

Family size of Syrian refugees - In the past year 35,147 Syrian refugees have come to Canada, over half were in family units of five or more, & one quarter in family units of seven or eight.

Japan has a record number of vending machines - A total of 5,582,200, i.e. 23 per capita, that generate sales of US\$10BN, with Coke alone having nearly 1MM of them that dispense 850 different beverages, most of them of the not-bubbly variety.

Soft drink taxes - In New York City an estimated 50% of adults are either overweight or obese. So in 2012 then Mayor Michael Bloomberg sought to introduce a tax on 'large sugary drinks', but got little support from the state's lawmakers and one year later, the day before the tax was to have come into force, a federal judge banned it. He has since, more successfully, funded a national campaign to do so & to date voters in the California cities of Berkeley, San Francisco, Oakland & Albany, Colorado's Boulder, Illinois' Cook County (that includes Chicago) & Pennsylvania's Philadelphia have approved special taxes on soft drinks. While Susan Neely, President of the American Beverage Association (whose membership includes both Coke & Pepsi), dismissed this as the "sort of pesky thing that comes up now and then", when Hillary last summer supported the move by Philadelphia, despite the fact that Coke had donated millions to the Clinton Foundation, a Coca Cola executive emailed a Company consultant who had also worked for Clinton "Really??? After all we have done, I hope this has been falsely reported." - *while the current one or two cent tax per ounce, i.e. about 10%, is likely to affect consumption of a product for which demand is already declining¹, the industry is more concerned about being stigmatized & about such taxes spreading with only one way to go ... up!*

The academic price index - The University of Alberta (*one-fifth of whose students are 'from abroad'*) recently proposed to hike foreign students' tuition fees, one month after the government had frozen them for their domestic counterparts, by 3.02%. It justified this by reference not to the CPI's 1.5% but to what it called "the academic price index" (which 'reflects the growing cost of university-specific things) - *so past bad financial management justifies more of the same?*

Trump's choice of Defense Secretary - Marine general (ret) James Mattis was for three years prior to his 2013 retirement in charge of the Florida-based Central Command that is responsible for the conduct of America's wars in Iraq & Afghanistan. He is known in the Marine Corps as "Mad Dog" Mattis (*apparently a sign of respect in its culture*). He was once recorded as telling a San Diego audience "Actually, it's a lot of fun to fight. You know it's a hell of a hoot ... It's fun to shoot some people. I'll be right up front with you, I like brawling ... You go into Afghanistan, you got guys who slap women around ... because they didn't wear a veil. You know, guys like that ain't got no manhood left anyway. So it's a hell of a lot of fun to shoot them."

Like all politicians, Trump's campaign promises were a means to an end - Thus, while he pledged to slash the influence of Wall Street in Washington, his chief strategist is a Goldman alum, his new Secretary of the Treasury, Steven Mnuchin, is a *second generation* alum of the Goldman gang, & he is said to be contemplating naming a third, Gary Cohn, to a key budget post in the White House.

¹

In 2015 sales of carbonated drinks were down for the 11th year in a row (by 1.2%, up from 0.9% YoY, with diet drinks hardest hit as consumers are increasingly wary of artificial sweeteners.

GLEANINGS II - 687
Thursday December 1st, 2016

OPEC BEATS THE ODDS BY DELIVERING DEAL (G&M, Jeffrey Jones)

- On November 30th, one day after there had been concerns there might be no deal, OPEC announced that, starting January 1st, it would cut output *for six months*² by 1.2MM bbl/d, i.e. the high end of its proposed range *two months ago*, causing crude oil prices to jump 8+% & Brent crude to hit US\$50+. The question now is whether this will help cut the *inventory glut from the last couple of years' relentlessly growing output in the face of weakening demand*. Saudi Arabia will take the biggest hit (468,000 bbl/d), while Iraq & Kuwait will cut by 210,000 bbl/d & 313,000 bbl/d respectively, Nigeria & Libya face no cuts, Iran will be allowed to hike output 90,000 bbl/d, Indonesia had, at its request, its membership 'frozen'³ & non-OPEC member Russia (*that until recently insisted it would agree only to a freeze of in its record production*) agreed to a 300,000 bbl/d cut (*which likely was the 'deal maker'*).

