said...

But when reporters asked him what China would do if Google stops censoring search results on its local website, Li, 65, said: "If you don't respect Chinese laws, you are unfriendly and irresponsible, and you will bear the consequences." Google has been in negotiations with Chinese authorities over providing unfiltered online services since its announcement two months ago of the alleged cyber attacks and its unwillingness to continue censoring its search results on domestic website Google.cn.

In the same day they also have published a report on the [lack of freedom in the US](#). They state:

The State Department of the United States released its Country Reports on Human Rights Practices for 2009 on March 11, 2010, posing as "the world judge of human rights" again. As in previous years, the reports are full of accusations of the human rights situation in more than 190 countries and regions including China, but turn a blind eye to, or dodge and even cover up rampant human rights abuses on its own territory. The Human Rights Record of the United States in 2009 is prepared to help people around the world understand the real situation of human rights in the United States.

They go on:

In the United States, about 30,000 people die from gun-related incidents each year (The China Press, April 6, 2009). According to a FBI report, there had been 14,180 murder victims in 2008 (USA Today, September 15, 2009). Firearms were used in 66.9 percent of murders, 43.5 percent of robberies and 21.4 percent of aggravated assaults (<http://www.thefreelibrary.com>). USA Today reported that a man named Michael McLendon killed 10 people in two rural towns of Alabama before turning a gun on himself on March 11, 2009. On March 29, a man named Robert Stewart shot and killed eight people and injured three others in a nursing home in North Carolina (USA Today, March 11, 2009). On April 3, an immigrant called Jiverly Wong shot 13 people dead and wounded four others in an immigration services center in downtown Binghamton, New York

They continue:

After the September 11 attack, the US government, in the name of anti-terrorism, authorized its intelligence authorities to hack into its citizens' mail communications, and to monitor and erase any information that might threaten the US national interests on the Internet through technical means. The country's Patriot Act allowed law enforcement agencies to search telephone, email communications, medical, financial and other records, and broadened the discretion of law enforcement and immigration authorities in detaining and deporting foreign persons suspected of terrorism-related acts. The Act expanded the definition of terrorism, thus enlarging the number of activities to which law enforcement powers could be applied. On July 9, 2008, the US Senate passed the Foreign Intelligence Surveillance Act Amendments Act of 2008, granting legal immunity to telecommunication companies that take part in wiretapping programs and authorizing the government to wiretap international communications between the United States

and people overseas for anti-terrorism purposes without court approval (The New York Times, July 10, 2008). Statistic showed that from 2002 to 2006, the FBI collected thousands of phones records of US citizens through mails, notes and phone calls.

Needless to say there is truth in all of their allegations. They seem to be balancing to their own people as well as the world the fact that the US has as much of an environment of control as does China. Frankly the trends in the US are frighteningly in that direction.

Both articles are worth the read on a side by side basis. It provides insight into how others see the US and in fact how the US actually functions. Post 9/11 both Republican and Democrat leaders have tightened the reigns of freedom in the country, often with fearful long term consequences.

The report finishes with statements of the following type:

According to a report by the US Congress, the US foreign arms sales in 2008 soared to 37.8 billion US dollars from 25.4 billion a year earlier, up by nearly 50 percent, accounting for 68.4 percent of the global arms sales that were at its four-year low (Reuters, September 6, 2009). At the beginning of 2010, the US government announced a 6.4-billion-US dollar arms sales package to Taiwan despite strong protest from the Chinese government and people, which seriously damaged China's national security interests and aroused strong indignation among the Chinese people.

The final statement is:

We hereby advise the US government to draw lessons from the history, put itself in a correct position, strive to improve its own human rights conditions and rectify its acts in the human rights field.

Is this a friendly warning, a shot across the bow, a reflection of how others see the US or a valid set of observations. The kettle and the oven may have things in common, one may fear.

Posted by Terry McGarty at [12:15 PM](#)  

Labels: [China](#)

[ANOTHER LOOK AT THE PSA TEST](#)

In a recent [Urology Today](#) posting they discuss the variations in PSA testing and PCa, prostate cancer, in Europe and the US.

Specifically they state:

This study compared PSA screening performance for detecting CaP in the ERSPC-Rotterdam with the US population. The authors report that PSA screening performance in this analysis could provide quantitative explanations for the different mortality results of ERSPC-Rotterdam and the US Prostate, Lung, Colorectal and Ovarian trial. ..The model includes 18 detectable preclinical states in the natural history of CaP that are derived from combinations of clinical stage, grade, and metastatic stage. In this model, PSA testing and subsequent biopsy is modeled

as a single test, therefore PSA test sensitivity also depends on whether a positive test is followed by a biopsy.

...The predicted CaP incidence peak in the US was higher than the observed CaP incidence Peak (13.3 vs. 8.1 cases per 1,000 man-years), suggesting a lower detection of CaP in the US than in ERSPC-Rotterdam. The lower sensitivity of PSA screening in the US compared with ERSPC-Rotterdam may be due to a higher PSA cutoff level for recommending biopsies in the US. Data suggests that the biopsy compliance rate is over twice as high in the screening arm of ERSPC-Rotterdam. However, other differences included racial differences between the US and Rotterdam, frequency of PSA testing, explanations for the drop in CaP incidence after 1992 and the inability to compute 95% confidence intervals for the sensitivity parameters.

The study found that PSA screening in the US did not detect as many CaPs as in ERSPC-Rotterdam due to the lower sensitivity of PSA testing followed by a biopsy.

This study presents in a bit convoluted way the problems with PSA testing. They are:

1. PSA tests are not consistent. One assay will give different results from another assay. The difference that we have measured can be as great as a 50% variation from assay to assay. The stated variation is less than 10% but the measured is closer to 50%. Thus a single test can have great variability.
2. Repeat testing with the same assay also has testing variances due to life style. Namely irritated prostates and the like cause variations in PSA as much as 25%.
3. PSA Velocity, VPSA, is the dominant test metric and that requires many years of tracking. It is the average of three consecutive measurements and the derivation of velocity therefrom. Thus one needs a good baseline of ten years of annual PSA data at a minimum to determine reliable PSA velocity. The three sample test is an attempt to reduce the variability from the above two causes.
4. There is a recent tendency to delay biopsy from an exaggerated PSA test. In fact many internists and family physicians do not pay attention to velocity because they do not have access to the data! It is questionable if they are even aware of the velocity testing.
5. The problem today is that PSA testing looks at just one PSA sample and we know they are highly variable. Thus rather than sampling bi-annually the test should be performed annually and the long term data recorded and analyzed.

The problem of having data on patient histories is pandemic. For example the PSA is but one yet so too is HbA1c, and even blood pressure as well as HDL and many other variables. Medicine is a science and art which is often driven by a change, change in some chemistry measurement, change in weight, sight, moles, and the like. Thus it is imperative that a good HIT notwithstanding that the patient develop their own records, and bring them with them to the physician. Noticing a change can save a life.

Posted by Terry McGarty at [9:46 AM](#)  

[GENETIC PROFILES: A NEW DATING PARADIGM](#)

[Nature](#) published an article on the expansion of genetic profiling and mapping of the entire gene for each and every person.

The article states:

The family-based approach has also provided researchers with another way to estimate the rate at which parents pass mutations to their offspring. Galas and his colleagues estimate that each offspring will have 70 new mutations, less than half the number obtained with previous approaches. "It is really important to know this number because it represents the source of all genetic variation we have, for good or bad, for health or disease," says Joseph Nadeau, a human geneticist at Case Western Reserve University in Cleveland, Ohio.

Although whole-genome sequencing might be highly accurate and getting cheaper, it isn't yet within practical reach. Lupski and colleagues, for instance, estimate that their study cost around US\$50,000. Less complete forms of sequencing can provide similar information about the genetic underpinnings of diseases such as Miller syndrome and primary ciliary dyskinesia.

Thus one may wonder as the costs decrease and having the capability to have one's genome as part of a self contained ID, such as a Government Health Care Card and Passport, one could consider a new iPhone App where two people could compare genomes and see if they have a compatibility for a future family or if they should just "date" and walk away.

In fact one could consider say a Facebook app performing matching functions to "optimize" such pairings! What next?

Posted by Terry McGarty at [9:17 AM](#)  

Labels: [Health Care](#)

[THE FCC AND THE INTERNET: WHAT HAPPENED TO THE MARKET?](#)

The [NY Times](#) reports on the forthcoming release by the FCC of its Broadband Strategy. The Times states:

According to F.C.C. officials briefed on the plan, the commission's recommendations will include a subsidy for Internet providers to wire rural parts of the country now without access, a controversial auction of some broadcast spectrum to free up space for wireless devices, and the development of a new universal set-top box that connects to the Internet and cable service.

The effort will influence billions of dollars in federal spending, although the F.C.C. will argue that the plan should pay for itself through the spectrum auctions. Some recommendations will require Congressional action and industry support, and will affect users only years from now.

The question is by what authority does the FCC act under to take actions to essentially nationalize the deployment of broadband? The answer seems to be that they are doing this plan to ask Congress for just such an authority.

The development of the Internet has evolved in a manner of that of the free market. Entrepreneurs and engineers get together and deploy some new elements and if it takes it gets more open market funding and it evolves. The current FCC seems to have the hubris that they and they alone have the insight as to how it evolves. As we had written just a short while ago the FCC lacks technical talent and as Government types they also lack and business expertise.

Thus this is just another step of a Government takeover of another sector of our economy. Banks, autos, health care, and now communications. One could even argue that they control agriculture given the role of the USDA in part.

They believe that they are central planners and as such have wisdom and insight that is supra the market. The Soviet planners had a similar mindset. One wonders what the true intent is of these planners. Perhaps it is the fear of this planning process that drives down Verizon and AT&T stock.

The focus on rural is somewhat understandable but the intensity of that focus is questionable. In the 1930s the REA, the predecessor of the RUS at USDA performed a laudable function for a largely agricultural nation. We are not that any longer. RUS still performs a valuable function in its day to day business. Telecommunications is important for many segments of our society. In the normal RUS day to day world they make rational economic decisions and these decisions are for the most part validated in their paybacks. The FCC's dream of an Internet world of their own making is highly suspect.

Posted by Terry McGarty at [9:05 AM](#)  

Labels: [Broadband](#)

FRIDAY, MARCH 12, 2010

[THE ONGOING PROSTATE CANCER DEBATE](#)

Prof Ablin, the professor who discovered the PSA antigen which is used in testing for prostate cancer, PCa, wrote a scathing editorial in the [NY Times](#) this week decrying the test and its implications.

He starts by stating:

The test's popularity has led to a hugely expensive public health disaster. It's an issue I am painfully familiar with — I discovered P.S.A. in 1970. As Congress searches for ways to cut costs in our health care system, a significant savings could come from changing the way the antigen is used to screen for prostate cancer.

Americans spend an enormous amount testing for prostate cancer. The annual bill for P.S.A. screening is at least \$3 billion, with much of it paid for by Medicare and the Veterans Administration.

I will have to strongly disagree with the good Professor. His test alone has some problems which is well recognized. Yet his test alone as a single measurement upon which to act dramatically was never intended to be used that way. Thus I believe that the whole basis for his argument lack any merit. I will make my argument here again, probably for the fifth time in this blog. It is a pity that so few professionals have so narrow a view.

Facts: PSA by itself as a one time test with a threshold of 4.0 as applied to all men does not significantly reduce mortality. This is a true fact. The Professor states:

The medical community is slowly turning against P.S.A. screening. Last year, The New England Journal of Medicine published results from the two largest studies of the screening procedure, one in Europe and one in the United States. The results from the American study show that over a period of 7 to 10 years, screening did not reduce the death rate in men 55 and over.

The European study showed a small decline in death rates, but also found that 48 men would need to be treated to save one life. That's 47 men who, in all likelihood, can no longer function sexually or stay out of the bathroom for long.

As we had demonstrated almost a year ago, these studies used the 4.0 level as the benchmark and the European study had long periods between testing and the US study did two year testing and again applied 4.0 for all.

None of the studies recognized the newer research that said that 2.0 was the threshold for those under 60 and that velocity was a major component. Velocity is the change in PSA per year, and it is recognized that if the velocity exceeds 0.75 per year for men over 65 and with a stable PSA over 4.0 then the sensitivity and specificity rises appreciably. Second for men under 60 or with a baseline long term PSA under 2.0, if the velocity exceeds 0.25 the sensitivity and specificity also is quite high.

Also we know that free PSA and % Free PSA are further indicators of PCa, since the PCa cells bind the free PSA whereas the normal acinar cells do not.

Finally, family history is critical. It falls into three categories; no PCa, PCa of an indolent form, and PCa of a virulent form.

Thus if one has no PCa in ones family then most likely you have a lesser chance of having a virulent PCa. If your family history is of indolent forms then there is a good chance you too with have that form. If your family history is of a virulent form then you too may most likely have that form. What is a virulent form, well my father had that form. PSA went from 4 to 40 in two years and 40 to death in two years! Why did that happen, well we do not yet fully know the dynamics of the cancer pathways, we do know that PTEN was knocked out at some point and off it went.

This using a Bayes methodology, we really want to measure the following probability:

P[PCa| PSA, PSA Velocity, Percent Free, Percent Free Velocity, Family History]

Then given the a priori data we can determine an a posteriori probability and act accordingly.

The good Professor seemed to neglect all of these facts! One may as why he did so, political, professional, personal reasons, one can only wonder.

The Professor continues his, in my opinion, rant:

So why is it still used? Because drug companies continue peddling the tests and advocacy groups push "prostate cancer awareness" by encouraging men to get screened. Shamefully, the American Urological Association still recommends screening, while the National Cancer Institute is vague on the issue, stating that the evidence is unclear.

The federal panel empowered to evaluate cancer screening tests, the Preventive Services Task Force, recently recommended against P.S.A. screening for men aged 75 or older. But the group has still not made a recommendation either way for younger men.

Prostate-specific antigen testing does have a place. After treatment for prostate cancer, for instance, a rapidly rising score indicates a return of the disease. And men with a family history of prostate cancer should probably get tested regularly. If their score starts skyrocketing, it could mean cancer.

The test, when combined with other variables has been shown to have merit. Yet one of the factors is the patients history, the long term PSA data, not a single PSA measurement. One of the problems with a single PSA measurement is that there is a +/- 50% variation in PSA measurements. The PSA may vary from say 1.5 to 1.8 to 2.1, to 2.1 in the same person but using differing assays! That in itself would set off alarms. Yet if there were a 20 year history then one could better determine the velocity and watch for results and not jump to surgery.

More Facts: Prostate Biopsies, the sextant or 6 core forms, have been notoriously poor in detecting cancer. In addition the biopsy cannot as current performed determine indolent versus virulent forms, that is a genetic marker issue. One could do an assay on the cells for PTEN marker presence but that is still an experimental procedure. One could use the PCA3 test which determines Gleason 7 or greater with reasonable specificity and sensitivity but that is only a recent development and by the time one gets to Gleason 7 one may have a PCa which will have positive margins after prostatectomy.

One would like to get PCa at Gleason 5 or 6 with negative margins. This often means more cores. Thus for say a 40 cc prostate one needs 12 to 14 cores, and yet one may still have a 20% or greater chance of missing a cancer. In a larger prostate, say 60 cc one may need 20 cores and yet still have an almost 20% chance of detecting a PCa on the next biopsy say 6 months later.

The problem is that we do not have the genetic tools to detect PCa, and in fact almost all Cancers, at the earliest a stage. The problem with PCa is that we do not know the indolent from the virulent from even at biopsy!

Is the answer as the Professor argues just abandon the testing! I think not. Death from PCa is not a pretty picture, it is akin to breast cancer. Mets to bones, collapse of the spine, disseminated intravascular coagulation, and the like is not a pretty picture, even if the good Professor would like to shuck these off.

You see, the reason why I am so concerned is that I have just gone through the process, I used my Bayesian analysis, and yes we found something. Using the Bayes approach I was 100% sensitive and 100% specific. So from my close perspective, I used the educated consumer model and it worked. I thank the Professor for his test yet I find his wanting on its implications. It is a shame that he has joined the chorus of those who want Government to control our health, and our death!

Posted by Terry McGarty at [8:49 AM](#)  

Labels: [Health Care](#)

SUNDAY, MARCH 7, 2010

CABLEVISION AND ABC

Well the media moguls are at it again. Cable vision has a bit over 3 million subs, a smaller system than most, but in the NYC market. Tonight the moguls at ABC are demanding \$1 per month per sub. That is right, an added \$12 per year of \$40 million per year total when you round it all up.

ABC was "given" the use of the spectrum, free you see, for the public benefit. Well, stick it to the public is their attitude. Not that I watch the Oscars anyhow, but many folks do, it's Sunday night and it is not as if there is anything else. Perhaps you could read a book, talk with your spouse and children, write on your blog, whatever.

But as I wrote when the Fox problem arose, this is just abject greed. We have newspapers enticing Senators to pass bills to give them special treatment because they are messing up, but the broadcast guys are just outright greedy.

It will be interesting to see how this plays out. In my discussions with my cable friends it appears that the Dolans are out in front on this one and ABC looks like the heavy.

Posted by Terry McGarty at [4:21 PM](#)  

Labels: [Media](#)

SUNDAY, MARCH 7, 2010

CBO AND CURRENT PRESIDENT'S BUDGET

The CBO issued a report on the current President's Budget. We summarize the result here.

The CBO states:

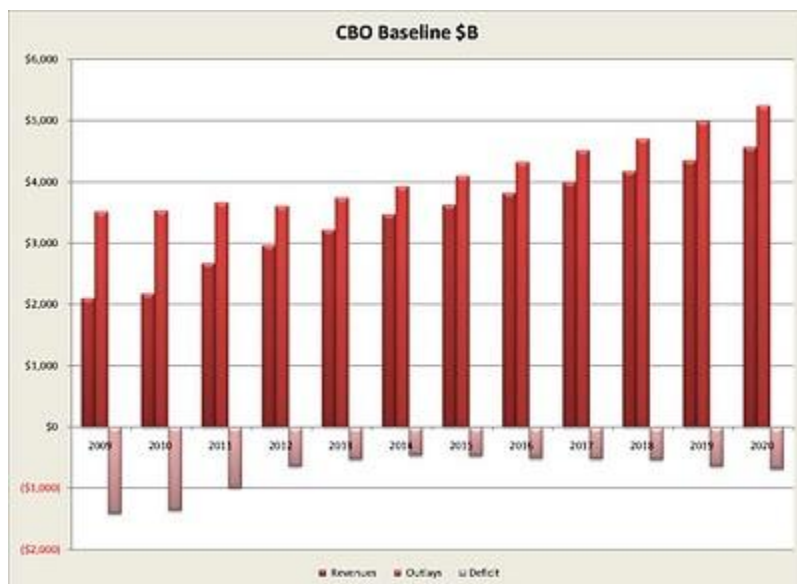
CBO's preliminary analysis indicates the following:

If the President's proposals were enacted, the federal government would record deficits of \$1.5 trillion in 2010 and \$1.3 trillion in 2011. Those deficits would amount to 10.3 percent and 8.9 percent of gross domestic product (GDP), respectively. By comparison, the deficit in 2009 totaled 9.9 percent of GDP.

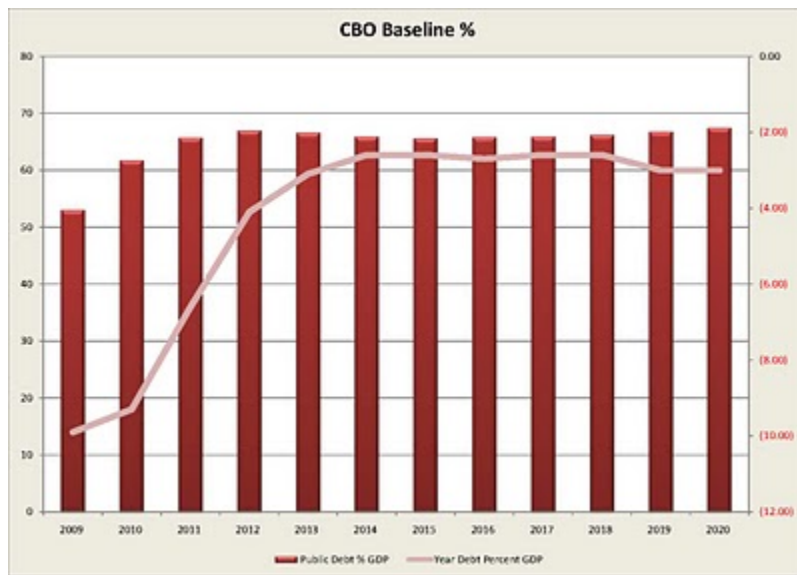
Measured relative to the size of the economy, the deficit under the President's proposals would fall to about 4 percent of GDP by 2014 but would rise steadily thereafter. Compared with CBO's baseline projections, deficits under the proposals would be about 2 percentage points of GDP higher in fiscal years 2011 and 2012, 1.3 percentage points greater in 2013, and above baseline levels by growing amounts thereafter. By 2020, the deficit would reach 5.6 percent of GDP, compared with 3.0 percent under CBO's baseline projections.

Under the President's budget, debt held by the public would grow from \$7.5 trillion (53 percent of GDP) at the end of 2009 to \$20.3 trillion (90 percent of GDP) at the end of 2020. As a result, net interest would more than quadruple between 2010 and 2020 in nominal dollars (without an adjustment for inflation); it would expand from 1.4 percent of GDP in 2010 to 4.1 percent in 2020.

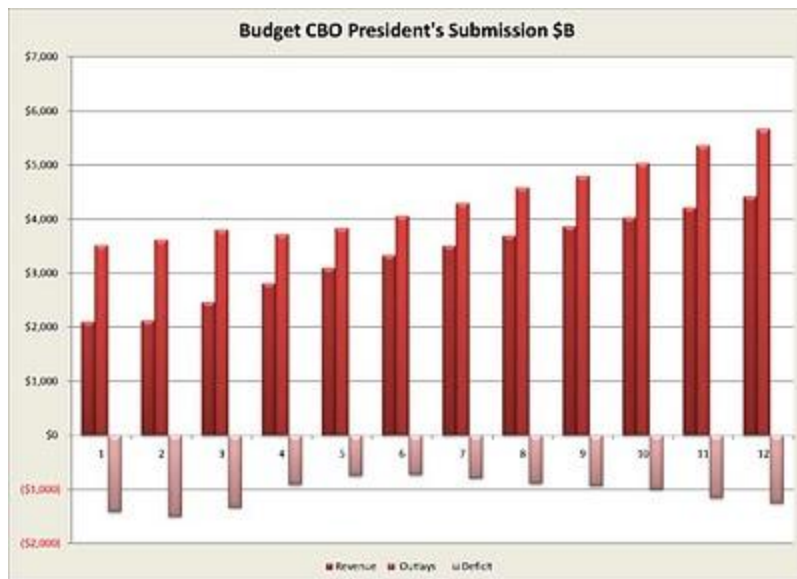
First we show the CBO Baseline which had been the expected prior to the issuance of the Budget. The Revenue, Outlays and Deficits are shown below.



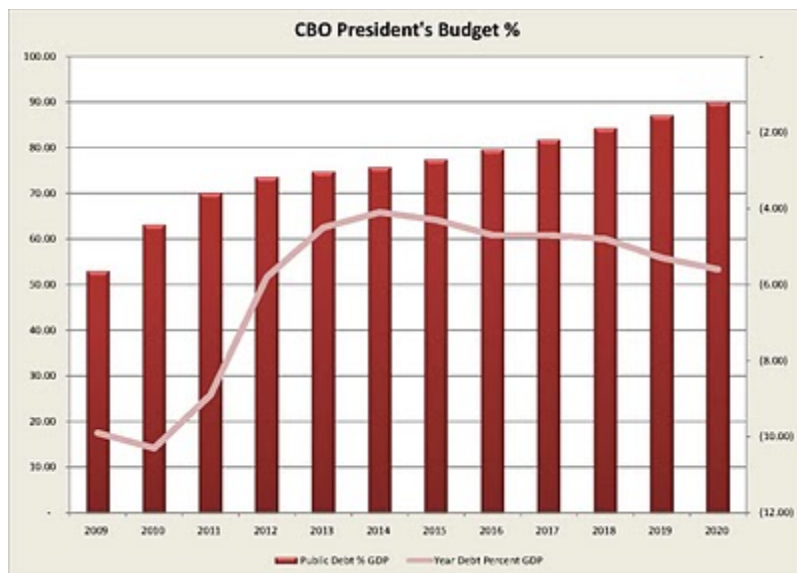
Then we show the percent of annual deficit and total debt as a percent of the GDP.



We then repeat this for the current President's Budget as presented. First the Revenue, Outlays and Deficits.



Now the percent of deficit and total debt as a percent of GDP,



Now we look at these in some detail.

First, under the original CBO numbers the total public debt was peaking in 2014 at about 62% of GDP. Now we see a larger peak but the total debt as a % of the GDP reaches 90% as compared to 67%. That means we are facing a catastrophic economic collapse. The current Administration seems to have a total disregard for this train wreck.

Second under the original plan the deficits were hundreds of billions per year but not too bad. Yet under the current President's Budget they exceed a trillion again and again.

This is gross fiscal mismanagement. Why do we have the problem we have:

Under the former President we spent the deficit for the War in Iraq. That supposedly is ending. Thus we should recover \$200-400 billion annually.

Under the current recession we lost \$400 billion in tax revenue from the unemployment and the payments to the unemployed equaled \$300 billion for a \$700 billion swing. Unless we see a sustained unemployment situation, driven by the uncertainty in what is going on in Washington, we can assume that the \$700 will go away.

Thus where are we spending all of this money? Well simply Congress and the current President are adding new programs as if there were no tomorrow. The debt load will destroy the country as we know it. Perhaps that is the goal!

Posted by Terry McGarty at [3:44 PM](#)  

Labels: [Economy](#)

[NEWSPAPERS AND CONGRESS: HOW DUMB CAN THEY GET?](#)

[Senator Cardin of Maryland](#) crafted a Bill to save the newspapers. Cardin states:

In recent months, the Seattle Post-Intelligencer, the Rocky Mountain News, the Baltimore Examiner and the San Francisco Chronicle, among others, have either ceased daily publication or announced that they may have to stop publishing. A number of other publications, including newspapers owned by the Tribune Company, owners of The Baltimore Sun, have filed for bankruptcy or have had to institute severe cutbacks that have impacted news coverage.

The Newspaper Revitalization Act would allow newspapers to operate as non-profits, if they choose, under 501(c)(3) status for educational purposes, similar to public broadcasting. Under this arrangement, newspapers would not be allowed to make political endorsements, but would be allowed to freely report on all issues, including political campaigns. Advertising and subscription revenue would be tax exempt and contributions to support coverage or operations could be tax deductible.

The measure is targeted to preserve local newspapers serving communities and not large newspaper conglomerates. Because newspaper profits have been falling in recent years, no substantial loss of federal revenue is expected.

“We are losing our newspaper industry,” said Senator Cardin. “The economy has caused an immediate problem, but the business model for newspapers, based on circulation and advertising revenue, is broken, and that is a real tragedy for communities across the nation and for our democracy.

“While we have lots of news sources, we rely on newspapers for in-depth reporting that follows important issues, records events and exposes misdeeds. In fact, most if not all sources of journalistic information – from radio to television to the Internet – gathers their news from newspaper reporters who cover the news on a daily basis and know their communities. It is in the interest of our nation and good governance that we ensure they survive.”

According to Barclays (sic) Capital, newspaper advertising revenue was down by about 25% for 2008, and circulation continues to steadily decline at most major newspapers as readers increasingly turn to alternative electronic news sources.

Senator Cardin added: “This may not be the optimal choice for some major newspapers or corporate media chains, but it should be an option for many newspapers that are struggling to stay afloat.”

Well is this were the buggy whip, the horseless carriage, gas lamps, would the Senator also attempt to hold back the future? Most likely so. One need read [the Bill](#) to see how extreme he gets.

It appears that newspapers are doing whatever they can to get us the taxpayers to keep their old way of doing things in business. Clearly they have a business model which is decay. For example in today's Times Week in Review there is a cartoon with grandma saying the "the newspaper says that the letter is dying..." The father asks what is a letter as he uses email and the little boy

asks what is a newspaper while playing with some mindless electronic gadget. Grandma is either made to look like an a technophobic or the kid a self possessed idiot, both may apply.

Yet this is what is happening. For example I am now using video conferencing more than ever before, grandson to me, and dad uses email. Yet for newspapers, well no one trusts what the write. Look at the NY Times, we know its political bent, we know it twists every story it writes, thus I must deconvolve the truth from the spin if at all possible. This is nothing new, what is new is that in the print media it is dominated by left wing preachers.

Thus we go to the Internet for news. There we can use reason and judgment to determine the truth, as any one would do.

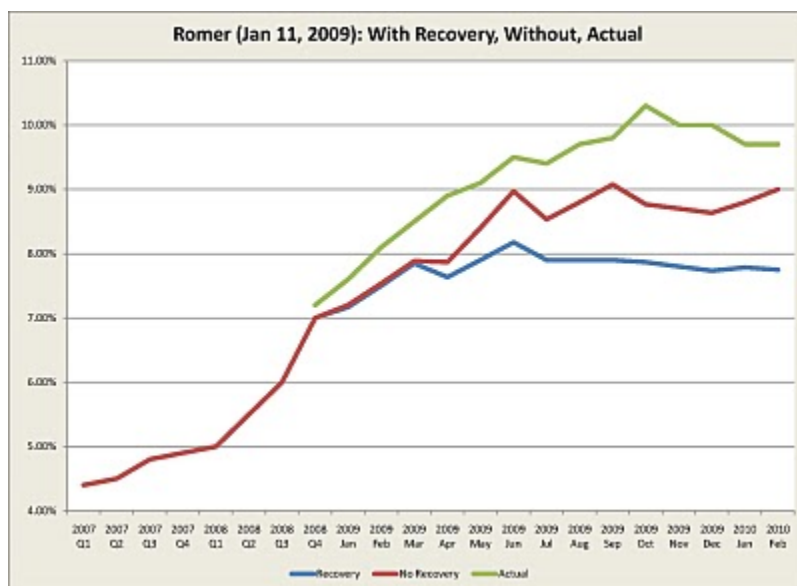
So who is pushing Cardin, I guess one just has to follow the money!

Posted by Terry McGarty at [8:54 AM](#)  

Labels: [Media](#)

FRIDAY, MARCH 5, 2010

UEMPLOYMENT AND ROMER



The [Government released unemployment](#) for February and it remains at 9.7%. The gap between what Romer stated and reality again widens and she remains in place. We have estimated that the actual rate still is above 12.5% and this would include all those looking.

Posted by Terry McGarty at [5:49 AM](#)  

Labels: [Economy](#)

THURSDAY, MARCH 4, 2010

[THE SURGEON GENERAL AND OBESITY](#)

The current [Surgeon General](#) has testified before Congress on the issue of childhood obesity. The irony of this is that if one looks at the Surgeon General one could see possibly a rather obese person, not the example one wants to set telling others to reduce their weight.

This is not a singular observation. The [NY Times](#) wrote a story on this at the time of her appointment. The Times states:

Despite her impressive résumé, Dr. Benjamin has been criticized for her weight. Critics have raised questions about whether Dr. Benjamin will have a credibility problem as she tries to address the nation's obesity problem.

In an interview with ABC's "Good Morning America," Dr. Benjamin responded to the criticism.

"Health and being healthy and being fit is not about a dress size," she said. "It's about how fit you are at that moment in time. I'm just like 67 percent of Americans. I struggle with my weight just like they do, so I understand. And I want to have them help me, and I'll help them, and we'll work together to try to become a healthier nation."

No madam, you are obese and almost morbidly so. Further your rather than having people help you all it requires is that you shut your mouth! Input less output is net accumulation. The fundamental law of physics. It works all the time and you are accumulating at an astonishing rate. Your response is to attack and then place the responsibility on others. Admit the fact that you are morbidly obese and do something about it. For how could you ever tell anyone else to do the same.

Since obesity costs us more than \$300 billion annually, one wonders why we have such a poor example in such a significant position. It is akin to having a chain smoker in a smoking cessation program. Her testimony today just further raises the issue of true leadership.

What do we have for our children to look up to. It takes will power and character to reduce the weight and keep it off. I know, I have done it for eight years now. I remember my last root beer, my last vanilla wafer, and my last three musketeers! I guess there is nothing more critical than ex smokers, recovering alcoholics and former fattys! But the ability to show others that you can do what you are asking of them goes to the heart of integrity!

Posted by Terry McGarty at [6:47 PM](#)  

Labels: [Health Care](#)

CONGRESS AND PROSTATE CANCER

The [House Oversight Committee](#) held hearings today on prostate cancer and testing. The [American Cancer Society](#) issued new guidelines for screening. [NIH recounts](#) them as follows:

In new guidelines released Wednesday, the society says that men who choose to be tested should get an annual screening if their level of prostate-specific antigen, or PSA, is 2.5 nanograms per milliliter (ng/mL) or higher. But men whose PSA is under that threshold can be safely screened every two years. Men with a PSA level of 4.0 ng/mL or higher should consider getting further evaluation, such as a biopsy. Previous guidelines had suggested that men with a PSA of less than 4.0 ng/mL should be screened annually.

While the cancer society does not recommend screening for anyone -- even men at risk -- it does offer suggested intervals for screening if men choose to be tested.

The ACS states:

Studies are being done to try to figure out if early detection tests for prostate cancer in large groups of men will lower the prostate cancer death rate. The most recent results from 2 large studies were conflicting, and didn't offer clear answers.

Early results from a study done in the United States found that annual screening with PSA and DRE did detect more prostate cancers, but this screening did not lower the death rate from prostate cancer. A European study did find a lower risk of death from prostate cancer with PSA screening (done about once every 4 years), but the researchers estimated that about 1,400 men would need to be screened (and 48 treated) in order to prevent one death from prostate cancer. Neither of these studies has shown that PSA screening helps men live longer (lowered the overall death rate).

The statement is just wrong about the two studies released in 2009. We have detailed the errors in prior postings. To summarize they two studies used the 4.0 level and the testing was sporadic at best. The answer is that mortality was not changed if you wait until a 4.0 is reached. The set point was reduced to 2.0 as data was obtained but the trial never tested the lower level thus by leaving it at 4.0 they allowed the cancers to grow to a terminal stage.

They continue:

Prostate cancer tends to be a slow growing cancer, so the effects of screening in these studies may become clearer in the coming years. Both of these studies are being continued to see if longer follow-up will give clearer results.

This is also in error. Prostate cancer falls in two categories; slow growing or indolent and this represents about 90% of all such cancers and fast growing deadly type which kills in 4 years or less. The recommendation of the ACS is a death verdict for the men in the latter category. The problem is that we do not know genetically how to determine this category.

For example, we now know that two factors, percent free PSA and PSA velocity are major factors and not just PSA. Percent free is a measure of the percent of cells which are functioning normally, albeit they may be PIN cells, prostatic intraepithelial neoplasia, high grade, HGPIN, which may be a precursor to prostate cancer. HG PIN must be monitored by biopsy on a schedule of three to four times a year! Not ignored. Velocity is critical since it is a reasonable measure for the growth of cells. Also a measure for both PIN and prostate cancer.

We know that even a biopsy can at best be 10-25% in error. A 20 core biopsy can still miss cancer with a 10% probability. In addition a second biopsy using 14 or more cores may find cancer 25% of the time or more on a second testing!

The aggressive prostate cancer can kill a man in less than 4 years! Do we want that risk? If you are in that group I would think not. What further helps, family history. If you have had a first degree relative who died in a short period then it is highly likely that you have inherited the genetic errors that allow rapid growth, namely the elimination of the PTEN gene and thus metastasis.

The ACS also states:

Because of these complex issues, the American Cancer Society recommends that doctors more heavily involve patients in the decision of whether to get screened for prostate cancer. To that end, ACS's revised guidelines recommend that men use decision-making tools to help them make an informed choice about testing. The guidelines also identify the type of information that should be given to men to help them make this decision.

The problem is how do you involve a man if the physician has no understanding and in fact is confused given the literature. Biopsy is not a gold standard, it may be a silver or bronze. If the biopsy yields a Gleason 6, rarely less since most pathologists will grade 3+3 yielding Gleason 6, and almost never grade a 1 nor even a 2, then one still does not know the genetic makeup, the true determinant. In fact most physicians do not understand the genetic factors, including many urologists. Thus in many ways it is the blind leading the blind, and the ACS has done nothing more than put stumbling blocks in the way. Further by testifying before Congress they have done men a disservice. Yet it does reduce Medicare costs, we just let those old folks die, and yes many young ones too. Why men do not revolt like women is a mystery!

Posted by Terry McGarty at [6:20 PM](#)  

Labels: [Health Care](#)

MONDAY, MARCH 1, 2010

[COMPETENCE AT THE FCC?](#)

The [Hill today](#) discusses a proposal to introduce technical expertise to the FCC. In my more than forty years dealing the the FCC I have found that technical expertise was lacking at almost all levels. It is a political organization working in a highly technical environment. The FCC

Commissioners have been for the most part attorneys with a smattering of economists, but all legal minds at heart.

The Hill states:

*Sens. Olympia Snowe (R-Maine) and Ted Kaufman (D-Del.) Monday introduced a bill aiming to boost the technical resources and expertise at the **Federal Communications Commission**.*

The legislation would require the National Academy of Sciences to do a study to examine the technical policy decision-making process and the availability of technical personnel at the agency.

“It is critical that we include engineers in our nation’s technical policy and decision making, at the FCC and across the government,” said Kaufman. “Professionals in the STEM fields of science, technology, engineering, and mathematics have always been our nation’s problem solvers. I am pleased that this study will explore the implications and offer recommendations for addressing the decline of engineers in this important agency.”

FCC Commissioners and the tech community have raised concerns about the lack of technical resources and expertise at the agency, which is charged with enacting complex policies that affect the way every American communicates and accesses information.

In 1948, the FCC had 720 engineers on staff. Today it has fewer than 300--a 62 percent drop.

The problem is that most competent engineers will go into industry rather than any Government job. By the way both DoD and the Intelligence Agencies suffer from the same problem. A new PhD from MIT or Stanford is not going to a Government job for one or both of the following; (i) the pay and environment is hardly conducive and (ii) most grads are not US citizens and the law blocks them.

Imagine the FCC developing a Broadband Plan with no truly experienced and competent staff. It is like the HHS developing medical procedures with no competent staff, Oh I forgot, that is the current Health Care Plan, the one being stuffed through!

Thus this problem is pandemic across Government. The larger Government becomes the more devoid of any nexus with true reality they become. This is not France where the best of the Ecole Polytechnique gets to move up, it is the US Government of contracts to the lowest bidder.

Posted by Terry McGarty at [10:24 AM](#)  

Labels: [Telecom](#)

SATURDAY, FEBRUARY 27, 2010

THE FUTURE OF PUBLISHING

There is an explosion in articles bemoaning the death of newspapers and publishing in general. The problem is that they see a change in distribution channels and ones that they, the owners of the current channels, have not adapted to.

Yet there are two issues here that must be understood.

First, the classic McLuhan dicta that the medium is the message is truer now than ever before. Namely the media will determine what is knowledge and an extension what is truth.

Second, "ownership" or monetization of the new distribution channels will and is disruptive and in fact is just starting, in essence it is disruptive.

Let us look at two examples of the past. First Homeric literature was an oral tradition, when one reads Homer in classic Greek, yes the only way to do so, one sees and hears a lyric and memorable tale of glory and heroism. It literally sings itself to the listener. Second, when one looks at Thomas Paine and his writings, one sees an author who paid for his own writings to see the light of day and who never received a penny for his efforts, and in fact gave anything he received to the new States which were formed. Paine may have had his quirks but he was a true hero of the Revolution and one of the founders who articulated what we came to see as the basis of our country, albeit forgotten by some over time.

Thus the two classics, Homer and Paine, were tellers of great tales and moral acts. In contrast the bemoaners of the current change are those who have benefited financially yet are stuck in the past and will for the most part see their own demise.

In an article in the [New York Review of Books](#) states:

The transition within the book publishing industry from physical inventory stored in a warehouse and trucked to retailers to digital files stored in cyberspace and delivered almost anywhere on earth as quickly and cheaply as e-mail is now underway and irreversible. This historic shift will radically transform worldwide book publishing, the cultures it affects and on which it depends. Meanwhile, for quite different reasons, the genteel book business that I joined more than a half-century ago is already on edge, suffering from a gambler's unbreakable addiction to risky, seasonal best sellers, many of which don't recoup their costs, and the simultaneous deterioration

of backlist, the vital annuity on which book publishers had in better days relied for year-to-year stability through bad times and good. The crisis of confidence reflects these intersecting shocks, an overspecialized marketplace dominated by high-risk ephemera and a technological shift orders of magnitude greater than the momentous evolution from monkish scriptoria to movable type launched in Gutenberg's German city of Mainz six centuries ago.

As one who has over 8,000 books, most of which I have actually read, with annotations, and as one who has given away most likely twice that number over the years, I am a lover of the physical book. But also as one who has been there at the beginning of the change and having moved very comfortably with it, frankly I could not do what I do without the electronic media and of course Google, I can on the one hand appreciate the sentiment of loss and also desire more rapid progress towards the future. My first books were published, my recent ones are on line in draft form, and are downloaded frequently.

The author in TNYRB states:

In preliterate cultures, the great sagas and epics were necessarily communal creations committed to tribal memory and chanted under priestly supervision over generations. With the invention of the alphabet, authors no longer depended on communal memory but stored their work on stone, papyrus, or paper. In modern times, communal projects are limited mainly to complex reference works, of which Wikipedia is an example. Though social networking will not produce another Dickens or Melville, the Web is already a powerful resource for writers, providing conveniently online a great variety of updated reference materials, dictionaries, journals, and so on instantly and everywhere, available by subscription or, like Google search and Wikipedia, free. Most time-sensitive reference materials need never again be printed and bound.

This reiterates what I have said above. The web has as a vice the creation of false truth. For now anyone can publish what they think is true, just look at blogs, yet the natural conflict that exists allows for all sides to be seen. All too often however those who migrate to politically closed thought groups stay in them and are reinforced. However there is nothing new there. For when there were more than a dozen newspapers daily in New York, those of a similar mind migrated to the paper which reinforced their positions. The old NY Post was almost a Communist paper!

Epstein finally states:

*The most radical of these fantasies posits that the contents of the digital cloud will merge or be merged—will "mash up"—to form a single, communal, autonomous intelligence, an all-encompassing, single book or collective brain that reproduces electronically on a universal scale the synergies that occur spontaneously within individual minds. To scorn a bold new hypothesis—the roundness of the earth, its rotation around the sun—is always a risk but here the risk is minimal. The nihilism—the casual contempt for texts—implicit in this ugly fantasy is nevertheless disturbing as evidence of cultural impoverishment, **more offensive than but not unrelated to the assumption of e-book maximalists that authors who spend months and years at their desks will not demand physical copies as evidence of their labors and hope for posterity.***

The assumption of a mashed intelligence is Asimovian in its view. I would argue that for those of us who create new ideas, we use all media, and paper is still there. We find articles and information, compile it, print the ones we need to mull over, and then convert it to a digital form. I have not written a document by hand since 1981, when I got my first IBM PC from the Boca Raton factory. And I have almost all of those digital documents, 30 years worth of written documents, now all indexable by Google Desktop! I could not live or create without it.

