

## EAF Notes 20 – Marketing Know How

Marketing Know-How: We know (many scientific published reports) that demographics—age, sex, race, ethnicity, income, religion—are the least useful types of data for predicting human behavior. Better are psychographics—opinions, IQs, attitudes, etc., particularly if those can be cross-tabbed or multivariate analyzed. Even better is observed behavior—what this individual did previously in similar circumstances. Best is original research combining these measures, perhaps employing methodologically valid experimentation.

Some studies continue to rely on demographics—e.g., TV viewing habits classified as 18-49 year olds. Really? What possible behavior of 18 yr-olds could match that of 49ers? And why classify 49 yrs habits differently than 50 yr olds? Yet, in POLITICS, demographics predominate—all white males, all blacks as one group, all Hispanics, all Jews, etc. No wonder political polling is so unreliable at predicting voting behavior.

In marketing, innovation is doing a better thing (Edison: I find out what the world needs, then I invent). Mass marketing, in contrast, consists of doing the same thing better (new, improved *Tide*). Both are potentially valuable, but require different types of research: technical v. consumer.

Schumpeter's "creative destruction" is meat and drink to FREEDOMITE marketers; not knowing what individuals will come up with next is the great strength of capitalism (expanding the economic pie is the great opportunity of freedom). TOTALISTS, however, fear not knowing (i.e., not being able to control production). To them, the economic pie will not, cannot, expand; their power focuses on how to divvy up the fixed pie. And equalizing slices means leveling down—one cannot level up. Further, dividing the pie requires force—power of government. Hence they must control not only government, but the economy as well.

Aristotelian v. Platonic percentages: I taught 32 years (three major US universities, mostly MBAs). In my class, 60% was a flat "F" grade; any company

with a 60% customer satisfaction rating is dying if not already gone. Yet, in the Platonic world of POLITICS, 60% vote is a landslide win!

Defining Aristotelian v. Platonic: the former (the world as it is) says you **can** do it, and you are responsible for the consequences. That is, what positive incentives will motivate desired behavior? In Plato's world (what ought to be), the question is –what **force** will compel the desired behavior? That is, you cannot do it unless permitted by the forcer (government). And you are still responsible to the forcer for the consequences of your behavior. The fundamental difference: Platocrats believe that *what is said is reality*; Aristotelians know that *reality is composed of acts*.

#### The Real Fourth Estate:

Classically, the media is said to be the 4<sup>th</sup> estate (after legislature, executive, judicial branches of government). The media today is indeed powerful—free to comment without responsibility while paid capitalist salaries (in order to protect the “people’s right to know, journalists argue vociferously that they must have the right to conceal their sources). Solipsistic logic?

But media power pales in comparison to the real forcers—the permanent government bureaucracy—increasingly well-compensated, virtually impossible to discipline or fire, frequently promulgating regulations without regard to costs/benefits to “the forgotten man” (those Americans who are not cronies, not big contributors, not lobbyists).

War on Business: A totalitarian state must inevitably rob, because it can produce only by force (“as long as they pretend to pay us, we will pretend to work”). Stalin took literally tons of gold from Spain during the Spanish civil war; Nazis stole Jewish homes, businesses, art, even hair and gold teeth; at the end of WWII, Argentina was one of the richest countries on earth—then came the Perons and the Kirchners; today we have Chavezistas in Venezuela and Castroites in Cuba ; and an ISIS caliphate in the middle east. Summary: totalitarian states are extractive; freedom seeking states are inclusive.

But today in America, once the most inclusive of free states, we see a very real war on business. Interior Secretary Salazar, “my job is to keep my boot on the neck of BP”. Obama says coal mining will become too expensive; the EPA makes that happen. Water for farming in the west is mandated to flow into the Pacific to protect fish. Banks (BofA, Citigroup, J.P. Morgan Chase), pay DOJ billions to compensate for the housing bubble.

I was there—Countrywide made mandated loans to poorly qualified mortgagees only after Fannie and Freddie agreed to buy those loans—Jim Johnson and Franklin Raines ran Fan&Fred, according to the diktats of Barney Frank and Chris Dodd’s Community Reinvestment Act (Carter then Clinton) interpretation, supported by Greenspan’s low interest rate Fed. Only Countrywide CEO Angelo Mozilo ever paid any penalty—a tragedy because, in my expert opinion, my friend Angelo ranks at the very top of business leaders, in the company of Ford, Watson, Wriston, Gates, Jobs, etc. Summary: the war fought by the Obama Administration against American business is real; that war is as necessary to Obama’s goals as was the robberies of Stalin, Hitler, Peron, etc.

America in Middle East for oil: Liberal press today (Aug 2014) saying “commitment of American arms to Iraq is all about oil”—demonstrates TOTALIST ignorance of or contempt for real-world economics. More oil could better come first from America’s own resources—BLM land, coastal shelves, technological advances (e.g., waterless fracking, CO2 enhanced oil field recovery—EnisEnerGen holds patents on both these technologies). Second, trade for oil with our neighbors—Canadian XL pipeline, Mexico opening Pemex to foreign investment. Third, extract oil from areas environmentally challenging, but not susceptible to enemy attack, venues—Arctic Circle, African coast. We may need to support allies in the middle east (Kurds, Turkey), but not for oil.

Necessary (not limited) government action: “Provide for the common defense” on land, sea, air, space and cyberspace. An Electro Magnetic Pulse—nuclear detonation 30,000 feet over Kansas—would cripple all computer-driven systems. America would be driven back to the 19<sup>th</sup> century. See the 04 and 08 reports by the Congressional EMP Commission; if reading dry government reports is not your

forte, see William Forstchen's novel *One Second After*. Disclosure: reports and novel end badly for America.