It remains to be seen how this will work out, for OPEC is no longer the pivotal power in the global oil market it once was. For the rest of this month, all will push to maximize output while they still can. And in the short-to-medium term the temptation to cheat will be enormous for the one thing that most, if not all, OPEC member governments, & Russia, have in common is a desperate need for oil revenue to balance their books. And in terms of the Mid East/global Sunni/Shiite balance of power, this looks like a (modest?) setback for Saudi Arabia.

WHAT 'ARE SO MANY OF THEM DOING?' 95 MILLION NOT IN THE US LABOR FORCE (CNBC. Com, Jeff Cox)

- On the surface the November new jobs report looked good; for it reported that 178,000 new jobs had been created *in the US*, up from 161,000 MoM & that the unemployment rate had declined to a post-August 2007 low 4.6% (down from 4.9% MoM). But in the fine print it noted that the number of Americans not in the work force, that has been rising for some time, had jumped by 446,000 to 95.06MM. There are several aspects to this : 10,000 Baby Boomers are leaving the work force daily. Employers are having difficulties finding qualified people to fill vacancies. And for some people the social safety net makes it hardly worth their while to look for a job; thus 7 years into an expansion there are still 45.3MM Americans receiving food stamps (at an annual cost to the government of US\$74BN, nearly twice the amount in 2008 when 33.5MM did so). So Dan North, Chief Economist for the Euler Hermes trade credit insurance company says "I have a problem with people saying we're at full employment ... (*with*) a record 95 million people sitting on the sidelines ... To me that's hardly full employment."

Last month's drop in the unemployment rate was largely a function of a shrinking work force. Elsewhere it was reported that in October & November wage gains had only been "modest" (although consumers are spending more), .

² With a decision as to extension to be mad at its May 25th, 2017 Ministerial meeting in Vienna.

³ Whose oil production, after declining by 50+% over two decades due to lack of investment, not reserves, since early 2015 had increased since by 12% to 860,000 bbl/d.

BP TO PROCEED WITH DEEP WATER PROJECT IN GULF OF MEXICO (WS, Sarah Kent)

- The Company announced that, subject to approval by its partners (BHP Billion & Chevron) it will proceed with its Mad Dog Phase 2 project in the Gulf of Mexico (*that it had cancelled in 2013, i.e. before the price of oil fell out of bed, due to high industry inflation*) since it has been able to cut its cost by 55% to US\$9BN. This will, *starting in 2021*, boost the field's daily output of 80,000 bbl/d of oil & 60 MCF of natural gas by 140,000 bbl/d..

It is a growing trend among major oil companies to start plowing more money in new capacity (more because of its lower cost than of better price expectations [This field is located 190 miles (310 kilometers) South of New Orleans in 5,000+ feet (1,500 meters) deep water].

BOLD NEW ERA : USER PAY, PRIVATE INFRASTRUCTURE (NP, Andrew Cone)

- Once upon a time, when government wanted a road or bridge built, it just went ahead & built it & chalked the bill up to current or future taxpayers (*depending on whether it was funded from tax revenues or the proceeds of borrowing*). But we may be entering a new age of 'user pay', as witnessed by Toronto Mayor John Tory's tentative endorsement of plans to turn some of the city's existing major access roads into toll roads & by Ottawa's proposed revenue bond funding for its proposed 'infrastructure bank' & its proposed monetization of already existing infrastructure, such as waterworks & air ports.

While in principle there's nothing wrong with the user pay concept, this could become an headline issue; for it would have the younger generation pay twice for its use of infrastructure, once directly through user fees & again indirectly through the portion of their taxes needed to service the debt the previous generation had run up to fund the building thereof in the first place.