Thus the digital world has created a new and expansive environment for the creation of knowledge. You can always print it out, you can read it on line, but most importantly you can always find it! The knowledge created now can be spread more rapidly, and found more readily, and in a sense defines our new evolving culture across national boundaries. In a way it is an amalgam of Homer and Paine, lyrical and free!

Posted by Terry McGarty at [4:08 PM](#)  

Labels: [Commentary](#)

SATURDAY, FEBRUARY 27, 2010

MEDICARE, REP RYAN, AND THE FACTS

In the Blair House Yalta Conference Rep Ryan stated:

Mr. President, you said health care reform is budget reform. You're right. We agree with that. Medicare, right now, has a \$38 trillion unfunded liability. That's \$38 trillion in empty promises to my parents' generation, our generation, our kids' generation. Medicaid's growing at 21 percent each year. It's suffocating states' budgets. It's adding trillions in obligations that we have no means to pay for it... If you take a look at the CBO analysis, analysis from your chief actuary...this bill does not control costs. This bill does not reduce deficits. Instead, this bill adds a new health care entitlement at a time when we have no idea how to pay for the entitlements we already have. What has been placed in front of [the CBO] is a bill that is full of gimmicks and smoke-and-mirrors. Now, what do I mean when I say that?

*Well, first off, the bill has 10 years of tax increases, about half a trillion dollars, with 10 years of Medicare cuts, about half a trillion dollars, to pay for six years of spending. Now, what's the true 10-year cost of this bill in 10 years? That's \$2.3 trillion. It does couple of other things. It takes \$52 billion in higher Social Security tax revenues and counts them as offsets. But that's really reserved for Social Security. **So either we're double-counting them or we don't intend on paying those Social Security benefits.** It takes \$72 billion and claims money from the CLASS Act. That's the long-term care insurance program. It takes the money from premiums that are designed for that benefit and instead counts them as offsets.*

Without delving into all the details, I feel that this is as much of a distortion as those of the Democrats. Medicare is not an unfunded plan no less than any Government Bond is. Nor any whole life plan. The contributors to Medicare paid in on average 40% more than they will ever get back. The money was taken by the very same people now making the complaints. They now

use current collections for current payments made upon past contributions which were themselves taken for other reasons. Rep Ryan is much of a sophist as any of the Democrats. He clearly demonstrates gross ignorance of the facts regarding Medicare.

Perhaps we should just start all over again this November, just elect anyone who has never held office and do what is done in New Hampshire, pay them \$100 per year and give them free parking. That is it!

Posted by Terry McGarty at [11:55 AM](#)  

Labels: [Health Care](#)

FRIDAY, FEBRUARY 26, 2010

WELL RATIONING IS BEGINNING

"Just Let Grandma Die!" is the mantra of the under 40s who have yet to contribute to society, unless of course if they were bankers in which case they caused this mess, the "me generation", those over-privileged who start every conversation telling you all about themselves and their travails. The ones who feel that they are owed everything, the group who have a scotoma for the hard working Chinese and Indian students who in twenty years will eat their lunches.

But today the left wing [Kaiser](#) California group presents a compelling article regarding the dis-assembly of Medicare. They state:

With a 21 percent Medicare reimbursement rate cut set for Monday, unless Congress acts to block it, some doctors are threatening to refuse new Medicare patients in their practices.

"To our physicians, we are providing information on their Medicare participation options, including how to remove themselves from the Medicare program,' said James Rohack, president of the American Medical Association, whose more than 250,000 members include doctors, medical students and faculty members," [CNN](#) reports. Rohack says temporary delays of the yearly scheduled rate cut should be eliminated. "He said the AMA wants the current law to be repealed and a new formula used 'that more accurately reflects the cost of providing care' in determining Medicare reimbursement rates. ... In the meantime, physicians are asking the AMA to prepare handouts they can give patients to prepare them for the worst-case scenario: getting dropped completely. And a new report on the AMA's Web site tells doctors how they can help their patients find other doctors if they decide to no longer accept Medicare."

A survey by the American Association of Neurological Surgeons "found that 65% of its 3,400 members said they are referring their Medicare patients to other doctors. About 60% said they were reducing the number of Medicare patients in their practice"

This means that even the Administration lap dogs in the AMA are now shaking in their boots. Medicare will just destruct on its own. This just one day after the Yalta like Health Care meeting in Blair House! Well it is one way to get rid of Grandma!

Posted by Terry McGarty at [6:28 AM](#)  

Labels: [Health Care](#)

THURSDAY, FEBRUARY 25, 2010

[IS BLAIR HOUSE ANOTHER YALTA?](#)

At Yalta the west gave away Europe based upon the ignorance, arrogance, and illness of FDR and the adroitness of Stalin. The sides were unevenly matched and the West, especially the US, was clueless.

Are we seeing the same today at Blair House and who is playing what role. Anyone who has ever negotiated a sensitive deal knows that you never do it in public, except the part where you all agree.

Just to reiterate what we have been saying for more than a year:

1. Any Plan should be a universal plan, no free rides
2. Demand management is as important as supply. Namely we want obese people to lose weight or pay more and we want everyone to pay something.
3. Medicine is evolving rapidly and genetic methods will soon displace the whack and hack of the surgeons. We should not institutionalize the past.
4. Medicare for most who have contributed has been more than paid for by those receiving it. However a balance can be made by indexing both future contributions and payouts. Namely increase the 3% to 4% and move the age from 65 to 72 over some reasonable time period. Medicare should pay for the last 15 years of life not the last 30!
5. The Federal Government should stay out of the practice of medicine. No CER or CCE, no control of who gets to do what.
6. Break down the walls; eliminate antitrust, allow cross state lines, restructure tort liability.
7. Demand individual responsibility, that is you pay out of pocket for a great deal and pay if your life style choice place you at risk.

Simple, but this ersatz Yalta Conference is getting no where.

Posted by Terry McGarty at [10:24 AM](#)  

Labels: [Health Care](#)

TUESDAY, FEBRUARY 23, 2010

[THE FCC BROADBAND PLAN](#)

The FCC issued a presentation last week on its proposed [broadband plan](#). It reminds me of when I took over as COO of NYNEX Mobile, now Verizon, in 1990. You see I had spent the mid 1980s helping Motorola get into the wireless data business. They had a product, the Motorola

KDT terminal, bigger and heavier than a brick, which they had built for IBM field service techs. IBM had the software and the well defined need but they needed a wireless data terminal to effect their plan, a more productive field service system.

Bob Galvin, the then CEO and son of the founder. asked me to come in and try to make a business of this product. Bob talked to me over peanut butter sandwiches in the Motorola cafeteria that when they, Motorola, made pagers, the paging service providers, Motorola's customers, made ten dollars for every dollar of equipment sold and when they made cell phones, it was the beginning of cellular, the cell service providers made tens and tens of dollars for every dollar of revenue of cell phones sold by Motorola. He saw the service business as the future of Motorola in the wireless data world.

I came from the service side, namely satellite and cable, and had done this before. But I remembered the main dicta, if all else fails listen to the customer. Thus, I went out with the team and listened to customers. None had either the software of an IBM nor the vision of an IBM. Kraft, for example, saw a potential for food distribution but it would require a massive change in what they did and how they did it. Costly as well. Thus in 1985 there was no market for data terminals sans the rest of the foods chain.

Thus, in 1990, when asked to sell data on the NYNEX network I fell back onto the adage, listen to the customer and in 1990 the customer was still not yet there. It would take another 20 years, namely now!

Thus the FCC's plans makes many assumptions that we rejected 20-25 years ago. They somehow believe that just having more broadband, albeit cheaper somehow, that they can effect a revolutionary change. Well I hate to rain on their parade but it is an institutional issue, it requires changes all along the food chain, and they FCC is the last place that any rational business person would turn to.

So why are they wasting time doing this? Good question. It just wastes money, which is what Washington seems good at these days! Unfortunately I have that distinct disadvantage of experience, and the folks on K Street and other such places are just reinventing the failures of the past but now with much higher price tags.

So how does this reflect on the FCC plan. Well in several ways:

1. The FCC is Doing Soviet Style Central Planning: Strange as it may seem, that is just what they are doing. Not that they are Communists, exactly, but they are central planners. They believe that they have the light and they are the sole holders of the light and that all should follow. Lawyers, follow lawyers! I think that this is a bit too much even for Washington.

2. The lack of broadband deployment is somewhat of a fiction. We do not all demand 1 Gbps speeds. That is true for two reasons. First most of us, even old folks like me who have been on line since the early 1970s with Unix email do not spend our days with HD video. Perhaps my video conferencing could be a bit better but it works. Second the main problem will be backbone gridlock and costs. The Tier 1 Internet providers still have to be there and get paid.

3. Applications drive the demand. As I discussed with Kraft versus IBM, you need to do something and the field of dreams approach while laudable is without merit. Demand drives deployment, and by that I mean an economic demand, namely someone willing to pay for value delivered.

4. Does the FCC even have the authority to do this? I think not. But that has never stopped politicians before.

So where is all of this going. The FCC Chairman can get before the television audiences and brag about how much they are doing but ultimately it is American industry who has to do the heavy lifting. Even the rather convoluted Broadband gift program may not get one anywhere. In many ways this is still a solution in search of a problem. Take their health care solutions. In 1987 I developed and delivered the first truly network broadband for Medical Imaging. Too early! It still may be too early.

Posted by Terry McGarty at [1:13 PM](#)  

Labels: [Broadband](#)

[KRUGMAN AND ASIMOV](#)

The [New Yorker](#) has an article lauding Paul Krugman. What is most interesting amongst all the praise is the brief description of his addressing a Science Fiction convention and what motivated him to do so.

The article states:

Krugman explained that he'd become an economist because of science fiction. When he was a boy, he'd read Isaac Asimov's "Foundation" trilogy and become obsessed with the central character, Hari Seldon. Seldon was a "psychohistorian"—a scientist with such a precise understanding of the mechanics of society that he could predict the course of events thousands of years into the future and save mankind from centuries of barbarism. He couldn't predict individual behavior—that was too hard—but it didn't matter, because history was determined not by individuals but by laws and hidden forces. "If you read other genres of fiction, you can learn about the way people are and the way society is," Krugman said to the audience, "but you don't get very much thinking about why are things the way they are, or what might make them different. What would happen if?"

With Hari Seldon in mind, Krugman went to Yale, in 1970, intending to study history, but he felt that history was too much about what and not enough about why, so he ended up in economics. Economics, he found, examined the same infinitely complicated social reality that history did but, instead of elucidating its complexity, looked for patterns and rules that made the complexity seem simple. Why did some societies have serfs or slaves and others not? You could talk about culture and national character and climate and changing mores and heroes and revolts and the history of agriculture and the Romans and the Christians and the Middle Ages and all the rest of it; or, like Krugman's economics teacher Evsey Domar, you could argue that if peasants are barely surviving there's no point in enslaving them, because they have nothing to give you, but if

good new land becomes available it makes sense to enslave them, because you can skim off the difference between their output and what it takes to keep them alive. Suddenly, a simple story made sense of a huge and baffling swath of reality, and Krugman found that enormously satisfying.

This is most likely more telling than any other part of the interview. For those not recently versed in Asimov, he viewed the world of the future as one controlled and managed by a central government. The world is devoid of any entrepreneurs, totally. Hari Seldon creates the field of psycho-history which is macroeconomics and behavioural economics on a super scale.

The world of Asimov is in many ways the world of techno-socialists, and Asimov creates and expands on this world and its implications. He has totally destroyed the world as we know it, capitalism and democracy. It is a world controlled by scientists who all work for the greater good whatever that may be.

Asimov is an intriguing figure. His novels are simplistic, fail to develop characters, yet are crisp and to the point. He is in many ways the last of the early socialists yet he prospered in a highly capitalist society, yet never went far from his nest.

Hari Seldon is the quintessential role model for the self important macro-economists, one who uses the Government and one who has not the single most doubt about their own certitude, and the complete failings of the rest of humanity. Hari Seldon is in many ways why got us all in this mess!

Remember that China is run by engineers and not economists!

Posted by Terry McGarty at [9:50 AM](#)  

Labels: [Commentary](#), [Economics](#)

MONDAY, FEBRUARY 22, 2010

[CURRENT PRESIDENT'S HEALTH CARE PROPOSAL](#)

The Current President has released the [Health Care Proposal](#). We will provide an analysis shortly but it is more of what has been seen in the past year.

The first section states:

The President's Proposal puts American families and small business owners in control of their own health care.

- It makes insurance more affordable by providing the largest middle class tax cut for health care in history, reducing premium costs for tens of millions of families and small business owners who are priced out of coverage today. This helps over 31 million Americans afford health care who do not get it today – and makes coverage more affordable for many more.*

- *It sets up a new competitive health insurance market giving tens of millions of Americans the exact same insurance choices that members of Congress will have.*
- *It brings greater accountability to health care by laying out commonsense rules of the road to keep premiums down and prevent insurance industry abuses and denial of care.*
- *It will end discrimination against Americans with pre-existing conditions.*
- *It puts our budget and economy on a more stable path by reducing the deficit by \$100 billion over the next ten years – and about \$1 trillion over the second decade – by cutting government overspending and reining in waste, fraud and abuse.*

The second point above is the revival of the Public Option. I guess the wooden stake did not work.

The Health Care Centers, revival of Public Health Systems, is given some prominence as follows:

Invest in Community Health Centers. Community health centers play a critical role in providing quality care in underserved areas. About 1,250 centers provide care to 20 million people, with an emphasis on preventive and primary care. The Senate bill increases funding to these centers for services by \$7 billion and for construction by \$1.5 billion over 5 years. The House bill provides \$12 billion over the same 5 years. Bridging the difference, the President's Proposal invests \$11 billion in these centers.

There is a push for technology as well:

Use of Technology for Real-Time Data Review. The President's Proposal speeds access to claims data to identify potentially fraudulent payments more quickly. It establishes a system for using technology to provide real-time data analysis of claim and payments under public programs to identify and stop waste, fraud and abuse. (Source: Roskam Amendment offered in House Ways & Means Committee markup)

He seems to have sidestepped the abortion and CER issues. Also there is a wholesale overhaul of Medicare which should be mandated. More later.

Posted by Terry McGarty at [7:48 AM](#)  

Labels: [Health Care](#)

SUNDAY, FEBRUARY 21, 2010

[THE RECESSION STATISTICS](#)

The [St Louis FED](#) has been providing data on the current Recession as compared to previous ones. They list the Business Cycle peaks as:

United States Business Cycle Peaks:

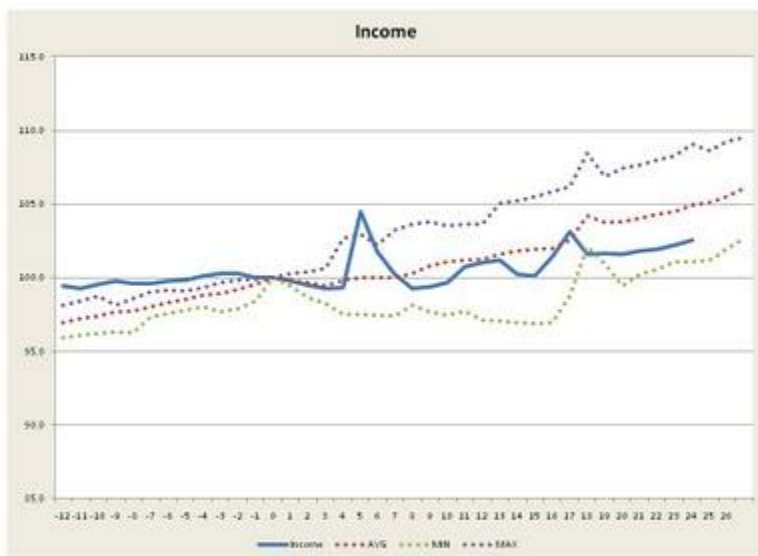
- November 1948
- July 1953
- August 1957
- April 1960
- December 1969
- November 1973
- January 1980
- July 1981
- July 1990
- March 2001
- December 2007

They also [state](#):

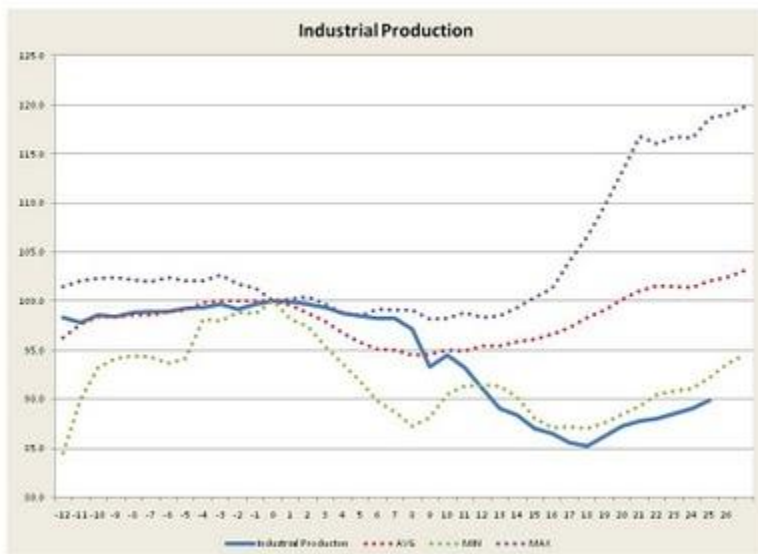
On November 28, 2008, the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) declared that a recession began in the United States in December 2007.¹ This committee defines a recession as “a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators.” The U.S. economy has experienced six recessions over the past 40 years. On average these recessions have lasted 10.7 months. The longest recessions—beginning in November 1973 and July 1981—each lasted 16 months. The shortest recession—beginning in January 1980—lasted only six months.

They provide data on several factors during Recessions, average, max and min. We show some of these below:

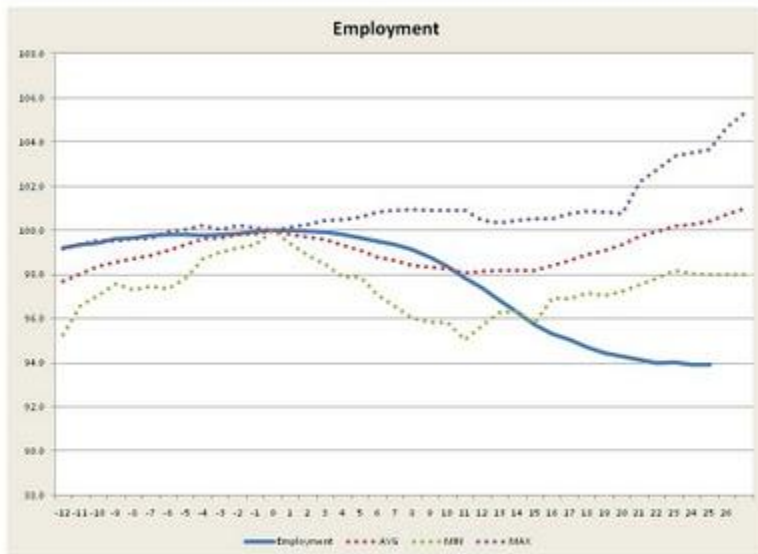
First, Personal Income has dropped after a significant increase and remains at low levels.



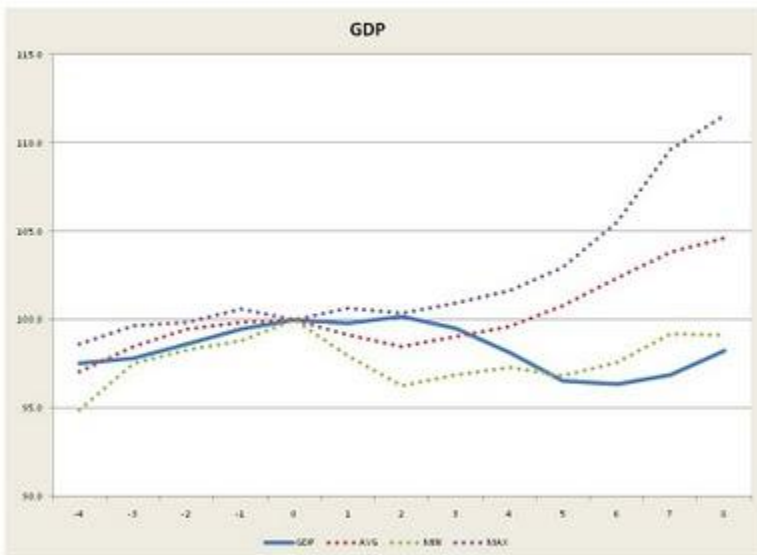
Second Industrial Production is also low. It is in fact lower than any prior recession. That should be quite worrying and is so since it shows a long drawn out period of low production is expected.



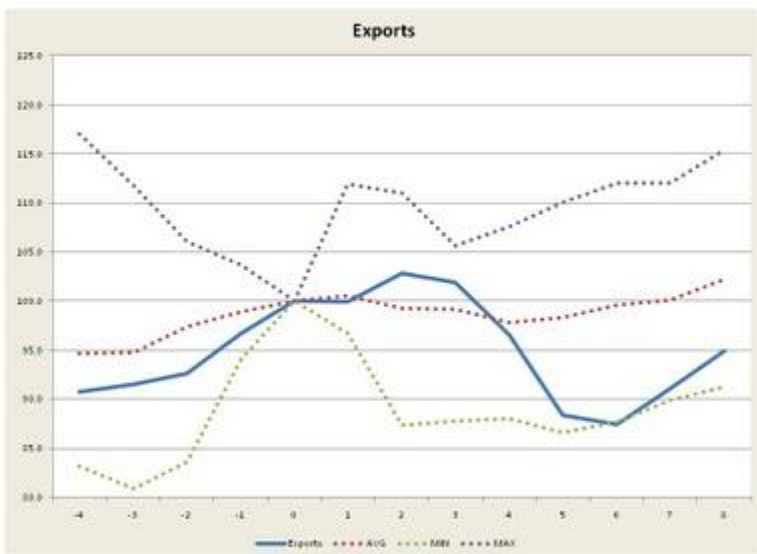
Third, employment has set and continues to set the lowest level of any recession on the index basis. This is the major concern since this drives the deficit to the greatest degree. There are lower taxes received and greater expenditures on unemployment support. This may also presage a fundamental structural change in the economy.



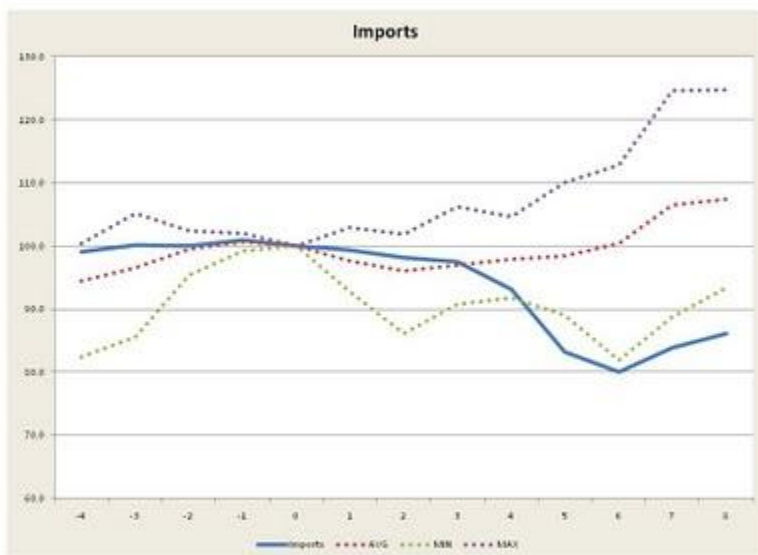
Fourth, the GDP has reached a new low but is recovering ever so slightly as shown below:



Fifth, exports are improving despite the unemployment and lower production on an indexed basis. Perhaps the dollar changes may put pressure on this recovery element in the near term.



Sixth, imports also show some improvement which is consistent with GDP growth. They are however still well below the peak.



Posted by Terry McGarty at [3:42 AM](#)  

Labels: [Economy](#)

SATURDAY, FEBRUARY 20, 2010

COMPARATIVE EFFECTIVENESS RESEARCH: THE DEBATE CONTINUES

In the [NEJM](#) there is an article describing the next steps that are to be taken with CER. They state them as follows:

Institute of Medicine's Recommendations for a National System of Comparative-Effectiveness Research (CER).

- 1. Prioritization of CER topics should be a sustained and continuous process, recognizing the dynamic state of disease, interventions, and public concern.*
- 2. Public participation (including participation by consumers, patients, and caregivers) in the priority-setting process is imperative for ensuring that the process is transparent and that the public has input into the delineation of research questions.*
- 3. Consideration of CER topics requires the development of robust, consistent topic briefs providing background information, an understanding of current practice, and assessment of the research status of the condition and relevant interventions.*
- 4. Regular reporting of the activities and recommendations of the prioritizing body is necessary for evaluating the portfolio's distribution, its effect on discovery, and its translation into clinical care in order to provide a process for continuous quality improvement.*
- 5. The secretary of HHS [Health and Human Services] should establish a mechanism — such as a coordinating advisory body — with the mandate to strategize, organize, monitor, evaluate, and report on the implementation and impact of the CER program.*

6. The CER program should fully involve consumers, patients, and caregivers in key aspects of CER, including strategic planning, priority setting, research-proposal development, peer review, and dissemination.

7. The CER program should devote sufficient resources to research and innovation in CER methods, including the development of methodologic guidance for CER study design — for instance, on the appropriate use of observational data and approaches to designing more informative, practical, and efficient clinical trials.

8. The CER program should help to develop large-scale clinical and administrative data networks to facilitate better use of data and more efficient ways of collecting new data to inform CER.

9. The CER program should develop and support the workforce for CER to ensure that the country has the capacity to carry out the CER mission.

10. The CER program should promote rapid adoption of recommendations based on CER findings and conduct research to identify the most effective strategies for disseminating new and existing CER findings to health care professionals, consumers, patients, and caregivers and for helping them to implement changes based on these results in daily clinical practice.

The analysis of these objectives leads to further insight as to where these folks are going. To reiterate, CER, as best as I understand their meaning, albeit inferentially, since one cannot find a delimited definition, it is expansively defined by what it does, a typical Government program, is a Government program targeting clinical studies, with the participation of a broad based of interested parties, who will in some undefined manner develop and recommend, perhaps mandate, clinical procedures related to the delivery of health care to Americans.

Frankly this is the antithesis of how medicine or any science is practiced. Imagine if we have had such a group in physics, chemistry, engineering, a centralized Government entity telling us what the problems are that we should consider and then seeking the input from many third party interest groups who may totally lack in any expertise and then setting up what the truth is. Would we have an Einstein, a Schrodinger, a Feynman, a Wiener, or perhaps a Banting, where would those ideas come from that were initially non-conformists? Frankly are these people just plain Orwellian!

The authors, clear supporters of this plan, state:

First, the national CER program must develop an overall funding strategy. It could follow the traditional biomedical research model by inviting proposals on any of the 100 high-priority topics and awarding grants to the scientifically strongest proposals. However, the research interests of individual investigators would then define the national priorities. Instead, we believe that the national CER program should decide on a coordinated portfolio consisting of research on priority topics, infrastructure enhancement, and studies of translation and adoption.

Medical research has been around for over a century and it continues to evolve as we learn more. It is iterative and it modifies itself as we learn more. Some studies are well posed at their initiation but flawed by the time they are completed. I come back to the classic prostate cancer studies. They were started when a PSA of 4.0 was considered the gold standard. Over the years we have found that a PSA of 2.0 is as important for a younger man as 4.0 is for an older and also that PSA velocity is more a predictor. It is iterative and in some ways combative. A national CER program is consensus driven, worst of all worlds.

Second, the CER program should establish an initial list of priority topics and evaluate the current state of knowledge about each. For the first of these tasks, it should build on the priority-setting work of the IOM committee. It could develop a portfolio chosen from the top 25 IOM topics by applying the already-published prioritization criteria of the IOM

The portfolio is already there as a matter of ongoing research. Why redo the effort? Is this nothing more than justification for billions of more dollars spent by the Government. The money os spent well now why do we need change.

Third, the CER program, with the help of expert advisory committees and the research community, should choose the research methods that will fill gaps in the evidence for a specific topic. In an investigator-initiated research program, the grant applicant typically chooses the methods. The cost of studies using the methods of CER (whether clinical trial, observational study, or qualitative research) varies widely.

Evidence is always changing. Back to my prostate example. We know also that 5-10% of prostate cancers are highly aggressive. The question is why? Perhaps the four or five gene hits, ultimately knocking out PTEN, leads to the aggressiveness. Perhaps many men have genetically had the hits and they are predisposed, possibly there are epigenetic factors as well. These are the issues we should be working on, and these are the issues which the highly motivated and competent researchers are already working on. Why do we need another group? That question has never been answered. Perhaps to create approved methods to just "kill of the old folks" and replace the "death panels" with "death procedures".


Fourth, the program should strive for a balanced portfolio of high-impact research topics. Although it could simply rank topics in order of importance and fund them in ranked order until the money ran out, we recommend developing a portfolio that addresses a balanced distribution of topics, outcomes, and target populations, as well as keeping the total portfolio cost within budget and producing a body of evidence sufficient to influence health care decisions.

The nature of the portfolio changes as we learn more each step. Dynamic portfolios are common in the way we do research now. The "hot topic" appears and researchers follow the path. Having a bunch of Government chart preparers do this is frankly insane!

Fifth, the CER program should evaluate progress and report to the public. To meet this obligation, it should do large-scale, ongoing observational research and evaluation to measure CER's effects on clinical practices and patient outcomes.

This I really do not understand. Medical research is always publicly available, NEJM is on line, as is JAMA and the list continues. Clinical trials are an every day affair, just read NEJM and JAMA and the hundreds of other journals. So what is the point? Just spending more money.

The only possible reason for CER is Government control. Control over what the Government will pay for and worse the control over what physicians can do. This is not the code of civil procedure used in Federal Courts, this is science, and as such changes. Having the Government as the regulator of change is not just stupid it is immoral.

Posted by Terry McGarty at [10:48 AM](#)  

Labels: [Health Care](#)

SATURDAY, FEBRUARY 13, 2010

MEDICARE: FACTS OR CONFUSION

The Republican Blogger and former Bush White House adviser, [Keith Hennessey](#), has written the following:

Medicare spending this year will be \$516 billion. Seniors will pay about \$78 B in premiums, and taxpayers will pay the other \$444 B, making it the second largest item in the federal budget after Social Security (at about \$700 B). The taxpayer cost of Medicare is projected to grow about 6.6% per year over the next decade, while the economy is projected to grow 4.5% per year over the same time period. If the projections are right, our economy will grow 54% (in nominal dollars) and Medicare will grow 89%. The cost to taxpayers will grow from 3% of GDP to 3.5% of GDP. (All data is from CBO.)

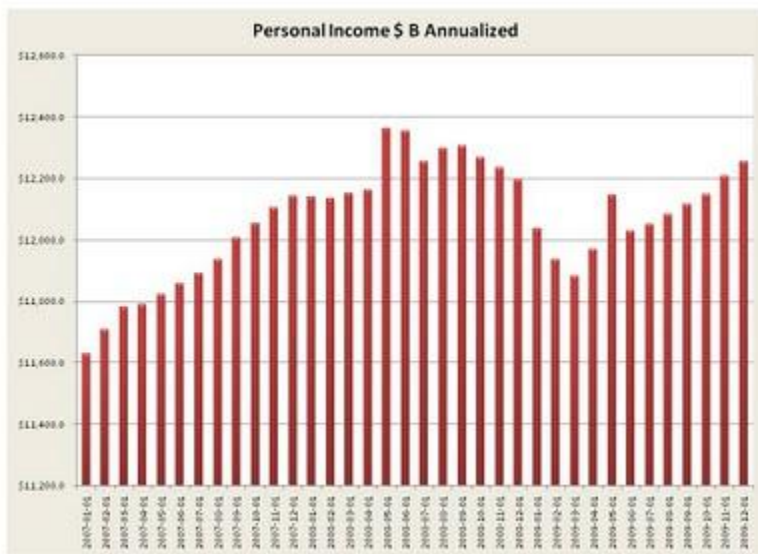
Now let us go back and deal with a few facts. He states that the taxpayers will pay the remaining amount. Excuse me Mr Hennessey, but Medicare Recipients had already more than paid their total share for years! It was the 3% Medicare Tax, and perhaps you have forgotten that Sir! Now it is not like me to rant at Republicans, but alas this is a Bush Republican, and they seem to have been a bit, shall we say, less than top rate, not that the current Democrat batch is anything to write home about either.

You see folks, you and I and all others who have worked and the few of us who have built business that have put people to work, and yes I have done that too, have, since 1968, paid out Medicare Insurance payment religiously every year! That was in anticipation of drawing down on that payment. It was not a tax, and those paying in now should be considering it as their future benefit. Hennessey, in my personal opinion in a grossly misleading manner, appears to attribute the Medicare tax as a tax on the current taxpayers to pay for the benefits for those on Medicare. No Mr. Hennessey, those on Medicare contributed their fair share and much more and you politicians confiscated that money along the way and spent it on programs to maintain yourselves in office.

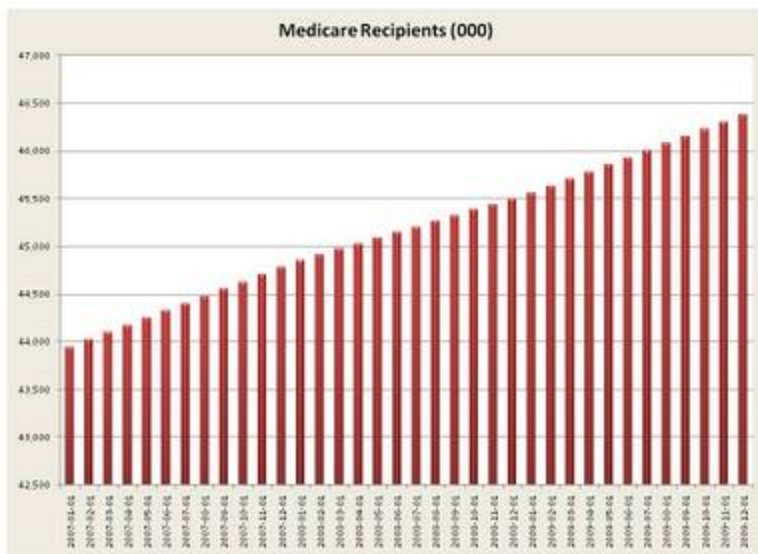
So let me stop ranting and deal with facts.

1. The following chart depicts personal income annualized by month since January 2007. We can see the dip due to the Recession and we further see the recovery at the end of the last President's

term. Slow and steady, it is recovering. Yet it is not yet where it was at the peak on an annualized basis.

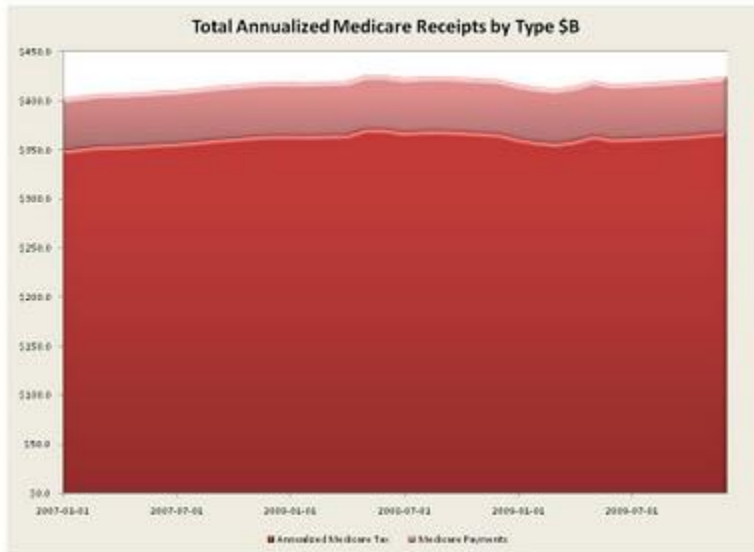


2. The number of Medicare Recipients are shown below for the same period. Note that they are increasing. This is nothing new and it is pure demographics.

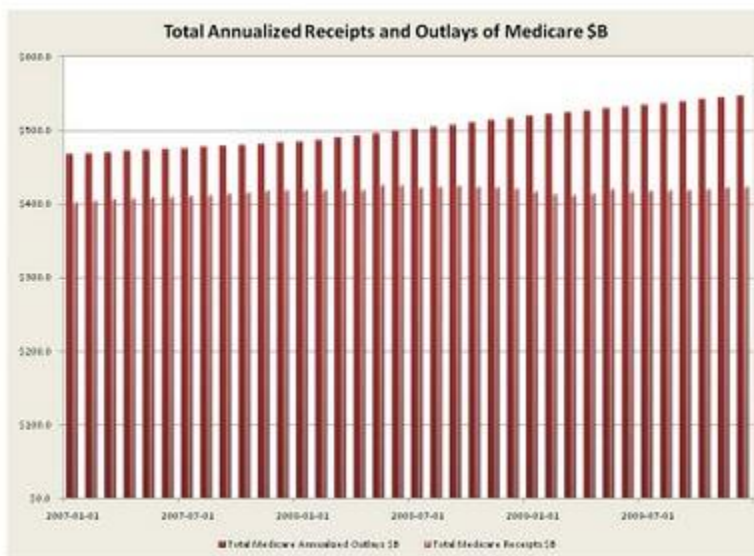


3. The following are the total Medicare Receipts annualized. Here one must be a bit careful. Hennessey seems to state that one is a tax, the 3% of gross income and the other is what Medicare Beneficiaries pay, the \$100 per month. In reality the Medicare beneficiaries have been paying for 40 plus years the 3% of their gross income before they received dollar one. Either they get credit for that or perhaps the Government would like to refund their payments with

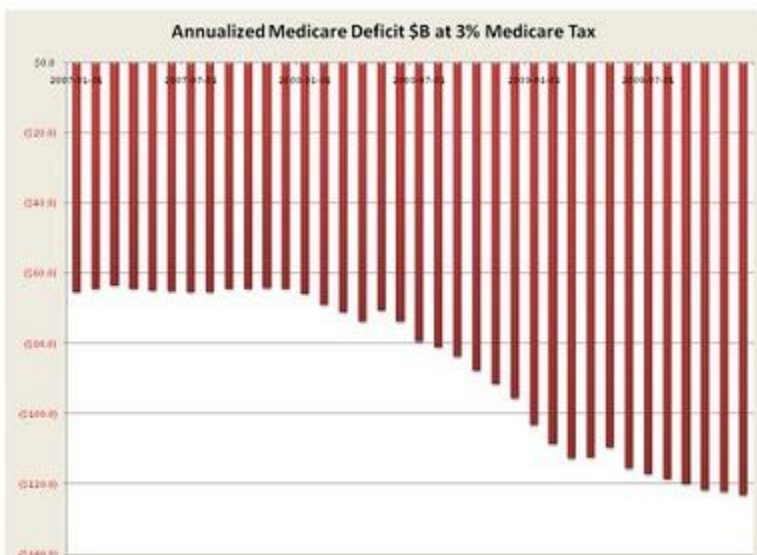
interest! Hennessey seems to deny the existence of this FACT! Perhaps it is statements of the type he makes that have gotten us in this mess in the first place.



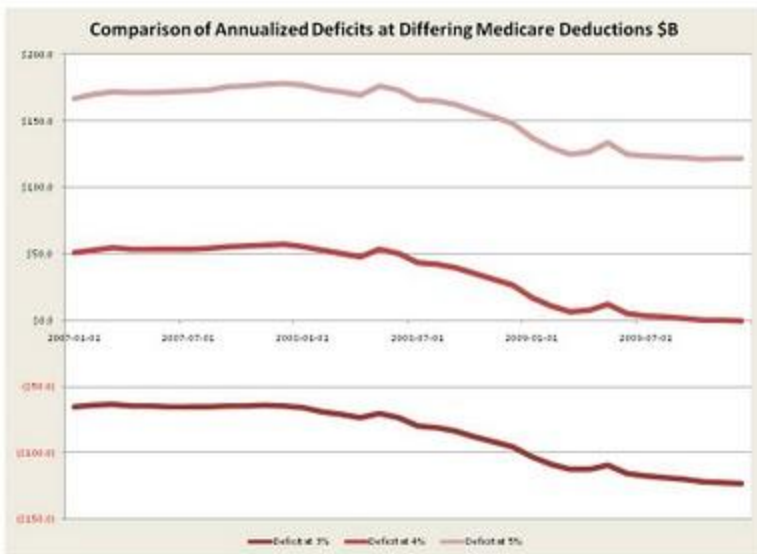
4. We now show the total Receipts and the total Outlays, each annualized by month. Now we see a gap. Outlays are growing greater than Receipts. Why? Two fold answer. First, Gross Personal Incomes are down due to the Recession, and that is the prime driver. Second, as we stimulate the economy, the stimulus seems to be SEIU directed, thus actually driving up health care employment and in turn costs! We demonstrated that in a earlier posting. The current Administration is drawing people from the ranks of private commercial employment and placing funds into union controlled cost increasing elements. Thus, the double whammy to Medicare. This is a "Government caused" problem, and perhaps Mr Hennessey should have the insight to see that and state it as such!



5. The annualized Medicare current account deficit is shown below. The issue is then how does the Government cover this? The Democrats proposal is to cut the payments to the providers. Unfortunately the physicians do not belong to SEIU and those who do have unbreakable contracts. So what happens is we drive the best physicians out of Medicare and leave the dolts to care for the old too poor to pay for it themselves. I really love Democrats, don't we all.



6. So what can we do? The chart below makes a few suggestions. We look simply at raising the Medicare tax from 3% to say 4% and then to 5%. It is logical to pay for what you will get.



And what do we see? Well 4% breaks even assuming minimal recovery from the Recession, and 5% actually creates a surplus. So what should we do with a surplus. Well again this is an insurance plan, not a piggy bank, and it should be saved and invested prudently, perhaps buy some Chinese debt, just kidding.

The Hennessey article raises many truly concerning and disturbing issues which we have tried to highlight here. The debate on Medicare will go into full swing shortly and both sides want to take a whack at it. Perhaps we need a voice of truth somewhere who can at least do a back of the envelope analysis.

Let me reiterate my conclusions:

First, there is a mind set in Washington amongst both parties that Medicare is being paid on an as is basis and that past payments into this insurance plans do not count. Namely those who are reaching 65 now contribute only what they do in the current year and the past 40+ years of contributions count for nothing. That is a bald face falsity. This was set up as an insurance plan and any insurance company who ran it this way would be bankrupt, alas the Federal Government is going that way.

Second, making Receipt and Outlays balance should not be placed solely on the shoulders of those who paid in. Namely the answer is not just reducing payments and thus care. That is a breach of contract. The alternative is a balanced plan of increasing the Medicare Fee, delaying Medicare eligibility, and using some form of means testing, namely making the fee per month dependent on income.

Third, Congress at some point should be prohibited from absconding with funds earmarked for special purposes, Social Security and Medicare. That is the prime cause for all the current problems.

Fourth, Congress and its erstwhile Stimulus is in and of itself a cause of the increase in health care costs by driving up spending on health care. It is a deadly cycle they are creating and it appears as if it will just get worse.

