

**Quote of the week** - “We are sleeping on a volcano ... A wind of revolution blows, the storm is on the horizon.” - Alexis de Tocqueville, speaking in the French Chamber of Deputies in early 1848 - *he was proven right in very short order since, starting in February of that year, a wave of revolutionary unrest swept across the European continent due to the hoi polloi’s dissatisfaction with the political leadership - just as it seems to be sweeping today across the Western world (with the only thing lacking :\being a 21<sup>st</sup>- century equivalent of Karl Marx’s & Friedrich Engels’ Communist Manifesto (that was first published in February 1848).*

**August 3<sup>rd</sup> terrorist knife attack in London’s Russell Square** - The only person killed, according to the police, a woman in her 60's, has since been identified as the wife of an American, Richard K. Wagner, the Robert O. Lawton Distinguished Professor in Psychology at Florida State University, who had been teaching a course at FSU’s London Study Program (but who had planned to return home, with his wife, the very next day) – *the doer was a 19 year-old Norwegian citizen of Somali descent (with, of course, “mental health problems”)*..

**Business bankruptcies in the US** - According to BankruptcyData.com<sup>1</sup> in this year’s Second Quarter business bankruptcies were up 9%-, & in the First Half 25%-, YoY (*whereas until the middle of last year their growth rate had been in negative territory for five years*).

**Gold** - In the Second Quarter TD Asset Management (*with AUM of \$300+BN*) shifted from a “modest overweight” position in gold to “maximum overweight”. According to CIO Bruce Cooper low interest rates are buoying the demand for gold & “Job 1 today is about capital preservation ... It’s not about shooting the lights out”- *No doubt it had also not escaped his attention that gold’s 28.2% price appreciation YTD made it this year’s best-performing asset. Annual newly mined gold production is in the 2,500 tonne range, with half as much again being added to the supply stream from melted-down ‘scrap’ (most of it from Western sources?). And while China, with 350+ tonnes annually is now the biggest gold producing country in the world, it is also its largest gold importer : YTD it has been importing 100+ tonnes of the stuff from Hongkong to meet the demand from consumers & investors, and from the People’s Bank of China (that has been aggressively adding to its gold holdings to diversify its foreign exchange reserves); in other words, about 60% of global non-Chinese newly mined gold production has been ending up in China (and moved into ‘tight hands’ & thus permanently removed from the global gold ‘float’).*

**Two perspectives on Hilary Clinton** - According to left-leaning The New York Times “Few politicians, and certainly not her opponent, have the intellectual heft that she brings to the race to the White House” while according to the National Review, which has a conservative bent, she is “a petty, grasping, meretricious<sup>2</sup> time-server whose incompetence and dishonesty have been proved everywhere from Little Rock to Benghazi.”

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<sup>1</sup> For three decades the US’ premier source of information on corporate bankruptcies

<sup>2</sup> A fancy derogatory term, once typically used with reference to prostitutes, for ‘apparently attractive but having in reality no value or integrity’.

**World awash in milk** - Consumer demand growth in China has decelerated, Russia has embargoed EU dairy imports in retaliation for its sanctions & the EU last year terminated its supply management system & abolished production quotas (which resulted in higher production by efficient producers, by as much as 18.5% in Ireland). So global milk prices today are down as much as 50% from a few years ago. But this didn't stop the Canadian Dairy Commission, the manager of Canada's very own dairy supply management system, from announcing a 2.76% hike in September in the price to producers, over & above last February's 2.2% one, despite the fact that last month it had announced that in 2015 Canada's dairy farmers' average cost of production had declined by 2% on an inflation-adjusted basis - *wonderful news for Canadian dairy farmers the value of whose 'milk quotas' as a result cannot help but go up but less so for consumers who may see the price of dairy products go up by at least twice the figmentary inflation rate the Bank of Canada uses in its monetary policy decisions & small wonder an inflow of farmers from Britain is expected (for whom Brexit means the end of EU subsidies that have accounted for over half their gross incomes)*