CANADA'S AUDITOR-GENERAL SLAMS INCOMPETENCE, INDIFFERENCE AND NEGLECT IN FEDERAL GOVERNMENT (NP, David Akin)

- In his latest report, at the mid-point of his 10-year term, he said the federal government is an old, slow behemoth, largely concerned with itself, indifferent to improving the lives of its citizens and, although it has been told time and again *by himself & others* to change *its ways*, sticking stubbornly to its inward-looking ways. And he complained "we see government programs that are not designed to help those who have to navigate them, programs where the focus is more on what civil servants are doing than on what citizens are getting, where delivery times are long, where data is incomplete, and where public reporting does not provide a clear picture of what departments have done".

*This doesn't apply to only Canada's federal government but to many other governments at home & abroad!; in fact, the traditional concept of public service seems to have gone the way of the dodo bird, and the phenomena he complains about are at the root of the Trump/Sanders phenomenon in the US & the populist movements elsewhere, and of the 'populist' feelings that their governments have 'lost their way' & their sense of what their role **really** is.*

CITY WORKERS SHAKEN BY SLEW OF LAYOFFS (G&M, Virginia Galt)

- In October, after a radical restructuring & in a stunning move, the City of Ottawa let 102 senior administrators & 75 managers go, while in September, after a scathing auditor's report about lax spending controls & deteriorating finances, the City of Brampton (near

Toronto) similarly let 25 managers go. According to Alan Kearns, the founder of CareerJoy, a national career counseling firm, “this a new emerging trend ... every other organization is forced to look at how to be more efficient and effective with their revenue ... Every other organization is forced to look at how to be more efficient with their revenue ... On the public-sector side ... it’s a combination of being fiscally responsible and being relevant to society”. The Conference Board recently noted that while 6.8% of private-sector employees had been hit by layoffs this year (incl. 18.1% of those in the oil & gas sector), the “involuntary termination” rate in the public sector, *that is more heavily unionized*, had been just 2.3% .

This must have come as a shock to those involved, and to their friends & colleagues; for public sector jobs have come to be looked upon as tenured. The US corporate sector went through a similar exercise in the mid-1980's, when it eliminated an entire layer of costly middle managers that contributed little directly to the quality/quantity of product/service delivery at the ‘sharp end’.

ISIS SHIFTS STRATEGY AMID LACK OF FIGHTERS (NP, Stewart Bell)

- According to a European Police Office report on the Islamic State of Iraq and the Levant the flow of foreign fighters into the Middle East has “diminished significantly” due to the coalition’s military campaign & the arrests of would-be terrorist fellow travelers. So it says ISIS has now shifted from recruiting extremists to come to it for training to *motivating* & helping young people with little or no formal training to carry out terrorist acts in their home countries. And there are growing concerns that it will start using countries like Libya as way stations for the launching of terrorist attacks in third countries

Carrying the fight to the enemy will be far more effective in intimidating the denizens of the West & avoids making oneself vulnerable by having a tangible land base that can be targeted.

WOMEN SHOULD BE ABLE TO DRIVE (WP)

- Last month Saudi Arabia’s King-appointed 150 member Shura Council⁴, that advises the Cabinet, declined to consider this issue. But this didn’t stop the billionaire Prince Alwaleed bin Talal, the founder of the Kingdom Holding Company that claims to be the “world’s foremost value investor”, “the biggest foreign investor in the US” & “one of the largest in the Mideastern region”, to post a four page op-ed piece on his website (that is linked to Twitter) advocating that it is “high time” they start doing so & declaring that “Preventing a woman from driving a car is today an issue of rights similar to the one that *once* forbade her from receiving an education or having an independent identity.”

Brave soul!

FLOOD OF CHINESE CASH TURBO CHARGES COMMODITIES VOLATILITY (Bloomberg News, Martin Ritchie)

- For the second time this year trading on the country’s *commodities* exchanges has pushed prices of everything from zinc to coal to multi-year highs. Metals brokers say that, while impetus initially came from herd-like Chinese retail investors, it has since been driven by an ever-growing number of deep-pocketed hedge funds chasing better

⁴ Almost half of whom are US-educated, many of them to the Ph.D. level.

returns than attainable in the stock-, & real estate-, markets, with Tiger Shi, Managing Partner at Bands Financial Ltd., a brokerage firm that counts several such funds among its clients, observing “there is no doubt that the price moves and the bigger volume worldwide are being driven by the Chinese and by professional speculators and financial players.” Thus on November 11th copper jumped by the most since trading began in 2004 amid a surge in volume, with the gap between the day’s high & low being US\$500+per tonne, the most in five years.