Fifth, there must be some intelligence in Washington to look at simple set of numbers, ascertain the problem, suggest a solution and explain it simply! But alas that may be an ever unfulfilled hope!

Posted by Terry McGarty at [8:54 AM](#)  

Labels: [Health Care](#)

FRIDAY, FEBRUARY 12, 2010

[DEBT AND THOMAS PAINE](#)

Some thoughts from [Thomas Paine and Common Sense](#):

Debts we have none: and whatever we may contract on this account will serve as a glorious memento of our virtue. Can we but leave posterity with a settled form of government, an independent constitution of its own, the purchase at any price will be cheap. But to expend millions for the sake of getting a few vile acts repealed, and routing the present ministry only, is

unworthy the charge, and is using posterity with the utmost cruelty; because it is leaving them the great work to do, and a debt upon their backs from which they derive no advantage. Such a thought's unworthy a man of honour, and is the true characteristic of a narrow heart and a piddling politician.

The debt we may contract doth not deserve our regard if the work be but accomplished. No nation ought to be without a debt. A national debt is a national bond; and when it bears no interest, is in no case a grievance. Britain is oppressed with a debt of upwards of one hundred and forty millions sterling, for which she pays upwards of four millions interest. And as a compensation for her debt, she has a large navy; America is without a debt, and without a navy; yet for the twentieth part of the English national debt, could have a navy as large again. The navy of England is not worth at this time more than three millions and a half sterling.

It is always worth a thought in light of the most recent [Romer comments](#):

"I think when we're through this, when scholars actually sit and look at this, they will say, 'My goodness, look at all of the trajectory, look at where we were going, my goodness, it would have been dramatically worse [without the stimulus],' " Romer said Friday....Romer said frustration partly stems from the fact that Americans haven't been able to compare the current economic situation to one that would have been more dire if the stimulus hadn't been enacted.

"We're inherently in the world of the counterfactual, right? We know we're still losing jobs; [the] unemployment rate has gone up steadily. In that world, if you ask people, 'Are things working?' they say, 'God, no, things aren't working,' " she said.

Asked why the public hasn't supported Obama like they did with President Franklin Roosevelt after his New Deal efforts to combat the Great Depression, Romer noted that people had been "suffering like crazy" for the three years before Roosevelt took office.

"At some level, they had seen the counterfactual, they had to see what happens when you don't do something," Romer said. "I think this unbelievable sense of relief that someone was doing something did keep them with [Roosevelt] for a while."

I know Thomas Paine, Thomas Paine is a friend of mine, and Ms. Romer you are no Thomas Paine.

Posted by Terry McGarty at [11:04 AM](#)  

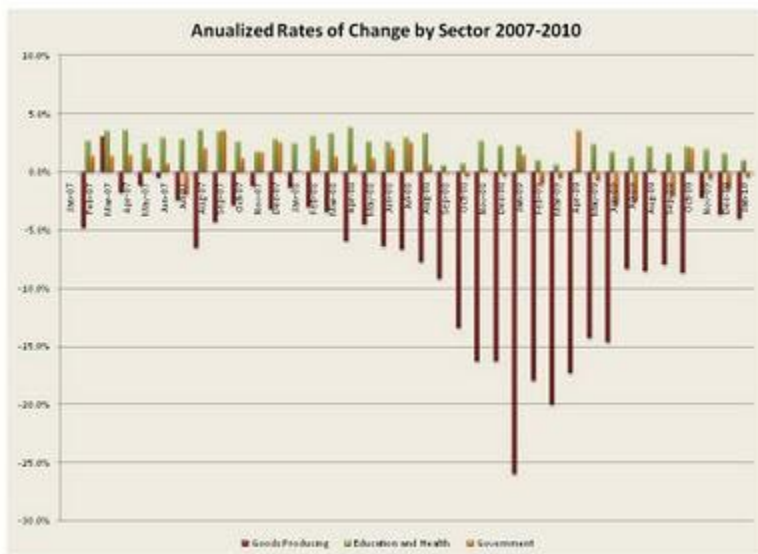
Labels: [Economy](#)

[ANOTHER LOOK AT THE EMPLOYMENT STATS](#)

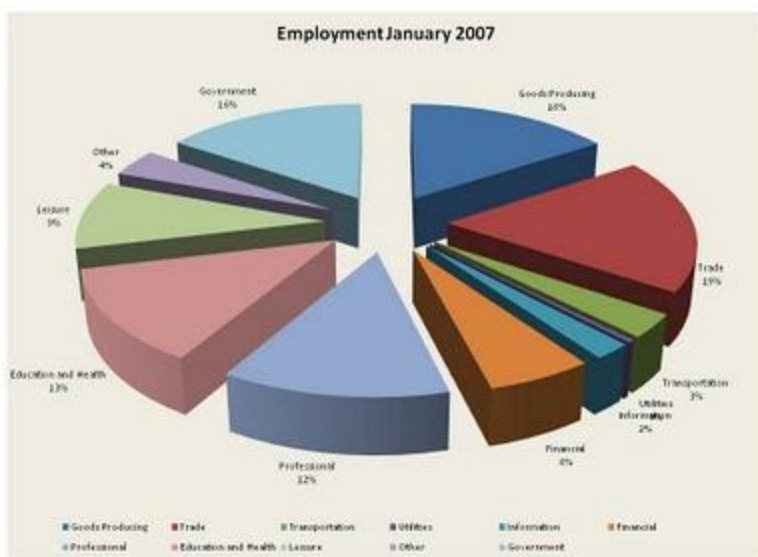
The recent monthly data on employment is often quite cumbersome to go through for a variety of reasons the most significant being that the Labor Department only issues it in pdf format which takes hours to convert to Excel format. It is straightforward yet time consuming.

Now to the most compelling chart seen below. Here we depict the annualized rates of change of Government, Education and Health Care and Manufacturing. It is clear that we are starting to pull out of the dip even in January 2009, which was the lowest month. That being the case the

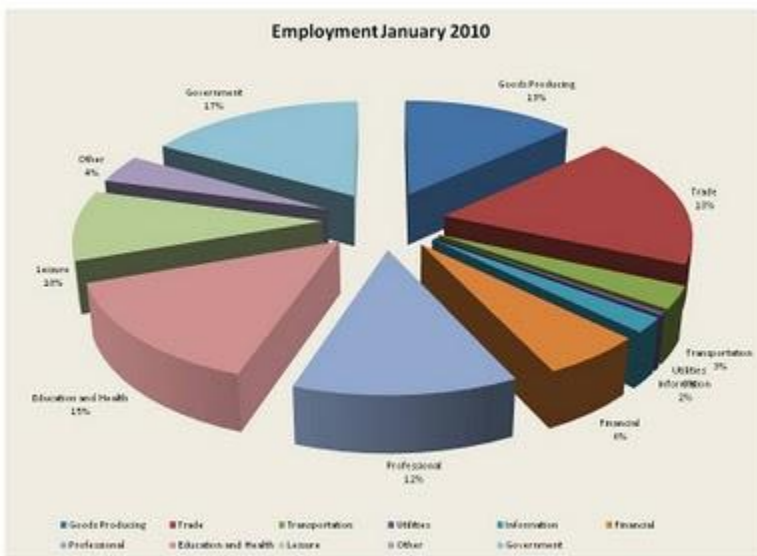
White House assertions to the contrary, we have looked at prior recessions and it appears that there is reason to believe that the actions of the White House may actually have prolonged this one, yet not deepened it. The Romer analysis of over a year ago is what most likely started all of this off since she appeared to conform her report to purely political ends. Thus the chart below is one of key importance.



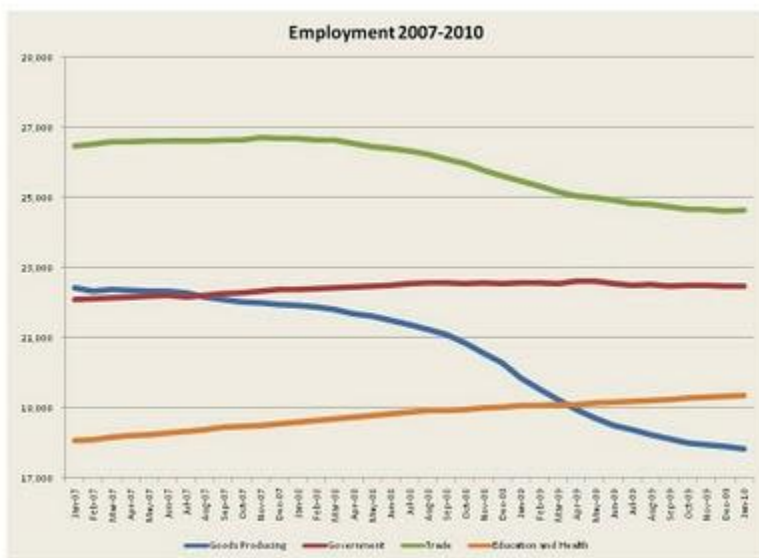
Now the following two charts show the division of labor between January 2007 and January 2010. The first is the 2007 baseline as shown below.



Second we have 2010 below and clearly we see the growth of Government and Health Care and Education.

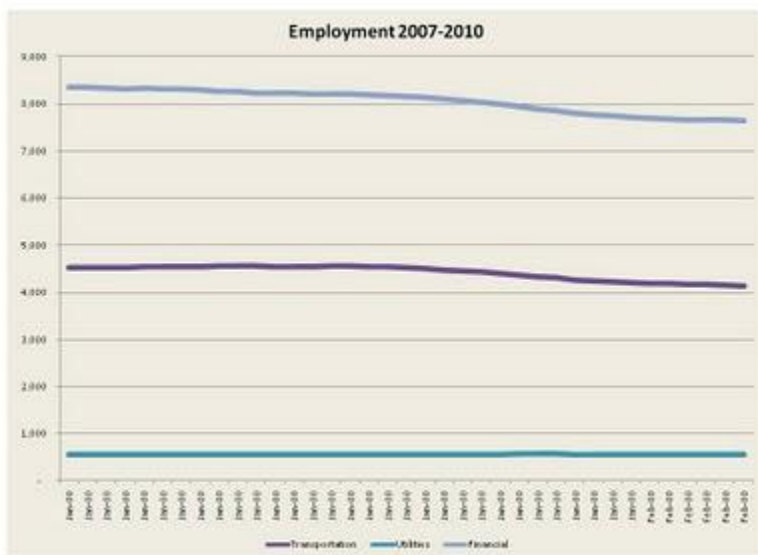


We now show the employment in the key sectors over this period by month (in 000s).



Goods Producing and Trade, the core elements of the economy, show drops which are dramatic but Government and Health Care and Education continue to grow. This should be of great concern because this is the first time in our economy that Goods Producing ever was less than Government and Ed & HC! **We now have less people creating value than spending its rewards!** This very fact should be of monumental concern to the people!

At the other extreme where utilities and the like reside the chart below shows the results:



In all there has been some decline but not to the extreme we have seen in core business.

The conclusions are quite clear:

1. The turn started at the end of the last administration.
2. The actions of the current administration may not have improved things they may very well have prolonged them
3. The loss of manufacturing base and the expansion of government means that we have less people working making things than we have government employees regulating them! We are becoming Greece and we know where that goes.

Posted by Terry McGarty at [5:41 AM](#)  

Labels: [Economy](#)

THURSDAY, FEBRUARY 11, 2010

[A CHALLENGE FOR GOOGLE, OR SOMEONE ELSE](#)

There is a statement I have paraphrased frequently which is; the question is more important than the answer. Posing the right question often is what leads scientists to finding really interesting facts. Posing the right question helps on getting the best out of a PhD thesis.

In reading [Mankiw's blog](#) I found him saying at the end:

Here is a project for some ambitious blogger: Go to old ERPs, which list the CEA members and staff, and collate them with data on citations. That would provide one way to judge objectively (albeit imperfectly) the quality of CEA economists over time.

This is a brilliant question, not necessarily for the purpose for which he apparently set it forth, which was interesting in and of itself. The reason I think is important is that it would be great

if you could ask this question of say Google. The question is a simple and elegant example of the next step in search. We know that the lists of economists are somewhere in a text, and frankly I just want the list, and we know that the citations are somewhere if we have the names, just look at his link, and we know how we want the data presented, number of citations per year, or in some similar manner. These meta objects of search can be readily identified, culled, sorted, cross referenced and then given as the desired result.

At the other extreme try getting economic data from many Government Department web sites, you are lucky if it is in pdf format and then you cut and paste. The St Louis FED is a God send but they are not really Washington types.

So if anyone at Google is listening, there is most likely some computer type, one of my great great student descendants solving this problem now, all they have to do is monetize it!

Posted by Terry McGarty at [12:35 PM](#)  

Labels: [Commentary](#)

[DO MACRO ECONOMISTS HAVE A CLUE?](#)

[The Hill](#) reports today:

Christina Romer, chairwoman of the president's Council of Economic Advisers, said the stimulus that pumped about \$800 billion into the economy has been an "unsung hero of the past year." Roughly 700,000 jobs were lost monthly before the stimulus was passed in February 2009, far more than the 69,000 jobs lost per month during the last quarter of 2009, the report noted.

The problem is that her January 11, 2009 report from the soon to be White House was so far off that there is zero credibility from anything she says. In addition her January 11, 2009 report contradicts the reports she and her husband had published just a year earlier. At what point do facts count?

[Romer also published a report](#) today discussing the economy. Here is what she touts as accomplishments:

Working with Congress, we have already achieved a great deal. The extension of the Children's Health Insurance Program will bring coverage to as many as 4 million more children. The Recovery Act provided support for unemployed workers to help them maintain health insurance benefits and made pioneering investments in health information technology, health centers, and research into which treatments are likely to work best. Both houses of Congress have passed reform legislation that would do so much more to slow the growth rate of health care costs, and make insurance coverage more secure for those who have it and affordable for the millions of Americans who do not. Successful completion of reform legislation is essential to our long-run economic prosperity, taming our government budget deficit, and making American families more secure in their health insurance coverage.

In fact the economy was failing due to the collapse as perceived of the financial institutions and the housing market. Frankly little has been done to restart housing other than taking over Freddie and Fannie. It is still stalled. Wall Street on the other hand has recovered as evidenced by the re-

institution of their bonus pool, built on free money from the FED. The Congressional Health Care Plans create massive Government controls over health care, evidenced by the Comparative Clinical Effectiveness fiasco! And Romer considers this progress. At what point does an honest macro economist say that they really do not have a clue! Perhaps Diogenes would never have found an honest one.

Posted by Terry McGarty at [8:52 AM](#)  

Labels: [Economics](#)

WEDNESDAY, FEBRUARY 10, 2010

GOOGLE AND FIBER



In writing this I feel like the French after leaving Indochina telling the Americans that they are getting themselves into a swamp. You see we tried exactly what Google wants to do albeit with much less cash. We did have RUS backing, and even there we did not take a penny, because the swamp pulled us down before we had a chance. We started this broadband project after having achieved success in eastern Europe, in over a dozen countries. Yet nothing could prepare us for the towns, the very thing which makes America, can break America, they control the cable franchise boards. The River Styx is a better vacation spot!

Now on to Google, but remember we have the distinct disadvantage of experience.

[Google today announced](#) its intent to build fiber to the home in selected communities. They are asking for responses'

Specifically they state:

Google is planning to launch an experiment that we hope will make Internet access better and faster for everyone. We plan to test ultra-high speed broadband networks in one or more trial locations across the country. Our networks will deliver Internet speeds more than 100 times faster than what most Americans have access to today over 1 gigabit per second, fiber-to-the-

home connections. We'll offer service at a competitive price to at least 50,000 and potentially up to 500,000 people.

From now until March 26th, we're asking interested municipalities to provide us with information about their communities through a Request for information (RFI), which we'll use to determine where to build our network.

This is an interesting move. The question still is, what business is Google in and what business do they think they are in?

Adding a FTTH operation takes their Android gPhone and expands its to FTTH, a fixed platform. How does none monetize this opportunity, triple play, triple play plus.

If Google wants to "own" the customer, does this play into that hand? How would this change the value of Google as a stock and how much would this cost.

Here is what they say:

Our goal is to experiment with new ways to help make Internet access better, and faster for everyone. Here are some specific things that we have in mind:

- **Next generation apps:** *We want to see what developers and users can do with ultra high-speeds, whether it's creating new bandwidth-intensive "killer apps" and services, or other uses we can't yet imagine.*
- **New deployment techniques:** *We'll test new ways to build fiber networks; to help inform, and support deployments elsewhere, we'll share key lessons learned with the world.*
- **Openness and choice:** *We'll operate an "open access" network, giving users the choice of multiple service providers. And consistent with our past advocacy, we'll manage our network in an open, non-discriminatory, and transparent way.*

Like our WiFi network in Mountain View, the purpose of this project is to experiment and learn. Network providers are making real progress to expand and improve high-speed Internet access, but there's still more to be done. We don't think we have all the answers – but through our trial, we hope to make a meaningful contribution to the shared goal of delivering faster and better Internet for everyone.

This will be interesting to follow. It is also interesting that they are where we were almost ten years ago when we looked at [municipal fiber](#). We detailed what [their goals are](#) over seven years ago. Also our [town network plans](#) detail what they are seeking. It is always good to see that it just took them eight years. Good luck!

I have read that cities like Seattle are interested also suggested was Cambridge, Mass. Well I do not know Seattle well, but we did the plan for Belmont, Mass, the town adjacent to Cambridge. We did it assuming cooperation with the power company. Even then it was a stretch. As for those Vermont towns, again we did many there and in New Hampshire and Massachusetts, walked every street, mapped and photographed every pole, spoke to thousands in determining interest, well those Vermont towns are good for cows but not economical for fiber.

And oh by the way, remember the franchise, some town cable board head will want your first born! We wrote extensively about the [franchise problem](#). It is really an untenable issue that Goggle is lacking knowledge of. Will Goggle get a franchise. Yes, they will get it! All at a price, welcome to politics.....but you will learn that first hand I surmise.

And one last comment, my Indochina metaphor forgot the Vietcong, in this case they are the cable companies. If one thinks they will sit by and do nothing when this represents a clear and present danger then Google must truly be dreaming. The Vietcong won the War by tactics that just wore away their enemy. Add to that the NVA, the fortified war hardened troops from the north, and you will have a very formidable enemy. They will track you through the jungle, follow you through the tunnels, and you have little chance of winning. History has many repeats, and one should learn.

Posted by Terry McGarty at [9:10 AM](#)  

Labels: [Broadband](#)

[WEDNESDAY, FEBRUARY 10, 2010](#) [KRUGMAN AND THE STATA CENTER](#)



The MIT Stata Center is the leaky and poorly laid out center for Electrical Engineering and Computer Science at MIT. It is in reality two divided towers, one for Computer Science and one for the more analytical EE studies. Of course the sides never really meet as was the intent. As they say, Function follows Form, or whatever.

Paul Krugman gave a talk there last week on economics. It was reported on in the [MIT news](#) and I comment briefly here. One is struck by the contrast of location since the Economics Department is located way across Campus and the only thing on the first floor of Stata worth the interest is the Day Care Center. One can see a great deal of symbolism in all of these items.

Now to Krugman. He states:

“In the Dark Ages, people forgot what the Greeks and Romans had learned.” It is an analogy Krugman favors these days when he thinks about his own profession. “We’re living in a dark age of macroeconomics,” Krugman said during his lecture, before an audience of several hundred students (and several of his former MIT colleagues) in the Stata Center. “Economists themselves are confused,” he added. “It’s been really amazing within the economics profession to see how much has been lost.”

One can immediately see that Krugman has limited historical knowledge. For example if one looks at the 7th Century, one sees Columbanus, the Irish scholar, founding dozens of schools, teaching Latin, Greek, Hebrew, and Aristotle and the other classics. The schools of Columbanus ranged from France, through Germany and down to northern Italy. They prospered and lasted quite a while. Further to the east we had the Library of Alexandria, which lasted until destroyed by the onslaught of the Arabs as they worked their way west to Spain. Yet even there they were again rebuilt at Cordoba and other sites. Isidore of Seville during this Dark Period drew together his great encyclopedia. There was a great deal of intellectual thought. Perhaps not what Mr Krugman would value however.

Krugman continues:

Thus Krugman believes the United States has benefited from the \$787 billion federal stimulus package that was signed into law in February 2009; it consisted of a combination of spending programs on things like infrastructure, education and research, along with some state aid and tax cuts. Although unemployment has risen from 8.2 percent when the stimulus was passed to 9.7 percent today, Krugman thinks the legislation helped alleviate the recession’s effects. “We would probably have 12 percent unemployment in the U.S. if we didn’t have the stimulus,” he said. Yet the seemingly long odds against additional government spending are leading Krugman to think we may well be headed for a double-dip recession — the contemporary counterpart to the slump that occurred in 1937, just as the U.S. economy was recovering from the worst of the Great Depression.

It is not at all clear that the benefit was what he believe it was. Again as we have said monthly, the Romer data was never satisfied, we overshot on unemployment, yet did not exceed the level of the early 1980 Recession that resulted from Carter. Will there be a double dip, one thinks that given the confusion from Washington that there very well may be, and a significant one at that. The dip due to Washington's actions, or resulting confusion, rather than a dip due to Washington inaction.

He then comments on the efficient market theory, or hypothesis, as follows:

Additionally, Krugman thinks, efficient-markets ideology has allowed many misconceptions to flourish, including one he has frequently written about — the notion that government spending crowds out private investment, which Krugman believes to have been refuted long ago. “There are insights that have been hard-won, but they were hard-won 70 years ago, and were lost in the interim,” he told the MIT audience.

As to Government spending crowding our private investment, one need look no further than the current shabby state of the venture community. When the Government drives trillion dollar plus deficits one asks where does the money come from, it comes from sources which could place it in non-Government investments. Why do the investors choose that path, because of the anticipated uncertainties the Government has thrown in front of private investments, from taxes to fees to restrictions to overall market uncertainty.

Krugman goes on to say:

"By avoiding utter disaster," Krugman said, "we're avoiding looking at our own failings." Referring to Ben Bernanke, chairman of the Federal Reserve, Krugman offered, "I have a high regard for my former department chair [at Princeton], but I'm not sure the fact that the world didn't end is enough reason to make Ben Bernanke [Time magazine's] Man of the Year."

Perhaps he regrets that he was not man of the year! This comment has been made by him several times now and frankly it is in my opinion in poor taste, but one supposes he must say something.

Krugman ends his talk with one suspects is his form of humor:

As Krugman made clear, he does not expect that current policy stasis to change any time soon. Winding up his remarks, Krugman paused, looked down at the podium, then sized up the audience again. "I left a little [space] in my notes here that says, 'Come up with something optimistic to say at the end,'" he remarked as the audience laughed, "but I don't have anything." Call it black humor for the new dark age.

The optimistic view is that we can and must reduce the debt exposure. There are many ways to do this, but simplicity and clarity of purpose are essential.



That is what seems to be lacking in Washington, and in Princeton, in my opinion.

Posted by Terry McGarty at [6:26 AM](#)  

Labels: [Economics](#)

THE DYNAMICS AND UNCERTAINTY OF CANCER

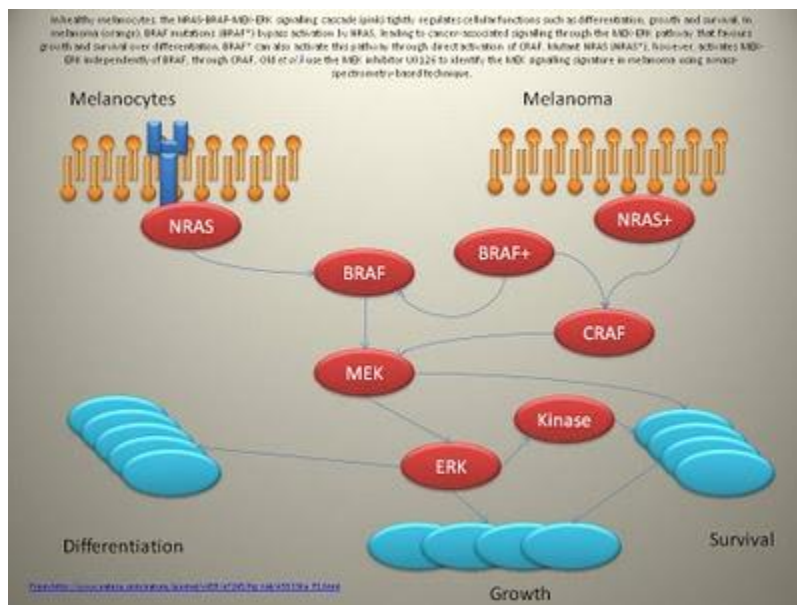
As we have discussed before, the pathways which are the controllers of cell growth and proliferation appear to be at the heart of cancer dynamics. Furthermore those pathways are capable of being modeled as dynamic systems and the functions or constants which are the descriptive constituents of those models are ascertainable by observing them progress of cells in situ via microarrays.

In a recent [NCI Bulletin](#) a discussion of an article in Nature states:

Some patients with advanced melanoma have had dramatic responses to a new class of targeted drugs in early stage clinical trials. While the long-term effects of these drugs, called BRAF inhibitors, are not yet known, two reports suggest that these drugs may have unintended consequences in patients whose tumors lack mutations in the BRAF gene.

In separate studies, scientists in Great Britain and the United States tested the drugs in the laboratory to better understand how BRAF inhibitors behave in cells. To their surprise, the drugs actually spurred the growth of some tumors. The preliminary findings raise the possibility that certain patients should not receive BRAF inhibitors because the drugs could make their cancers worse.

The pathways are shown below as best understood at this time.



In the [Nature article](#) the authors state:

Activating mutations in KRAS and BRAF are found in more than 30% of all human tumours and 40% of melanoma, respectively, thus targeting this pathway could have broad therapeutic effects. ... In BRAF(V600E) tumours, RAF inhibitors effectively block the mitogen-activated protein kinase (MAPK) signalling pathway and decrease tumour growth. Notably, in KRAS mutant and RAS/RAF wild-type tumours, RAF inhibitors activate the RAF-MEK-ERK pathway in

a RAS-dependent manner, thus enhancing tumour growth in some xenograft models. These events occur independently of kinase inhibition and are, instead, linked to direct conformational effects of inhibitors on the RAF kinase domain. On the basis of these findings, we demonstrate that ATP-competitive kinase inhibitors can have opposing functions as inhibitors or activators of signalling pathways, depending on the cellular context. Furthermore, this work provides new insights into the therapeutic use of ATP-competitive RAF inhibitors.

This seems to imply that there is a dynamic at play which we have seen frequently in complex systems, namely two stable states, one leading to diminished and controllable cell growth and one leading to metastasis.

It would be interesting to use this as a model for two things. First the development of the details of such a model. Second for the development of means to ensure that the metastatic state is inhibited.

As Dr Chapman at MSK states from the NCI article:

“The findings provide a framework for understanding possible mechanisms of resistance to BRAF inhibitors,” said Dr. Chapman. “The results give researchers an idea where to look in the signaling pathway.”

Yet we would argue that it can be taken even farther using the complex models which have been developed in systems modeling.

Posted by Terry McGarty at [5:31 AM](#)  

Labels: [Health Care](#)

MONDAY, FEBRUARY 8, 2010 **HAPPY 100 TO THE BOY SCOUTS**

Happy 100th Birthday to the Boy Scouts. They have produced a large group of men who have contributed greatly to this country and still work hard in that area. This is just a look back sixty years to when I was in the Scouts for the first time.

The first is in 1951 at my Cub Scout pack, and yes that was Ted Williams! I sat next to him for dinner, and when he asked me what I thought of baseball my answer was, "What was baseball!" He then tried to convert me all night. I have yet to watch a baseball game!

This Cub Scout Group was at a Presbyterian Church which was a bit upscale in the area. One can see by the attire of the scouts that they were well groomed and pressed. Our Den Mother was Mrs. Cooper whose husband was a Captain on a major ocean liner, Cunard I believe, and thus in those days was quite well off with a beautiful home overlooking the New York Harbor, with the typical Captain's Nest. Mrs. Cooper was an ideal Den Mother and she did a superb job with the group of Cubs.



The second is about 1955 at my Boy Scout Troop! Yes indeed, I am the tall one with the straight up hair! On my way to Eagle! This group is in stark contrast to the Cubs. This was at the local Catholic Church, primarily blue collar, Police, Fire and the like, and much more scruffy. The Troop leaders were almost without exception just back from World War II or Korea. We had an Assistant Scout Leader who had one of the first VWs with the turn signal coming out of the side door edge! It was a mixed group of Scouts and of course had its normal set of problems. The first Scout Master was Fred Droste, a wonderful leader and quite competent having been an Eagle Scout himself. The second was Gill Benn, a rather incompetent man, in my view, who managed to let the Troop just dissolve. Strange the extremes that can occur in just a few years.



Notwithstanding the Boy Scouts have done very well in their first 100 years. Wish that they have many hundred more!

Posted by Terry McGarty at [2:30 PM](#)  

Labels: [Commentary](#)

[MORE ON USPSTF AND BREAST CANCER](#)

The controversy over the USPSTF Government Review Panel on Breast Cancer still rages amongst Radiologists. In a recent article in [Journal of Diagnostic Medical Sonography](#) and as written up in [Aunt Minnie](#), the Radiologists web site they state:

Guidelines for mammography screening published by the U.S. Preventive Services Task Force (USPSTF) in November not only are based on flawed methodology, they also fail to address current breast imaging practice and data, making them obsolete, according to a critique published in this month's Journal of Diagnostic Medical Sonography.

The article continues:

Author Kevin Evans, Ph.D., evaluated the USPSTF's report methodology and found that it did not meet established standards for systematic reviews ([JDMS](#), January/February 2010, Vol. 26:1, pp. 19-23). Evans is chair of the radiologic sciences division in the School of Allied Medical Professions at Ohio State University in Columbus.

Evans used two resources to evaluate the USPSTF's report: the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA), a 27-point checklist, and the Assessment of Multiple Systematic Reviews (AMSTAR), an 11-point checklist.

The task force's report scored 7 out of 27 on the PRISMA checklist and 1 out of 11 on the AMSTAR list. These low methodological scores put in question the rigor used in developing the report, limiting it to a review of literature instead of a formal systematic review and reducing its overall scientific impact to a much lower level in the hierarchy of evidence, according to Evans.

"I picked two of the most well-known methods to evaluate systematic reviews and applied them to the report," he told AuntMinnie.com. "It's possible that USPSTF met these standards but failed to provide their methodology in the report. This becomes problematic in reading their guidelines."

Needless to say the critical review calls into serious question the whole issue of Comparative Clinical Review by a Centralized Government Panel. As we have argued for well over a year, the CCE or CCR proposal are one of the weakest elements of the current Administration's Plans but on the other hand they go to the heart of their belief that a centralized Governmental solution is the only solution.

Posted by Terry McGarty at [4:29 AM](#)  

Labels: [Health Care](#)

[SATURDAY, FEBRUARY 6, 2010](#)
[A STARTLING FACT ABOUT RUSSIA](#)

A few days ago we posted a brief note about the [explosive growth in scientific publications in China](#). Now at well over 120,000 peer reviewed articles per year, we see China excelling. In contrast we see in an article in [Science that Russia](#) is going the other way. The article states:

Russian researchers at home and abroad have long warned that Russian basic research is in a dangerous, even terminal, decline. Last week, information provider Thomson Reuters confirmed their fears, releasing an analysis of worldwide publications that shows that Russia's research output has continued to slide since the demise of the Soviet Union. After a peak of more than 29,000 papers published in 1994, the total slumped to 22,000 in 2006, although it bounced back somewhat in the following 2 years. In the 5 years from 2004 to 2008, Russia produced only 127,000 papers, 2.6% of the world's total. During that time, Russia ranked behind countries such as China (8.4%), Canada (4.7%), Australia (3.0%), and India (2.9%) and was only slightly ahead of the Netherlands (2.5%).*

That means that Russia, once a powerhouse of scientific innovation, is down to one sixth that of China! Russia was a strong player across the board in science. It is not the loss of funds, because Russia as a state has had ups and downs but with the oil revenues can support a good research environment. In my opinion it is the fact that the interest in science is declining and unlike the US which invites foreign nationals, Russia is not as open, by far.

The article ends with:

Last year, some expatriate Russian scientists sent President Dmitry Medvedev and Prime Minister Vladimir Putin a letter warning of "the catastrophic conditions of fundamental science." Particle physicist Alexander Belyaev of the University of Southampton in the United Kingdom, one of the authors, says there was a positive reaction—the president mentioned the letter in speeches—but little has changed. "The government doesn't seem to understand the difference between fundamental and applied science," he says. Grad students don't get enough to live on, Belyaev says, so anyone who is serious is forced to move abroad. More than 190 scientists have signed the letter online.

I believe it is not just money but the culture has changed. There are other opportunities in Russia and money and the making of money has become a drive which parallels that of US students. Whatever the drivers, this presents a clear long term threat to Russia and its position in the world.

Posted by Terry McGarty at [12:54 PM](#)  

Labels: [Russia](#)

SARKOZY AND THE CURRENT PRESIDENT

There was a time that one thought that Sarkozy and the current President were resonating on both national and international views. However in a recent article in [Le Monde, Sarkozy](#) is quoted as

Nicolas Sarkozy renvoie vers ceux de Barack Obama. Interrogé, lundi dernier sur TF1, sur sa méthode consistant à multiplier les réformes tous azimuts, il a répondu par une pique cinglante :

"J'ai vu que M. Obama, pour lequel j'ai de l'estime et même de l'amitié, [a tout misé sur sa réforme de la santé]. Je n'ai pas vu que ça rendait les choses plus simples."

Namely he seems to say that the current President lacks the focus to do the simple things first.

The next criticism is quite telling. This focuses on the three losses in elections and compares Sarkozy to the current President:

Le président français n'en est pas à son coup d'essai. Début novembre, il avait déjà énoncé cet argument devant quelques journalistes – mieux vaut faire beaucoup de réformes qu'une seule –, assorti d'un commentaire peu amène : "Obama est au pouvoir depuis un an et il a déjà perdu trois élections partielles. Moi, j'ai gagné deux législatives et les européennes. Qu'est-ce qu'on aurait dit si j'avais perdu ?" Loin d'être anecdotique, la mauvaise humeur envers son homologue américain est devenue quasiment structurelle chez Nicolas Sarkozy. "Chaque fois qu'il peut le critiquer, il le fait, que ce soit en Conseil des ministres ou devant des visiteurs", indique, sous le couvert de l'anonymat, un bon connaisseur de la diplomatie française.

Namely the current President lost three elections and Sarkozy won two plus the EC elections as well. he reason according to Sarkozy is lack of focus and trying to do too much. Perhaps he is correct.

Posted by Terry McGarty at [5:38 AM](#)  

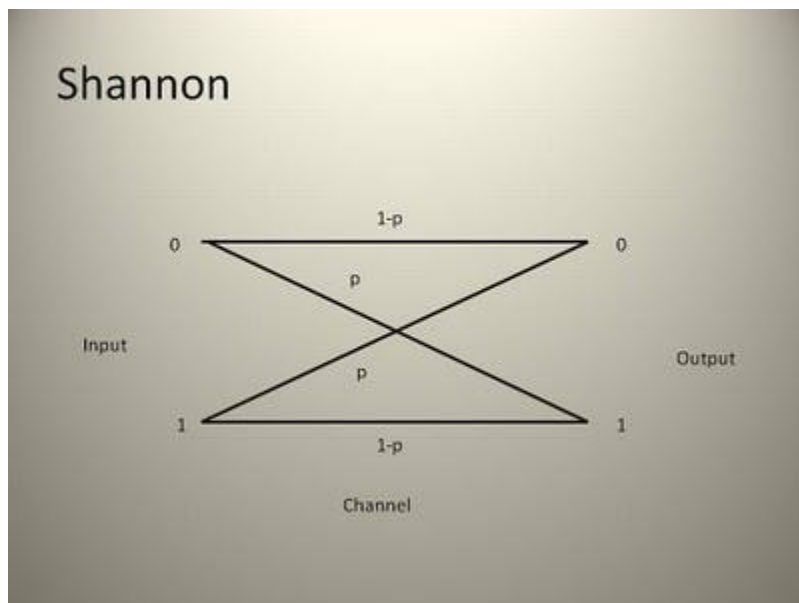
Labels: [Commentary](#)

FRIDAY, FEBRUARY 5, 2010

[CANCER, GENOMICS AND A NEW PARADIGM](#)

In reading a paper by one of the Professors on my Doctoral Oral Exams, Bob Gallager, I come back to his comments time and again. For example in his presentation on Tom Kailath's 70th Birthday celebration, he recounted the essence of Shannon's famous paper developing Information Theory as we now know it. It was a simple paper because it presented a simple paradigm, the binary symmetric channel.

Shannon's paradigm or example was as shown below. Inputs, outputs and errors.



From this simple token comes everything we now know about communications and information theory. Gallager remarks:

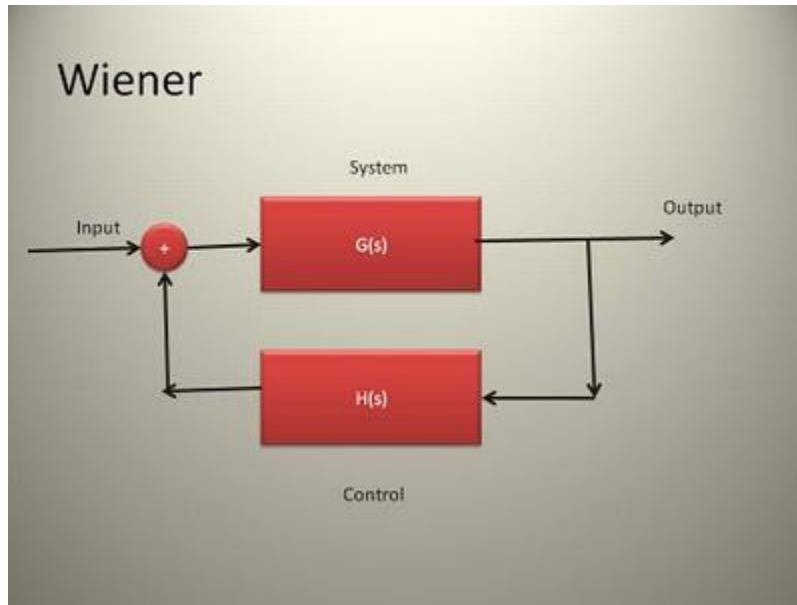
Information theory has prospered because of 4 major ingredients: 1) There is a rich and elegant mathematical structure based on probability. 2) There are many toy problems that are fun and simple, but which can be extended to approach reality. 3) The application field is digital communication, which has rapidly grown in importance. 4) The culture is to attack new problems in a discipline oriented fashion.

Namely with this simple model all the other distractions could be put aside for a while and then added one at a time to the elegant simplicity to create a functioning world view.

Gallager then continues:

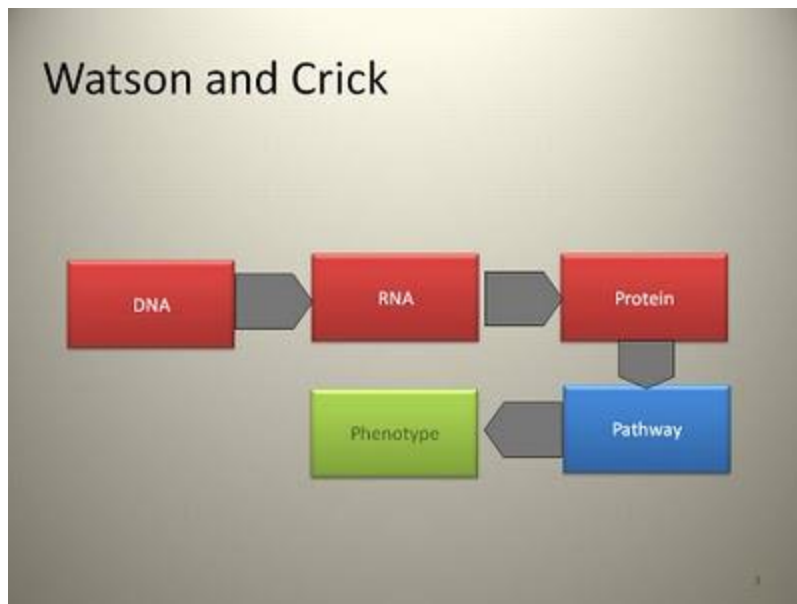
It is equally important to constantly simplify the structure. Detail must be abstracted away. Simple but generalizable examples (and counterexamples) are critical. Human minds do not evolve on technological time scales, and theories that are not accessible to human minds are not much use. As data expands, the importance of simple structure becomes essential.

The last statement is of driving importance. Let me take another step and that is from Shannon to Wiener. Wiener developed cybernetics, which in simple terms is the application of the paradigm of feedback control to life. The Wiener paradigm is shown below:



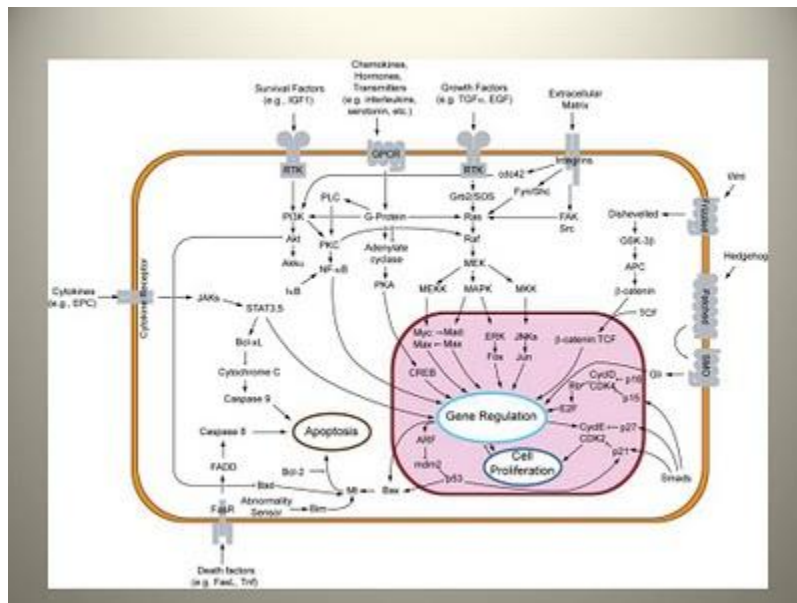
This paradigm of feeding back was used by Wiener in areas from control, to signal processing, biophysics and society in general. Again a simple example.

The third is the Watson and Crick paradigm of the cell. This we show below:



DNA, to RNA to protein, simple. Yet as we have learned over the past almost sixty years not so simple. There are feedback loops, errors, and complex control mechanisms.