What to do? FREEDOMITE partial answer: privatize the electronic grid; it's third world quality today, because no one owns the grid. Private property rights would enable companies to protect and upgrade the grid.

American Tax Policy: A no-brainer, i.e., bipartisan Congressional support, would be to lower the 35% corporate tax rate, at least to world average 25%; zero corporate income tax would make even more sense. Ironic that liberals who used to bridle at questions re their patriotism now accuse American companies of unpatriotic "tax inversion".

But any tax on a corporation merely passes that expense: revenue – cost = the bottom line means that the tax is passed to consumers or employees or stockholders, probably a combination of those. Moreover, the concept of taxing income, i.e., productivity, is contra intuitive. As the truism goes, "tax something and you get less of it." Much more logical would be taxation of consumption—discourage diminution of wealth rather than its generation. Alas, this so-called "Fair Tax" is unlikely ever to be even discussed, much less thought through.

Random Thoughts: 1. Israel's Iron Dome success validates Reagan's Star Wars concept. 2. Every person sees himself or herself as a unique individual; the question is—does that individual see others as individuals, or as members of a group? 3. An attorney admitted to the bar becomes an officer of the court, i.e., a member of the judicial branch of government. That being so, doesn't an attorney serving in the legislative or executive branch violate the doctrine of separation of powers? That attorney could so serve, by resigning from the bar. Fat chance! 4. Who will teach capitalism effectively? Certainly not public school teachers; parochial school provide better general education—but, really, can Nuns teach capitalism? Great marketing opportunity: really first rate DVDs, online courses, public school curricular requirement, teaching the wonderful story of FREEDOMITE capitalism. 5. On those ratings of US presidents—why do historians (virtually all political liberals and public employees) do the rating? How about asking pvt sector CEOs, or my B-school colleagues who are leadership scholars?

My own list: Washington (successfully led revolution, no presidency w/o his imprimatur); Reagan (no one better qualified, unparalleled performance in domestic economy and national security), Lincoln (held the union together, no sea-to-shining-sea w/o him); Jefferson (Declaration, purchase of middle third of country); Madison (chief architect of American government); Polk (acquired western third of nation); Coolidge (epitome of FREEDOMITE presidency). My wall of totalitarian shame: Wilson, T. Roosevelt, Hoover, FDR, Johnson, Carter, Obama.

Rorschach Test: Experimenter presents to subject an image of an inkblot, asks what subject sees. The Aristotelian subject (especially one who has scientific training) *believes what he/she sees*, so says “I see an inkblot”. The Platocrat (particularly one steeped in ideology) in contrast *sees what he/she believes*—“I see daddy beating mommy after the Super Bowl or Obama healing the planet”. This test illustrates differences in FREEDOMITE and TOTALIST thinking.

This test also illustrates how making factual statements can result in controversy—TOTALISTS see or hear what was not shown or spoken (Moynihan, “you are entitled to your own opinions, but not your own facts”). Some examples from my personal experience:

Title IX requires that universities field the same number of women’s as men’s athletic teams. But men cannot compete for positions on women’s teams. That is, IX requires separate but equal. Where before in American history have we encountered that concept? I have been accused based on those factual statements of waging war on women.

I was born January 5, 1942; Our Lady of the Lake hospital in Baton Rouge, Louisiana; my birth certificate says my parents were married; I know that it is in fact my birth certificate because it has my footprint on it. Those four factual statements have led to my being accused of reopening the Obama “birther” controversy. Amazing that some people think they know what I meant by *what I did not say!*

Red States v. Blue States: How come “conservative” states are labeled *red states* while more liberal states are called *blue*? In the Russian Revolution, the Bolsheviks called themselves *Reds* to distinguish them from the ruling Menshevik *Whites*. Since then communists have been called *Reds*. So, TOTALIST-leaning American states today are in fact more likely to have red policies and values; FREEDOMITE states generally are anything but red in their values and policies. Is this one more instance of TOTALISTS disguising their intentions?

Why do FREEDOMITE “conservatives” and “libertarians” proudly and openly so label themselves, while TOTALISTS change labels every week? They are liberals, no progressives, no mainstreamers, no democratic socialists. What are they hiding? Answer: no one wants to be accused of seeking power—their totalitarian diktats are always phrased as “for the good of the people”, who are not competent to decide for themselves. But I do not have to argue one motivation or the other. The fact is that any specific human behavior rarely results from a single cause. Thus, I can acknowledge TOTALISTS’ good intentions while at the same time insisting that they relish the power those intentions require.

FREEDOMITE and TOTALIST References: As a trained economist, I am sure that micro (price) economics boasts a line of great economists: Adam Smith, Alfred Marshall, Ludwig von Mises, Milton Friedman, Gary Becker and Steven Levitt. Similarly, the macro (public policy) line: Thomas Malthus, Chancellor Bismarck, Karl Marx, Lord Keynes, Thomas Piketty and Paul Krugman.

Because I know philosophers only from personal study, I am less sure of the two lines. Nevertheless, the following lines are clear to me: FREEDOMITEs—Aristotle, Hume, Smith (*Moral Sentiments*), Locke, Ayn Rand, Hayek, Nozick, Tom Palmer; TOTALISTs—Plato, Kant, Marx&Engels, Rawls, Alinsky, Chomsky. How’d I do?