In the five weeks ended November 25th the price of copper rose 20+%.

CHINA’S NEW TOOL FOR SOCIAL CONTROL : A CREDIT RATING FOR EVERYTHING **(WS. Josh Chin & Gillian Wong)**

- *The capital of the Zhejiang Province, just South of Shanghai, is the 2 ½MM inhabitant city of Hangzhou (that has been awarded the 2022 Asian Games & is home to the head office of Jack Ma’s Alibaba’s e-commerce giant). It is now piloting a “social credit” system (promoted by Beijing with the slogan “to allow the trustworthy to roam everywhere under heaven while making it hard for the discredited to take a single step”) that the Party wants to roll out nationwide by 2020 and for which over three dozen other local governments have begun compiling digital records of individuals’ social & financial behaviour that will be the basis of such a system, (although Beijing expects to develop over time bigger & more comprehensive data pools for it of things like people’s Internet use, loan-, utility service-, & credit card-, payment histories, jaywalking, adherence to traffic rules, public transportation fare cheating, family planning rule violations, shopping habits, academic honesty, volunteer activity, filial piety⁵, & criminal records) to enable it to create priority “green lanes” for those with ‘good’ scores for access to luxury hotels, travel abroad, government jobs, social services & the Internet, school admissions & scholarships, and favourable insurance premiums & loan rates & amounts. This is part of President Xi’s campaign to tighten his grip on his country & to dictate morality at a time of economic uncertainty & growing potential social unrest that threatens to undermine the Communist Party control/dominance.*

Last October Xi called for greater “social governance” to “heighten the capacity to forecast & prevent all manner of risks” & this is also an attempt to end the way local governments & central government agencies operate in “silos” that make it difficult for him control their activities.

U.K. PASSES NEW SPY BILL... (The Star. Com, Jill Lawless)

- In Britain , Big Brother just got bigger; for last month, after months of wrangling, debate & amending, Parliament passed the Investigatory Powers Bill, a contentious snooping law that that gives the authorities, from police & spies to food regulators, fire officials & tax inspectors, powers to look, without needing a warrant, at the Internet browsing

⁵ In a country where the elderly historically were venerated & lived in extended family-, multi-generational-, housing, the younger generations now often live far from their parents’ rural homes in urban ‘nuclear family’ arrangements to the point where in July 2013 Beijing found it necessary to pass a law making adults responsible for the “mental & financial wellbeing” of their (left-behind?) parents [at last report there were close to 150MM Chinese over the age of 65 (i.e. 10% of its population), vs. a global average of 8 ½%] with their numbers growing rapidly], about 40% of whom, according to the WS, were “diagnostably depressed”.

records of anyone in the country and requires telecoms⁶ to keep the records of every user's web traffic for a year.(although it might be a year before they will have to start doing so). The law also makes it legal for British spies to start data mining abroad.

Meanwhile China is reported to have massively upgraded its already powerful online censorship apparatus. When I read things like this, I don't envy my grandchildren who must grow up, & spend their lives in, such a "Brave New World" (that Aldous Huxley didn't expect to arrive until the year 2500).

AUSTRIA'S FAR-RIGHT CANDIDATE NORBERT HOFER DEFEATED IN PRESIDENTIAL POLL (BBCNews)

- Last May there was a presidential election in Austria that saw Alexander Van der Bellen, a pro-EU environmentalist, narrowly beating Norbert Hofer of the far right, anti-immigration Freedom Party. But due to postal vote irregularities, the result was voided & the election re-run this Sunday December 4th. With 73.8% of the 6.5MM people eligible to vote actually doing so (vs. 72.7% last May), the preliminary result was a 53-46 win for Van der Bellen who widened his winning margin by a factor of ten to 300,000.