In the past twenty years we have come to understand the cell protein interactions and we show them as follows:

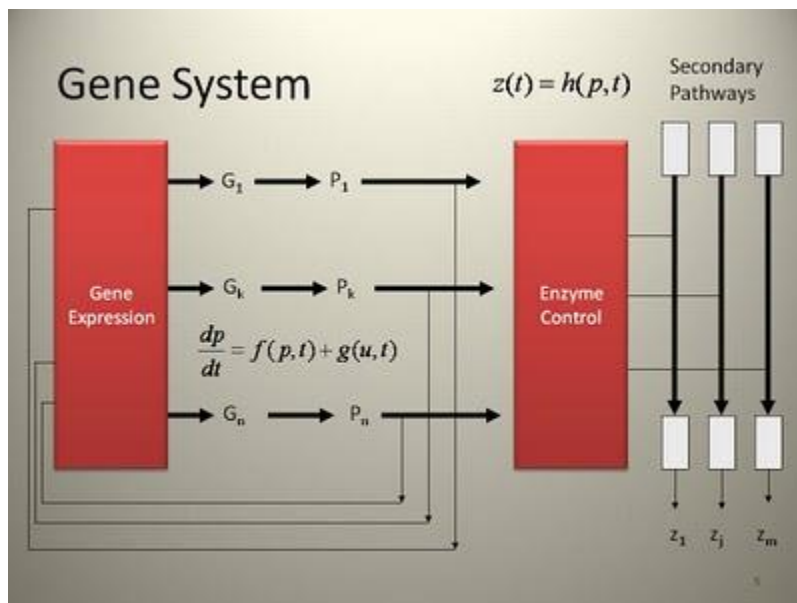


These loops are massively complex and we show links of activators and suppressors all over. In some ways this is akin to what Shannon faced when he drew the simple diagram since there were modulators, demodulators, antennas, receivers, transmitters, and even more. Shannon reduced the problem to a simple paradigm. In that paradigm, that example, he found the essence of the development of information and communications theory.

The question then is; can we go back to one of the simple paradigms again in the areas of cell dynamics. Can we do what we have seen in Shannon or Wiener or even in Watson and Crick. Can we restart the paradigm for what we have here in unwieldy. Can we re-look at the chart above and from it distill a "system" which is both analyzable and projectable.

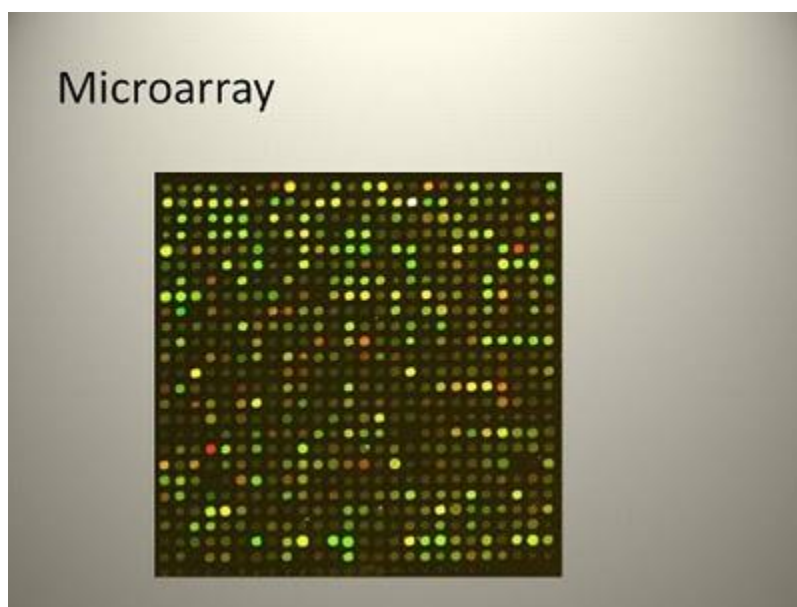
[Dougherty in a paper](#) entitled *On the Epistemological Crisis in Genomics* hints at this goal we have defined. We have been [applying this in the analysis of secondary pathways in plants and humans](#) and have been developing a similar simple paradigm for cell dynamics, a model which accommodates the pathways yet does so in a dynamic and controllable manner. The answer is to use the systems models that we know all too well and then combine system identification procedures we also know well to determine cell dynamics.

Thus I propose a model of the following type, one of course which will require some simplification:



In the above we have a complex system of genes, controlled by their products in a feedback manner, with the controls being randomly hit by genetic alterations from time to time. The result is the control of pathways, secondary as well as primary, and this model gives structure to what we have seen before as just an interconnected collections of proteins. Moreover this approach applies a dynamic to the model as well as a way to assess the control, namely management, of model aberrations. This gives a paradigm to work with.

Now how do we go from the map or proteins to the model of the life of a cell? Simply is one follows both what we have done in the above mentioned work and if we use [Goodarzi et al](#) in their paper *Revealing Global Regulatory Perturbations across Human Cancers*. We use microarray data by the truck load and then using the model, the paradigm of cell dynamics, determine by standard system identification methods the constants.



To summarize:

1. Develop a simple model or paradigm, so that the elements focused upon are a few and are recognizable.
2. Use the massive amounts of data to incorporate into the model to obtain a good data fit. Remember that this is NOT econometrics, we have a model of reality here, it reflects reality, it is reality, just as Shannon did in his model.
3. Use the model to look at the temporal dynamics. The temporal dynamics are what one must look at in Cancer. The cells grow uncontrolled but that is the final step. The keys are understanding the intermediate dynamics. If we can can we can recognize them when present and control them so we do not have an adverse outcome.
4. Generalize the model across a wide base of cancers.

Just a thought, we are slowly filling in the details.

Posted by Terry McGarty at [7:01 AM](#)  

Labels: [Health Care](#)

FRIDAY, FEBRUARY 5, 2010

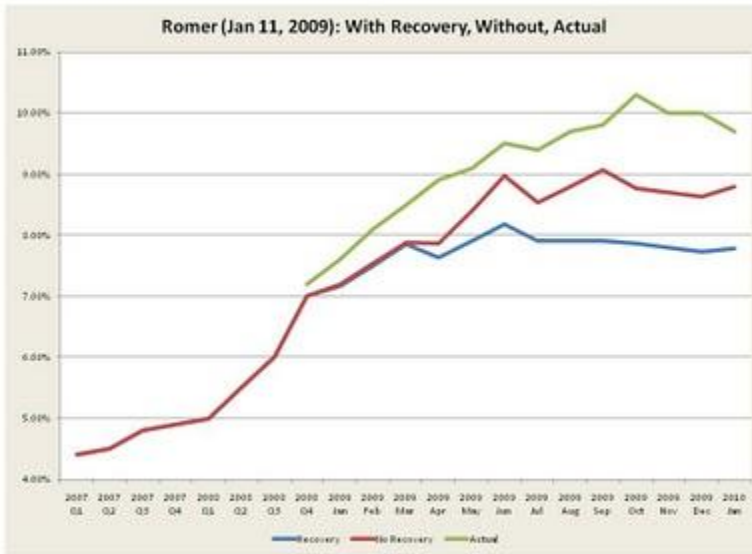
UNEMPLOYMENT DROPS YET ROMER IS STILL WRONG

The [DoL](#) announce that unemployment for January 2010 dropped to 9.7%. Specifically they state:

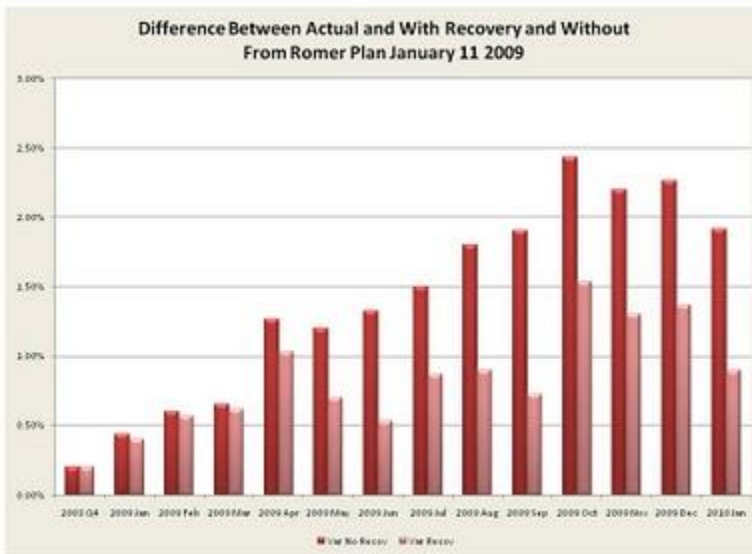
The unemployment rate fell from 10.0 to 9.7 percent in January, and nonfarm payroll employment was essentially unchanged (-20,000), the U.S. Bureau of Labor Statistics reported today. Employment fell in construction and in transportation and warehousing, while temporary help services and retail trade added jobs.

The charts below depict the three factors we have been monitoring.

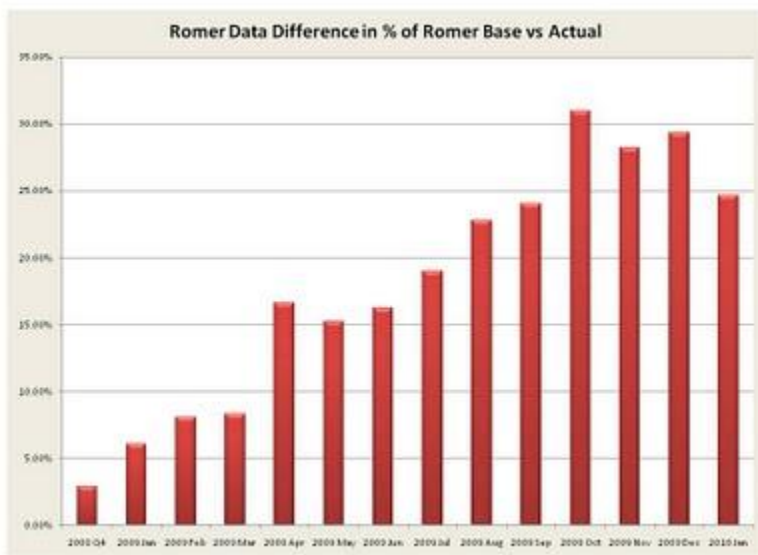
First the track to the Romer Data of January 11, 2009. Her projects now appear as pure guess work.



Second we depict the difference in absolute percent for the two cases:



Third we depict the relative error between what she predicted and actual.



It is clear that the Romer error is decreasing on a relative scale. However it is also clear that the Stimulus did not function. The attempt to define an unmeasurable called "jobs saved" is truly shameful. The answer is what we suggested in a earlier posting, just eliminate corporate income tax. That will have a twofold effect; increase demand by lower costs and in turn increase employment due to increased demand.

The Government is the last entity ever to create jobs. In fact their money is targeted at local and state jobs, the very jobs that should be reduced! These jobs have the excess pay, excess pensions, excess health care, and yet are dominated by unions.

In the same [BLS page](#) as the unemployment data we have a report on union employment. They state there:

In 2009, the union membership rate—the percent of wage and salary workers who were members of a union—was 12.3 percent, essentially unchanged from 12.4 percent a year earlier, the U.S. Bureau of Labor Statistics reported today. The number of wage and salary workers belonging to unions declined by 771,000 to 15.3 million, largely reflecting the overall drop in employment due to the recession. In 1983, the first year for which comparable union data are available, the union membership rate was 20.1 percent, and there were 17.7 million union workers.

The data on union membership were collected as part of the Current Population Survey (CPS). The CPS is a monthly sample survey of about 60,000 households that obtains information on employment and unemployment among the nation's civilian noninstitutional population age 16 and over.

Some highlights from the 2009 data are:

- 1. More public sector employees (7.9 million) belonged to a union than did private sector employees (7.4 million), despite there being 5 times more wage and salary workers in the private sector.*
- 2. Workers in education, training, and library occupations had the highest unionization rate at 38.1 percent.*
- 3. Black workers were more likely to be union members than were white, Asian, or Hispanic workers.*
- 4. Among states, New York had the highest union membership rate (25.2 percent) and North Carolina had the lowest rate (3.1 percent).*

The observations on the above are pointed:

1. We now have more union members in the public sector than anywhere else. This drives up costs and lowers productivity. Just look at the New York City School System of the State of New Jersey.
2. Education is a disaster in the United States. There are lower scores, less students going into the hard sciences, and higher drop out rates and frankly less is learned by teachers who frequently are at best marginally competent. A PhD in Math from MIT or Stanford is prohibited by law, a law created by unions, from teaching in a High School unless they are dumbed down by the education courses. If Einstein had teachers like these just think!
3. Highest union membership and New York and its financial collapse, is there a connection? Yes there is, and the current Administration just wants to institutionalize this! Shameful acts.

Posted by Terry McGarty at [5:43 AM](#) 

Labels: [Economy](#)

[X RAY BACKSCATTER AGAIN](#)

In January we wrote a piece on the dangers of X Ray Backscatter scanners at airports especially for people who have a genetic pre-disposition for malignant melanoma. This is a concern because these people had already several hits in melanocytes which have taken certain cells down the path to malignancy and the cells, more than 2 billion per person, are surface cells and subject to the most sever radiation.

Today there is a report in [Bloomberg](#) raising the issue. They open with the following:

Air passengers should be made aware of the health risks of airport body screenings and governments must explain any decision to expose the public to higher levels of cancer-causing radiation, an inter-agency report said.

Pregnant women and children should not be subject to scanning, even though the radiation dose from body scanners is "extremely small," said the Inter-Agency Committee on Radiation Safety report, which is restricted to the agencies concerned and not meant for public circulation. The

group includes the European Commission, *International Atomic Energy Agency*, *Nuclear Energy Agency* and the *World Health Organization*.

This is nothing new. The dynamics of Compton backscatter are a bit complex at the molecular level but simply put this is what happens:

1. In certain individuals with a genetic predisposition, say a dysplastic nevus syndrome, may already have a few initiating genetic defects.
 2. Melanocytes reside at the basal layer of the skin and they are a few tenths of a micron from the surface.
 3. The x rays collide with the outer electrons on the DNA of the melanocyte knocking out the electron and setting it up for methylation.
 4. The methylated DNA then blocks a second or third genetic pathway which blocks a tumor suppressor gene.
 5. The loss of these genes result in cancer, uncontrolled clonal growth.
- Simple, and the use of frequent Compton backscatter just increases the risks exponentially. That's one way to get rid of the old folk, radiate them during their working life so they never get old! An added element or shall we call it a benefit of the new health care plan.

Posted by Terry McGarty at [4:24 AM](#)  

Labels: [Health Care](#)

THURSDAY, FEBRUARY 4, 2010

[CHINA'S VIEW OF THE CURRENT ADMINISTRATION](#)

[China Daily](#) published a piece today that is reflective of internal Chinese views of US relationships. Specifically one paragraph is quite perceptive:

Li Wei, a scholar on US studies with Tsinghua University, said that Obama is consistently riling China up these days because he wants to please voters and reverse his declining popularity as midterm elections draw near.

China's role as a rising power has also made the US feel uneasy, he said.

The China Daily is an in house organ which sends messages across the Pacific. It thus is worth while to see how they are positioning the current Administration and its positions. Yet this statement was prefaced by:

"China does not seek a trade surplus with the US," said Foreign Ministry spokesman Ma Zhaoxu yesterday.

The yuan's exchange rate against the dollar is largely at a reasonable level, he added, and the yuan's value is not a major element in the US trade deficit with China.

US President Barack Obama has vowed to "get much tougher" with China on trade and currency issues to fuel US exports and narrow its trade deficit with China, the world's largest exporter. With the US promising to sell arms to Taiwan and Obama planning to meet with the Dalai Lama, analysts said the possibility of a speedy yuan appreciation is slim.

"Even if the yuan's value rises, it is China's own business," said Li Jian, economist with the research institute under the Ministry of Commerce. "China will not (appreciate the rate) in accordance with the US' demand."

The currency issue will become a dramatic one if China still continues its purchases of US Debt. It becomes even more of an issue if it does not and the FED just prints money at a reckless rate to fill the gap in the exploding Budget. This will be a sensitive issue to follow as the Budget fiasco expands.

Posted by Terry McGarty at [6:18 PM](#)  

Labels: [China](#)

[NIH RECOMMENDATIONS AND COLORECTAL CANCER](#)



The [NIH released some guidelines for screening of colorectal cancer](#) today. The report states at the beginning:

Colorectal cancer is the third most common cancer, and the second leading cause of cancer deaths, in the United States. Each year, nearly 150,000 people are newly diagnosed with colorectal cancer and 50,000 die. Polyps are abnormal growths of tissue along the lining of the colon. Many polyps are harmless, but a common type of polyp, the adenoma, can develop over time into a colorectal cancer. An effective way to reduce mortality from colorectal cancer is to screen for it and its precursor, the adenomatous polyp. Although screening methods have been available for decades and new methods continue to develop, screening rates remain low. The purpose of this conference is to analyze national screening rates for colorectal cancer, identify the barriers to screening, and propose solutions to increase screening rates. Evaluating or establishing the comparative effectiveness of the various colorectal cancer screening options was beyond the scope of this conference and not part of the charge to this panel.

As we have argued before this cancer can, if properly managed early, be reduced to an almost zero mortality rate. The 150,000 new cases themselves can be reduced also to near zero if the polyp can be detected before malignant, namely at the early stage. The costs of doing so are approximately \$1,000 to \$1,500 per 3-5 years per person. At the low end it is \$200 per year per person. Even if the patient shared in the cost, at say \$100 per year, that is less than \$10 per month! That would result in almost total elimination. The problem however is the availability of competent endoscopists. There are about only 20,000 highly competent ones in the US today and that would be about 200 million procedures every 5 years per 20,000 physicians, or 20 million per year, or 2,000 per year per physician! That is 10 per day! At the minimum.

The recommendations were:

The panel found that despite substantial progress toward higher colorectal cancer screening rates nationally, screening rates fall short of desirable levels. Targeted initiatives to improve screening rates and reduce disparities in underscreened communities and population subgroups could further reduce colorectal cancer morbidity and mortality. This could be achieved by utilizing the full range of screening options and evidence-based interventions for increasing screening rates. With additional investments in quality monitoring, Americans could be assured that all screening achieves high rates of cancer detection. To close the gap in screening, this report identifies the following priority areas for implementation and research opportunities to enhance the use and quality of colorectal cancer screening:

- *Widely implement interventions that have proven effective at increasing colorectal cancer screening, including patient reminder systems and one-on-one interactions with providers, educators, or navigators.*
- *Tailor specific approaches to match characteristics and preferences of target population groups to increase colorectal cancer screening.*
- *Implement systems to ensure appropriate follow-up of positive colorectal cancer screening results.*
- *Eliminate financial barriers to colorectal cancer screening and appropriate follow-up.*
- *Develop systems to assure high quality of colorectal cancer screening programs.*

The recommendations are quite reasonable and professional as are most if not all from NIH as contrast to the breast screening recommendations of a few months ago. This is a worthwhile read since it poses a process for moving forward. Yet as we develop better genetic tests as well as means to detect cancers early via sampling of the outputs of genes controlling cell growth, we can see in the next 10-20 years the need for colonoscopies being reduced as we detect aberrant cells at an earlier stage. Markers of those cells must also be developed so that they can be removed or hopefully genetically deactivated.

The ideal would be a fully genetic based detection and inactivation and thus the ability to achieve scale economies in medicine. The need for mass colonoscopies is costly and lacks any scale economies.

Posted by Terry McGarty at [4:48 PM](#)  

Labels: [Health Care](#)

[AN INTERESTING FACT ABOUT CHINA](#)

There was an interesting note in [Nature Medicine](#) regarding China. It states:

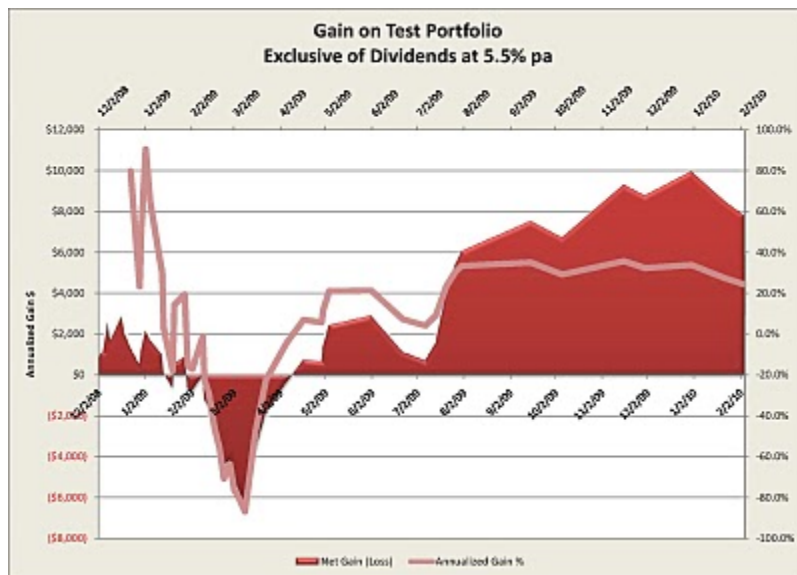
This Chinese New Year is the Year of the Tiger—an appropriate icon for China's increasing strength in the research landscape. A Thomson Reuters study released last November showed the country's research output increasing from over 20,000 papers in 1998 to nearly 112,000 papers in 2008.

Add this fact to their economic growth, the US economy, and the paucity of American born researchers, and you have a prescription of doom and dread in the future of the US leadership in science and engineering.

Posted by Terry McGarty at [1:57 PM](#)  

Labels: [China](#)

[THE MARKET, THE PORTFOLIO AND THE BUDGET](#)



The market is on a downturn and we believe it is due primarily to the Budget proposed by the current Administration. The above is our baseline portfolio which as we have recounted had been started in December of 2008. That was near the nadir of the market and we have seen the performance as we have progressed through the current Administrations economic plan.

As we have been showing the proposed Budget is fiscally unacceptable. Now all outsiders see that to be the case. The economic "team" inside the current Administration appear to have no understanding of the implications of their actions.

Sovereign Wealth Funds and others comparable, including China in toto, and even most likely Russia in a strange way, may force the current Administration back to a responsible path.

If I remember correctly Orszag was a classmate of my daughter in the MIT pre-school "graduating" the same year. Thus my image of him is frozen in time as a three year old. I wonder if anything has been learned since then?

Posted by Terry McGarty at [1:30 PM](#)  

Labels: [Baseline Portfolio](#), [Economy](#)

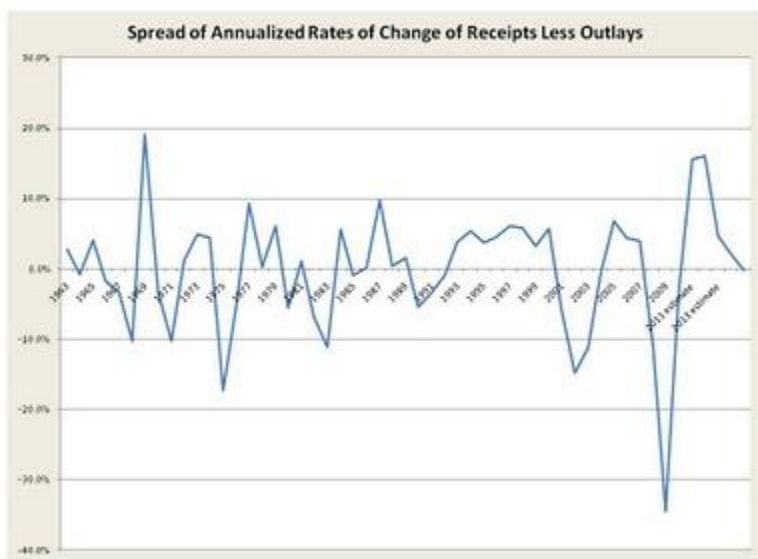
[BUDGET OBSERVATIONS AND SUGGESTIONS](#)

I have been watching the hits on my budget observations from Moscow to Beijing, none from DC yet, so why am I not surprised. I surmise that other countries are wondering what in God's name are those Americans thinking about. They will just self destruct on their own stupidity.

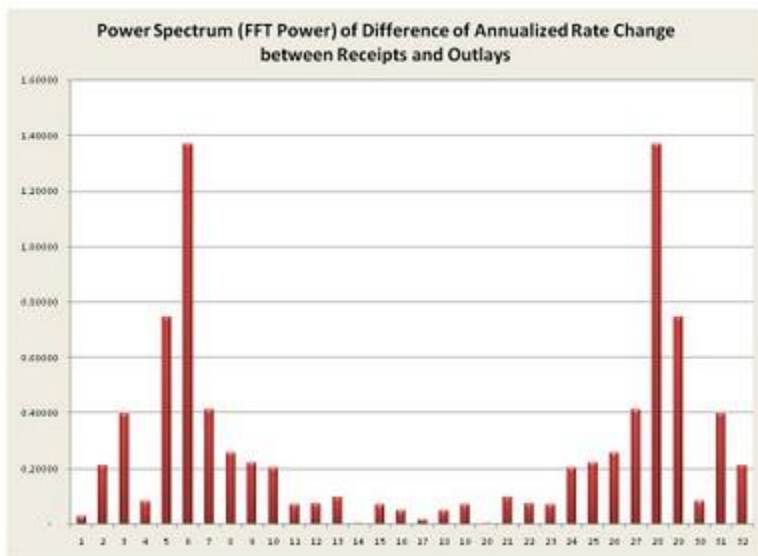
Now two observations.

1. The cyclic behavior of the annualized rate of change difference of receipts less outlays is truly cyclical. It follows a strong 6 year cycle over the past 64 years! Is there meaning in this? I do not know but it is an interesting fact.

Let me reshew the data I did yesterday.



Now if we do a power spectrum analysis of this, power of the FFT, we obtain the spectrum below. I have not normalized this.

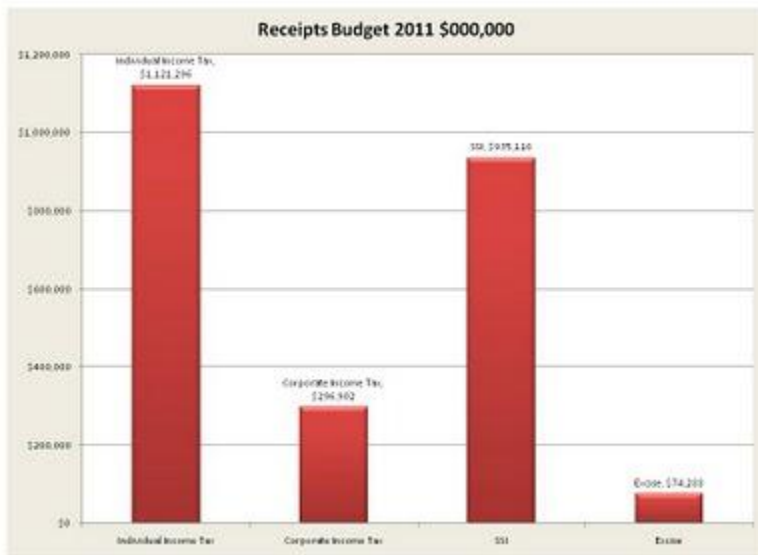


The above shows the 6 year cycle and the height of the spectrum shows it is a strong cycle/ This seems to apply broadly and perhaps there is some meaning here politically, more than economically.

2. The proposed Democrat jobs bill has been presented in the [NY Times](#) as follows:

An aide to Mr. Reid, Jim Manley, said that Senate Democrats would like to put forward a "robust" jobs package, similar to a bill approved in December by the House, which would spend \$174 billion, including \$75 billion taken from the financial bailout program, and use it for job creation efforts including highway construction, school renovation and hiring of new teachers, police officers and firefighters.

If one looks at the 2011 Budget and its receipts one sees that corporate taxes are just a small amount above this:



Now the solution is to reduce corporate taxes to zero! No Government stimulus, let the market work. I suggested this a year ago but then we were no in as bad a shape as we are now. The solution should be a Republican solution. It is a classic back of the envelope suggestion since we can explain it on a napkin in a diner! We have no need of a Harvard or MIT economist, in fact we can fire them all and hire the waitress in the diner who is closer to understanding markets!

Posted by Terry McGarty at [10:39 AM](#)  

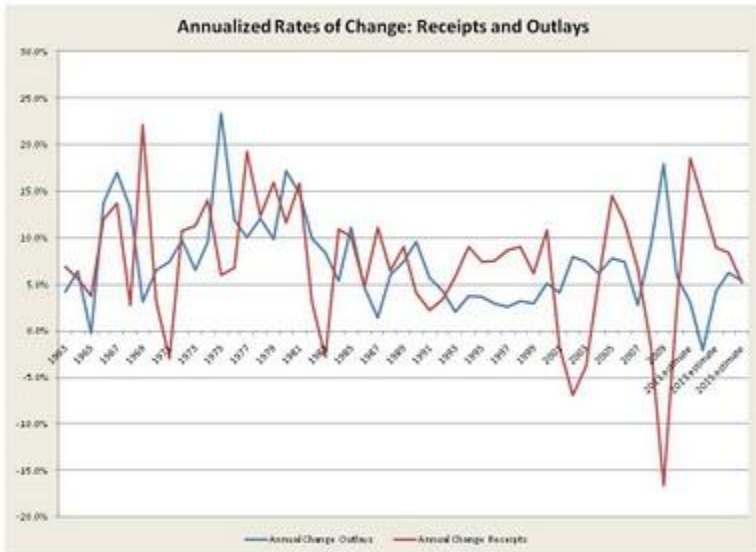
Labels: [Economy](#)

[WEDNESDAY, FEBRUARY 3, 2010](#)
[MORE BUDGET OBSERVATIONS](#)

We have gone back to the budget numbers from 1963 forward and looked at three elements: annualized percent changes in Receipts and Outlays and the annualized difference of Receipts from Outlays. We present them here since they give a normalized view of the dimension of the problem we are facing.

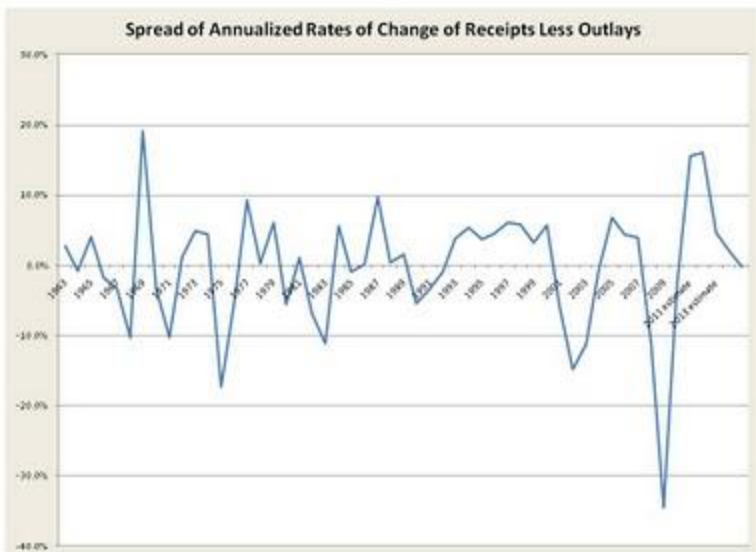
First the annualized changes in receipts and outlays we show below. Note the red receipts line dipping below zero in 1971, 1983, 2002, 2009. These are the major years of recession. However the dip in 2009 is more than 3 times that of the worst one before, namely 1983. This is a powerful chart because it also shows the rise after the dip. This time we have had a structural recession and the return to normal may be dragged on. However the current Administration predicts a bounce never seen before under any circumstance. The swing exceeds any prior swing by many factors of a multiple. Namely it will NEVER occur.

At the same time look at the changes in outlays. The gap between outlay change and receipt change is the largest again in 2009.



This is the second chart with the difference in percent changes. Note that the 1976 negative swing was 17% whereas the 2009 swing was down 35%. That is twice the worst case. The positive swing upward will not have any rational justification for happening. The current Administration is going into uncharted waters and they are doing so with no rational economic model to work with.

The fear amongst any group of rational people who have the slightest bit of real world experience is that the current team in the current Administration focusing on the budget and the economy are doing so apparently not only blindfolded but almost with a malice. Nothing else seems to explain why the assumptions are so baseless and the reality is so terrifying.

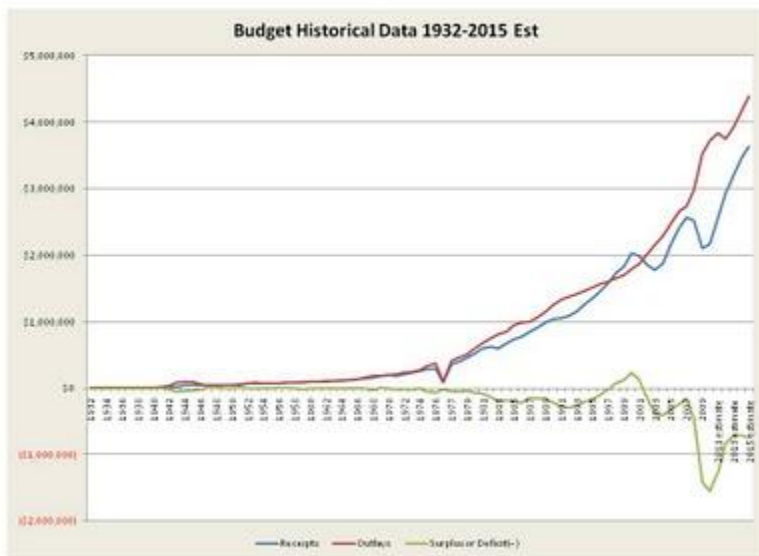


Posted by Terry McGarty at [1:50 PM](#)  
 Labels: [Economy](#)

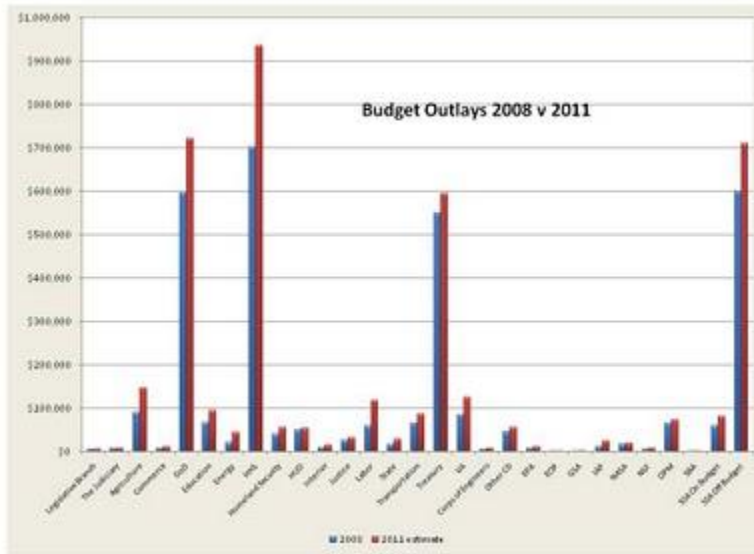
THE BUDGET PROBLEM IS SIMPLE: LOOK!

To see what is going wrong with the Budget one need look at some simple historical numbers. Just to to the [GPO web site](#) and start looking. I want to go over four charts and show what specifically is going wrong and how it can be fixed NOW.

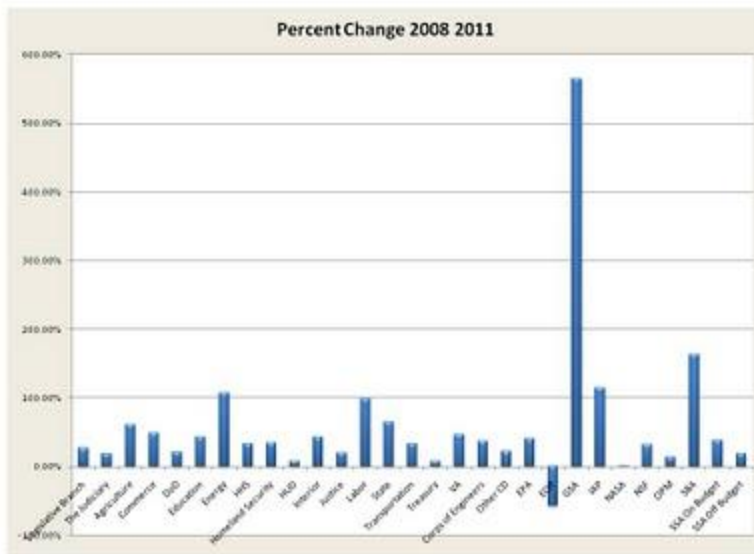
1. History: The following chart shows that the problems began in 1932-1934. It was how FDR responded to the then Recession and growing Depression. This shows the rate of outlays starting to explode and do so significantly over the past four years as well as going forward.



2. Outlays: The actual outlays by category for 2008 and 2011 are shown below. One must ask why DoD, HHS, Treasury and Agriculture are growing at the rates they are. We are leaving a War in Iraq, we have no real farm problems, HHS does nothing of any merit, and Treasury needs money like a drunk need a drink! The massive amounts of the Budget explosion are all here.



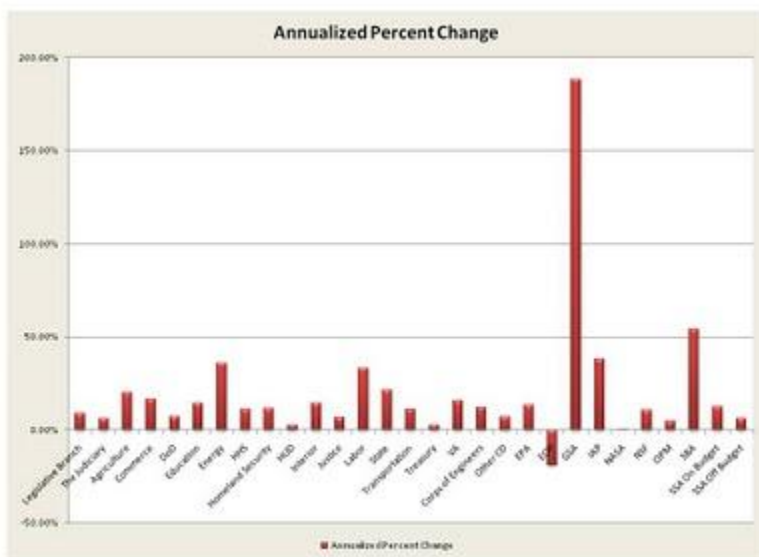
3. Percent Change 2008-2011: Why has GSA exploded to a 550% change! Can anyone explain that? Is it the new furniture for the new Administration? What in God's name caused this increase. It dwarfs all others. Yet look in the swamp and we see almost every department with over a 50% increase, every department! Why should Labor have doubled! What has State done to warrant a 75% increase from Bush!



4. Annualized Percent Increases: As the working person sees more than 10% unemployment, no salary increases, increases in Federal and State Taxes, we see bloating across the board in almost every department. Energy is growing at a 40% annual rate! What are they doing, one would have thought electric cars are now a reality. We are not building nuclear weapons, and they only cost about a half a million a piece anyhow! What is Labor doing at a 37.5% annualized rate of increase! Department by Department has been uncontrolled.

The Budget Problem, simple, there is no management control. The people in charge have just allowed rampant explosions on a Department by Department basis. The solution, simple, the Department must keep their budgets at or below the annualized salary increase rate of the typical non Government worker. Also Government salaries must be no more than 80% of comparable commercial salaries.

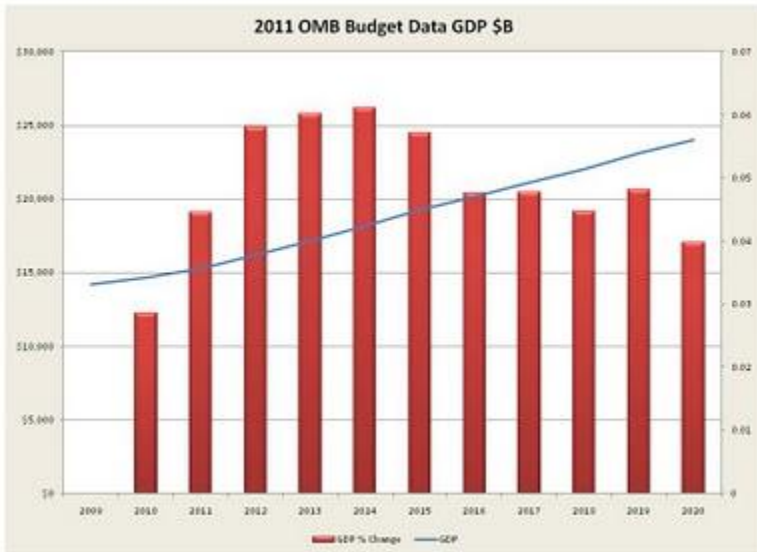
There are so many obvious solutions to the budget that one is amazed. Having run many companies and having sat as heads of Public Board Audit Committees, even after Sarbanes Oxley, I am amazed as to how abusive of the taxpayer the Government is. One truly wonders where the Press is. Or perhaps as I noted yesterday they are now all in the pay of the Government!



Posted by Terry McGarty at [6:46 AM](#)
 Labels: [Economy](#)

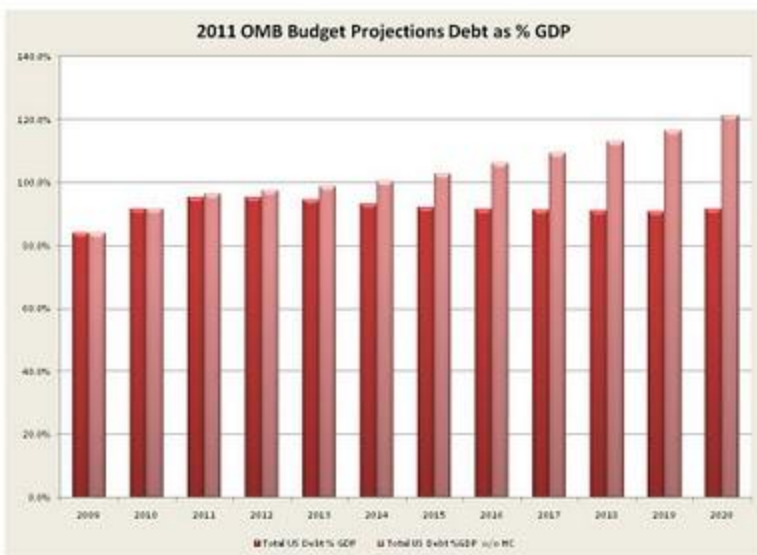
[MONDAY, FEBRUARY 1, 2010](#)
[HOW BAD IS THIS BUDGET](#)

We have been looking at the OMB Budget a bit more. The data below shows what they are projecting for the GDP.

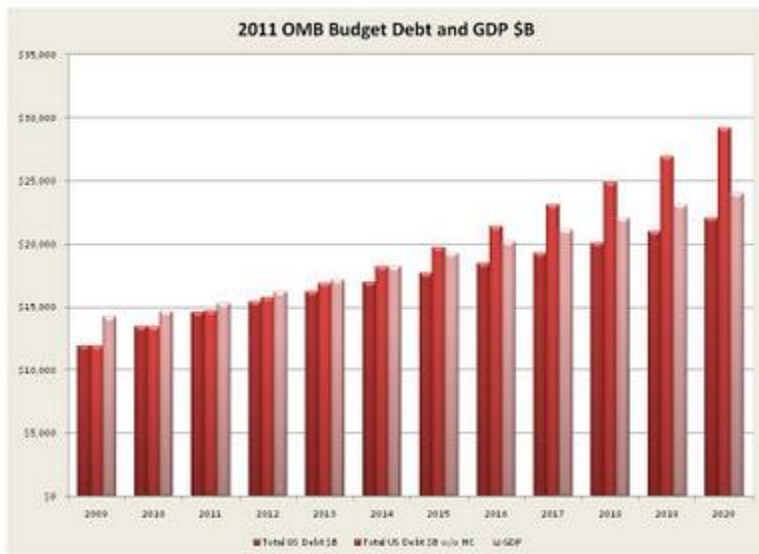


Note the growth rate projected. It is highly unrealistic. It is another one of those Romer numbers which one can have no faith in. The Deficit we know will be met or exceeded and the Deficit will be without the benefit of the Health Care Taxes. Thus at the core is the uncertainty of the GDP. This is a very serious concern.