**GLEANINGS II - 670**  
**Thursday August 4<sup>th</sup>, 2016**

**AMERICA'S ECONOMY DIDN'T BOUNCE BACK IN THE SPRING ... (CNNMoney)**

- In the Second Quarter the US economy grew by only 1.2% YoY <sup>3</sup> (vs. 2.6% expected). There is a growing gap between US consumers & businesses : while the former spent at a healthy clip (personal spending grew at 4.2% in the Quarter) as wage growth picked up momentum, the latter reined in theirs for the third quarter in a row as the uncertainties about the US election & Brexit spread. This weakness came at a time job growth slowed down after two years of historic gains (YTD the economy has added over 1MM new jobs<sup>4</sup>) & in June unemployment was still at a very low 4.9% (*albeit up from 4.7% in May while the participation rate has declined to 62.7% from its recent 63.0% high last March*). More specifically, business spending on new buildings & office space, and on new equipment contracted 8%, largely attributed to the low oil prices while government spending also declined in the Second Quarter & growing business inventory levels too had a negative effect on economic growth.

*While the Democrats are beating the drum over the 10MM jobs 'created during the Obama years', employment today is up only about 5MM from before the Great Recession, while the participation rate is still well below the January 2009 65.8% level.*

**US MANUFACTURERS BATTLE BACK FROM 'CHINA SHOCK' (Reuters)**

- As, at the start of the century, furniture makers left Hickory, NC & headed to China, the local community college quit offering courses therein. But now these jobs are coming back & the college is reviving its courses to meet the resurgent demand for them. And a Reuters analysis of federal & other data suggests that some of the areas hardest hit by the "China shock", incl. Hickory, have begun to claw back jobs in the industries that were

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<sup>3</sup> A long way down from the 2.6% & 4.0% in the Second quarters of 2015 & 2014, and, while this was better than the First Quarter's 0.8%, this was only after its original reading had been twice revised down from the original 1.4% .

<sup>4</sup> One-third of economists believes 160,000 new jobs are needed to keep up with population growth.

hardest hit by foreign competition. Thus the 350,000 inhabitant, four-county Hickory Metro area has created over 2,800-, & nation-wide furniture manufacturers 30,000-, new ones jobs over the past five years.

- Nationally, more than 5MM manufacturing jobs disappeared since 2000 and in Hickory the share of 25-34 year-olds fell by almost 20%. But a manufacturing swing in areas that suffered the most is now evident; thus *politically 'swing'* Rust Belt states like Michigan, Indiana & Ohio have been adding manufacturing jobs faster than the nation as a whole; thus in Michigan, which lost nearly half its manufacturing jobs between 2000 & 2009, their number has since increased by one quarter (compared to 4% nationally). According to David Autor, an MIT Economics prof who has studied the phenomenon, "The worst of the China shock as we measured it is over ... The next 20 years will look nothing like the last 20 ... That's the lesson that is not reaching our political discourse whatsoever."

*'One swallow does not summer make'. Manufacturing's share of the work force is now just 8%, down from 30% sixty years ago. In the above-noted Michigan example a 25% increase after a 50% drop means that the new level is just 62.5% of the old one. And the new employees are likely to be earning less generous wages than their counterparts did before the roof caved in (even though they likely will still be higher than paid for 'McJobs').*

#### **US SENT CASH TO IRAN AS AMERICANS WERE FREED (WSJ, Jay Solomon)**

- According to officials who were afterwards briefed on the matter, the Administration, last January, coincident with Iran releasing 4 Americans detained there, secretly organized a US\$400MM cash airlift of bundles of Euros, Swiss francs & other currencies packed on pallets to Iran as the first installment of a US\$1.7BN settlement ruling by a The Hague-based international tribunal with respect to a failed arms deal dating back to the late Shah era (i.e. to 1979). Sen. Tom Cotton (R.-AR) accused the Administration of paying a "US\$ 1.7BN ransom to the ayatollahs for US hostages" (*contrary to a long-established policy not to do so as not to encourage the taking of hostages*).