While the post of President is a largely ceremonial one, the outcome heartened many of those who had been fearful of another win for Brexit/Trump soul mates. And that same day Italian voters, with a 68% turnout rejected Prime Minister Mario Renzi's constitutional amendment plans with a 59.7 NO vote [although this was far less due to a populist swing to the (far) right of the political spectrum than to members of his own left-of-centre Democratic Party deserting him in droves. And polls suggest a solid majority of Italians are not receptive to anti-EU blandishments of the populist right. Be all that as it may, this does come at a bad time for both Italy & the EU since many Italian banks have 'one foot in the grave & the other on a banana peel', Italy's economic growth rate is sluggish, even by European standards, and Italy's Debt-to-GDP ratio is in the 130-135% range (up by about one-third since the onset of the Great Recession), second in Europe only to Greece's.

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PRESIDENT-ELECT BRUSHES ASIDE CONFLICT OF INTEREST CONCERNS (G&M, Barrie McKenna)

- In a string of Twitter messages he said early in the day on November 30th that legal documents are being drafted to take him "completely out of *his* business operations", in order "to let him *fully* focus on running the country in order to make this country great again! ...While I am not mandated to ... do this under law, I feel it is visually important, as president, to in no way have a conflict of interest with my various business". And he promised to reveal further details at a December 15th press conference. But according to Noah Bookbinder, the Executive Director of Citizens for Responsibility and Ethics in Washington (CREW)⁷, "what he doesn't seem to realize, or does not want to admit, is that conflicts *cannot help but* arise from his *beneficial* ownership of the Trump

⁶ Albeit only those who are asked by the government to do so, must do so..

⁷ Founded in 2003, it has since 2005 maintained a list of 25 Democrat-, & 63 Republican-, lawmakers who it deems the "most corrupt" politicians in Washington.

organization.” And in a joint statement Norman Eigen, President Abomey’s chief ethics lawyer, and Richard Painter, who had been Bush 43’s, said the only solution for Mr. Trump is to put his assets in a truly blind trust since “Otherwise, he will have a personal financial interest in his businesses that will sometimes conflict with the public interest and constantly raise questions.”

He seems unable, or unwilling, to grasp that turning management over to his children won’t cut it and in the process almost inevitably sets himself up to be impeached at some point (which would only take a simple majority in the House for the charges to be laid & a 60 vote majority in the Senate to be formalized, the former of which likely would be a done deal & the latter to require only 8 Republican Senators to make it a ‘slam dunk’ (since the Democrats would support it in a heart beat and there would likely be enough ‘mainline’ Republicans who would, with a view to the 2018 midterms & the 2020 Presidential election, be willing to join them.

WE DECIDED ANYONE WAS BETTER THAN HILLARY CLINTON **(LINCOLN, Cindy Lange-Cubic)**

- On November 8th we elected a gossamer-haired narcissist who admires Vladimir Putin, builds gilded towers & spent 14 years firing contestants on a game show., It didn’t matter that he bragged about sexually assaulting women, dishonored a Gold Star Family, smeared a judge of Mexican descent, refused to release his tax returns or hadn’t paid his contractors or his pollster. Nor that he stereotyped Muslims, Hispanics & blacks or called for jailing his opponent, had filed 3x for bankruptcy, been married 3x, inherited his wealth from his father⁸, never had held public office & didn’t seem to be able to put a cogent sentence together without a Teleprompter. And we decided it didn’t matter that he had the temperament of a two year-old, the attention span of a house fly, or the world view of a cave dweller. We *just* decided we were sick of politics as usual.

And contrary to what the ass-covering media would have one believe, the exit polls showed that it was more than just the Archie Bunkers of this world who were fed up with the “effete elite” who has turned politics into a self-serving, self-perpetuating family business. The writer has been with the paper for 22 years, usually writing local ‘human interest’ stories By the way, she obviously wasn’t alone in her thinking; for in Nebraska Trump trounced Clinton 59.9-34.3 (494,881-283,322).

⁸ According to Fortune magazine he would be richer to day if he would just have invested his father’s inheritance in index funds & to Associated Press that “he holds few stocks for someone his wealth has grown increasingly dependent on making money by lending out his name to others rather than rather than developing real estate himself.”