We now look at the Debt relative to the GDP as a %. This we show below. Note that it exceeds 100% when the health care tax is not present by 2014! We are on our way to Greece. There is not even an attempt to mitigate this problem. If this were the management of a start up the investors would have hauled them out long ago! One should look at our [White Paper](#) of last year. One cannot say we had not been warned. This was Romer back then. She has not been right once!



Finally we present the real dollars for all as shown below.



I believe that we have a great deal of manipulation with these numbers with a stress on the 2012 election but with detriment for the economy.

Posted by Terry McGarty at [4:39 PM](#)  

Labels: [Economy](#)

[SOME OBSERVATIONS ON RESEARCH AND THE ACADEMY](#)



The above are the first batch of CDMA chips from Qualcomm that I used in 1991 to sell CDMA worldwide. I carried them from country to country to validate that my former Student Advisor at MIT from almost three decades earlier had really gotten CDMA operational. You see Irwin was

a one man leader, meaning he did the work and then gave direction to others who followed in his path because he was right. If you were in the communications space you knew Irwin. He was one of the many who were contributors, individual leaders, and change makers. This was the world of the 1950s and 1960s. We seem to be in a different world of group contribution.



Along those lines, I was rereading a presentation Professor Robert Gallager gave on the celebration of the 70th Birthday of Professor Tom Kailath.

Gallager was on my Doctoral Committee and asked one of those life changing questions. You see I had just finished the answer book for Professor Harry VanTree Part 2, on Phase Locked Loops, which meant that I could calculate any Wiener-Hopf filter for any spectrum for any nonlinear phased locked loop, or whatever. Gallager asked me to explain the phase locked loop, with no equations! You see for an MIT student at the doctoral level that was impossible, that is, until I tried. It became a life changing epiphany. It changed the equation pusher into a Feynman, one who intuits the answer.

Now Gallager presents these following suggestions which I felt were worth commenting upon. To be fair, Gallager remarked that they were half serious but in humor there is often truth. So here goes:

1. Universities and research organizations should hire new faculty/staff on the basis of their best 1 or 2 papers.

Probably a great idea if anyone ever wrote a paper by themselves anymore. One of the problems is that authors go onto paper more than letters. I see in engineering almost a dozen authors per paper. In reality I know that at most two people can write a paper. At most! Usually even then one writes it and the second edits and contributes. Since we are trying to find the best thinker and innovator we cannot do that well when almost all papers have a group participation. Why has

this happened, and more importantly why has this been allowed to happen? Faculty manage students, and the student is to write the paper.

What I notice today in many engineering professional journals such as the IEEE is the trick of having multiple authors along with some senior faculty, whose presence will insure publication. Thus there is some club of authors, and reviewers, many cases being one and the same, who attach themselves to papers to insure publication. Thus it not only adds the the students publications but also to the fame of the professor. This is the deadly embrace. From this we can never tell who did what and even more so whether this had any fair peer review. The other side of the coin is the new paper from an author not part of the club is assured rejection. Thus anyone who is aware of these tricks will discount the papers as being nothing more than mass self promotion.

I never wrote a paper with a senior faculty member. In fact I would have found that I had failed if I needed them, for I was testing my own intellectual powers. Now we see that a paper needs that senior author so that the "old boy network" and girl also works to get it published. Thus Gallager Rule 1 is gone and I think for a long while into the future.

2. The research component of tenure should also be the best 1 or 2 papers.

Again I agree and for the same reasons I gave above.

3. Since everyone can put their papers on the web (and reference other such papers), journals should publish only papers of real archival interest.

This is a real ground changer. It really begs the question of what function journals serve. They do peer review, but in my over 100 papers and dozen or so books that there was never a time when a reviewer added a scintilla of value. In fact there was a time an editor of a paper going into a book made changes he felt were critical and then wanted co-authorship. In fact he had no idea what he was talking about and then even threatened some actions.

So why not just use the web and its organic feedback. Get the comments from people who are willing to give their names and bona fides. It would be useful to have such a process so that anyone commenting is themselves subject to pari passu analysis and criticism. Such a process is iterative.

I can see on-line interactive "journals" where people can submit and then there is a trail of comments and changes as may be required. Such would be a Wiki like mechanism.

Frankly, I believe that there should be a new paradigm for "publishing" and the web has all the facilities for it. Papers of common interest can be placed on a "common interest" web site, and then they can be reviewed and edited real time. The focus should be on individual contributors, perhaps at most two, and then tracking of these can be done as a matter of course. Perhaps a limited accredited access may be required to keep out the Internet Trash, but the role of reviewers and editors can become a dynamic process, evolutionary in nature. The memorialization of a work can also readily be attained this way. I believe that Journals are often

staid and many are barriers to getting results out. I almost never "read" a paper article, the journals are there for the ads, so I just read on line. I have been doing this for well over ten years.

Thus journals should and must evolve. It would be interesting to see who the "first mover" will be.

4. Conferences should try for more interaction rather than more parallel sessions.

Conferences have become means for people to get credit for more publications and to run around and chat. A hundred years or so ago when Einstein and his colleagues went to conferences it was something composed of series discussions of competent people and not a collection of disconnected collectors of conference credit.

Thus it is not the issue of interaction, it is the issue of anyone wanting to go, does, so all one has is a crowd of people adding to their CV. Pity

In reality the truth is that it is what "you" do not what your name is attached to. My concern is that the Academy has become an extension of those pervasive bumper stickers, "My Child is on the Honor Roll". You see anyone who shows up gets a bumper sticker! That is not the way excellence is developed.

Posted by Terry McGarty at [3:36 PM](#)  

Labels: [Commentary](#), [Education](#)

[YOU REALLY CAN'T MAKE THIS UP! TAX PEOPLE TO PAY REPORTERS!](#)

There now is a web site called [Public Policy and Funding the News](#). They argue for Government funding of newspapers. We have made arguments against this several times in the past but now they claim support of the Postal Service, The IRS, the FCC and the Corporation for Public Broadcasting.

They contend:

As policymakers debate how to respond to the fast decline of the news business, we offer the following principles as guidance:

- First and foremost, do no harm. A cycle of powerful innovation is under way. To the extent possible, government should avoid retarding the emergence of new models of newsgathering.*
- Second, the government should help promote innovation, as it did when the Department of Defense funded the research that created the Internet or when NASA funded the creation of satellites that made cable TV and direct radio and TV possible.*
- Third, for commercial media, government-supported mechanisms that are content-neutral – such as copyright protections, postal subsidies and taxes – are preferable to those that call upon the government to fund specific news outlets, publications or programs.*

However policymakers proceed, they should do so based on facts rather than myths. The government has always supported the commercial news business. It does so today. Unless the government takes affirmative action, though, the level of support is almost certain to decline at this important time in the history of journalism.

As we have argued before, the news business is changing as a result of the media used to transfer information. In a McLuhan like manner we are moving from printed word to a variety of media the iPad being just another step along the path.

As to the Government funding the Internet (ARPA Net) and satellites, perhaps a check on history would help. The Government funded ARPA to build a network for military purposes and ARPA a Vannevar Bush creation from WW II was the catalyst since it interfaced with universities. Satellites for commercial use were developed commercially by a public company called Comsat, I was one of the designers of Intelsat V while at Comsat. At best the FCC tried to stop everything so why them?

These folks in my opinion based upon the reality of facts seem to be way off base and one wonders who is funding this effort and why?

They go on and state:

However policymakers proceed, they should do so based on facts rather than myths. The government has always supported the commercial news business. It does so today. Unless the government takes affirmative action, though, the level of support is almost certain to decline at this important time in the history of journalism.

1. The government should find ways to make sure that reporters, news organizations and other content creators are paid for work that might otherwise be used without permission or compensation (which is one reason why the founders provided for copyright laws in the Constitution).

2. Most government funding should be indirect, rather than direct (as it is through the Corporation for Public Broadcasting and through participating public radio and television stations).

3. Where possible government funding should be distributed according to a formula rather than as a direct subsidy for particular news outlets (as is the case with tax breaks and postal subsidies).

4. The government can play an important role by investing in technology and other innovations, as it did when it supported research on transistors, on satellite technology and on the Internet.

Above all, we urge an honest debate that recognizes the vital role that the government has played throughout our history and that it continues to play today. It would be a public tragedy to wake up one day and discover that news outlets are in even deeper trouble because hundreds of millions of dollars of public support had disappeared while no one was watching.

The Government did NOT support transistors. They were developed on private, albeit monopoly funds, at Bell Labs, a mile from my home! History and facts seem really to get lost here!

The terrifying question is who selects what news reporters to fund! This may very well go against the First Amendment. This in my opinion seems to get worse by the word!

Posted by Terry McGarty at [12:10 PM](#)  

Labels: [Commentary](#)

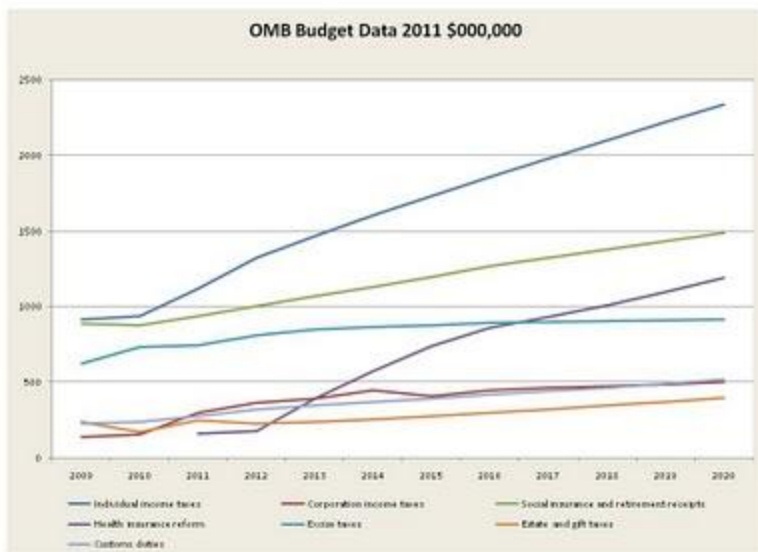
OMB BUDGET 2011: OR A SLIGHT OF HAND!

We have done a top level analysis of the [OMB Budget for 2011](#) and thereafter and the following comments raise some concerns. We also have looked at other sources such as the [Wall Street Journal](#) and some of the numbers do not comply.

For example the WSJ states \$935 B in receipts for Medicare and SSI, \$1435 B for Medicare and Medicaid outlays plus \$730 B SSI. These just do not comply with the facts and in fact they make no sense. We know Medicare is still just under \$500 B by itself and Medicaid is nowhere near a trillion.

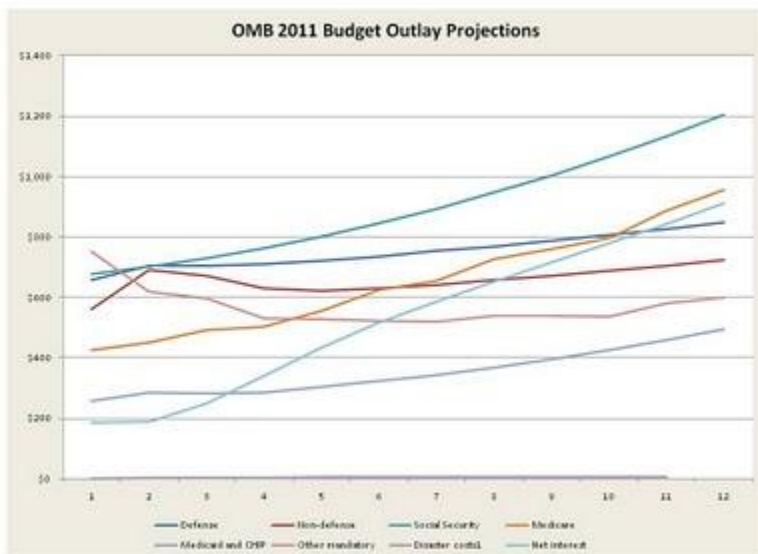
Now to MB:

1. Receipts: The receipts for the period are shown below. Note the Health Care receipts showing up over the 2013 till end of period. There is NO BASIS for this number and it will become a focus on the analysis.

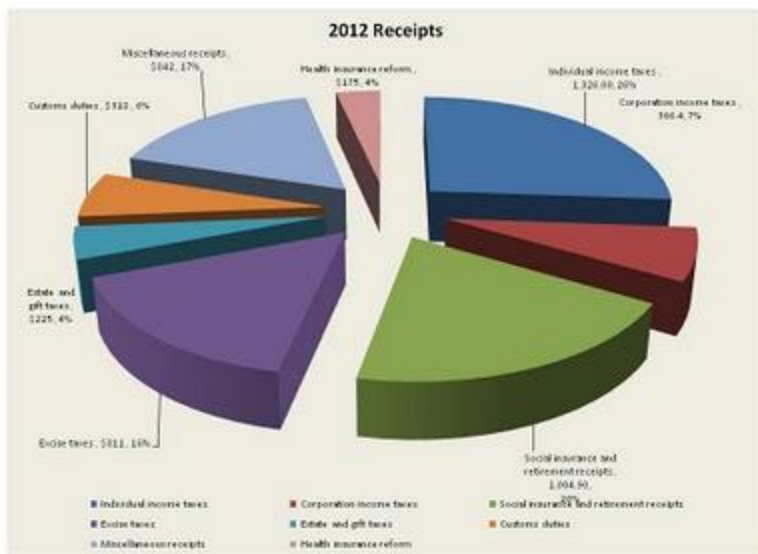


2. Outlays: The outlays are shown below. Two things to observe. There is some assumption of lowered rates of increase for health care and the explosion of interest and debt payments are

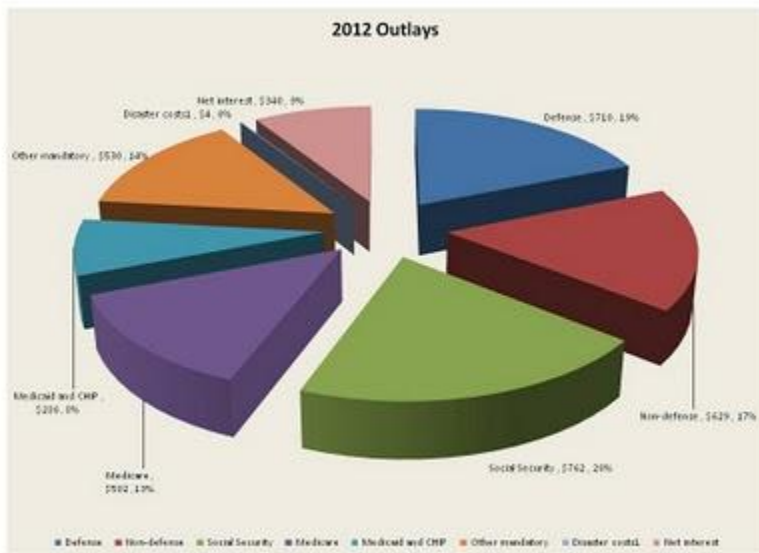
there but still small. If we assume an aggressive growth in inflation than this is all out the window.



3. 2012 Receipts: The tax rates are increasing but they are still only slightly shown even here in the 2012 budget. This will be the budget that the current Administration runs on again. The question will be "are you better off now than four years ago?". Good question.

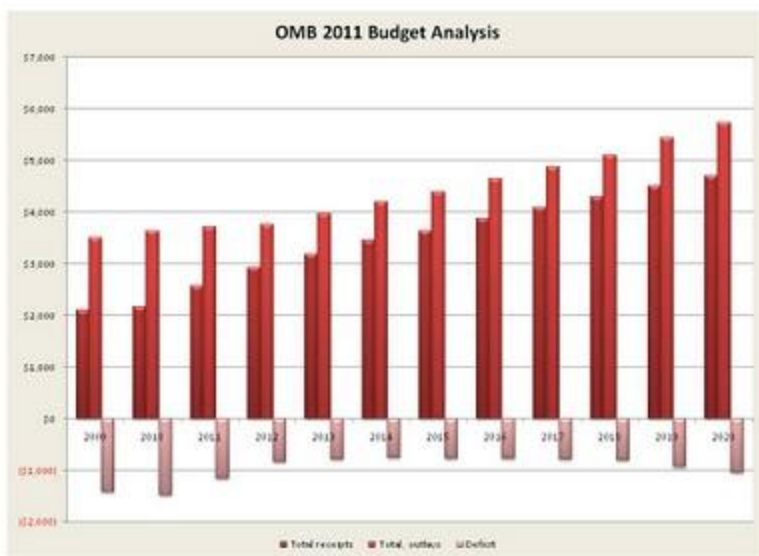


4. 2012 Outlays: There are no dramatic increases other than what the current Administration has been projecting. 2012 is set up to be a good election year.

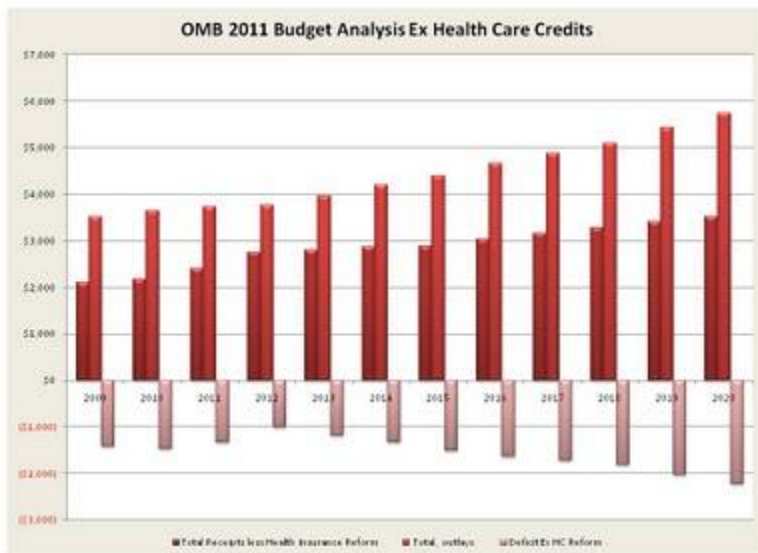


5. The Deficit, With and Without the Health Care Fudge: The following three charts depict the deficit. First with the Health Care numbers in, second with them out and third with them compared.

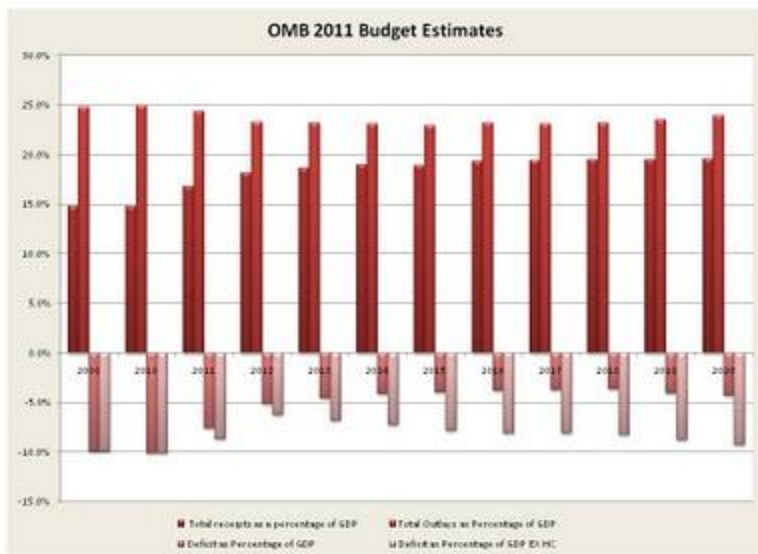
First below is with the HC numbers included. Note that they are included only AFTER the next election!



Second we take them out and this is the deficit:



Note the increases in the deficit. Now we combine these together. This is the telling slide.



Thus we have no real deficit reduction only a slight of hand to attain a good position for the next election. Pity!

Posted by Terry McGarty at [10:30 AM](#)  

Labels: [Economy](#)

DOES NASA HAVE A FUTURE

I am not a fan of NASA and even though I worked on Apollo and even though I had been awarded NASA Achievement Awards for Apollo XI and XIII I always thought at best that it was a transient agency built out of cold war fears that the Russian would win the moon and then Mars.

In today's Budget release the [NY Times](#) states in a small part of a longer article:

and NASA's mission to return to the Moon, which would be ended as the administration seeks to reorient the space program to use private companies for launchings.

Thus why should NASA be totally abandoned as is. Let me state a few reasons:

1. Launchings can and should be done either by commercial launchings or in the case of sensitive payloads, military and intelligence, by the relative agency. There are many entities who launch satellites. Sirius the satellite radio company uses the Russians! Why should the US even have this collection of people standing around at a great costs hoping to use an outdated manned space shuttle.
2. Space Science is no more special than the biological sciences. In fact it may be less so at least for the time being. NIH and the other agencies perform work that relates to the immediate improvement of mankind. A mission to the moon or Mars is at bit at a distance.
3. There seems to be little economic benefit from NASA programs. There has always been a group in NASA whose sole mission it was to show how beneficial NASA technology was to mankind. If so one would have suspected that Houston would have supplanted Cambridge or Palo Alto as the high tech capitol of the world. Frankly one never hears of any Houston start up in high tech. Thus at best the argument that NASA shoots off technology is specious at best.
4. NASA has and still to some modes degree bleeds off engineers and scientists from more productive work. In my opinion that clearly was the case in the 1960s and 1970s but is much less the case now. It has provided a sinecure for many now who may not be able to find homes in the more competitive world of high technology.

Thus my preference is that NASA be closed down, period.

Posted by Terry McGarty at [6:43 AM](#)  

Labels: [Commentary](#)

MONDAY, FEBRUARY 1, 2010

[SOME CLARITY IN THE BREAST CANCER DEBATE](#)

In an article in [Nature Reviews, Clinical Oncology](#) Vincent DeVita writes a compelling editorial in essence damning the recommendations of the past year, not because they were wrong, which in a sense they were, but because there was inadequate evidence to say one way or the other. This editorial should become widespread because it shows the impact of non evidence based medicine. It shows what a Government can do when those who opine on what should be done do so with little or worse with no evidence.

DeVita states:

The epitome of this silliness is illustrated over the recommendations for breast self examination or breast examination by a physician. There has never been and never will be any data to prove

it works to reduce overall mortality from breast cancer for the reason cited above. nonetheless, women do on occasion pick up early lesions that might save their lives so why shouldn't they examine their breasts in an organized way.

It costs nothing. what is more, if physicians follow the USPSTF recommendation they should not include an exam of the breasts in a routine physical exam either. How silly is that? First, patients and doctors alike will pick up early lesions that might, at a minimum, alter the nature of treatment in the patient's favor. second, a physical exam is a physical exam and a good physician will examine the entire body.

Gail Collins a columnist at the Washington Post, who wrote about the USPSTF controversy quipped, appropriately enough, that if we follow the USPSTF recommendations "a woman's breasts should never be touched except in anticipation of sex".

I think she captured the silliness of their recommendation in that phrase. we simply cannot be sure that altering the current screening recommendations for breast cancer will benefit anyone. it then simply becomes an issue, no matter who may say it isn't, of who pays for it. and that's a separate debate. But, in my view, a woman who wants the security of screening by mammography should not be denied it.

DeVita is spot on. Yet the real conclusion is that despite the fact that DeVita says this and he is the author of the most prominent book on Cancer today, those on the panel apparently did not include a single practicing oncologist! At least there were a few physicians, not that they could communicate based upon what I could see at the time. But imaging under the proposed health care plans what would happen is the decision make were to be a GS 13 in Washington with an attitude! Imagine if as the law infers, not implies, infers, that a physician could be punishable by recommending a procedure deemed unworthy by the GS 13, whoever that person would be. That has and will remain my key obstacle which is created by the current health plans.

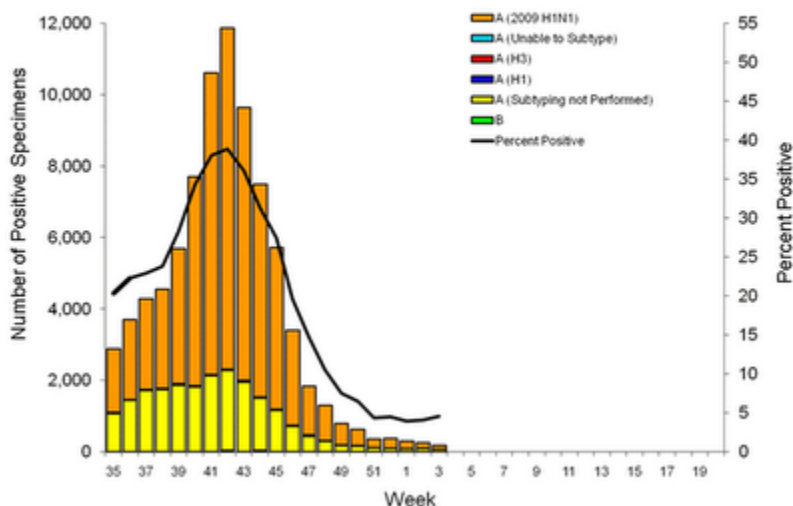
Posted by Terry McGarty at [6:15 AM](#)  

Labels: [Health Care](#)

SUNDAY, JANUARY 31, 2010

[H1N1 AND WHERE DID IT GO?](#)

Influenza Positive Tests Reported to CDC by U.S. WHO/NREVSS Collaborating Laboratories, National Summary, 2009-10



The [CDC data](#) on H1N1 shows a dramatic decline in incidence. They report:

During week 3 (January 17-23, 2010), influenza activity remained at approximately the same levels this week in the U.S.

- *164 (4.6%) specimens tested by U.S. World Health Organization (WHO) and National Respiratory and Enteric Virus Surveillance System (NREVSS) collaborating laboratories and reported to CDC/Influenza Division were positive for influenza.*
- *All subtyped influenza A viruses reported to CDC were 2009 influenza A (H1N1) viruses.*
- *The proportion of deaths attributed to pneumonia and influenza (P&I) was above the epidemic threshold.*
- *Five influenza-associated pediatric deaths were reported. Four deaths were associated with 2009 influenza A (H1N1) virus infection and one was associated with an influenza A virus for which the subtype was undetermined.*
- *The proportion of outpatient visits for influenza-like illness (ILI) was 1.7% which is below the national baseline of 2.3%. Two of the 10 regions (Regions 4 and 9) reported ILI equal to their region-specific baseline.*
- *No states reported widespread influenza activity, five states reported regional influenza activity, Puerto Rico and nine states reported local influenza activity, the District of Columbia, Guam, and 33 states reported sporadic influenza activity, and the U.S. Virgin Islands and three states reported no influenza activity.*

It is interesting to consider and possibly determine why it has not had as high an impact as was originally anticipated. Was there a basic misunderstanding, did prevention work, are people more educated. It was clear that at MIT and at Brigham and Women's there was an aggressive approach to hand sanitizing and it clearly worked even in environments open to ready transmission.

This will be an interesting study some time when it is done.

Posted by Terry McGarty at [6:12 AM](#)  

Labels: [Health Care](#)

FRIDAY, JANUARY 29, 2010
GDP GROWS AT RECOVERING RATE

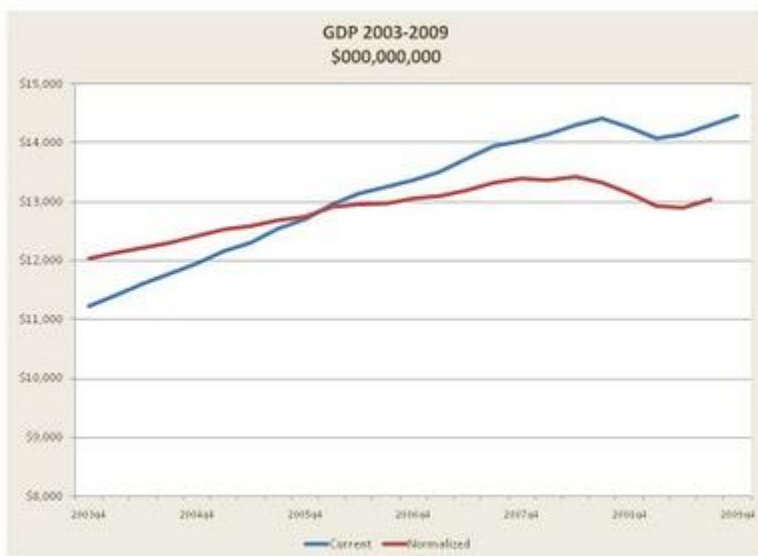
The [BEA has released the Q4 GDP](#) numbers for the economy. They summarize the data as follows:

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 5.7 percent in the fourth quarter of 2009, (that is, from the third quarter to the fourth quarter), according to the "advance" estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 2.2 percent.

This is a substantial growth and shows a recovery.

However we want to show a few facts that will be critical in the analysis.

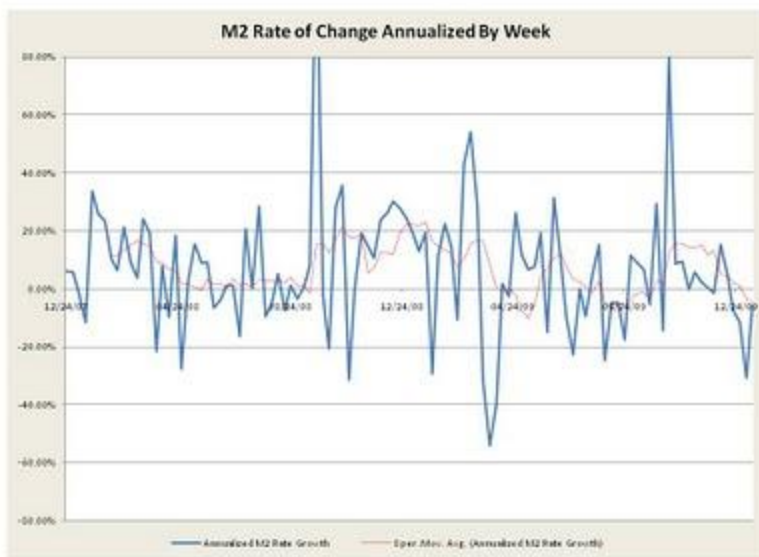
Fact 1: The real GDP has grown but the growth although good places it still on a path below the beginning of the Recession. We demonstrate that with the graph below.



Fact 2: M2 is still flat. Despite the flow of funds from the FED, the supply of money is very stable and this seems to imply a low velocity of money and that people are saving more and spending less. Thus there will be a conservative recovery unless there will be a double dip resulting from loss of faith in what Washington is going to do. Currently the gross uncertainty is a major factor in low spending.



Fact 3: M2 annualized rates of change are again negative or in the negative range. There is little growth in money supply and thus fear of inflation is low but prospects for a growing GDP are also low. The conundrum is somewhat driven by the assumption that people hold money if they believe that its value will not appreciate. We seem to be seeing this phenomenon in action.



Fact 4: The projected inflation rate based upon the changes in GDP, money velocity, and change in M2 is shown below. Clearly at the current rate inflation is not a concern. Yet we continue to have caution in terms of the FEDs actions, its current excess reserve policy as they explained is really a balance sheet strengthening not a flooding of money supply (See our prior posts on this).



In summary this should be received as good news for the economy. Now if we can reduce inflation. One underlying question however in that we have not yet analyzed the GDP details is what led to this rise. If it were just the Government Spending then we are still concerned.

Posted by Terry McGarty at [6:24 AM](#)  

Labels: [Economy](#)

THURSDAY, JANUARY 28, 2010

THE IPAD: REMEMBER THE MEMEX

Apple has introduced the iPad. I thought it would be interesting to review a small part of an article, "*As We May Think*", written by Vannevar Bush in the Atlantic Monthly in 1945.

Bush states:

"Consider a future device for individual use, which is a sort of mechanized private file and library. It needs a name, and to coin one at random, ``memex" will do. A memex is a device in which an individual stores all his books, records, and communications, and which is mechanized so that it may be consulted with exceeding speed and flexibility. It is an enlarged intimate supplement to his memory.

It consists of a desk, and while it can presumably be operated from a distance, it is primarily the piece of furniture at which he works. On the top are slanting translucent screens, on which material can be projected for convenient reading. There is a keyboard, and sets of buttons and levers. Otherwise it looks like an ordinary desk.

In one end is the stored material. The matter of bulk is well taken care of by improved microfilm. Only a small part of the interior of the memex is devoted to storage, the rest to mechanism. Yet if the user inserted 5000 pages of material a day it would take him hundreds of years to fill the repository, so he can be profligate and enter material freely.

Most of the memex contents are purchased on microfilm ready for insertion. Books of all sorts, pictures, current periodicals, newspapers, are thus obtained and dropped into place. Business correspondence takes the same path. And there is provision for direct entry. On the top of the memex is a transparent platen. On this are placed longhand notes, photographs, memoranda, all sort of things. When one is in place, the depression of a lever causes it to be photographed onto the next blank space in a section of the memex film, dry photography being employed."

He continues:

All this is conventional, except for the projection forward of present-day mechanisms and gadgetry. It affords an immediate step, however, to associative indexing, the basic idea of which is a provision whereby any item may be caused at will to select immediately and automatically another. This is the essential feature of the memex. The process of tying two items together is the important thing.

When the user is building a trail, he names it, inserts the name in his code book, and taps it out on his keyboard. Before him are the two items to be joined, projected onto adjacent viewing positions. At the bottom of each there are a number of blank code spaces, and a pointer is set to indicate one of these on each item. The user taps a single key, and the items are permanently joined. In each code space appears the code word. Out of view, but also in the code space, is inserted a set of dots for photocell viewing; and on each item these dots by their positions designate the index number of the other item.

Thereafter, at any time, when one of these items is in view, the other can be instantly recalled merely by tapping a button below the corresponding code space. Moreover, when numerous items have been thus joined together to form a trail, they can be reviewed in turn, rapidly or slowly, by deflecting a lever like that used for turning the pages of a book. It is exactly as though the physical items had been gathered together to form a new book. It is more than this, for any item can be joined into numerous trails.

Does any of this sound familiar. Bush was somewhat of a typical Yankee tinkerer and visionary. His family was from Provincetown and he obtained a PhD from MIT in 1917. He was FDR's chief science adviser and administrator.

Bush was an innovator who actually got things done. General Groves reported to him during the period of the Manhattan Project. He had to manage the technical teams, each of which had their own way to purify uranium, explode it, deploy it and the like. Unlike macroeconomists, however, there was always truth behind the science, and the truth was what Bush was good at getting out.

He did slow down the digital computer as conceived by Norbert Wiener but he later allowed it to catch up. He was always concerned with the practical things, like how long a vacuum tube would work.

I remember meeting him in I believe 1965 as a young grad student, he always had his pipe in hand, an artifact of a now bygone age. But he was an ever present advocate for the memex. I

guess between Google Desktop, Google, and Kindle/iPad etc we are there now. Good job Professor Bush!

Posted by Terry McGarty at [11:30 AM](#)  

Labels: [Commentary](#)

WHERE HAS THE BANTING AND BEST WORLD GONE?

Banting and Best who are noted as the discoverers of insulin, along with MacLeod, at Toronto, having been awarded the Nobel Prize for the achievement, accomplished the task with minimal resources in a brief period of time and under less than supportive conditions. Banting was clearly a driven man with the ability to survive the pressures from the external environment. The example of this team is that a small focused group can achieve wonders.

I read an article today in [Nature Genetics](#) and it is on the determination of some several genes related to glycemic control in humans with Type 2 Diabetes. Like so many articles of this type it states:

Levels of circulating glucose are tightly regulated. To identify new loci influencing glycemic traits, we performed meta-analyses of 21 genome-wide association studies informative for fasting glucose, fasting insulin and indices of beta-cell function (HOMA-B) and insulin resistance (HOMA-IR) in up to 46,186 nondiabetic participants.

Follow-up of 25 loci in up to 76,558 additional subjects identified 16 loci associated with fasting glucose and HOMA-B and two loci associated with fasting insulin and HOMA-IR. These include nine loci newly associated with fasting glucose (in or near ADCY5, MADD, ADRA2A, CRY2, FADS1, GLIS3, SLC2A2, PROX1 and C2CD4B) and one influencing fasting insulin and HOMA-IR (near IGF1).

We also demonstrated association of ADCY5, PROX1, GCK, GCKR and DGKB-TMEM195 with type 2 diabetes. Within these loci, likely biological candidate genes influence signal transduction, cell proliferation, development, glucose-sensing and circadian regulation. Our results demonstrate that genetic studies of glycemic traits can identify type 2 diabetes risk loci, as well as loci containing gene variants that are associated with a modest elevation in glucose levels but are not associated with overt diabetes.

Interesting but there were some 176 authors! The list of authors was longer than the abstract! This is an amazing trend in research papers which I find disturbing. I see this even at the graduate level where there are so many authors one wonders who really did the work. In the past, say 40 years ago, there was a single author. We knew who made the contribution and we knew who made the mistake. In the biological sciences the need to publish and the need to extend the reach of involvement, possibly for later plausible deniability, has it appears gone to the extreme.

If from experiments of this type a great discovery occurs, then we will not have a Banting and Best, Watson and Crick, and the like. We will just have a large bunch of folks. Pity.

Posted by Terry McGarty at [7:48 AM](#)  

Labels: [Health Care](#)

[NORBERT WIENER, MARKETS, AND CYCLES](#)

Norbert Wiener was the person who inspired my first writings and indeed my first book. Not that I am in any way a mathematician, for I am an engineer at heart, nor am I even a table top philosopher, but Wiener being both a great mathematician and a well versed student of philosophy had many insights half a century ago which are worth sharing.

In a paper he wrote in the mid 1950s (as quoted by Masani in his book on Wiener) Wiener is quoted as saying:

"Suppose, now, that a sum of money at the time of Christ had been left at 2% compound interest; for example the thirty pieces of silver off Judas. By what factor would it have multiplied up to the present time? We are approaching the year 2000 and in order to express our result in round numbers let us suppose that we are at the year 2000. Then one dollar at the time of Christ would amount, at 2%, to a quantity with over ninety-seven zeros. At any conceivable scale of evaluation one cent at the time of Christ put in a bank at 2% compound interest would amount to something like 10 to the 84 times all the value of the goods in the world at the present time. This is ridiculous, but it still has meaning."

He continues:

"The sums earned by money put out to interest have been wiped out time and time again by wars, famines, plagues, and other catastrophes. These catastrophes have been great enough to wipe out every single commercial undertaking of antiquity of thousands of years, and if they had not taken place. the rate of interest for long term investment could scarcely be two tenths of a percent."

Masani then states Wiener's conclusion:

"It follows that modern capitalism is able to offer attractive returns on private investments in long term undertakings only by its condescension of bankruptcies during down phases of its periodical trade cycles. For the well off the resulting losses are often on paper, but they are painfully real to poorer people thrown out of work. Thus the system is not socially homeostatic."

Wiener had a practical insight that many in today's complex world of macroeconomics should consider. For Wiener was a true mathematician, one of the best of the 20th century, and unlike these economists who attempt at mathematics to hide a swath of frailties Wiener made primal contributions, the Generalized Harmonic Analysis and Brownian motion being two which have affected the current world.

Posted by Terry McGarty at [5:25 AM](#)  

Labels: [Economics](#)

[WEDNESDAY, JANUARY 27, 2010](#)
[GLOBAL WARMING DATA FABRICATION](#)



The [Times of London](#) reports on the global warming data scandal. They state:

The impact of global warming has been exaggerated by some scientists and there is an urgent need for more honest disclosure of the uncertainty of predictions about the rate of climate change, according to the Government's chief scientific adviser.

John Beddington was speaking to The Times in the wake of an admission by the Intergovernmental Panel on Climate Change (IPCC) that it grossly overstated the rate at which Himalayan glaciers were receding.

Professor Beddington said that climate scientists should be less hostile to sceptics who questioned man-made global warming. He condemned scientists who refused to publish the data underpinning their reports.

There seems to be one violation of the scientific trust after another. As relates to the specific UK group whose emails were hacked the [Times state](#):

The stolen e-mails , revealed on the eve of the Copenhagen summit, showed how the university's Climatic Research Unit attempted to thwart requests for scientific data and other information, and suggest that senior figures at the university were involved in decisions to refuse the requests. It is not known who stole the e-mails.

Professor Phil Jones, the unit's director, stood down while an inquiry took place. The ICO's decision could make it difficult for him to resume his post.

Details of the breach emerged the day after John Beddington, the Chief Scientific Adviser, warned that there was an urgent need for more honesty about the uncertainty of some predictions. His intervention followed admissions from scientists that the rate of glacial melt in the Himalayas had been grossly exaggerated.

In one e-mail, Professor Jones asked a colleague to delete e-mails relating to the 2007 report by the Intergovernmental Panel on Climate Change.

This still remains a concerning set of facts.

Posted by Terry McGarty at [6:55 PM](#)  

Labels: [Global Warming](#)

WEDNESDAY, JANUARY 27, 2010

[AN EXCELLENT REVIEW OF THE PERILS OF CCE](#)

Dr Groopman wrote an excellent piece in the [New York Review of Books](#) regarding one of my favorite topics, comparative clinical effectiveness. We have been arguing here for more than the past year that CCE is as currently proposed one of the most damning elements of the health care proposals issued from the current Congress.

He commences with the quote from Orszag as follows:

In June 2008, testifying before Max Baucus's Senate Finance Committee, Orszag—at the time director of the Congressional Budget Office—expressed his belief that behavioral economics should seriously guide the delivery of health care. In subsequent testimony, he made it clear that he does not trust doctors and health administrators to do what is "best" if they do no more than consider treatment guidelines as the "default setting," the procedure that would generally be followed, but with freedom to opt out. Rather, he said, To alter providers' behavior, it is probably necessary to combine comparative effectiveness research with aggressive promulgation of standards and changes in financial and other incentives. [Emphasis added.]

This is a chilling statement in that he seems to be saying that when the Government promulgates a set of clinical guidelines then the Government will take whatever measures necessary to see that the physicians follow those guidelines, now mandates in his view it appears, and if not there will be consequences. That is indeed a chilling effect.

He also uses the reference to Sunstein, the nudge concept, which in essence contends that people will do very little to make personal choices and the Government can select the right one and make them believe by certain exogenous pressures that it is their own choice. Such a subtle mind management reduces rejection on the part of the populace. He states:

Thaler and Sunstein build on behavioral economic research that reveals inertia to be a powerful element in how we act. Most people, they argue, will choose the "default option"—i.e., they will follow a particular course of action that is presented to them instead of making an effort to find an alternative or opt out. Further, they write,

These behavioral tendencies toward doing nothing will be reinforced if the default option comes with some implicit or explicit suggestion that it represents the normal or even the recommended course of action.

