

GLEANINGS II - 798
Thursday February 14th, 2019

Quote of the week - "In the media there's no such thing as a take back" - District of Columbia Judge Amy Berman Jackson said this on February 21st when long time Trump sidekick Roger Stone was in her court for breaking a gag order she had earlier imposed on him, more specifically by posting a picture of her on Instagram that had what looked like a gun sight cross hairs tucked away in a corner (*This is something all users of social media should be mindful of, far more than they appear to be; for even the smallest bit of personal information revealed on them is pure gold for 'data miners' working for operators of 'big data' systems, the long-term evil, "Brave New World", potential of which seem to be not appreciated by most people*). And despite Stone groveling before her in a very uncharacteristic manner, calling his move a "stupid lack of judgment" (but blaming some unnamed assistant) & apologizing, she told him his apology rang "quite hollow", warned him that, if he ever broke the gag order she was about to impose on him, he would go to jail, only then to slap such a comprehensive gag order on him that the Guardian commented she had just "denied *him* the limelight he has built his lifetime craving." So his subsequent, rather demure, appearance on the courthouse steps was a far cry from his last, almost triumphant one, when he emerged arms spread out in Nixon fashion.

Quote of the week No. 2 - "The Fed is 'subtly but profoundly evolving' moving to a new view of the world where a variety of forces have changed the way inflation, and interest rates work ... and embarking on a new strategy in which it may deliberately permit inflation to overshoot the formal target for a period of time." ¹ - Michael Feroli (now JPMorgan's Chief US Economist, he started his career as an economist at the Federal Reserve Board in Washington). This subject is discussed in significant detail in the February 21st Reuters article entitled A Fed Pivot, Born of Volatility, Missteps and a New Economic Reality, the key sentence of which may well be that the "Fed has fully embraced a world of stubbornly low inflation, **perennially slower growth** (*bolding mine*) and perennially lower interest rates"; while the second (bolded) item bodes ill for the future spending power of every Zhang wei, Santiago and Jane in the world, & the lot of them raises red flags for the increasingly over-indebted national governments that historically have depended on high inflation to ease the repayment burden of the debt up during periods of overzealous spending.

Adult children living with parents - On February 15th StatsCan reported that in 2017 close to 1.9MM Canadians aged 25-64 lived with one, or both, parents, up from 900,000 in 1995 (i.e. up to 9% from 5% of that age cohort). And contrary to public perception relatively few were leeches; for 74% had jobs & many of the rest were students. Seventy percent were single & 75% had never lived on their own - *but when today parents live with adult children, a totally different group than the above, it is a 'nuclear family era' adaptation of the 'extended family' & a macro-economically efficient-, & socially just-, way of dealing with the aging population problem.*

Chinese university students enacting President Xi's contention that 'no matter where ethnic Chinese are in the world, their first loyalty is to the motherland'? - There are 140,000 of them in Canada (who are real cash cows for the universities for their tuition fees are between 2x & 4x what Canadian students pay, as a result of which many universities now have recruiting offices in China). For when a Tibetan-Canadian female student who is an advocate of Tibet independence was elected President of the Student Union on one of the UofT campuses,

¹ One must wish them luck; for throughout modern history others who went this route found that once inflation was allowed to gain some momentum the external force needed to overcome Newton's First Law ('a body in motion will stay in motion') was far greater than they had expected.

within days a letter signed by 14,000 students called for her ouster on the grounds that “We study-abroad students ... just know our personal interest and our sense of belonging to our nation ... If other people hurt us, smear us, we have to counter attack.” And, all but simultaneously, when an Uighur woman who had come to Canada twenty years ago, was asked to-, & did-, deliver a presentation at Hamilton ON-based McMaster University on Uighur human rights, a coalition of five Chinese student groups issued a statement calling it a “ridiculous anti-China event that recruited hatred against China”, and caused her to fear for the safety of her son, a student at McMaster, after he started receiving death threats - *the evil (& for President Xi counterproductive?) aspect hereof is that it creates a situation in which every ethnic Chinese abroad could as a result come to be perceived as a potential “mole” and, in a worst case scenario, lead to (ill founded?) paranoia, such as that which now helps to drive anti-Huawei sentiment & in WW II led to the forced removal of Canadian residents of Japanese extraction from BC to Alberta and/or points East (& the loss of their real estate assets).*