*The decision by the The Hague court was beyond the Administration's control (& was in the US' self-interest to abide by). But the optics are bad since the White House at the time made a to-do about their release but was mum on the cash airlift. Be that as it may, Sen. Cotton's allegations may have been given some substance by the fact that in recent months Iran's Revolutionary Guards have arrested four other Americans with dual citizenship (that Iran doesn't recognize) as well as others with French-, Canadian-, & British passports*

#### **POST-CONVENTION CLINTON RETAKES LEAD OVER TRUMP (CAN, J. Augusta)**

- In a post-conventions head-to-head poll she topped him 52-47 but in a four-way one with third party candidates Gary Johnson<sup>5</sup> & Jill Stein<sup>6</sup> as well she did so by just 45-37, with

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<sup>5</sup> Age 63, he was the New Mexico's Republican Governor from 1995 to 2003. After falling short in the 2012 Republican primaries, he became the Libertarian Party's candidate & got 1.27MM votes (0.99%) in the election itself & this year is its candidate again, advocating among others legalizing marijuana, eliminating the Dept. Of Education, the IRS & the NSA (so that its satellites could be used to track the nation's enemies rather than spy on law-abiding US citizens).

<sup>6</sup> Age 66, she is a medical doctor & a long-time political activist. As the Green Party's candidate she garnered 469,501 (0.37%) of the votes in 2012 & is its standard bearer once again, piggybacking on Bernie Sanders on climate change, criminal justice reforms & raising the minimum wage.

the latter two syphoning of 9%-, & 5%-, support respectively. The percentage of those who think her policies will move the country in the right direction has gone from 43% before-, to 48% after-, the conventions, while Trump's position has remained the same. 58% of her backers now say they will be voting **for** her, rather than **against** Trump, vs just 48% before the conventions (while the same is true for Trump, his numbers aren't quite as favorable, with 47% voting **for** him & 50% **against** her). While 44% of registered voters now say they're Clinton supporters whose minds are made up & 36% is solidly behind Trump, 16% say their minds could change by Election Day. And while 50% say she is in touch with the problems of ordinary Americans & 48% that she will unite the country, she doesn't do so well when voters are asked about the candidates' honesty (when she is tied with Trump at 35%).

*Much can happen in the next three months & many of these polls have margins of error that could matter in a close contest. She still has a lot of skeletons in her closet (and it won't help that her chosen vice-presidential running mate has made noises that he doesn't share her view on overturning the Hyde amendment that prohibits tax payers' dollars to be used to help fund pro-abortion activities). On the other hand, Trump likely won't be able to stop putting his foot in his mouth, & it won't help him that the Koch brothers have announced that their political network won't financially support his campaign & will instead spend its money (at last report said to be close to US\$900MM, i.e. twice what the RNC spent in 2012) in key, potentially at-risk, Senate races<sup>7</sup>, nor that there is growing restlessness with his candidacy in the GOP ranks..*

### **AMERICA DESERVES TRUMP (Edmonton Sun, Caddice Malcolm)**<sup>8</sup>

- Alexis de Tocqueville admired early American democracy & wrote a book entitled Democracy in America on how & why this political system had worked so well in the U.S. while in much of Europe it had led to corruption and abuse, concluding this was because in the US it was built on strong traditions of individual liberty, religious freedoms & tight-knit communities & that "In a democracy people get the government they deserve".
- In the two centuries since America has become the global super power. But something changed in the past few decades & today the U.S. is deeply divided by race, class & political affiliation, & many Americans are angry because the economy & the job market have changed and, while immigration, free trade deals & the growth of new technologies has made life better for the elites, *they believe* they themselves have been left out and, while they may have amazing smart phones & access to healthcare, they cannot provide for their families in the way they see others do it & they think they too are entitled to; thus while immigration has helped to grow the economy to the benefit of urbanites looking for new food options or cheap nannies, those in Tuscan, Arizona, *for instance*, must contend with a cross-border crime wave into their community.
- America has lost many of the qualities de Tocqueville once admired. Rather than trying to understand their complex social problems & working together to find solutions, they have been largely ignored & those who raise them ridiculed. Today Democrats & Republicans barely interact and, when they do, digress into shouting & name-calling. Rather than addressing issues America's political discourse is focused on distractions. It is easier to call voters with less education & different values stupid & make fun of them

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<sup>7</sup> Which makes sense since, when push comes to shove, continuing to control both Houses of Congress, will have more of a policy-making impact than occupying the White House.