Thus between the heavy hand of Orszag and the manipulative fingers of Sunstein the current Administration wants to get CCE out there as the best way of doing things. As we have said many times before, one should be concerned about some GS 13 outsourcing the next version of Harrison's to the lowest Government contract bidder. The thought is terrifying.

Groopman states:

There is a growing awareness among researchers, including advocates of quality measures, that past efforts to standardize and broadly mandate "best practices" were scientifically misconceived. Dr. Carolyn Clancy of the Agency for Healthcare Research and Quality, the federal body that establishes quality measures, acknowledged that clinical trials yield averages that often do not reflect the "real world" of individual patients, particularly those with multiple medical conditions. Nor do current findings on best practices take into account changes in an illness as it evolves over time. Tight control of blood sugar may help some diabetics, but not others. Such control may be prudent at one stage of the malady and not at a later stage. For years, the standards for treatment of the disease were blind to this clinical reality.

Frankly, not only are these misconceived, as we have argued regarding the PSA results touted almost a year ago, trials which when conceived were worthy, but when completed failed to adjust to the knowledge obtained in the interim, medical knowledge is changing on a daily basis and the communications amongst and between physicians is an ongoing process. It is iterative and collegial, and changing the process to one of officially chronicled results will lead to disaster. Why not just use Osler from say 1926?

Groopman then makes a compelling case for why health care in this country is in many ways the best, the most costly, and the most complex. He states:

Cost-effectiveness is going to be a hard sell to the American public, not only because of the great value placed on each life in the Judeo-Christian tradition, but because the federal government has devoted many hundreds of billions of dollars to bail out Wall Street. To perform mammograms for all American women in their forties costs some \$3 billion a year, a pittance compared to the money put into the bank rescue. The Wall Street debacle also made many Americans suspicious of "quants," the math whizzes who developed computer models that in theory accurately assessed value in complex monetary instruments but in fact nearly brought down the worldwide financial system. When a medical statistician says that imposing a limit on mammography is a "no-brainer," people may recall George Tenet's claim that the case for invading Iraq was a "slam-dunk."

Finally Groopman ends with the following:

The care of patients is complex, and choices about treatments involve difficult tradeoffs. That the uncertainties can be erased by mandates from experts is a misconceived panacea, a "focusing illusion." If a bill passes, Cass Sunstein will be central in drawing up the regulations that carry out its principles. Let's hope his thinking prevails.

On this I disagree. As much as Groopman appears to admire the Sunstein approach, as his very article seems to state as its core argument, medical research is an ever changing source of new information. Each patient treated educates the practitioner about the next. Patients themselves are part of the education process. Thus any system, soft or hard in its motivation, mandated from Washington, will in all likelihood be the the detriment of the system, the physician, and the patient.

Posted by Terry McGarty at [5:22 AM](#)  

Labels: [Health Care](#)

TUESDAY, JANUARY 26, 2010

CBO BUDGET OUTLOOK

The [CBO has just issued its most recent outlook](#) for the next ten years. It puts as good a spin on a bad situation as would be possible from Washington.

It states:

In 2010, under an assumption that no legislative changes occur, CBO estimates that federal spending will total \$3.5 trillion and revenues will total \$2.2 trillion. The resulting deficit of about \$1.3 trillion would be just \$65 billion less than last year's shortfall and more than three times the size of the deficit recorded in 2008. Total outlays are projected to increase by just \$5 billion, while revenues are projected to rise by \$70 billion. The deficit for this year is on track to be about as large as last year's because an expected decline in federal aid to the financial sector will be offset by increases in other outlays, particularly spending from last year's stimulus legislation and outlays for income support programs, health care programs, Social Security, and net interest. At the same time, revenues are projected to increase only modestly primarily because of the slow pace of economic recovery forecast by CBO and the lagged effect of the recession on tax receipts.

In 2011, according to CBO's baseline projections, the deficit falls to \$980 billion, or 6.5 percent of GDP, as the economy improves, certain tax provisions expire as scheduled, and spending related to the economic downturn abates. Revenues are projected to rise by about \$500 billion, an increase of 23 percent, while outlays are projected to increase by \$126 billion, or 4 percent.

The outlook is as follows:

Severe economic downturns often sow the seeds of robust recoveries. During a slump in economic activity, consumers defer purchases, especially for housing and durable goods, and businesses postpone capital spending and try to cut inventories. Once demand in the economy picks up, the disparity between the desired and actual stocks of capital assets and consumer durable goods widens quickly, and spending by consumers and businesses can accelerate rapidly. Although CBO expects that the current recovery will be spurred by that dynamic, in all likelihood, the recovery will also be dampened by a number of factors. Those factors include the continuing fragility of some financial markets and institutions; declining support from fiscal policy as the effects of ARRA wane and tax rates increase because of the scheduled expiration of

key tax provisions; and slow wage and employment growth, as well as a large excess of vacant houses.

In reality the issues are driven by the total economic uncertainty from Washington. Business is uncertain as to tax rates, as to the taxing from exogenous new taxes such as cap and trade and health care, from the fragility of the dollar, from the uncertainty of available credit to finance current operations, from the depletion of equity for start up opportunities and the list goes on. That abject terror which exists in the business community, especially with entrepreneurs, will delay a recovery and the numbers projected by the CBO post-recovery shall never be met and things will get worse.

Posted by Terry McGarty at [11:11 AM](#)  

Labels: [Economy](#)

[BROADBAND AND MANNERS](#)



About a week ago I gave an interview to the [newspaper in Burlington Vermont](#) upon which I had subsequently commented upon here. As I am generally not interested in public expression to any degree, I have been down that path before, but as I was asked and I responded.

What truly interests me is the responses to the article and especially the ad hominem attacks but anonymous commenters. For example:

First Mr. McGarty from MIT I would ask for my money back from MIT or if you are teaching our young at MIT please get another job. You fail to see the added benefits (sic) this would bring to a rural area. You fail to take into consideration the future dependency of our economic and health care on HSI and your misleading statements can put people at risk of having no HSI at all.

Well, if the commenter, **bandhog** by name, had spent a few seconds on facts, he, I assume it is a he but alas one never knows, he would see that I donate my time, there is no exchange of money, except from me to MIT, and they do not even pay for parking no less the 600 mile round trip. As

for satisfaction of students, just ask them to find out check my name on theses. Also I have no "job", for indeed I am old enough to be retired.



As to the benefits, one knows there are benefits, I enjoy them daily. Also as one who lives at times in our home in northern New Hampshire, I made a choice there as well. As to health care, I suspect that I know a bit more than bandhog, one does not diagnose solely by broadband, Osler would be horrified. As to my statements, they are economic statements of fact, you see, I had done this most of my life, and thus have the distinct disadvantage of experience. If you chose to live in a Walden like world, you take the consequences. It is your choice, and one suspects that others should not subsidize your choice at their expense. But bandhog seems to hide behind his nom de plume rather than engage in a true debate.

The second commenter, *fibernetworks*, states:

The first "industry observer", Mr. McGarty from MIT, states that the cost per mile to build the Fiber network will be in the range of \$50,000 per mile. This is wrong. The actual cost is in the range of \$16,000 to \$22,000 per mile, which, using his own logic, makes the customers "needed" per mile drop from 20 per mile to less than 10 per mile.

Well, I hate to disappoint the fibernetworks person but when, in my experience, you average buried and pole mounted, when you add the pole electronics, when you factor in the make ready, when you account for dealing with whomever owns the pole and delays, when you complete the strand mapping, and on and on it approaches \$50,000. If you believe in \$16,000 as the all in costs you may have a great surprise, or you may be in a very unique area. When we did the buildout budgets for Hanover, NH and the other almost 30 towns we assumed the \$25,000 per mile but soon found it was closer to \$50,000. For fibernetworks this means that facts of experience may trump his opinion.

Thus the lesson from this tale. The anonymous nature of the comments allows people to say whatever, since one can never test the basis upon which they comment. They comment often in hateful and baseless. This shows the types of folks who back the project which in many ways calls into question the project itself.

Posted by Terry McGarty at [10:44 AM](#)  

Labels: [Broadband](#)

MONDAY, JANUARY 25, 2010

[THE ROWE CONJECTURE AND THE EFFICIENT MARKET HYPOTHESIS](#)

[Nick Rowe of Toronto](#) presented a conjecture concerning two variables as relates to the efficient market hypothesis, EMH. (Note: We have written this in some detail on the [Telmarc web site](#) for reference).

Rowe defined them as follows:

$x_{people}(t)$ = the percent of people who believe that the EMH is true at time t

$x_{true}(t)$ = the probability that the EMH is true at time t

Recall that the EMH simply stated is the assumption that the market value of a stock is a reflection of all the information available regarding the stock. Now we know two things. First, that there is a herd mentality in the market that make many people to believe that the stock has or does not have value independent of whatever information is available. In fact some people may have information not available to others. Second, the herd mentality is driven by a percent of those who believe the EMH whereas when the herd develops the true existence of the EMH may actually disappear.

Thus the two variables, the one being the belief in the EMH and the second being the actual operation of the EMH are related. If the true existence of the EMH is say 100% then we have an efficient market and herd mentality is at a minimal because everyone distrusts the herd and does their own analysis, assuming equality to information and equality of access to trading.

We now develop a dynamic model based on the Rowe conjectures. We have changed these variables slightly from what Rowe had stated so that they are probabilities and that they are time dependent. Now Rowe sets the problem up as a supply and demand model wherein he disregards temporal dynamics and further looks at the people percent as the quantity and the probability of validity as the price variables.

We disregard the supply demand paradigm and look at them as interlinked temporal variables. Rowe has presented a compelling model of market behavior. We build upon it and do so in a dynamic fashion.

We assume a generalized model of the following type:

$$\frac{dx_{People}(t)}{dt} = f_{People}(x_{People}(t), x_{True}(t))$$

and

$$\frac{dx_{True}(t)}{dt} = f_{True}(x_{People}(t), x_{True}(t))$$

Now this is a generalized model which we will add some structure to. We will do so by applying a discrete time version and then go back to the continuous time version to analyze the results in a phase plane methodology.

Let us now write:

$$x_{People}(k+1) = a_{1,1}(k)x_{People}(k) + a_{1,2}(k)x_{True}(k)$$

and

$$x_{True}(k+1) = a_{2,1}(k)x_{People}(k) + a_{2,2}(k)x_{True}(k)$$

This is a linear model. We will expand this shortly but this is a good place to commence the analysis. This simple model states the following:

1. At some time $k+1$, the percent of people who now believe that the EMH is true is some multiple of the percent who believe before, and this may be greater or less than one, and some percent of the probability that it is actually in force.
2. The EMH is often true if those in the market are of the belief that it is not and that the market is not reflecting the true value and that they must do their own work to seek the truth.
3. The EMH is often false, namely its presence has a low probability, if there is a herd mentality. Namely the greater the belief in an EMH the smaller the probability that an EMH is true.
4. Market Bubbles occur when the herd approaches 100% and this also means that the truth that EMH exists is reduced to zero. When a market Bubble occurs the market then is subject to collapse, and the belief in the EMH drops precipitously.
5. Thus the model should reflect the dynamic as follows:
 - a. when the belief is low then the truth is high
 - b. when the belief is high, it grows the level of belief to a point and then collapses the level of belief
 - c. when the belief is high the truth is low
 - d. truth is dependent only upon the belief, and it is the belief that solely drives the Bubble

Thus we can create a model which can be written as follows. First for truth we have:

$$x_{True}(k+1) = a_{2,1}(k)x_{People}(k) + a_{2,2}(k)x_{True}(k)$$

where

$$a_{2,2}(k) = 1$$

and

$$a_{2,1}(k) \leq 0$$

and:

$$x_{\text{people}}(k+1) = x_{\text{people}}(k) + f_{13}(k, x_{\text{people}}(k)) + a_{12}(k)x_{\text{true}}(k)$$

where

$$f_{13} = \begin{cases} \leq 0 & \text{if } x_{\text{people}} \geq x_{\text{people}}^{\text{critical}} \\ \geq 0 & \text{if } x_{\text{people}} \leq x_{\text{people}}^{\text{critical}} \end{cases}$$

and

$$0 < x_{\text{people}}^{\text{critical}} < 1$$

This leads to a continuous time system as follows:

$$\frac{dx_{\text{true}}(t)}{dt} = -\alpha x_{\text{people}}(t)$$

and

$$\frac{dx_{\text{people}}(t)}{dt} = f(x_{\text{people}}(t)) - \beta x_{\text{true}}(t)$$

and if we let the substitution in as follows:

$$x(t) = x_{\text{people}}(t)$$

then

$$\frac{d^2x}{dt^2} = f'(x, t) - \alpha\beta x(t)$$

or

$$\frac{d^2x}{dt^2} + \gamma x(t) = \begin{cases} -f_0; \frac{dx}{dt} > 0 \\ +f_0; \frac{dx}{dt} < 0 \end{cases}$$

This is the Clock equation of [Andronov et al](#) and it describes an oscillatory system in the space of x , and dx/dt . Namely we have a phase space of the two variables, orthogonal to one another and there is a oscillatory behavior in the box as shown below. This can be simulated in discrete time by the following:

$$\frac{d^2x}{dt^2} + \gamma x(t) = \begin{cases} -f_0; \frac{dx}{dt} > 0 \\ +f_0; \frac{dx}{dt} < 0 \end{cases}$$

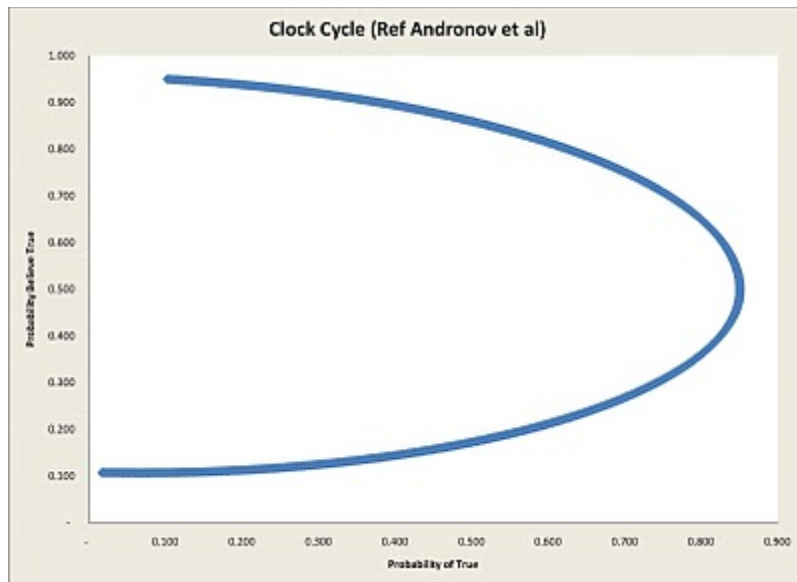
equals:

$$y(k+1) = y(k) - \gamma \Delta x(k) + \begin{cases} -f_0; y(k) > 0 \\ +f_0; y(k) < 0 \end{cases}$$

and

$$x(k+1) = x(k) + \Delta y(k)$$

The typical solution for this may look as follows:



The above is a time plot of the two variable over time and they cycle back and forth. This shows the following:

1. There can be a model for the EMH that demonstrates the relationship between the two variables. It is not a model using a supply demand model.
2. The model demonstrates market cycles as expectations and reality cycle with each other.
3. The model can be tested against real data to ascertain its validity.

It would be interesting to see how this compares with reality.

Posted by Terry McGarty at [4:39 PM](#)  

Labels: [Economics](#)

[MORE THOUGHTS ON CCE](#)

The [NEJM published a recent article](#) on the CMS approval of certain new medical technologies. The authors state:

In deciding whether to pay for new medical technologies, the Centers for Medicare and Medicaid Services (CMS) is becoming more specific about its requirements for evidence of improved health outcomes in the Medicare population. In our view, this is a positive and overdue step, but one whose rationale and likely consequences must be better understood by the medical community, policymakers, and the public. Expansions of access to health insurance under the health care

reform legislation pending in Congress — and resulting financial pressures — would almost certainly intensify the emphasis on more relevant and robust evidence....

*Over time and in fits and starts, Medicare has embraced this emphasis on “outcomes.” The program pays for broad categories of health care services (e.g., hospital and physicians’ services) but is prohibited by law from paying for items and services that are not “reasonable and necessary.” Although most coverage decisions are made by the regional health plans that administer the Medicare program, the CMS issues **national coverage determinations (NCDs)** each year for 10 to 15 technologies that are projected to have a major impact on care, for which an existing national policy requires updating, or for which regional policies are conflicting.*

The NCD or national coverage outcome is the approach of evaluating whether Medicare will reimburse for certain technologies. For example this applies to robotic surgery for prostate cancer. There is currently a paucity of evidence that the robotic approach increases life span yet it does reduce certain morbidities.

They continue:

Some physicians may be concerned about stricter evidentiary requirements, perceiving them as impeding access to important medical advances. Others may be disturbed by the idea of interference by “big government” in the doctor–patient relationship. Still others may suspect the motives underlying the requirement for evidence reviews, seeing the trend as part of a cost-containment agenda, as highlighted recently by the second-guessing of the motives behind changes to the screening guidelines for breast cancer and cervical cancer.

Yes indeed there is this concern and perhaps this was a key element in the recent Massachusetts Senate race outcome. The breast cancer decision was a political disaster. The team making it was apparently devoid of disease specific expertise. Furthermore it was devoid of essential patient input. For it is not just the test per se but the "ritual" of the patient and physician contact which is key. This ritual effort along with the elements of the rituals including mammographies, PSA tests and the like, afford substantial benefit, well beyond just the Government defined end points.

The authors continue:

How do evidence requirements vary among different categories of technology, and how can that evidence be generated most efficiently? When can Medicare make reasonable inferences from studies undertaken in non-Medicare populations? When is it reasonable to extrapolate from surrogate markers studied in randomized, controlled trials to longer-term outcomes? When and how should observational data and other nonexperimental evidence be used? When should technology be reassessed in light of new information?

*Part of the solution will come from having a more transparent, timely, and participatory process, and Congress and the CMS have worked to improve matters in this regard. Part of the solution will also come from smarter design and implementation of clinical trials and better synthesis of evidence. **The CMS should continue to explore ways to enact flexible coverage policies in order to tie payment to outcomes.** The agency has experimented with a policy of*

“coverage with evidence development,” which enables Medicare to cover the use of promising technologies for patients enrolled in studies that will better determine a technology’s risks and benefits.

The problem is that if CMS demands evidence for any and all treatments then this becomes the chicken and egg problem. The arguments over CCE in the most recent health care bills are prime examples of the concern here. CMS has the authority already to enact many forms of control. It will be interesting to see if CMS does to health care what EPA has done to CO2 control, by fiat!

Posted by Terry McGarty at [8:36 AM](#)  

Labels: [Health Care](#)

MICROSOFT AND THE REGISTRY

Just a note for readers, I decided to get a new laptop, old one had no disk space left, it was seven years old, so i got a great Dell and like any techy decided I would get Windows 7, the 64 bit version.

Well, you all can guess the ending. I installed a bluetooth mouse, and then decided to download and install the update drivers. Yes, then all hell broke out. The download wiped out the Registry!

For those of you who do not know a Registry it is akin to the limbic system of the brain, that internal element which interconnects stuff and gets us frazzeled under stress. It imprints lasting memories on us so that we never do anything again like what we had just experienced. The limbic system imprints such things as never again to touch a hot stove, lick a frozen pipe under a dare in norther New Hampshire, or the like.

Thus from 8 PM till well past midnight I was in the hands of some well intentioned Dell techys in Mumbai who took control of my life, and I watched as they tried to determine what happened. Now I know a bit about the Registry, I know more about the limbic system, but alas I could not figure out what had been done. They then asked me to push a button which I never saw and there it was, it worked again.

I have been cleaning up that mess ever since. This is why I measure my life in MegaGates, units of human lives wasted on Microsoft induced disasters. Some of you may have sympathy, but alas, there are those techys who will tell me that have no trouble with the Registry, there will be Apple users who say why do you deal with a Registry, there will be the Luddites who say just buy another one and never touch them, and I am left in this never world of asking why!

Posted by Terry McGarty at [8:20 AM](#)  

Labels: [Commentary](#)

THURSDAY, JANUARY 21, 2010

PROSTATE CANCER, CCE, AND TESTING

The [British Journal of Cancer](#) has just published an interesting article regarding Prostate Cancer. They state:

There is evidence that prostate cancer (PC) screening with prostate-specific antigen (PSA) serum test decreases PC mortality, but screening has adverse effects, such as a high false-

positive (FP) rate. We investigated the proportion of FPs in a population-based randomised screening trial in Finland...An FP result is a common adverse effect of PC screening and affects at least every eighth man screened repeatedly, even when using a relatively high cutoff level. False-positive men constitute a special group that receives unnecessary interventions but may harbour missed cancers. New strategies are needed for risk stratification in PC screening to minimise the proportion of FP men.

The last statement is the most powerful. It states that despite the false positive, namely a man is told that an increased PSA may be an indicator for Prostate Cancer, and then after a biopsy there does not appear to be any, then shortly thereafter they do come down with PCa. Namely false positives may not truly be false positives but early true positives. Specifically the histological test of looking at cells may not be the correct early assessment method.

The [Cancer Research UK](#) states in their assessment of the article the following:

The study, a clinical trial of the controversial PSA test for prostate cancer, tells us that false-positives are common. It also shows that men who get a false alarm:

- are likely to get another one the next time they go for a PSA test*
- are likely to refuse future invitations to screening, and*
- are likely to actually be diagnosed with prostate cancer the next time round*
-

The third result, in particular, is a fascinating one. It suggests that men who get a false-positive result through PSA testing, in the words of the researchers, “constitute a special group”. They could well go through unwarranted tests, but they could also harbour missed cancers that only turn up later.... As we mentioned above, there’s a large prostate screening trial running across Europe, called ESPRC. The new results, published in the British Journal of Cancer, (which Cancer Research UK owns) come from the Finnish part of this trial – its largest component.

It involves more than 80,000 men, some of whom were randomly invited to three rounds of PSA testing, with four-year gaps between each round. Roughly 30,000 men attended their first round of screening and more than 10,000 of these men went on to attend all three rounds.

The study showed that false-positives are a common part of PSA testing. In any individual round of testing, the majority of positive results are false alarms (between 60 and 70 per cent), while just over a quarter lead to an actual cancer diagnosis. Among the men who attended at least one round of screening, 1 in 8 had at least one false-positive result.

It’s worth noting that the researchers were using a fairly high cut-off level of PSA (4 ng/ml) – i.e. the level above which they were thought to have suspected prostate cancer. This sets a pretty high bar for a positive result and should minimise the number of false positives. Nonetheless, many still crept through.

Among the men who get a false alarm in one round, more than half will get another false alarm in the next one. Many men without tumours have persistently high PSA levels for some other reason, so they keep on testing positive. That’s a lot of extra worry and more potential for unneeded tests.

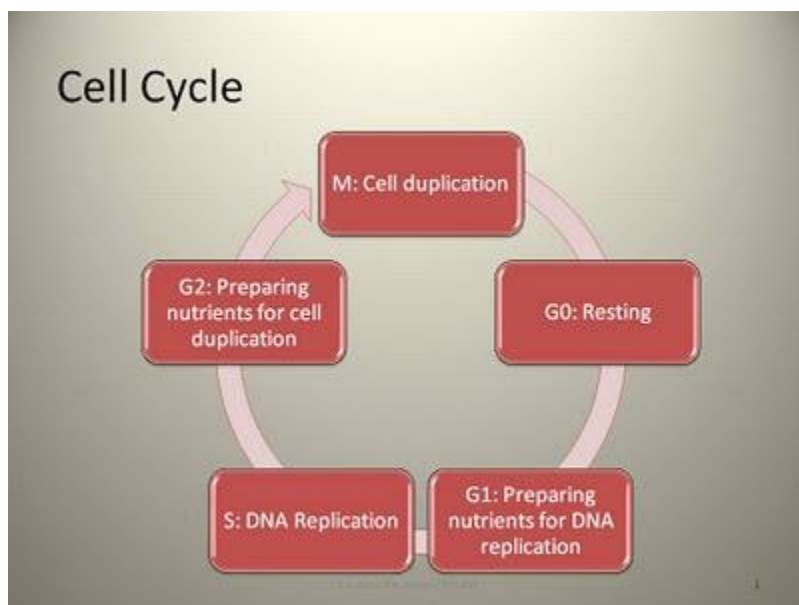
Indeed, in this trial, every third man who got a false alarm went through two biopsies within 4 years of their result. That's probably an underestimate too, as it doesn't account for any visits to private doctors.

However, the study also shows that false-positives aren't entirely meaningless. If men had a false alarm during one round of screening, they were 3-9 times more likely to be diagnosed with prostate cancer during the next round...."

The analysis of the poor trials mentioned above is what we had commented on a year ago when the results were issued. Namely they used the 4.0 PSA level which we now know to be wrong, especially for men under 65. In addition we also now know that the better measure is PSA velocity, namely the change in PSA in a years time. If the change is 0.75 or greater then there is a 90% chance of Prostate Cancer. That is a fairly good metric. Thus is you have a PSA of 1.5 in one year and the next year it is 2,25, you have a 90% chance of incipient PC.

The 2003 [NEJM article by Nelson](#) et al on Prostate Cancer lays out the genetic progression of Prostate Cancer and it is that progression which PSA somewhat follows. Yet it is that progression that most histological exams, using say a Gleason framework, do not follow. It is worth a simple review to see what we mean. Let us go through 4 simple steps:

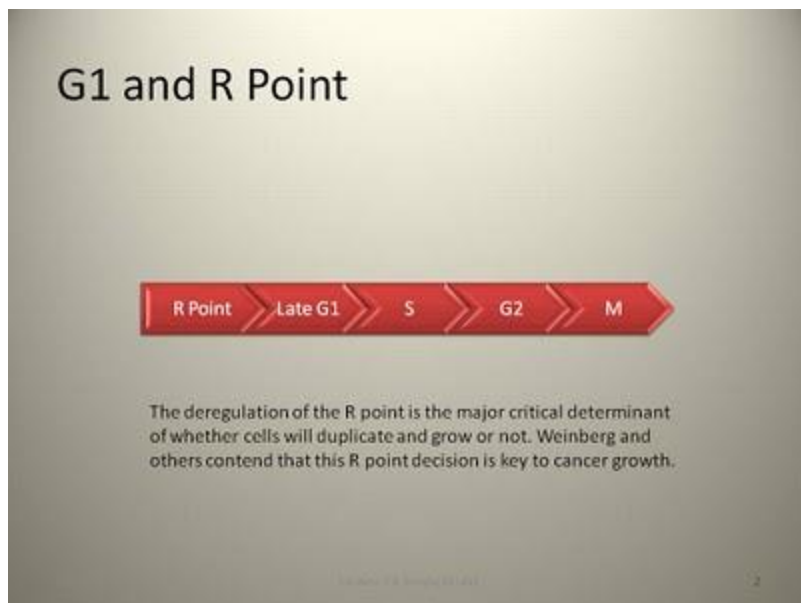
1. Cancer is simply a breaking down of the normal cell cycle as shown below. Cells duplicate themselves via mitosis and it is that mitotic process wherein say old cells "die" and new cells are created. In fact the old cell just repairs itself and then duplicates itself. The classic process is as below.



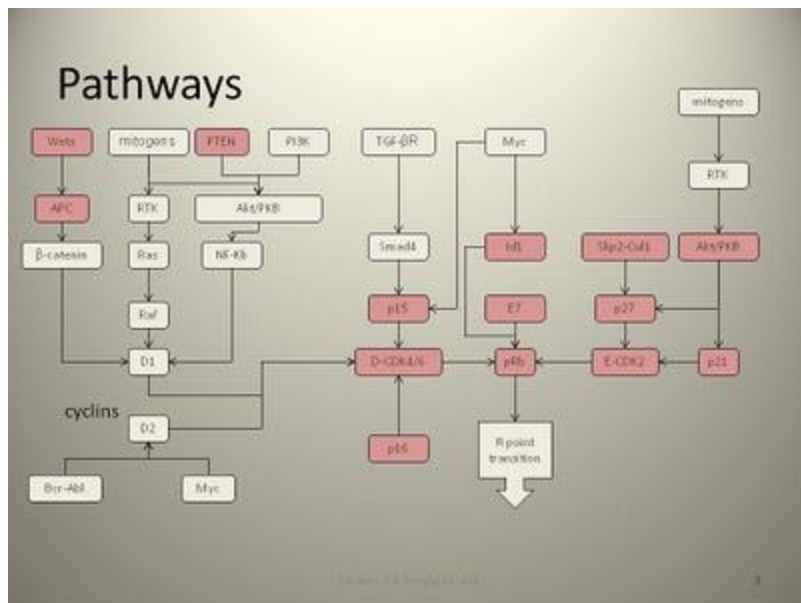
Most of the time the cell is resting in G0. The cell when in G1 is getting ready to reproduce. For it is in S that the DNA copies itself and then goes on to M for separation into new cells. The skin, blood, and many other cells are doing this all the time. However there may be problems. The cell

DNA may be hit by radiation, some chemical which damages the DNA, or the like. Cell DNA is quite fragile.

2. The cell begins its change to reproduce and there are many internal control mechanisms. They take the cell almost through G1 up to an R point, at which if the cell DNA has any problems the corrective mechanism will kill the cell. However if the genes controlling this protective mechanism are not working due to same attack, then the cell goes past this R point and does it again and again. That is the beginning of cancer.

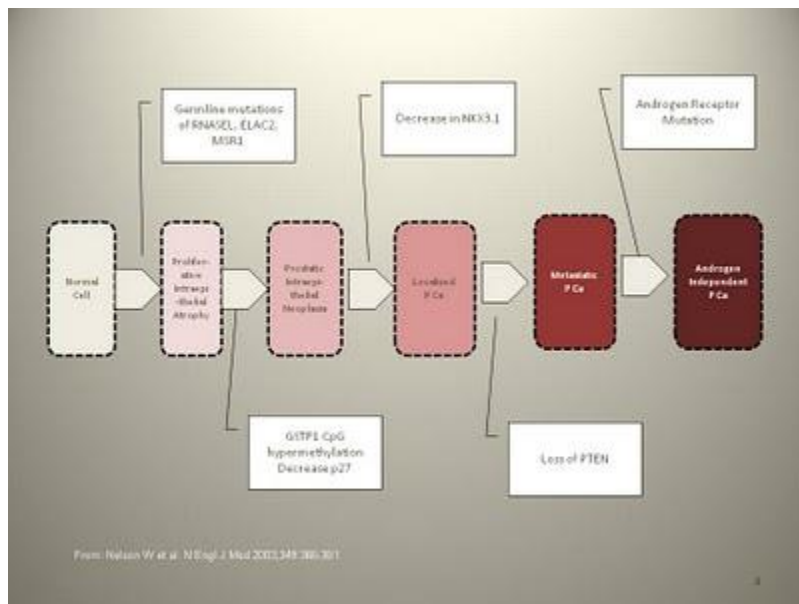


3. Now there are many chemical pathways that try to stop errors from propagating. We show some of them below.



The most important for Prostate Cancer is the PTEN pathway. This gene and its protein if in any way damaged result in loss of control of cell growth. Many environmental factors control the breakdown of PTEN. Once it goes the PSA starts to explode. The cancer then also becomes unmanageable. It is this final assault that will often result in death.

4. Cancer is a progressive disease of steps. The ones from Nelson, and there are updated version of it now seven years later, but this is quite reasonable are shown as follows:



A simple health cell starts on the left and spends its whole life happy and well. Then all we need is one cell which gets attacked and the process starts. But it takes many attacks, one after the other to take the cell from a slight problem to a deadly mass. Understanding these steps and being able to determine what is in the "bad" cells will be a much better path to take than what we have now with PSA but PSA is good. It works, and it does save lives.

Thus we argue three facts:

1. The clan of Comparative Clinical Effectiveness users is really a backward looking clan. In fact the PSA testing controversy shows how backward looking they can be. Yes a 4.0 PSA will result in little improvement. For by the time it gets there especially in young men it is too late. We need a forward looking clan of researchers on the clinical side. That however may be an oxymoron since the clinical researchers most often look backward.
2. The genetic markers are truly the best measures of what the problem may be. Yet we need better means and methods to measure them We need to have say nanotechnology which will scrub through the prostate and scape up telltales of the presence of the genetic markers. Are there any PTEN negative cells, and if so then they are the clones which will be reproducing and kill the patient. They are the ones which should be eliminated.

3. Genetic medicine is as we have argued recently the PC of medicine. It will be the sea change necessary to finally attain scale in the practice of medicine.

Posted by Terry McGarty at [7:36 AM](#)  

Labels: [Health Care](#)



WEDNESDAY, JANUARY 20, 2010

[WHAT ANGER?](#)



The current Administration seems to portray the Massachusetts vote as one compounded in anger. Frankly having spent a great deal of time there one is left to ask, what anger. Perhaps Gergen is angry because his academic arrogance was called into question, and perhaps the Kennedy machine is angry because they lost the last semblance of God given regality. Yet the people who voted for Brown were not angry. Angry was and is a negative emotion. The people felt empowered to say they did not agree with the ensconced pols who all too often take them for granted. This is not Venezuela, yet, and votes still do count. The "anger" tag is the last resort of the rascal, call your opponent a nasty name and hope it sticks.

This election was a restatement of the principle that if all else fails the politician should listen to the people, even in a Republic. The current administration should set aside Alinsky and return to the principles of the Founders. As I walk around the Jockey Hollow encampment of Washington I can recall what those troops went through. They were from Massachusetts, New Jersey, New Hampshire, and they fought and dies for individual freedom. T^hat is what was reiterated to Washington last night, and the anger came from Washington not Massachusetts.

Posted by Terry McGarty at [2:27 PM](#)  

Labels: [Commentary](#), [Politics](#)

TUESDAY, JANUARY 19, 2010

[CONGRATULATIONS SENATOR BROWN!](#)

Senator Brown has accomplished the impossible, a Republican in Massachusetts. Great job! It does send a message. As we have been arguing for over a year now here we believe in a health care reform but what Congress has delivered is a sham. It creates an untenable situation which is

more "gifts" to friends and nothing of merit to the US citizens. There are parts we believe in but as a whole it is a disaster.

In the late 60s and through the 70s I was a staunch Massachusetts Democrat. I ran a portion of the Tsongas for Congress campaign in Acton, I was a rep at the 1974 mini convention, I was a strong supporter even of McGovern and spent four years in and out of secondment in the Carter Administration. But alas enough was enough. I know Massachusetts quite well and as I looked at town after town the tale is overpowering. Woburn, Reading Peabody, true blue collar Democrats, going powerfully for Brown. Falmouth, Bourne, Barnstable, solidly for Brown, just look at the map. The towns of Concord and Newton and Lexington were as expected Democrat. The Concord Lexington creep went to Acton but died at the border. Littleton went Brown. This was truly amazing. The central western regions went Democrat as expected but they also wanted to have Guantanamo prisoners sent there as well.

Frankly a major key to the win was the blatantly arrogant question of the Harvard based Gergen, presuming a Kennedy entitlement to the position, and Brown's brilliant retort, it was the people's Senator. The isolation of many academics from the people is dangerous, and one would suspect especially so in a School of Government. I have spent time years ago walking and talking on the campaign trail. People do listen, they do think, they do decide. That is what Gergen missed in his insular academic mindset but that the people did respond.

This will be a loud call for Washington to listen. Yet I suspect this will not be the case. This was not a Glenn Beck cult but a massive shift. Hopefully we do not see Congress ignore the people.

Posted by Terry McGarty at [7:00 PM](#)  

Labels: [Politics](#)

[SCALE ECONOMY IN MEDICINE](#)

There has been some discussion today about an article about [Baumol's "cost disease"](#) and it being an explanation for why the cost of health care will never decrease. Simply stated the intent was to show that health care was akin to musicians in an orchestra. That there is no way that there ever will be economies of scale in the delivery of health care.

As with a great deal of what Baumol has stated for a while I beg to disagree. The change in computing and in turn our economy was the deployment of the computer and especially the PC. The same will occur in health care with the deployment of genetic techniques to ascertain predispositions for diseases, for the staging of these diseases, for their treatment and in turn for their prevention.

As we have argued many times before, we sit on the precipice of this change occurring. We see that there are many ways in which we can now determine if a person has a predisposition for disease as extreme and rare as Marfan's syndrome, and the BRCA genes for breast cancer, the PTEN gene expressed or not expressed in many cancers. The staging and assessing of many diseases and especially many cancers will allow for improved and more efficient treatment.

We are there now, we are at the edge of change. In many ways genetic therapy and prevention is akin to computing in 1947. If it continues to develop it will solve the health care dilemma and it

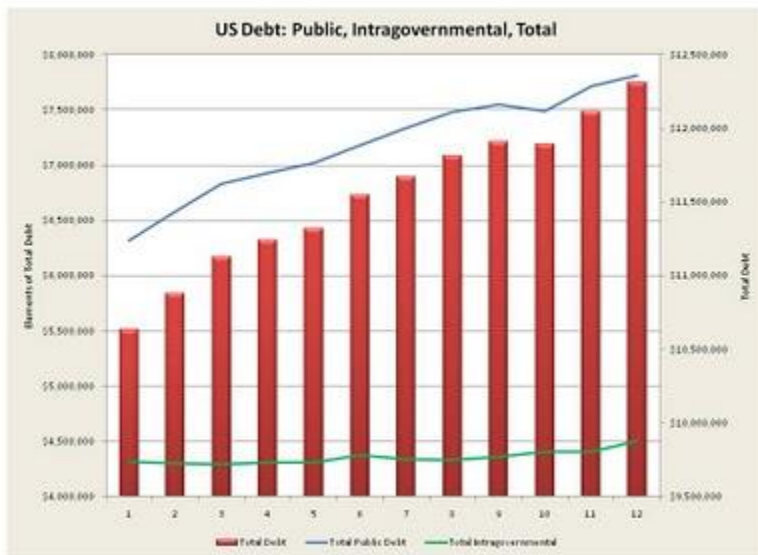
will show that Baumol's cost disease will remain with musicians and will no longer apply to health care.

However if we institutionalize the current way of doing health care as is being done with the current plan then more than likely we will see this occur well beyond our collective lifetimes.

Posted by Terry McGarty at [2:13 PM](#)  

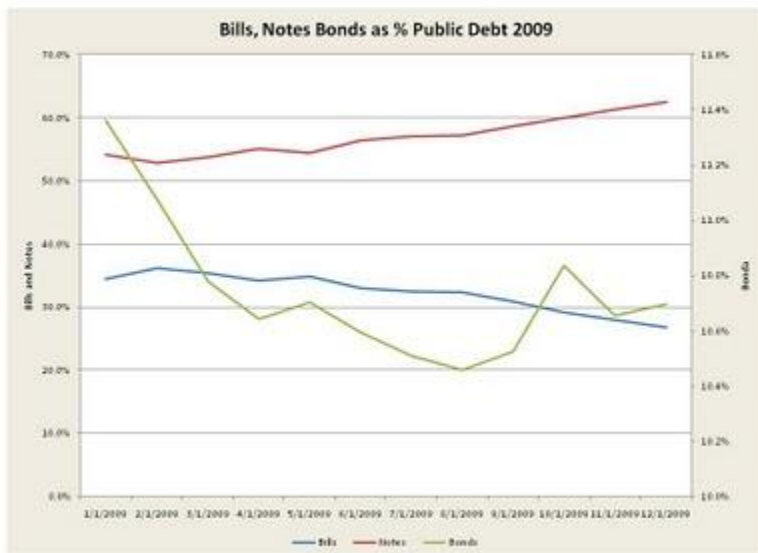
Labels: [Health Care](#)

[THE TREASURY: RATES AND CHANGE](#)



We have been looking at the debt and its components for the past year and some interesting trends are appearing. The above is the debt and its public and intragovernmental elements. Readers should remember that the intragovernmental elements are what Congress steals from our Social Security and Medicare to pay for the redistribution programs and pork to keep them in DC. The public debt is what China and our other friends have been talked into buying.

Now let us look at the public side as below.



The above shows the purchase of the public debt is moving to the longer held instruments since the shorter instruments are paying little or any interest. We had shown this a few days ago when we commented on the yield curve.

This is good and bad. It is good in that one may say that the buyers see little long term inflation. It is bad in that if there is long term inflation they will sell these on the market even at a massive loss and this will result in a spiral downward in a positive feedback mechanism just in the middle of an inflationary time and will exacerbate it.

How can this happen? Well simply, the FED can really start printing money. Why would this happen, because the buyers just do not "feel" any trust in US policy.

My concern is that the yield curve is driving us to a possible tipping point with inflation arising not from just printing but loss of faith in the country.

Posted by Terry McGarty at [4:54 AM](#)  

Labels: [Economy](#)

[MONDAY, JANUARY 18, 2010](#)
[BROADBAND STIMULUS: SOME QUESTIONS](#)



In 2004 I had a company, The Merton Group, which was awarded funding to build broadband in New Hampshire, Vermont, and Massachusetts. The above is the dummy check for Hanover, New Hampshire. We eventually never started and never took a penny of Government money. As we have noted before it was due to the franchise requirements. Moreover there were parts of the towns that under no circumstance could be ever make the business work. Those parts are similar to what a Vermont company called EC Fiber is allegedly doing in Vermont.

I was interviewed a week ago by the [Burlington Free Press regarding EC Fiber](#). As I told the reported I really knew nothing about the company other than what I had read on the Internet but I had the experience having tried this once before. I could speak only regarding my extensive industry experience.

The paper states:

Managers of the proposed network — a patchwork of 46,500 people living in 22 towns in four counties — say it will pay off its debt with its subscription revenue. ECF Board Chairman Loredo Sola of Pomfret said the nonprofit network hopes to hear within a few weeks whether it has been chosen from hundreds of applicants nationally for a \$69 million federal stimulus loan from the Department of Agriculture’s Rural Utility Service. If that federal money becomes available, work on the “shovel-ready” project can begin quickly, Sola said.



If we take the above we see that there are about 20,000 households, and they desire a 50% penetration by year six so they will have 10,000 subscribers and the RUS funding of \$69 million is only 80% of the total requires so that a total of \$83 million is needed. That is \$8300 per sub!

Just to pay back RUS will be \$69 per sub per month at 50% take rate! That seems to me to be un-doable. I am quoted initially as follows:

Some industry observers are expressing concerns that the project is too costly and the market too competitive. Terry McGarty, a researcher at Massachusetts Institute of Technology with experience trying to develop fiber-to-the-home systems, said ECF's chances of financial success are "highly problematic."

Problematic is an understatement. If the revenue is \$100 per sub per month and just paying RUS with a 50% penetration is \$69, that is 1% per month of the total capital per sub, then they are under water already for the video content may exceed \$30. And no other costs are included. The article continues:

Twenty-seven towns passed an advisory question on Town Meeting Day 2008 to build the ECF network. Ultimately, 22 signed an interlocal contract to proceed. "Basically, it was an instrument to allow the towns to get together and do things," said Jim Dague, Granville road commissioner and the town's liaison to the ECF project. "Everyone was in favor of doing that." Granville, with a population of about 300, is one of the smallest communities in the network. "We have about four houses per mile and 17 miles of roads," Dague said. "That's why FairPoint is not doing it."

Let me do another simple analysis.

1. We know that the target capital per sub should be \$3500 at the maximum for that converts to \$35 per month per sub for capex repayment. Why is \$35 per capex important well because the

video costs \$30 per month, the Internet access is \$20 paid to the Internet backbone carriers, and the operating costs are \$15. That is the all in revenue of \$100 and thus at that point the business is break even.

2. Now we also know that of the capex we have \$500 for the drop from the street to the home, \$500 for the equipment in the home, and \$500 for miscellaneous other centralized equipment. These are incremental costs. This leaves \$2000 per home for the fiber in the streets and common equipment.

3. We know that fiber costs about \$50,000 per mile to string up including pole changes and the like. Since we have \$2000 per sub we know we need about 25 subs per mile. At 50% penetration that means we need 50 houses per mile.

4. Oops, these towns do not seem to be even close!

The analysis is all back of the envelope. Any experienced and competent person can do the analysis. What has happened here. Well the Burlington Free Press states I am an MIT researcher, yes that is what I do part time now, but I have built these networks world wide, and have been amongst many things a Group President at Warner Cable, deploying the first single mode fiber in 1981, the COO of NYNEX Mobile deploying a full New England Network, and Founder and CEO of Zephyr, the dominant fiber network in Central and Eastern Europe. Thus I have the distinct disadvantage of experience which apparently the EC Fiber teams seems to be weak on, especially if one looks at Burlington Telecom.

Now as to BT, I was asked in 2004 to meet with town officials there to give them advice regarding BT. I went through this simple analysis above. I think they got it and I told them of the high risks. It seems that they were not listening then as they are not now.

The article continues:

ECF said RUS responded to that question: "Provided the prices and technical specs were within industry norms, the 'no-bid' aspect of the contracts would be outweighed by the 'shovel ready' advantage of having signed, complete contracts ready to go into operation as soon as financing is completed."

When I did Merton back a few years ago I was made by RUS as well as by common sense to go and get competitive bids. We had dozens and I made many trips to vendors and had vendors come to me. We finally chose a collection to do the work. This seems to be a sole source deal. It further seems to be one where RUS just wants the money out the door if the above quote is correct.

It is a shame because systems like this can be built in targeted areas but if they fail the costs will be on the backs of those who are least able to pay, namely the taxpayers. And yes there will be many who profit while there will be many more who may not.

Posted by Terry McGarty at [5:00 AM](#)  

Labels: [Broadband](#)

SUNDAY, JANUARY 17, 2010

[ECONOMICS AND THE ECONOMY: RECENT VIEWS](#)

There are two recent pieces on the economy worth reading. One by [Solow](#) and the other by [Mankiw](#).

Let me start with Mankiw and the excess reserve issue. We noted nine months ago about the excess reserves that appear on the banks balance sheets as they appear also on the FED. The [NY FED published a paper](#) a month ago trying to explain these.

The quantity of reserves in the U.S. banking system has risen dramatically since September 2008. Some commentators have expressed concern that this pattern indicates that the Federal Reserve's liquidity facilities have been ineffective in promoting the flow of credit to firms and households. Others have argued that the high level of reserves will be inflationary. We explain, through a series of examples, why banks are currently holding so many reserves. The examples show how the quantity of bank reserves is determined by the size of the Federal Reserve's policy initiatives and in no way reflects the initiatives' effects on bank lending. We also argue that a large increase in bank reserves need not be inflationary, because the payment of interest on reserves allows the Federal Reserve to adjust short-term interest rates independently of the level of reserves.

Mankiw in his article seems to state what we observed nine months ago but which the NY FED seems to say is a misinterpretation. Mankiw states:

The Federal Reserve has also been rapidly creating money. The monetary base — meaning currency plus bank reserves — is the money-supply measure that the Fed controls most directly. That figure has more than doubled over the last two years....

Part of the answer is that while we have large budget deficits and rapid money growth, one isn't causing the other. Ben S. Bernanke, the Fed chairman, has been printing money not to finance President Obama's spending but to rescue the financial system and prop up a weak economy. Moreover, banks have been happy to hold much of that new money as excess reserves. In normal times when the Fed expands the monetary base, banks lend that money, and other money-supply measures grow in parallel. But these are not normal times. With banks content holding idle cash, the broad measure called M2 (including currency and deposits in checking and savings accounts) has grown in the last two years at an annual rate of only 6 percent.

The NY FED replied last month as follows:

This view has led to proposals aimed at discouraging banks from holding excess reserves, such as placing a tax on excess reserves (Sumner, 2009) or setting a cap on the amount of excess reserves each bank is allowed to hold (Dasgupta, 2009). Mankiw (2009) discusses historical concerns about people hoarding money during times of financial stress and mentions proposals that were made to tax money holdings in order to encourage lending. He relates these historical episodes to the current situation by noting that “[w]ith banks now holding substantial excess reserves, [this historical] concern about cash hoarding suddenly seems very modern.”

The NY FED concludes:

The idea that banks will hold a large quantity of excess reserves conflicts with the traditional view of the money multiplier. According to this view, an increase in bank reserves should be “multiplied” into a much larger increase in the broad money supply as banks expand their deposits and lending activities. The expansion of deposits, in turn, should raise reserve requirements until there are little or no excess reserves in the banking system. This process has clearly not occurred following the increase in reserves depicted in Figure 1. Why has the money multiplier “failed” here?

The textbook presentation of the money multiplier assumes that banks do not earn interest on their reserves. As described above, a bank holding excess reserves in such an environment will seek to lend out those reserves at any positive interest rate, and this additional lending will decrease the short-term interest rate. This lending also creates additional deposits in the banking system and thus leads to a small increase in reserve requirements, as described in the previous section. Because the increase in required reserves is small, however, the supply of excess reserves remains large. The process then repeats itself, with banks making more new loans and the short-term interest rate falling further.

This multiplier process continues until one of two things happens. It could continue until there are no more excess reserves, that is, until the increase in lending and deposits has raised required reserves all the way up to the level of total reserves. In this case, the money multiplier is fully operational. However, the process will stop before this happens if the short-term interest rate reaches zero. When the market interest rate is zero, banks no longer face an opportunity cost of holding reserves and, hence, no longer have an incentive to lend out their excess reserves. At this point, the multiplier process halts.

Thus the FED argument is that the "textbook" analysis is wrong and it appears that the textbook approach is what Mankiw is using. What is happening. This then trickles down to what the Administration is also doing to banking. The dynamics appear as follows:

1. Banks, yes including Goldman Sachs, gets money free from the FED.
2. Banks have three businesses. One is loaning money which is deposited. Not a very profitable business. A second is the classic role of intermediary in markets bringing investors together with investments and skimming a fee, not a bad business but there is little of it now. Third, investing in their own deals. This is their own trading desks. This is where the money is made.
3. The banks, Goldman, Chase and the usual suspects are back to making tons of dollars by getting money at zero interest, using it in a leveraged manner to bet on the market. The result is they are pushing the market higher. Frankly not bad for developing consumer confidence. It was this action which for the most part caused the turn around since March.
4. Turning the market is just a confidence builder, albeit an important one. They are doing what they could as bank traders in making the economy work on paper. Money is flowing in that

sector. It does not mean that the investors and investments are getting together and it does not mean that banks are lending using the leverage from deposits, even though deposits are growing.

5. Thus if we were to tax banks as proposed, we would be disincenting those who pushed up the market and then this would be a pressure on pushing the market back down and possibly collapsing everything.

It appears as if Mankiw has not recognized this effect and thus may fall in line with the current Administration. Perhaps textbook writers need to get into the trenches.

Now to Solow. He has reviewed the Cassidy book, and one would perceive somewhat favorably. Yet his review is classic Solow. Let me focus on a few points. First that of externalities. He states:

Yet another requirement is the absence of significant external effects or "externalities." An externality occurs whenever one person's or one firm's behavior directly affects the well-being of other persons or firms positively or negatively without the first party bearing the costs or being remunerated for the costs or benefits that it inflicts or bestows on the others. Thus, if my chemical plant is allowed freely to stink up the neighborhood, there will be more such chemicals produced than the Invisible Hand would like. And if others can read the scientific literature and use the results of your basic research without paying you for it, there will be less basic research done than would be efficient. Again, externalities are ubiquitous in a densely populated modern economy. Some taxes and subsidies, instead of being distortions, are designed to correct the distortions that arise from such externalities (carbon taxes, cap-and-trade systems), and many regulations are intended to prevent or minimize negative externalities (no pig farms in city limits, no billboards in scenic areas).

The problem is that there is not a word of Coase. Solow's view is that the only way to regulate externalities is to have the Government do so. Coase states that if there were well defined property rights and that the transaction costs were de minimis then they could be more efficiently regulated by and between the parties.

As I have stated before the example is farmers and the railroads. If a railroad has tracks adjacent to say a corn field and from time to time it sets off sparks and burns the corn, then if there were well defined property rights and de minimis costs to litigate then the farmer could readily sue the railroad and get his money back plus a reasonable return. No regulation. But we don't have that we have regulation. That means that the railroad must conform everywhere to the no spark standard, a costly adherence, and the farmer has no rights, since the Government has high litigation costs. The result is via regulation we have "controlled" the problem but at a very high social cost. Both Solow and Cassidy know that one could assume but they both are proponents of Government becoming the arbiter it appears.

Now Solow goes on to state something interesting about Goldman:

Take an extreme example. I have read that a firm such as Goldman Sachs has made very large profits from having devised ways to spot and carry out favorable transactions minutes or even

seconds before the next most clever competitor can make a move. Deep pockets in a large market can make a lot of money out of tiny advantages. (Of course, if you have any such advantage the temptation is irresistible to borrow a lot of money to enlarge your bets and your profits. Leverage is good for you, until it isn't. It is not so good for the system.) A lot of high-class intellectual effort naturally goes into trying to invent ways to find those tiny advantages a few seconds before anyone else.

Now ask yourself: can it make any serious difference to the real economy whether one of those profitable anomalies is discovered now or a half-minute from now? It can be enormously profitable to the financial services industry, but that may represent just a transfer of wealth from one person or group to another. It remains hard to believe that it all adds anything much to the efficiency with which the real economy generates and improves our standard of living.

Yes, Goldman has developed an interesting money making machine. It is a fact that stocks can be "sticky" in the short term. The very short term, milliseconds. Thus if you can be in the unique position of having the ability to buy and sell as a buyer and seller, then by seeing short term trends you can buy at the beginning of an up tick and sell at the beginning of a down tick. Small gains, but if you are Goldman you have zero transaction costs. Further if you have fiber between the exchanges, with delays equal to the speed of light for the minimal distances involved, you can do this before anyone else.

You have a unique position to make money at de minimis risk. Further if you get "free money" from the FED you can make billions, which they did. That is the point that Solow seems to be getting at. Second is that even though this is legal it does not create economic value, it is in effect a "tax" on all the poor schlubs who think they are pari passu in the market. In effect the Government has given Goldman a pure profit stream in return for pumping up the market.

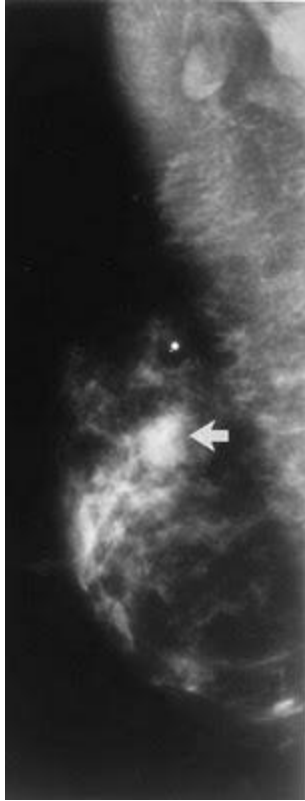
The devil is in the details and perhaps economists need to get down a layer or two and explain how this works. The folks at Zero Hedge seem to be at that level and are always a few yards ahead of others in understanding this. We need to have the economists and those who tell their tales to get at the same level.

Posted by Terry McGarty at [11:56 AM](#)  

Labels: [Commentary](#), [Economy](#)

FRIDAY, JANUARY 15, 2010

[THE DEFENSE OF THE BREAST CANCER RECOMMENDATION](#)



In [JAMA](#), Dr Woolf makes his defense of the breast cancer screening recommendations of last fall stating:

ON NOVEMBER 16, 2009, THE US PREVENTIVE Services Task Force (USPSTF) released breast cancer screening recommendations, sparking controversy and intense media coverage. As portrayed by the media, the government had recommended against mammography for women aged 40 to 49 years, despite evidence that mammograms saved lives, and against women examining their breasts, the method by which most breast cancers are detected.

The recommendation drew fire. The problem is that the USPSTF was lacking in any sensitivity to what it was saying and how it said it. Take for the example the statement made by Woolf that they make no recommendations to insurance companies:

The USPSTF does not advise insurers. Since its inception, the USPSTF has focused on the question of whether preventive services improve health outcomes. The recommendations are derived by weighing benefits and harms to patients; costs and coverage issues are ignored. Clinicians, not policy makers, have always been the target audience.

How naive. He seems to be saying that they just say things and that what they say has no effect on the world. Clearly insurance companies can and will and have used the recommendations of this group and others to deny coverage. One has to live as a hermit in a cave not to know and recognize this. This single statement is in itself in my opinion discrediting.

Then the good doctor continues with the following:

Concern about harms is not trivial. Breast cancer is an age dependent disease; the benefit from screening increases with age. Among women aged 39 to 49 years, at least 1000 women must undergo periodic mammography to prevent 1 breast cancer death.1 Younger women also face increased risk of harms from screening, such as false-positive findings, biopsies, anxiety, and over diagnosis and treatment of latent disease.

One death may be one death too many. How many skin exams does it take to save one malignant melanoma death. Many, indeed, but it is that one time, that single instant, when the physician and the patient see what appears to be the start of a deadly growth, and then one must act instantly, delaying not even a week. The breast has the same set of issues.

He ends the above by saying that the harms (sic) are false findings, anxiety, and even a biopsy. To any physician after years of practice, the patient in your office is often filled with anxiety about what ever brought them there. It may be the teenager with the swollen lymph nodes or the elderly woman and her rectal bleeding, and even the middle aged man with gastritis, or the heart attack.

Anxiety and biopsies are matters of course. Performing fifty biopsies on pigmented lesions to save one life is well worth the cost and the discomfort. Even more so regarding breast cancer. The statement is in my opinion a value judgment, not a clinical statement.

He continue with several suggestions. They are:

First, scientific panels on controversial topics should gauge public sensibilities and communicate clearly when releasing recommendations. Scientists are wise to banish politics from their recommendations but are unwise not to plan for the political reception that awaits them.

Second, society needs a forum for intelligent public debate, a challenge in today's media environment. The USPSTF tempest was fomented by the 24-hour news cycle, talk shows, and blogs that ridiculed the panel and disseminated erroneous claims, conspiracy theories, and rhetoric contributed by reporters, pundits, politicians, and callers. Perversely, the information age now makes it easy to trample facts with misinformation, "breaking" news, and talking points. This helps politicians, the media, and special interests earn votes, profits, and ratings but does harm to public enlightenment.

The second observation is interesting. It appears as if the good doctor has been hiding in the 19th century, at best. Has he ever heard of twitter? Half of this very blog's readers now come from twitter. The people connected to the Internet get and disseminate information at a tremendous rate. The people do not just listen to cable news, they go after the facts directly.

It thus was not the 24 hour news shows, it was the fact that people can and do get the information from the web, specifically the facts which the USPSTP was forced to remove, and read if for themselves.

What then compounded the problem was the almost total arrogance, in my opinion, of how this group then presented it. For example, by stating implicitly in my opinion that insurance companies will take no notice, amidst the most intense debate on health care, was totally unreasonable, and then deciding in their recommendations implicitly and even explicitly what was good for women, namely lessening anxiety while increasing mortality, was equally unreasonable. The logic, in my opinion, was quite clumsy, to say the least.

It is reminiscent of the grey haired OBGYN in the starched white coat looking at a women and saying "Now dear, just take a few of these pills every day and things will be all right." Those days are long gone.

The good doctor ends with the following:

Third, if today's public sphere cannot escape these influences, the responsible recourse is to preserve independent bodies that can deliberate with clarity, insulated from interference. The public should safeguard these efforts, even if they disagree with the findings, but too often the reverse occurs, as the hostility to the USPSTF illustrates. Independent panels should not be intimidated for political reasons, but they are.

He appears to be quite defensive that anyone, especially the public, should question his judgment. Yet it is just that, a judgment, and people did not like it. It was presented poorly, explained even more poorly, and one of the members of the Committee appeared as if she were a deer in the head lights and she was not capable of articulating any reasonable explanation as to what had been recommended.

This article is an example of what is wrong with this committee. not what is wrong with the recommendation It is also an example of how in today's information rich world one must follow Osler, "If all else fails, listen to the patient!"

Posted by Terry McGarty at [7:05 PM](#)  

Labels: [Health Care](#)

FRIDAY, JANUARY 15, 2010

[IMAGINE IF ENGINEERS FOUGHT LIKE ECONOMISTS](#)

I read a [De Long](#) piece today about his abject dislike if not what appears to be hatred or the Chicago School. It is truly is a diatribe. De Long is clearly a left wing Democrat Economists and yes the Chicago has their preferences as well.

Now I thought what if Engineers let their political bents dictate how they say design a bridge. Perhaps there would be the truss school, the suspension school, the arch school, and endless other schools. They would create "theories" of bridges, showing how the other guys bridge will fall down, cost too much and the like. Yet engineers do not think that way.

Yes we have architects and they are akin to economists, like Frank Gehry, whose buildings are akin to parts of the new health care plans, yet for engineers there are the laws of physics and they enter into collaborative discussions to design a bridge. Each engineer has a set of tools to predict

with a great deal of accuracy how strong a bridge must be and though they differ on truss versus suspension they arrive at the same numbers. No one economists can arrive at the same numbers two time periods apart, no less the whole crowd of them.

DeLong states:

"Fama or Lucas or Posner could never have said any of those things if they had bothered to spend fifteen minutes talking to any one of Romer or Krugman or Summers about the issues. They would have learned that Krugman and Romer and Summers say what they believe and believe what they say.

"Stupidest men alive..."

One need look at the Cassidy interviews. You see, as I noted in my review of the Cassidy book, he writes well but has a strong political agenda. Why Fama or Posner would even sit for the interview is itself questionable. In the [New Yorker interviews by Cassidy](#) he quotes them as:

"So what caused the recession if it wasn't the financial crisis?"



(Laughs) That's where economics has always broken down. We don't know what causes recessions. Now, I'm not a macroeconomist so I don't feel bad about that. (Laughs again.) We've never known. Debates go on to this day about what caused the Great Depression. Economics is not very good at explaining swings in economic activity.

But Fannie and Freddie's purchases of subprime mortgages were pretty small compared to the market as a whole, perhaps twenty or thirty per cent.

(Laughs) Well, what does it take?"

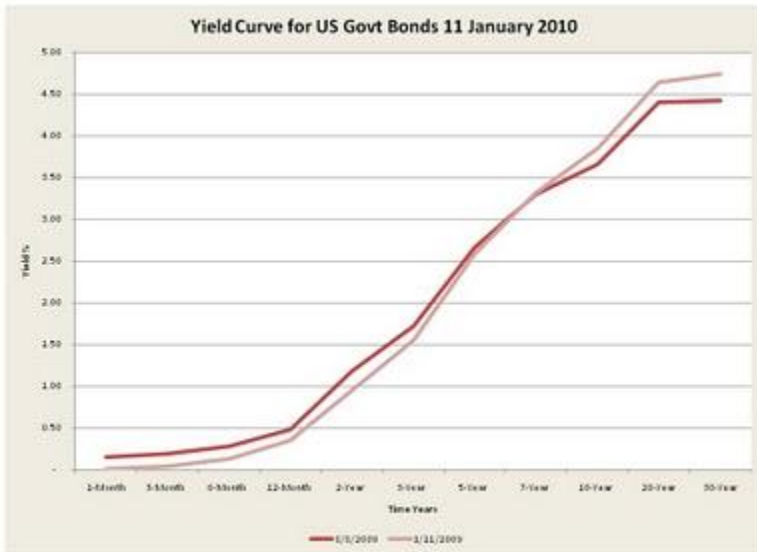
This tactic by Cassidy of including Laughs is in my opinion a deliberate attempt to denigrate the person being interviewed. It slants the answer and twists the character of the person. Just what type of laugh, a giggle, a hearty guffaw, for laughs come in all styles, as Cassidy clearly knows. As my father said, beware those swarmy Irish, for they will get to you all the time. You see my father was from Mohill in Lietrim, and yes I am an Irish citizen as well. So I know from whence I speak.

Again per DeLong, "stupidest men alive...". Thus I am amazed, that frankly sir, the ad hominem attack seems to apply to whole bunch of you!

Posted by Terry McGarty at [2:04 PM](#)  

Labels: [Economics](#)

[TUESDAY, JANUARY 12, 2010](#)
[YIELD CURVE HITS NEW HIGH](#)



The yield curve has hit a new high as shown above. Short term rates are at an all time low and long term rates are rising well above previous levels.



The above shows these rates and their change in a bit more detail for the 90 day and 10 year yields. The figure below is most interesting.

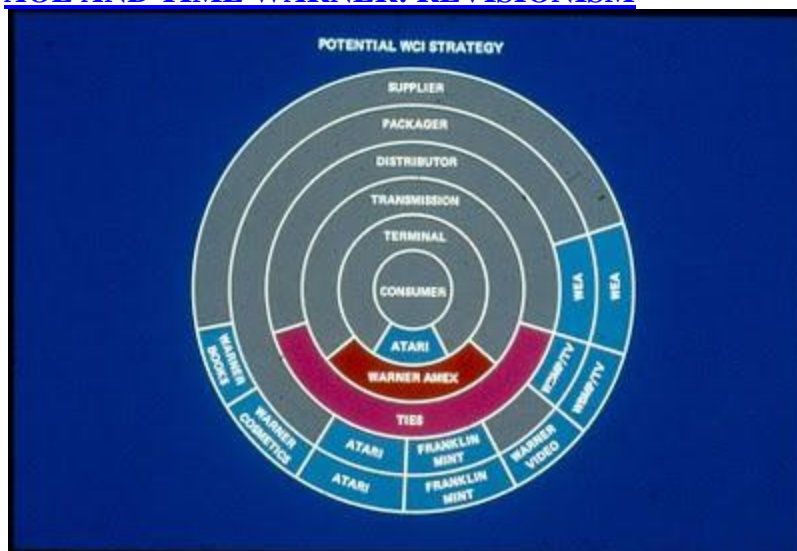


This is the chart of the spread of the 90 day to 10 year yields and the plot of the ratio of the spread to the peak spread. We saw a peak yesterday and thus yesterday represents 100%. We ran at 80% for most of the past few months but now we are peaking and this means that the good old banks like Goldman can borrow for nothing, loan it back to the Government for a great spread, make their guaranteed 9 figure bonuses and take the taxpayers to the cleaners. This is all thanks to Treasury and the FED.

Posted by Terry McGarty at [5:38 AM](#)  

Labels: [Economy](#)

MONDAY, JANUARY 11, 2010
[AOL AND TIME WARNER: REVISIONISM](#)



In the fall of 1996 I was a Visiting Professor at Columbia Business School teaching the Telecommunications Policy Course. It was the Executive MBA program.

In the course I taught a sector of the emerging telecom business each week, and one week was on AOL and the Internet sector. My point was that in late 1996 any person could see that AOL had no value. Why, well, because all it did was provide a front end to dial up and the value was all behind the dial up, the content, not the facilitation. In fact I demonstrated that there was a model for the business and that transport was only a small element. The owner of the customer, the point where real value resided, was the content provider.

What was my logic? Well in 1980 I was at Warner Cable and I was tasked with the job of creating interactive two way business on cable and spent five years actually doing that with a joint venture I created with Bank of America, GTE, Bell Atlantic, DEC, and Warner. We actually built and tested systems but alas due to problems at Warner it went off to GTE.

I remember presenting this material to the likes of Lou Gerstner, at the time not a believer of any interactive media, yes the same one who headed up IBM, but well that is the fate of being right but early.

You see the slide presented above was the strategy I had developed as President of Warner Electronic Home Services. It was presented originally in 1981 and then last in late 1983. It states that the central figure is the customer and that the strategy is to develop and own as best as possible an electronic marketing and distribution channel between supplier and customer. The channel would connect any supplier to any customer. One element was transport and the key part of that was cable, not telephone. Remember this was first 1981! Not 2001! Thus the key was cable and not dial up. What ever got into the mid of Time Warner to believe in AOL one will never know. Like so many larger corporations perhaps that had people like those in my Columbia classes, simple, get along types, who when it came to details knew nothing.

The above analysis was compelling in many aspects. It did show us what the economics clearly were. Simple, content is king. Transport is nothing. AOL was in effect transport. Yes they had a clumsy front end but it was transport. No one left at Time Warner knew that. Our work from more than a decade earlier had been lost to at most footnotes of history. In fact no one ever seemed to ask what could go wrong. Then splat.

The [NY Times today](#) carries a lot of looking back. Pity they never really looked back far enough.

Posted by Terry McGarty at [5:30 AM](#)  

Labels: [CATV](#), [Commentary](#)

SUNDAY, JANUARY 10, 2010

[DIOGENES: HE FOUND ONE HONEST MAN](#)



The News, Diogenes, there is one honest man. [Reuters](#) reports that John Reed, a fellow MIT alum, not in the Economics Department like Mr Gruber of MIT of whom we discussed earlier, is the one honest man sought by Diogenes.

I know John and had met with him a few times in the past, when he was at Citi. A highly competent and honest a man as one could ever ask for. Then he joined up with the other sides of the Citi team and alas you have what is there today.

Reuters reports:

Reed, who retired from Citigroup in 2000, told the paper that Wall Street would not fully regain the public's trust until banks scaled back bonuses for good.

"There is nothing I've seen that gives me the slightest feeling that these people have learned anything from the crisis," Reed told the paper. "They just don't get it. They are off in a different world."

Indeed they all do not get it, including Treasury and alas also the FED. They borrow money from us, all of us, at zero interest, then either risk it knowing there is no downside or just deposit it and we pay them interest. It is free money, free to them, costly to us. Frankly it is immoral, beyond just bad. Yes, as John says, they have learned nothing, we have taught them nothing. Failure and collapse has merit, for from the ashes arises a better and reformed set of entities.

What we have done for banking is akin to all those bumper stickers saying "My Child is on the Honor Roll". You see that is what happens when everyone gets an award. There are no losers. Goldman should have eaten the losses from AIG, for frankly they should have known better., and if truth be known, did! Instead, well, watch the \$100 million plus bonuses, yes that is 9 figure bonuses.

Remember that ultimately it is our money, our children's money, and our grand children's money.

Posted by Terry McGarty at [1:28 PM](#)  

Labels: [Commentary](#), [Economy](#)

SATURDAY, JANUARY 9, 2010

[JOURNALISM FAILS: GIVE IT A BAILOUT](#)

In the [Nation](#) there is a follow up article stating that we taxpayers should bail out the journalism which we are no longer buying because it is good for us, at least those journalists that the Government approves. McLuhan would be rolling over in his grave. They state:

The implications are clear: if our policy-makers do nothing, if "business as usual" prevails, we face a future where there will be relatively few paid journalists working in competing newsrooms with editors, fact-checkers, travel budgets and institutional support. Vast areas of public life and government activity will take place in the dark--as is already the case in many statehouses across the country. Independent and insightful coverage of the basic workings of local, state and federal government, and of our many interventions and occupations abroad, is disappearing as rapidly as the rainforests. The political implications are dire. ... Popular rule doesn't work without an informed citizenry, and an informed citizenry cannot exist without credible journalism.

This is more than academic theory; it is how the Supreme Court has interpreted the matter. As Justice Potter Stewart explained in 1974, the framers believed the First Amendment mandated the existence of a Fourth Estate because our experiment in constitutional democracy cannot succeed without it. That is hardly a controversial position, nor one that is necessarily left wing. It should be inviting to readers of the Wall Street Journal and BusinessWeek, as markets cannot work effectively or efficiently unless investors, managers, workers and consumers have the credible information produced by serious journalism.We need to take a dose of our own medicine, and fast. Unfortunately, misconceptions about the crisis and the proper relationship between government and media warp the debate. ...

*The most dangerous misconception has to do with journalism itself. Journalism is a classic "public good"--something society needs and people want but market forces are now incapable of generating in sufficient quality or quantity. ...**The public-good nature of journalism has been largely disguised for the past century because advertising bankrolled much of the news, for better and for worse, in its efforts to reach consumers.** Those days are over, as advertisers no longer need or seek to attach their appeals to journalism to connect with target audiences. Indeed, to the extent commercial media can scrap journalism standards to make the news "product" more attractive to advertisers, the cure will be worse than the disease.*

Frankly the form of journalism is changing and yes people buy newspaper or access other forms of information based upon their likes. I remember growing up in New York City when your political beliefs were transmitted by the paper you bought. My father was an avid reader of the Telegram, he would never read the News, The Journal American, the Sun, the Mirror, or Times and the Post was a "communist" paper. You see I read the Post secretly in College, and never really understood why. There must have been more than a dozen daily papers, morning and afternoon. Then they disappeared replaced by Television. No one screamed then.

Today newspaper are still political, the Times in New York, well we all know its bent, fair and balanced is not in their lexicon, no where, but since we know it we filter accordingly. You see I actually get the Times every day, my lovely wife reads the paper and I read the on line version. As expected I find it easier, I never liked the big sheets of paper.

But calling the newspapers a public good, that is a bit too much. News is always going through a set of changes. We have seen broadsides, pamphlets, town meetings, the local pub, radio, telegraph, and now the Internet. In fact the Internet allows direct access to news from afar, yes it is biased, just read Pravda from Moscow, but I know that. I read China Daily, knowing how it is filtered, but I still get information. I do not need the Times to tell me. In fact, I gather the information well before the Times, in most cases. And I do not have to filter a slant atop a slant.

The authors continue:

By ignoring the public-good nature of journalism and the roots of the current crisis, too many contemporary observers continue to fantasize that it is just a matter of time before a new generation of entrepreneurs creates a financially viable model of journalism using digital technologies. By this reasoning, all government needs to do is clear the path with laxer regulations, perhaps some tax credits and a lot of cheerleading. ...

This public good issue is truly annoying. There is no public good because there is no true unbiased news, and in fact people all too often seek just to have their own ideas reinforced. Just look at Glenn Beck, I do not understand him, but he is a Father Coughlin of 2010s.

The authors continue:

Our research suggests that press subsidies may well have been the second greatest expense of the federal budget of the early Republic, following the military. This commitment to nurturing and sustaining a free press was what was truly distinctive about America compared with European nations that had little press subsidy, fewer newspapers and magazines per capita, and far less democracy. This history was forgotten by the late nineteenth century, when commercial interests realized that newspaper publishing bankrolled by advertising was a goldmine, especially in monopolistic markets. Huge subsidies continued to the present, albeit at lower rates than during the first few generations of the Republic.

Yes indeed they want us to subsidize the Press. Well frankly folks where does freedom of the Press go when the Government subsidizes it. I listen to NPR when in norther New Hampshire because there is nothing else in the day time and then at night I switch to French Canadian stations, and yes it does keep my French up to date albeit with a twang, "away is the way they say "oui" for those of you who have not been there.

The authors finally end with:

*In our new book, **The Death and Life of American Journalism**, we offer proposals for long-term subsidies to spawn independent digital journalism. But we do not claim to have all the answers. What we claim--what we know--is that it is now imperative that emergency measures be proposed, debated and implemented. People need to see tangible examples of "public good"*

interventions, or the discussion about renewing journalism will amount to little more than fiddling while Rome burns. The point now is to generate popular participation in and support for a small-d democratic response.

The starting point could be a debate about "bailouts" to keep struggling commercial news media, especially newspapers and magazines, afloat. As a rule, we oppose bailing out or subsidizing commercial news media. We believe subsidies should go primarily to nonprofit and noncommercial media. We are not doctrinaire on this point and believe it should be subject to debate, especially for short-term, emergency measures. If subsidies do go to commercial interests, the public needs to get something of substance in return. But the lion's share of subsidies must go now and in the future to developing and expanding the nonprofit and noncommercial sector. Journalism needs an institutional structure that comports with its status as a public good.

Journalism may really be dying and information may be its doing. You see we can access information, albeit biased, on the Internet and we do not need an intermediary to tell us what the facts are, colored by their viewpoints and values. Journalism is an old craft where the reporter goes out and seeks out a story, the reporter creates out of what is before them a tale that is of interest hopefully to the readers so that the paper may sell and print ads. Reporters are generally incompetent in many of the fields they report upon; law, medicine, science, technology, and the list goes on. The typical reporter gets quotes, records some facts, worthwhile or worthless, and then writes them up in a generally acceptable manner. The reporting is constrained by the reporter's bias, judgement, and the editorial philosophy of the paper. To call this a public good is a bit much.

The Internet is a new medium, in McLuhan terms the medium determines what is fact, and with the new medium the users of it are redefining facts. The "facts" of the old journalism world are no longer valid, so just let the stinking corpse be buried, why should we be taxed to have the smell stay around. Better yet, build a funeral pyre!

Posted by Terry McGarty at [1:51 PM](#)  

Labels: [Commentary](#), [Media](#)

HEALTH CARE AND INTEGRITY

We have commented on the bent of Prof Gruber's work from the MIT perspective before, somewhat in opposition. However the article in [Atlantic](#) gives it a whole new perspective. The magazine states:

He shows up in the work of the left-half of the health care commentariat so often that if I tried to round up representative cites, this piece would be published sometime next month, and you'd die of old age before you made your way through it.

But he probably wouldn't have been cited with quite the same authority--particularly by mainstream media--if he'd been more upfront about the fact that he's being paid almost \$300,000 by the Obama Administration for "special studies and analysis" of the health care bills, as a

blogger on Firedoglake revealed last night. Ben Smith has the rundown; apparently most of the health care beat reporters were as unaware of the relationship as I was.

Yes, I guess, if one believes the Atlantic, that he is being paid \$300,000 of our hard earned tax dollars to sell the Administrations ideas. That is truly disturbing. On the medical school side of things one must be excessively careful in pre-emptive disclosure, not just telling if asked. As an academic and using the platform of your university clarity and integrity are essential.

This is frankly a quite disturbing revelation if it is but half true. MIT suffers as do all its faculty and students if its faculty use the platform of the Institute to sell politically paid for ideas, paid by the tax dollars perhaps which could have been more wisely spent healing a sick child.

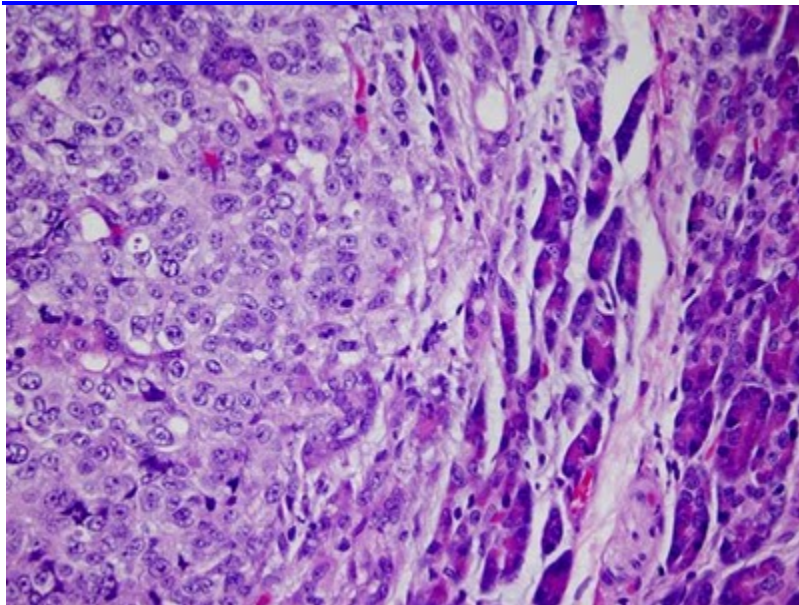
When I walk through the Children's Hospital front entrance to go over to the Brigham I see day after day young children and their families in various stages of suffering, fear of the disease, fear of not having the money, and having such a sum spent on such an endeavor is frankly unacceptable. Pity it has to be MIT.

You see, I disagree with the good Professor, and yet I take no money from anyone, in fact I volunteer my time at the Brigham, hopefully in a productive manner as I also volunteer my time at MIT. That is the part of giving back to the institution as well as to those who will follow on. It appears as if the good Professor is at that stage where the hand is always out. Hopefully some at MIT will take notice, like us alumni who are always asked for money.

Posted by Terry McGarty at [12:42 PM](#)  

Labels: [Health Care](#)

[X RAY BACKSCATTER AND CANCER](#)



The [NY Times wrote an article today](#) on the potential risks of x-ray backscatter at airports. Let me take another look at this issue.

X rays are very powerful electromagnetic waves which are generated by colliding electrons. The x-ray is of very short wavelength, very high frequency and has tremendous energy.

We use strong x-rays now for over 100 years to look within the body. Namely we put the x-ray gun on one side and the file, well very few use film any more, on the other and look at what happens in between. We can see broken bones, tumors, and the like. A great advance except for one tiny problem, x-rays break DNA bonds and other such stuff and that results in cancer.

Now the powerful x-rays that go through the body are transmitted, namely they come from behind a molecule and then are absorbed or allowed to pass through. Thus the lightness and darkness. The deeper we want to go the stronger we make the scan, namely more x-ray photons. Yes, x-rays are particles, photons, but at the frequency of the x-ray. Thus the same energy per photon is used but just more photons. CAT scans use lots of photons. CAT scans are also transmission in nature, going from one side to another.

Now there is also a scattered x-ray approach using what is called Compton scattering. You see the x-ray has a wavelength similar to that of an electron, one of the electrons in the outer rings of the atom, and when it hits one of them it bounces the electron out of orbit, the x-ray loses energy and it gets scattered at a lower frequency backward and the atom is now missing an electron. Then what happens. Two things:

1. The scattered electron comes back and can be measured as backscatter
2. The poor atom is now looking to fill the electron loss and something, somewhere, will fill it. That is where the real problem comes in. If this were a cytosine on your skin DNA, say the DNA of a melanocyte in the basal layer of the epidermis it may get methylated. Then we start the process of carcinogenesis. Then we start a melanoma. You do not need a great deal of energy, you are not going through the body, you just want backscatter, and what you are backscattering off of is the skin! And if a person has dysplastic nevus syndrome, their melanocyte DNA has already had many hits, or if the person has extensive sun damage, the same. It then takes just one more hit on a single cells DNA, and off we go to the morgue!

As the Times so properly states:

The plan for broad use of X-ray body scanners to detect bombs or weapons under airline passengers' clothes has rekindled a debate about the safety of delivering small doses of radiation to millions of people — a process some experts say is certain to result in a few additional cancer deaths.

The scanning machines, called “backscatter scanners,” deliver a dose of ionizing radiation equivalent to 1 percent or less of the radiation in a dental X-ray. The amount is so small that the risk to an individual is negligible, according to radiation experts. But collectively, the radiation doses from the scanners incrementally increase the risk of fatal cancers among the thousands or millions of travelers who will be exposed, some radiation experts believe.

Indeed the data is lacking. We do not know what the results of such continual assaults on the skins DNA will cause. There are about 2-4 billion melanocytes on a human and there are about

20-50 billion keratinocytes, the typical skin cells. It is the 2-4 billion melanocytes we are worried about. Many of them may already be primed for cancer from prior hits.

Also the issue here is that x-ray backscatter is designed to backscatter off the skin, it is not meant to go through, thus it is optimally designed to hit a melanocyte as a target.

The Times continues:

In a 2002 report on the safety of backscatter scanners, the National Council on Radiation Protection and Measurements, which is highly influential in setting regulatory standards, said it “cannot exclude the possibility of a fatal cancer attributable to radiation in a very large population of people exposed to very low doses of radiation.”

One author of that report, David J. Brenner, a professor of radiation biophysics at Columbia and director of the university’s Center for Radiological Research, said that risk might be increased as the transportation agency moves from using the scanning machines as a second-round check after metal detectors and hand searches to using them as a first-line screening system.

“When we were looking at these a few years back, it was always going to be as a secondary screening tool,” he said. “In that scenario, I don’t think there’s too much concern.” But, he said, if millions or tens of millions of passengers a year were scanned with the backscatter X-ray, he said, the risk would be higher.

The problem with all of these studies is that today we know a great deal more about the pathways associated with cancer generation. The Vogelstein model of colon cancer has now been adapted for many other forms of cancers, but there are yet to be filled in gaps. Cancers start with hits to one gene and then another. It may take 2 or even ten hits to genes before a metastatic cancer starts. However many people are genetically prone to have cancer because their genes have been primed by hits at birth. Thus it just takes a few more.

The argument made by the manufacturers is that this it is akin to the radiation on a flight. But that radiation on a flight is gamma rays not x-rays, and not x-rays aimed to scan your skin, skin deep. That is where the melanocytes are.

Frankly in my experience with radiologists, their safety standards are in many cases developed in a gross body manner and not at the molecular level. We know about the pathways at the cell level which cause cancer. We do not know everything but we know enough to set out many flashing red signs. There is a gap in our knowledge and starting an international experiment of whole body radiation is rather Mengele like in character. Or perhaps it is a part of our new health plan!

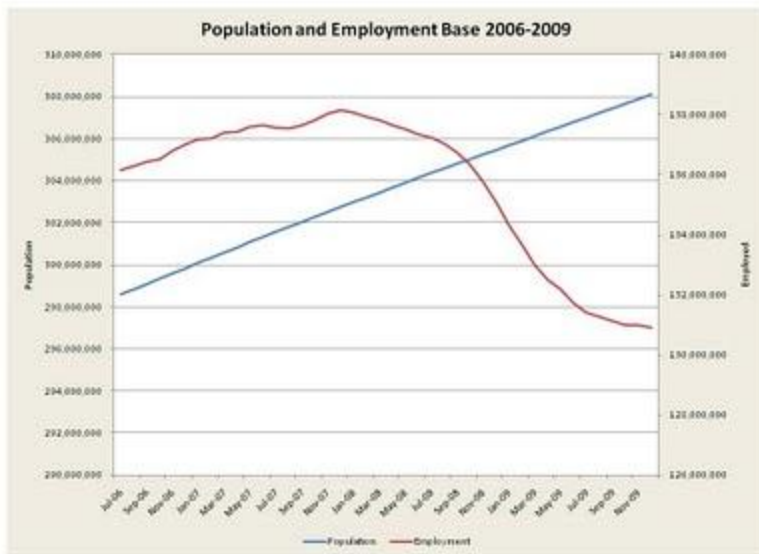
Posted by Terry McGarty at [6:48 AM](#)  

Labels: [Commentary](#), [Health Care](#)

SATURDAY, JANUARY 9, 2010
MORE THOUGHTS ON UNEMPLOYMENT

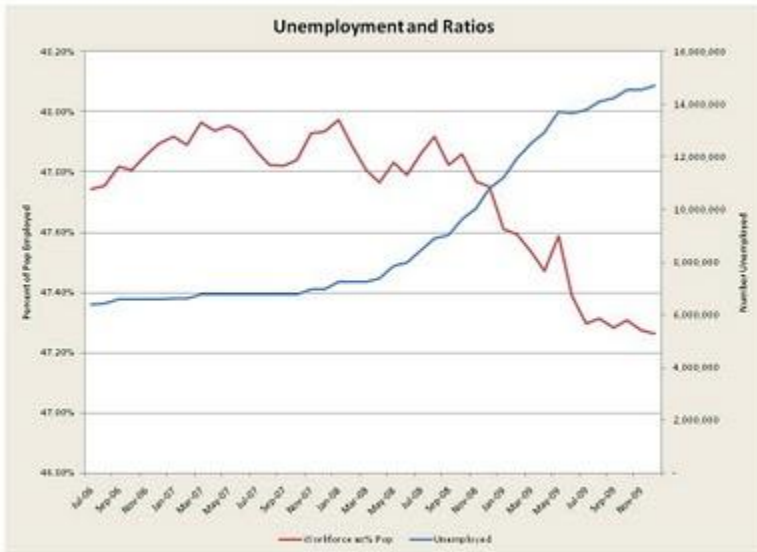
We went back and asked a few more questions on the current unemployment numbers. Namely are there some inconsistencies which may be making it lower than we think it should be. I do not mean not counting those who have given up, I just mean the workforce.