<sup>8</sup> The main beneficiary may well be the US Treasury than the downtrodden poor.

than to try & understand/(accommodate?) them, and the more media types like Jon Stewart belittle them, the more divided & angrier Americans become and the more Trump appeals to more voters. So despite much negative media coverage, and fear-mongering & sneering among the elites on how bad a Trump presidency would be, he remains a contender & if he were to win in November, it'll be what America deserves.

*Matters aren't helped by the fact that in a 2014 survey Philadelphia, Penn.-based Pew Research found that when it comes to getting news about politics and government, "liberals and conservatives inhabit different worlds" : while the former 'trusted' 28 of a list of 36 media outlets, the latter did so trust only 12 of them, while over half of them relied on Fox News as their primary information source. [The writer has a BA in Political Science from the UofA and Masters' degrees in International Relations & International Relations and in International Trade & Commerce Law from MacQuarrie University in Sydney, Australia. After doing a fellowship in Washington, D.C., working at the Fraser Institute & the Arlington, Va.-based Atlas Research Foundation and a spell as press secretary to a Cabinet Minister, she is now the Ontario Director of the CTF (Canadian Taxpayers' Federation) & a proponent of lower taxes].*

### **DONALD TRUMP HAS A TOTALLY PLAUSIBLE PATH TO 270 ELECTORAL VOTES** **(WP, Chris Colizza)**

- The New York Times published a great piece on July 31<sup>st</sup> headed "Electoral Map Gives Donald Trump Few Places to Go", the crux of which is that "Even as Mr. Trump has ticked up in national polls in recent weeks, senior Republicans say his path to the 270 Electoral College votes needed for election remains narrow - and may have grown more precarious. It looks very difficult for him to assemble even the barest Electoral College majority without beating Hillary Clinton in three swing states : Florida (29 electoral college seats), Ohio (18) & Pennsylvania (20) (Florida & Ohio went for Obama in both 2008 & 2012 while Pennsylvania hasn't gone Republican in a presidential election since 1988) . Yet the path laid out by the Times for Trump to get 270 electoral votes is entirely plausible : for if he were to win those three states & nothing else changed from the 2012 election (i.e. if Trump held all the states Romney won in 2012 incl. North Carolina, that went for Obama in 2008, & Utah, where polling suggests he has surprisingly major problems), he would get 273 electoral college votes vs. Clinton's 265.

*It could potentially get quite crazy. Key to understanding the US presidential election process is that the nation-wide popular vote count doesn't matter a damn since in it voters cast their ballots for members of the Electoral College (typically party officials)<sup>9</sup> & that, while it is a federal election, its election rules are a state responsibility. The College has 538 members (i.e. the sum of the 435 Members of the House of Representatives, the 100 Senators & 3 for the District of Columbia). In 48 states it is a matter of "first past the post", i.e. the party that gets the most votes gets all the Electoral College members for that state (in Maine & Nebraska PR/Proportional Representation applies). In a few states are Electoral College members are **not** obliged to vote for their party's candidate. What could also affect the outcome is that currently 31 of the States have Republican governors, that a majority of states have GOP-controlled legislatures, that the GOP has a 246-187 majority in the House (there are two vacancies) & a 54-44-2<sup>10</sup> one in the*

<sup>9</sup> In Bush vs. Gore after the 2000 Presidential election the issue of how Florida was handling its State-mandated recounts made it to the US Supreme Court, whose decision contributed to Bush winning despite Gore having gotten ½MM more votes nation-wide..