Let us begin with the chart below.



This shows the total population and those employed. One must remember that the total employed plus the unemployed is the total employment base. As we shall show shortly that should remain a fixed percent of the total population, at least in the short run of this analysis.

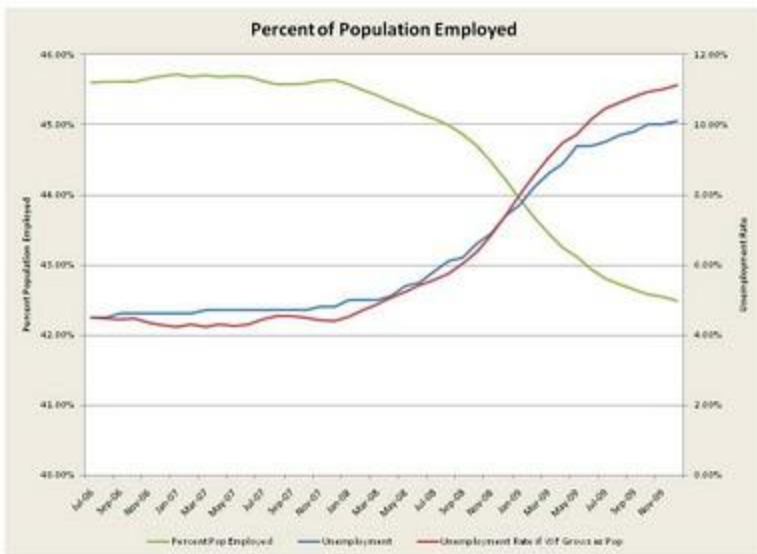
Now consider the next chart.



This shows some of these ratios. Thus we see there may be a problem. We then asked what would the unemployment rate be if:

1. The total base was the same percent of the population
2. Those unemployed were the numbers we can count
3. We then calculate unemployment percent according to these numbers.

We show this below:



Thus we see that the adjusted unemployment reflecting the constant percent of total population becomes 11.5% and not 10%. We argue that there is something in error with the adjusted numbers from the BLS. Things are worse and getting even more so.

Posted by Terry McGarty at [6:37 AM](#)  

Labels: [Economy](#)

FRIDAY, JANUARY 8, 2010

[CABLEVISION, THE FCC, AND TAKING THE CONSUMER FOR A RIDE](#)

The [FCC today issued an order](#) allowing Cablevision to demand that all of its basic service customers pay what may be seen as an extortionary fee for cable boxes. The FCC allows Cablevision to digitize all basic signals thus demanding that a box per set be paid for on a monthly basis.

I am one of the customers. The converter is made by Cisco and is one of the worst designs ever made. It takes 30 sec on average to change channels! The synch circuits act as if they were some mechanical design.

The FCC report states:

Finally, we believe that this waiver will provide an experimental benefit that could be valuable in the Commission's further assessment of the utility of the encryption rule, and in this regard, we require Cablevision, as a condition of the waiver, to provide the Commission with a 3-month, 6-month, and 12-month report describing the number of customer complaints related to this waiver, the number of set-top boxes and CableCARDS described above that were provided at no charge, the number of installations provided at no charge, the impact of the waiver on the reduction in truck rolls, and any further steps that it took in order to effectively manage the encryption process and the impact on its customers. The reports shall be filed in the docket and provided to the Bureau at the 3, 6 and 12-month intervals from the date on which Cablevision encrypts its basic signals, or if the encryption is implemented over a period of time, then from the date on which the encryption was completed, or from 30 days after the first date of encryption, whichever comes sooner. We will continue to monitor the situation in New York City and reserve the right to revoke the waiver granted herein at any time if the public interest warrants such action.⁴¹ In addition, should the Commission address the encryption rule in a rulemaking, as requested by PK and MAP, Cablevision must come into compliance with any rules subsequently adopted.

Finally the FCC states:

For the reasons stated herein, we conclude that Cablevision has demonstrated a strong need to encrypt the basic service tier, has committed to take steps necessary to mitigate harm to its subscribers, and through the reporting requirement will provide valuable data to the Commission relative to the impact of this waiver in its New York City franchise areas.

The converter costs at wholesale no more than \$50 and they charge almost \$8 per month. It is a poorly functioning piece of technology, it after all is Cisco, and the customer pays for all time just to access to channels. Thus a basic service is now \$55 per month plus \$16 for two

converters. Six months ago it was \$48 per month. Thus there is a \$23 per month increase! That is 50%! This is the FCC under the current Administration. One wonders who may have taken care of whom for what! Just wondering!

Posted by Terry McGarty at [5:16 PM](#)  

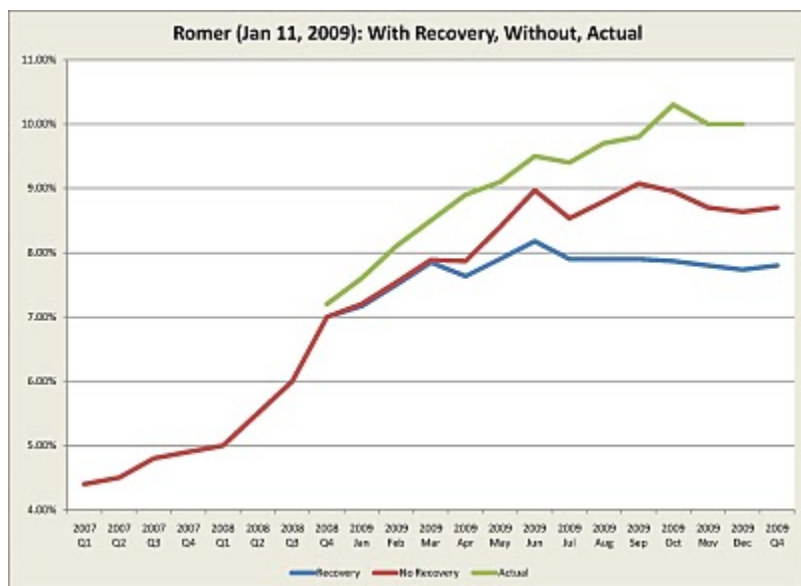
Labels: [CATV](#)

[A ROMER UPDATE](#)

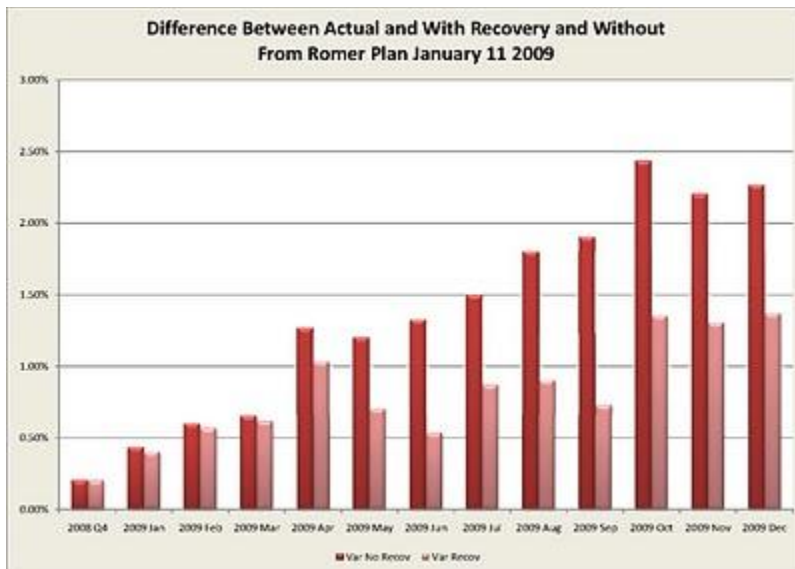
The [BLS has just issued its December](#) unemployment rate at 10% which is unchanged. As they state:

Nonfarm payroll employment edged down (-85,000) in December, and the unemployment rate was unchanged at 10.0 percent, the U.S. Bureau of Labor Statistics reported today. Employment fell in construction, manufacturing, and wholesale trade, while temporary help services and health care added jobs. In December, both the number of unemployed persons, at 15.3 million, and the unemployment rate, at 10.0 percent, were unchanged. At the start of the recession in December 2007, the number of unemployed persons was 7.7 million, and the unemployment rate was 5.0 percent.

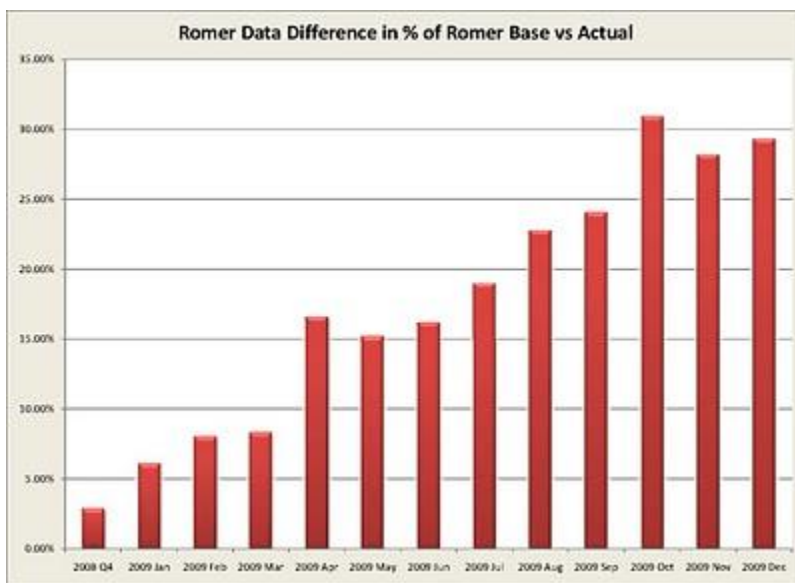
The Romer curve is shown below.



The following is the absolute error curve in percent.



The following is the relative curve for the same data:



It has been a year since she published her rather optimistic and baseless plan. Unemployment still hangs at 10% and true unemployment is still higher. The major causes now are the uncertainty in the health care, tax, business environment and other factors. Employers are frozen in place. Banks are holding back because it is better to borrow from the FED at 0% and put the money in a FED account at a positive value and just make money and take no risk.

As [Hoenig of the KC Fed](#) stated yesterday:

"In the case of monetary policy, the challenges are no less daunting. The Federal Reserve must curtail its emergency credit and financial market support programs, raise the federal funds rate

target from zero to a more normal level, probably between 3.5 to 4.5 percent, and restore its balance sheet to pre-crisis size and configuration."

This means that banks will loan and at market rates. This may also put downward pressure on inflation if employment re-expands.

Posted by Terry McGarty at [5:33 AM](#)  

Labels: [Economy](#)

THURSDAY, JANUARY 7, 2010 [SACRE BLEU! GOOGLE ET FRANCE](#)

Well one would expect it would start in France. Le Mond described what the French Government intends to do to Google due to its success in the Internet business. Tax It! [Le Monde](#) says:

"L'autorité de la concurrence sera saisie sur un éventuel abus de position dominante de Google dans le secteur de la publicité en ligne, et une expertise sera lancée pour tenter de mieux "appréhender fiscalement" les revenus publicitaires des moteurs de recherche et des portails Web. Nicolas Sarkozy a validé, jeudi, l'une des principales propositions de la mission Zelnik, chargée de réfléchir au moyen de développer l'offre culturelle sur Internet, lors de ses vœux au monde de la culture.

La mission présidée par le PDG du label Naïve, [Patrick Zelnik](#), éditeur notamment de Mirwais ou de [Carla Bruni](#), avait rendu mercredi ses conclusions, contenant des propositions dans les domaines du livre numérique et de la vidéo ou de la musique en ligne. Parmi ces ajustements fiscaux ou législatifs, qui pourraient donner lieu à une proposition de loi visant à compléter le volet répressif de la loi Hadopi, la mission recommandait notamment la création d'une "taxe Google", sur les revenus publicitaires réalisés pas les portails et moteurs de recherche (Yahoo!, Facebook...), de l'ordre de 1 % à 2 %. Estimant que "ces entreprises sont taxées dans le pays siège, alors qu'elles ponctionnent une part importante de notre marché publicitaire", le chef de l'Etat a souhaité qu'une taxation plus précise soit mise en place, sans préciser s'il s'agirait d'une nouvelle taxe."

Yes for those of you who do not read French, they want to tax all of Google's revenue to subsidize failing old time businesses!

Perhaps Washington will get the same idea, let's destroy one of the engines of our economy and support the old presses who have done a poor job at best. Why did we not support GM, and yes AIG, and then there is Fannie and Freddie. After also are we not to emulate the French!

Now I really like France, I like the French, I can still manage to speak French everywhere but Paris. But one should remember that Paris accepts French spoken as one from the city of lights, whereas New York accepts what for many is barely English.

This is a Luddite tax if ever there was one. Poor France, it is still stuck in the 17th century.

Posted by Terry McGarty at [4:11 PM](#)  

Labels: [Broadband](#), [Commentary](#)

[ELECTRONIC MEDICAL RECORDS: PEOPLE ARE NOW THINKING](#)

tablets as to what an EMR, or EHR, is, others are now really starting to think about it. There is an interesting short piece by [Kibbe and Klepper](#) presenting some useful thoughts in terms of principles. Some I agree with others I have some issues, yet as we all know there is no general consensus and the Government mandates will not make it so. Just look at TSA, the Intel Community, and the like. No matter who runs the Government they never seem to get it right.


Yet I thought it would be useful to add some thoughts. For those of you wondering what I bring to the table I am now volunteering my time at the Brigham and Women's Radiology Department to try to sort through issues on the imaging side. At the other extreme I see on a day to day basis how clumsy the current system is. For I have digitized all family records and then print them out and hand carry between physicians. You see they do not use email, partly a HIPPA issue, partly an issue of added costs, partly a cultural issue.

So regarding EMR the following are my major principles:

- 1. Make it Patient Centric:** The data should be in the hands of the patient, virtually as well as physically (electronically that is). To do this there must be a single registry. Well we have many of them as examples today, like Facebook and the like. Hundreds of millions are there already, even old folks.
- 2. Add Costs and Alternatives, or Feedback and Feedforward Work:** Over the past twenty years we have observed in the literature and in the field two things. First if physicians are given costs information regarding alternative medications they generally choose the less expensive, subject to maintaining patient health. Second, if they are provided with alternative procedures, based on some agreed to set of standards, yes comparative clinical effectiveness, albeit "locally" sourced, say through their professional or local academic groups, they tend to reduce procedures. These are feedback systems reinforcing what works and feedforward systems making peer group "suggestions" or providing options. A simple example is do I get a CRP and an ESR, for a suspected thyroiditis and if not then which one?
- 3. Do Something:** One of the problems of defining and then implementing the "right" system is that the result takes too long, it is filled with problems, it costs too much, and it is out of date when and if it is ever completed. Anyone who has ever been in the real world knows that. So the best approach is to just start with what is there now, say the Google or Microsoft systems, and then build upon that. Yes the Kaiser system is great, expensive, and under a central control. It most likely will work no where else. But by just doing something and then reiterating one can in a Darwinian sense get somewhere. Namely bad ideas will not make it to fruition and stop the good.
- 4. Keep it Simple:** This is the challenge. The success of the Internet was the success of TCP/IP over the IBM SNA world. One should keep the inner parts of the system as simple as possible and let the edges add the complexity, for they have it already.

5. **Let it be Organic:** This means we do not need a single God like dictator who in their own mind has the solution to everything. No matter how smart we think we are we always miss something. Back to my old MIT days of teaching, to test an idea I made a dicta in class and watched the little sharks tear it apart. The result was a good idea, not necessarily what I pontificated at the beginning. One must be open to criticism. Unfortunately physicians are frequently not prone to that.

Well just some thoughts.

Posted by Terry McGarty at [9:10 AM](#)  

Labels: [Electronic Medical Records](#), [Health Care](#)

WEDNESDAY, JANUARY 6, 2010

GOOGLE V APPLE

The latest write up in the [Financial Times](#) about the Google phone again seems to miss the point. The business models are clearly different. Google wants the eyeballs and Apple wants the fingers. Google is selling an enabling technology and Apple an end product. Google is in the service business and Apple in the hardware business. Apple wants your heart, Google wants your wallet.

The FT states:

"The contest appears to pit not only two companies but two approaches to business. On one side is Apple, a secretive endeavour that is seemingly wedded to old, closed ways of competing; on the other side is Google, a champion of open source software and open systems.

"A well-managed closed system can deliver well-designed products in the short-run – the iPod and iPhone being obvious examples – but eventually innovation in a closed system tends towards being incremental at best," wrote Jonathan Rosenberg, a Google executive.

Yet Apple is not as closed as Google portrays it, and nor is Google as open. Instead, like the proverbial half-empty glass, Google is best regarded as half-open and Apple as half-closed. That is significant because it shows how such companies need to compete in a networked industry."

Yet, the true issue is not closed or open. Google wants to have everyone play as soon as possible. Then they get the eyeballs and then the money, the services revenue. Apple on the other hand is stuck in the closed hardware mindset. Frankly that world has changed, changed forever.

Posted by Terry McGarty at [4:11 PM](#)  

Labels: [Broadband](#)

THE ECONOMY: A VIEW FROM THE FED

The FED Governor, [Elizabeth Duke](#), spoke yesterday regarding the status of the economy. It is worth the read. I will try to summarize and comment on a few points of her presentation.

Commercial Real Estate, CRE, is, as we have been saying for over a year now, the overhang on any development. She states:

"A number of factors are at work in explaining the reduction in bank loans. For instance, for most commercial banks, the quality of existing loan portfolios continues to deteriorate as levels of delinquent and nonperforming loans are still rising.

In response, banks have reduced existing lines of credit sharply and tightened their standards and terms for new credit. In addition, banks with capital positions that have been eroded by losses or those with limited access to capital markets may be reducing risky assets to improve their capital positions, especially amid continued uncertainty about the economic outlook and possible future loan losses.

During this financial crisis, a number of lending relationships have been severed as individual banks sought to reduce loan portfolios or concentrations within those portfolios or as banks failed or merged. Established banking relationships are particularly important to small businesses, who generally do not have access to broader capital markets and for whom credit extension is often based on private information acquired through repeated interactions over time. When existing lending relationships are broken, time may be required for other banks to establish and build such relationships, allowing lending to resume."

Banks have reduced lending dramatically and this means a great deal for the downside of Commercial Real Estate.

She continues:

"Unfortunately, the outlook for commercial real estate is much less favorable.

Hit hard by the loss of businesses and employment, a good deal of retail, office, and industrial space is standing vacant. In addition, many businesses have cut expenses by renegotiating existing leases.

The combination of reduced cash flows and higher rates of return required by investors leads to lower valuations, and many existing buildings are selling at a loss. As a result, credit conditions in this market are particularly strained. Commercial mortgage delinquency rates have soared.

According to our October survey of senior loan officers, banks continued to tighten standards on CRE loans and, presumably in light of the poor economic outlook for the sector, appear to have been reluctant to refinance maturing construction and land development loans. In addition, the CMBS market has only just recently seen its first activity in a year and a half.

In this environment, a turnaround in CRE is likely to lag the improvement in overall economic activity. However, compared with the situation in the early 1990s, the problems in this sector now appear to be due largely to poor business fundamentals rather than widespread overbuilding, suggesting that the performance of the CRE sector will gradually begin to improve as the economy continues to strengthen."

Since many of the banks hold substantial CRE loans, the uncertainty in this sector will continue to pressure a retention of cash by the banks and a dramatic reduction of loans. This in turn will slow if not halt a 201 recovery in the non-Government sectors.

Posted by Terry McGarty at [9:27 AM](#)  

Labels: [Economy](#)

WEDNESDAY, JANUARY 6, 2010

[GOOGLE'S NEXT STEP IN WIRELESS](#)

The [Financial Times](#) has reported on the Google entry into the handset market using its software platform. As we have written over the past few years here and in detail in our White Papers we still see Google as a one trick pony, yet continuing to wander around for alternative opportunities.

The FT states:

*"The online Google phone store will sell the handset with service from **Verizon** Wireless in the US and **Vodafone** in the UK immediately, but will quickly be expanded to include more handsets, mobile operators and countries, Google executives said. The early test countries, which also include Singapore and Hong Kong, are only the "first baby steps" in a global push, said Andy Rubin, head of the Google mobile software efforts.*

Google's move into online retailing marks its latest attempt to change the ground rules in the mobile business and to stimulate mobile internet use to boost its search advertising business"

The Google strategy is to place itself in as many places as possible, to get in front of as many eyes as is possible. Yet at the same time the clarity of their business model, beyond advertising, is yet to be determined.

As we have argued before we still see the development of the electronic shopping mall model and yet the FT article sees a focus on selling the "retail service" whatever that may be.

The winner we continue to believe will be the player who cracks the electronic shopping mall operator paradigm.

Posted by Terry McGarty at [8:51 AM](#)  

Labels: [Broadband](#), [Wireless](#)

TUESDAY, JANUARY 5, 2010

[THE "EDUCATED CLASS": AS SEEN FROM THE NY TIMES](#)

I thought a bit about writing this but after reading [David Brooks column](#) several times today, in between other real things that got done, I found myself back at it again. It was an upsetting piece because it defined the "educated class" by what they believe in as a group rather than what they have accomplished as "educated" people. This is the typical New York left wing view of intellectuals. Unless one lines up with a predefined belief set then one is not "educated" no matter how many PhDs, MDs, etc you may have from Tier 1 universities.

Yes, Mr. Brooks, an educated person may have differing ideas from you and from me. You and I, Sir, may readily differ and frankly I cannot say whether you are educated or not. I do not know. You write for the local newspaper, you get paid by our tax dollars for talking on the PBS stations, and you opine on things which may or may not be important or even correct. But educated, Sir, I really do not know. You, Sir, appear to have but an undergraduate degree from Chicago, and Sir, you appear to be minimally "educated" as such would be defined in common use or practice.

Brooks states in his article today:

"The public is not only shifting from left to right. Every single idea associated with the educated class has grown more unpopular over the past year.

*The **educated class** believes in global warming, so public skepticism about global warming is on the rise. The educated class supports abortion rights, so public opinion is shifting against them. The educated class supports gun control, so opposition to gun control is mounting.*

The story is the same in foreign affairs. The educated class is internationalist, so isolationist sentiment is now at an all-time high, according to a Pew Research Center survey. The educated class believes in multilateral action, so the number of Americans who believe we should "go our own way" has risen sharply.

A year ago, the Obama supporters were the passionate ones. Now the tea party brigades have all the intensity.

The tea party movement is a large, fractious confederation of Americans who are defined by what they are against. They are against the concentrated power of the educated class. They believe big government, big business, big media and the affluent professionals are merging to form self-serving oligarchy — with bloated government, unsustainable deficits, high taxes and intrusive regulation."

Now to Brooks, the educated class "believes" in global warming. That is truly baseless. A significant section of those with some education may "believe" in it but if one were to be truly educated then one would not believe in it, like, for example, one believes in Peter Pan. For Mr Brooks, Sir, the educated would have a factual basis upon which they present their arguments., and after having a factual base they would apply logic, Sir, logic and reasoning, Sir, and from that reach a conclusion.

For Sir, that is the essence of an educated person. They use facts and logic., not belief. Even Aquinas took such an approach, for his philosophy, Sir, combined facts and logic, and logic for his time, Aristotelian, building on Abelard and his predecessors. There is a method to the understanding and analysis of the educated class, Sir. The problem, Sir, is that you said what you meant, they believe. Perhaps, Sir, they also believe in the tooth fairy, yet that belief does not make it exist, nor does that belief make those who hold that belief educated. The contrary is the fact Sir.

You continue, Sir, to state that the educated are internationalists and are seekers of multilateral action. Frankly, Sir, many of the educated like it very much in this country the way it is, Sir, and they may be seekers of open markets subject to certain equities but are far from internationalists. As for multilateral action, there are times when a nation is attacked that unilateral action is mandated, and then let one see who else is in line. Pre-emptive attacks, however, may be a totally different issue, so I do differ with the Bush doctrine. But Sir, to state that anyone who is not an internationalist is uneducated is itself prima facie proof of being uneducated.

And the tea party, well Sir, one need look no further than Andrew Jackson, he of the battle of New Orleans and of the duels and other manly acts, not to mention the atrocities to the native Americans, for he was in many ways part of a similar movement, yet the educated hold him dear, just look at Schlesinger.

Thus to Mr. Brooks I say, define what you mean by "educated", for that is the first step of any educated person, and look to determine that your definition has merit, and then go from there. Positing the way you do Sir, well it is just, how best to say it, uneducated!

Is big business, banks, government and the like merging to create a single oligarchy to deprive mankind of their rights. Shades of Galbraith, Sir, shades of Galbraith. Except this time they threw the true culprit in the mix, the government.

Posted by Terry McGarty at [4:04 PM](#)  

Labels: [Commentary](#)

MONDAY, JANUARY 4, 2010

[THE IRS AND HEALTHCARE: KAISER FINALLY SEES THE LIGHT](#)

[Kaiser Health News](#), the arm of Kaiser Permanente, has finally caught on that the IRS will be the enforcer of the new health care plans. We noted that when the first House Bill appeared almost nine months ago. It was not hidden, it was out there for all to see. This meant that we would need a greatly expanded IRS and most likely many more prisons for those not complying one way or the other. Again we have been saying this forever. The KHN article states:

"The House and Senate bills require most Americans to have health insurance and to prove it on their annual federal tax return. Those who don't would pay a penalty to the IRS.

That's one of several key duties the IRS would assume under the bills that have been approved by the House and Senate and will be merged by negotiators from both chambers.

The agency also would distribute as much as \$140 billion a year in new government subsidies to help small employers and as many as 19 million lower-income people buy coverage.

In addition, the IRS would collect hundreds of billions of dollars in new fees on employers, drug companies and device makers, according to the non-partisan Congressional Budget Office (CBO).

Some critics of the health bill question whether the IRS, which has struggled in recent years with budget problems, staffing shortages and outdated computer systems, will be up to the job of enforcing the mandate and efficiently handling the subsidies.

"It's hard to see how the IRS could take on the huge responsibility it would be given under pending health care legislation without some real glitches, or worse," said Sen. Charles Grassley of Iowa, the top Republican on the Senate Finance Committee who voted against the bill with every other Republican senator."

They then continue regarding the costs:

The CBO estimated the IRS would need \$5 billion to \$10 billion in the first decade to cover the costs of its expanded role. Its annual budget is currently \$11.5 billion.

The costs have NOT been funded under the Bills as best as can be determined. Thus the IRS will ever so softly creep into each and every person's life, whether they pay taxes or not. For the Bills require universal compliance one way or the other. There are many ways to do this other than the IRS but leave it to Congress.

Posted by Terry McGarty at [9:20 AM](#)  

Labels: [Health Care](#)

[MORE ON CABLE RATES](#)

In the 1970s when CATV was just getting started Congress in its never ending search for things to control looked at separating content from transport. Namely they wanted to make CATV companies transport only entities and force those who has even the slightest hand in content to divest it from the transport side. In effect Congress sought to make Cable a common carrier.

Now to the present, the FOX/Time Warner flap, the Cablevision/HG and Food Channel flap and the many others brewing around are trying to change the playing field.

In the old days the local broadcast channels provided free access and made money by advertising. Now with FOX taking the lead they want both advertising and a subscription fee. Namely they want \$1.00 per month per subscriber whether the subscriber wants to watch or not. The business model is changing. You the subscriber will be paying for content you do not want plus for the CATV companies lines to your residence, which frankly are paid for many times over by the exorbitant broadband charges.

The FCC has an interesting [FACT Sheet](#) that is worth the read for the general individual regarding CATV. For example it distinguished the issue of "must carry" and retransmissions. It is this doorway that opened the set of problems we see now.

Per the Fact Sheet:

*"The 1992 Cable Act established new standards for television broadcast station signal carriage on cable systems. Under these rules, each local commercial television broadcast station was given the **option of selecting mandatory carriage ("must-carry") or retransmission consent ("may carry") for each cable system serving the same market as the commercial television station.** The market of a television station is established by its Area of Dominant Influence ("ADI"), as defined by Arbitron and/or modified by the Commission. Every county in the country is assigned to an ADI, and those cable systems and television stations in the same ADI are considered to be in the same market. Upon the request of a television station or a cable system, the Commission has the authority to change the ADI to which a station is assigned. As a result of Arbitron abandoning the television research business, the Commission has determined that,*

effective January 1, 2000, the market of a television station shall be its Designated Market Area ("DMA") as determined by Nielsen Media Research.

Must-Carry/Retransmission Consent Election

Every three years, every local commercial television station has the right to elect either must-carry or retransmission consent. The initial election was made on June 17, 1993, and was effective on October 6, 1993. The next election occurred on October 1, 1996, and was effective January 1, 1997. All subsequent elections will occur every three years (October 1 1999, to be effective January 1, 2000; October 1, 2002, to be effective January 1, 2003; etc.).

Election of Must-Carry Status

Generally, if a local commercial television station elects must-carry status, it is entitled to insist on cable carriage in its local market. Each cable system with more than 12 channels must set aside up to one-third of its channel capacity for must-carry stations. For example, if a cable system has 60 channels, it must set aside 20 of those channels for must-carry stations. If there are 25 stations in the market which elected must-carry, the cable operator may choose 20 to carry. On the other hand, if only 15 stations elected must-carry in the market, the cable system would have to carry all 15 of these stations. A must-carry station has a statutory right to a channel position, usually its over-the-air channel number, or another channel number on which it has historically been carried.

Retransmission Consent Election

A cable system is not permitted to carry a commercial station without the station's consent. Therefore, if the local commercial television station elects retransmission consent, the cable system must obtain that station's consent prior to carrying or transmitting its signal. Except for "superstations," a cable system may not carry the signal of any television broadcast station that is not located in the same market as the cable system without that broadcaster's consent. Superstations are transmitted via satellite, usually nationwide, and the cable system may carry such stations outside their local market without their consent. The negotiations between a television station and a cable system are private agreements which may, but need not, include some form of compensation to the television station such as money, advertising time or additional channel access."

The two options open up the current Pandora's Box. If they select retransmission they then get to negotiate for a price. As seen in the FOX example it is a bit of brinkmanship because the core is advertising. Yet it seems to be the belief of the FOX management that advertising is going the way of the horse. They must have subscriptions. The question then is "is there a fatal flaw here?". We believe there may be.

Back in 1980-1982 when at [Warner](#) I ran their [Electronic Home Services Business](#), the first interactive two way video on demand business. We had a similar set of problems and yet we at the same time were generating content, MTV, and the like. We had content, new content, but not

it seems that they are just moving the chairs. FOX wants to redefine the way things work. That is always dangerous. You may actually get what you are seeking and it may not be pretty.

Posted by Terry McGarty at [7:07 AM](#)  

Labels: [Broadband](#), [CATV](#)

SUNDAY, JANUARY 3, 2010

[ELECTRONIC MEDICAL RECORDS: HHS RELEASES A PROPOSAL](#)

HHS released its proposal for EMR this past week. Dr Blumenthal the leader of the effort summarized the work, somewhat, in [NEJM and he states](#):

*"On December 30, the government took several critical steps toward a nationwide, interoperable, private, and secure electronic health information system. The Department of Health and Human Services (DHHS) released [two proposed regulations affecting HIT](#) . **The first, a notice of proposed rule-making (NPRM), describes how hospitals, physicians, and other health care professionals can qualify for billions of dollars of extra Medicare and Medicaid payments through the meaningful use of electronic health records (EHRs). The second, an interim final regulation, describes the standards and certification criteria that those EHRs must meet for their users to collect the payments.** "*

We comment here on the second.

First the definition is as follows:

"4. Definition of Qualified Electronic Health Record (EHR)

Qualified EHR is defined at section 3000(13) of the PHSA as "an electronic record of health-related information on an individual that:

(A) includes patient demographic and clinical health information, such as medical history and problem lists; and

(B) has the capacity:

(i) to provide clinical decision support;

(ii) to support physician order entry;

(iii) to capture and query information relevant to health care quality; and

(iv) to exchange electronic health information with, and integrate such information from other sources." We have adopted the statutory definition of Qualified EHR without modification."

The second part of the definition is rant with issues. As we have argued for the past year, and in fact for over two decades now, the complexity of an EMR is significant. Also as we have argued having the Federal Government define it is totally bassakwards. After all these are the same people who run TSA, the Treasury Department and the like. Not overly comforting. Let me take

a closer look. What does "provide clinical decision support" really mean. Let us look at an example.

A 60 year old man comes in with lower back pain. Should we do an MRI, perhaps a herniated disc, yet many men have these with no symptoms. He may have prostate cancer mets, he may have multiple myeloma. Should not the physician using his or her standard differential diagnosis, based upon knowledge of the patient, make a judgment? Or are we using the EMR as the camel's nose in the tent regarding the Comparative Clinical Effectiveness scam which is rationing is Government clothes.

Let us go to the health care quality element. Again, what is quality, and are we then developing a system to monitor the health care provider and assessing his or her quality. If so then we may have increased the level of defensive medicine.

Finally exchanging information with whom and for what purpose. This is a massive task if we take this literally and also manage to stay within the bounds of HIPPA.

Let me continue from the HHS document:

"5. Definition of EHR Module

We have defined the term EHR Module to mean any service, component, or combination thereof that can meet the requirements of at least one certification criterion adopted by the Secretary.

Examples of EHR Modules include, but are not limited to, the following:

- an interface or other software program that provides the capability to exchange electronic health information;*
- an open source software program that enables individuals online access to certain health information maintained by EHR technology;*
- a clinical decision support rules engine;*
- a software program used to submit public health information to public health authorities; and*
- a quality measure reporting service or software program.*

While the use of EHR Modules may enable an eligible professional or eligible hospital to create a combination of products and services that, taken together, meets the definition of Certified EHR Technology, this approach carries with it a responsibility on the part of the eligible professional or eligible hospital to perform additional diligence to ensure that the certified EHR Modules selected are capable of working together to support the may provide the additional capabilities necessary to meet the definition of Certified EHR Technology, but may not integrate well with each other or with the other EHR technology they were added to. As a result, eligible professionals and eligible hospitals that elect to adopt and implement certified EHR Modules

should take care to ensure that the certified EHR Modules they select are interoperable and can properly perform in their expected operational environment."

Thus HHS is not only "choosing winners" but it has made itself the "winner". Unlike the Internet IETF approach of having the users and user groups holistically evolve the standards, HHS has taken the approach of having some group of GS 12s decide what is best. They will become the Certification agent for all EMRs.

Specifically a Certified EHR is defined as:

"Certified EHR Technology is defined at section 3000(1) of the PHSA as "a qualified electronic health record that is certified pursuant to section 3001(c)(5) as meeting standards adopted under section 3004 that are applicable to the type of record involved."

In this interim final rule, we have slightly revised the definition of Certified EHR Technology to make it more consistent with the initial standards, implementation specifications, and certification criteria that are being adopted. Certification criteria focus on the capabilities of Complete EHRs or EHR Modules and consequently, Certified EHR Technology should be defined in accordance with that approach.

We believe defining Certified EHR Technology in that manner will provide greater clarity and meaning for this interim final rule.

We have defined Certified EHR Technology to mean:

A Complete EHR or a combination of EHR Modules, each of which:

- 1) meets the requirements included in the definition of a Qualified EHR; and*
- 2) has been tested and certified in accordance with the certification program established by the National Coordinator as having met all applicable certification criteria adopted by the Secretary.*

To clarify the meaning of "applicable certification criteria" in this definition's second part, we note that Congress indicated their expectation that different types of HIT would be certified. Congress elaborated on this expectation with a parenthetical in the statutory definition, which references two examples, "an ambulatory electronic health record for office-based physicians" and "an inpatient hospital electronic health record for hospitals."

For a variety of reasons, including that certain proposed meaningful use Stage 1 objectives only apply to an eligible professional or eligible hospital and that these two types of health care providers require different capabilities from Certified EHR Technology, we have adopted specific certification criteria that are only "applicable" to Complete EHRs or EHR Modules designed for use in an ambulatory setting (e.g., by eligible professionals) or an inpatient setting (e.g., by eligible hospitals).

We indicate in Table 1, and in the regulation text below, which certification criteria apply solely to Complete EHRs..."

Yes, this means that HHS will create standards and certify against their standards and if you do not comply then there will be penalties. Frankly what Government standard has ever made sense. Just look at HIPPA, despite the fact that when it was promulgated the Internet was blossoming, they demanded faxes.

The regulation outline is shown below. It is useful to see the extent of this regulation and then to read the specifics. It is this which will control and we believe will destroy any creativity in EMRs.

SUBCHAPTER D – HEALTH INFORMATION TECHNOLOGY

PART 170 – HEALTH INFORMATION TECHNOLOGY STANDARDS, IMPLEMENTATION SPECIFICATIONS, AND CERTIFICATION CRITERIA AND CERTIFICATION PROGRAMS FOR HEALTH INFORMATION TECHNOLOGY

Subpart A – General Provisions

Sec.

170.100 Statutory basis and purpose.

170.101 Applicability.

170.102 Definitions.

Subpart B – Standards and Implementation Specifications for Health Information Technology

Sec.

170.200 Applicability.

170.202 Transport standards for exchanging electronic health information.

170.205 Content exchange and vocabulary standards for exchanging electronic health information.

170.210 Standards for health information technology to protect electronic health information created, maintained, and exchanged.

170.299 Incorporation by reference.

Subpart C – Certification Criteria for Health Information Technology

Sec.

170.300 Applicability.

170.302 General certification criteria for Complete EHRs or EHR Modules.

170.304 Specific certification criteria for Complete EHRs or EHR Modules designed for an ambulatory setting.

170.306 Specific certification criteria for Complete EHRs or EHR Modules designed for an inpatient setting.

This is worth the read.

Now the real issue is that the Government never does anything itself. It in almost all cases contracts the work out to some beltway bandit. In particular to the lowest bidder. If you liked the mess at [Newark Airport this weekend](#) imagine that the team at HHS will do with EMRs and their Certification. A Government designed, Government Certified, Government paid for, and Government controlled system, with penalties for non compliance will truly be a disaster. There is no known example of this ever working. Industry does a better job. I come back to the IETF and the development of the Internet.

EMR are truly required if we ever hope to gain control over health care but placing the Government smack dab in the middle with cause just the opposite. Having spent many years in that environment I know from first hand experience what happens. One must be truly ignorant of all reality to assume that such a major system can be designed and controlled by the Government without a TSA type of outcome. The lowest priced bidder solution.

Posted by Terry McGarty at [1:40 PM](#)  

Labels: [Electronic Medical Records](#), [Health Care](#)

BLOOD SUGAR, INFLAMMATION AND CANCER

There has been an interesting study from [Umea University](#) in Sweden linking high blood sugar to cancer, especially in women.

The article states:

"Elevated blood glucose levels are associated with an increased risk of cancer overall. This is shown in a study of over a half million men and women in Europe, led by researchers at Umeå University. The study is published in the December issue of the journal PLoS Medicine.

The study displays that individuals with elevated blood glucose levels have a greater risk for cancer than individuals with health normal glucose levels. For every mmol/l increment of glucose, the incident of cancer was 11% greater among women, and 5% among men. The association was more significant in certain forms of cancer, such as in the pancreas, liver, gallbladder, and urinary bladder. On the other hand, high blood glucose does not increase the risk of prostate cancer, the most common form of cancer among men, which explains why the association is lower among men.

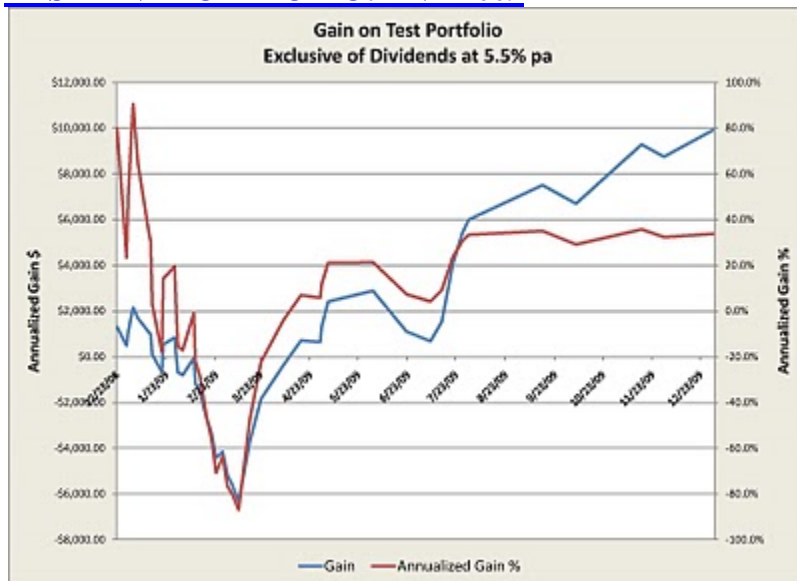
The study included 550,000 individuals from Sweden (Västerbotten County and Malmö), Norway and Austria, of which 79,000 are from health examinations in Västerbotten County in northern Sweden. The blood glucose levels of the participants were measured and after a mean follow-time of 10 years, 30,000 persons were diagnosed with cancer."

It was well known that high blood sugar is similar to an inflammatory condition and that chronic inflammatory conditions induce certain cancers. Thus this study plays even more strongly to our argument for taxing carbohydrates and reducing obesity. It goes even further in that obesity is not a necessary precondition.

Posted by Terry McGarty at [5:17 AM](#)  

Labels: [Health Care](#)

FRIDAY, JANUARY 1, 2010
[BASELINE PORTFOLIO: END 2009](#)



We present the Baseline Portfolio as of the end of the year 2009. Note that it has been stable as regards to annualized gains since July. Frankly the stability of the gain is quite interesting. This implies that the core economic elements which compose this Baseline Portfolio are continuing to sustain themselves. In effect, the market for the core has returned to some form of stability since early July. As for 2010 there are still concerns outside of the core. Commercial Real Estate and High Yield debt laden companies are the focus in 2010. We anticipate unemployment still to peak at 10.5% and we expect the national security issues will drive much of the discussion in 2010, an unexpected turn for the current Administration.

Posted by Terry McGarty at [8:17 AM](#)  

Labels: [Baseline Portfolio](#)