<sup>10</sup> Two Senators are listed as 'Independents' (Angus King of Maine & Bernie Sanders of Vermont)

*Senate, and that two-thirds of the Electoral College members will come from states with GOP-controlled legislatures. And in the unlikely event of a tie vote in the College (it hasn't happened in 216 years), the House of Representatives gets to elect the next President (with each state having a single vote) & the Senate the new Vice-President (also with a simple majority).*

### **TRUMP'S UNRAVELLING REPUBLICAN PARTY (CSM, Linda Feldman)**

- While there is no *hard* evidence Trump may do so, reports the 168-member Republican National Committee) is making contingency plans in case he drops out of the race (*'he doesn't like to lose'*) has set the political world alight amidst reports of deep discord in his campaign, signs of an unraveling of the party's fragile unity & rumours major Republicans are giving up on the party altogether.
- Trump's most controversial move (*to date?*) was his denigration of Khizr & Ghazala Khan after the former spoke out against Trump at the DNC last week. But this was only the last of many brash moves and of his unwillingness to show the kind of restraint expected of a presidential candidate & to behave as a loyal member of the party (& *display even a superficial understanding of common public policy issues*). It may not be all Trump's fault that the GOP, founded in 1854 by anti-slavery activists, has come to this point; leading Republicans attribute this to it having lost its *one-time* commitment to "unifying ideals", such as freedom & human dignity. In recent days Rep. Richard Hanna (R.-NY) & Meg Whitman, *CEO of Hewlett Packard Enterprises* & a well-known GOP fund-raiser, announced they would support Hillary Clinton, and other Republican stalwarts have begun to write off their beloved party, with Avik Roy (*who in 2012 was an adviser to Mitt Romney and this year to two GOP hopefuls, first Rick Perry & after he dropped out, Marc Rubio*) observing "I don't think the Republican Party and the conservative movement are capable of reforming themselves in an incremental and gradual way" & saying publicly that he believes the party has lost the moral authority to govern since it is no longer committed to equality for all Americans. Since the uproar ensuing his denigration of the Khans, fueled it further by refusing, on August 2<sup>nd</sup>, to endorse the re-election of House Speaker Rep. Paul Ryan (R.-WI) & Sen. John McCain (R-AZ), as his running mate, Gov. Mike Pence "strongly" endorsed Ryan. And while GOP allies of Trump like RNC Chairman Reince Priebus, former House Speaker Newt Gingrich & former New York Mayor Rudi Juliani have urged him to reset his campaign *and stick to its basic message & quit ad-libbing*, few have much hope he will; for Trump maintains 'he knows how to be presidential', that his strategy to date has served him well & that he will be presidential after he defeats Hillary Clinton.
- With a field of 17 Presidential hopefuls, the party leadership was unable to anoint an "establishment" favorite to take out the 'outsiders (Trump & Cruz) and Trump's style & populist message sent him well in front of the others. And he has been taking the GOP to the point of no return by playing the racial card to court the white working class voters. Avi Roy says the problem goes back to 1964 when Barry Goldwater was the party's standard bearer causing the Democrats to be type cast as the party of civil rights & the GOP as the one opposed to them, while Michael Gherson, a speech writer for Bush 43 sees the attack on the Khans as repudiation the GOP tradition & that "Those who support Trump are setting the party at odds with the American story told by Lincoln and King : *that of a (positive?) nationalism defined by striving toward unifying ideals of freedom and human dignity*" (*rather than a narrowly-defined, negative one?*). Meanwhile the run-of-the-mill GOP members seem inclined to stick with the nominee, no matter how flawed, with many feeling that if this leads to the party losing the election, the resultant time spent in the political wilderness will benefit the party.

*The problem with the latter thinking is that, while all attention is focused on the presidential race, there will be almost 470 other races (435 for the House & about 33 for the Senate) that in many ways are far more important; for if Hillary wins & the GOP retains control of both the House & the Senate, the nation's extreme political polarization & the depth of the antipathy towards her could, if not will, mean that the scope for constructive policy-making in Washington over the next two years will be somewhere between zilch & zero.*