“Cory Booker’s Law” - Sen. Cory Booker (D-NJ) (*who has just proposed giving US\$46,215 to every poor 18 year-old ‘to help them build wealth and narrow the growing wealth gap’*) is one of the only 11 Democrat Senators up for re-election in 2020. But under present rules he could not do so & still (hope to) run for President. So to enable him to keep his Senate ‘rice bowl’ option secure in *the likely* case he fails to become President, New Jersey’s Democrat Gov. Phil Murray recently signed a bill to allow people to run for the Senate & the Presidency simultaneously - *This law acquired almost instantaneously the above-noted moniker.*

Fort Mc Murray AB Junior hockey team gets death threats & is fined \$2,100 by the local Junior Hockey Association - It’s sin, a video of three of its players doing a powwow dance in the team’s dressing room; oddly enough two of the players were indigenous & the music used was “Electric Pow Wow Drum “ by the indigenous electronic group A Tribe Called Red.

Interesting Bill Gates’ observations - On Sunday morning February 17th he was a guest on Fareed Zakaria’s GPS program & passed on some interesting factoids, incl. :

- **the growing importance of sub-Saharan Africa** - a growing share of the world’s babies is being born there *and, more importantly*, while worldwide 42% of the population is under the age of 25, in sub-Saharan Africa that ratio is 62%, which means a) a continued higher birth rate in the years to come² & b) a continued lower ‘aged dependency ratio’ (such as is conducive to faster potential trend GDP growth) than in the rest of the world - *nevertheless, the US-, & even more so Canadian-, governments have been shortsighted enough to mostly ignore this “sh**hole” part of the world, allowing the Chinese to establish economic beachheads there³;*
- **the Bill and Melinda Gates Foundation (that so far has handed out US\$30BN to worthy causes in the developing world & has US\$42BN more to go)** prefers to support projects in which women are the primary beneficiaries. For its experience has been that when men are the primary beneficiaries, too much of the money gets spent on “want” things like alcohol and cigarettes (& ‘man toys’?) whereas women spend it on economic and/or social “need” things like school fees (*similarly the Foundation also prefers chickens over cattle, for chickens are the women’s (& children’s) domain &*

² While the sub-Saharan infant mortality rate may have declined from 47 per thousand forty years ago to 34 per thousand in 2011, the continued growth in the number of women of child bearing age & the still high 2.75 fertility rate will add up to sub-Saharan’s population doubling to 1.25BN by the late 2030s.

³ The only good aspect of which is that African governments are learning the hard way that China’s ‘generosity’ hides a neo-colonialist attitude.

nutritionally more efficient since one chicken = one meal, while one beef, although it can provide many meals, requires refrigerated storage facilities, in the absence of which much of it gets wasted - This rang a bell, for when I was in Ghana for the World Bank in the early 1990's to help its four main banks deal with their bad loans, I was fascinated to learn that one of them had a thriving small loan business going among women traders at the local markets by having four female staff members go there early in the morning with a bag of money to lend them their day's working capital & return before the markets closed to collect all the money the women didn't need, or want, to take home; so they would repay that morning's loan plus interest, & put the excess in their bank, to avoid going home with too much money for their men to confiscate ⁴.

- **the US government's annual spending accounts for 24% of GDP & its tax revenues for 20%** - the 2017 figures are different but the message the same : GDP US\$19.39TR, expenditures US\$4.15TR (21.1%) & revenues US\$3.6TR (18.8%), and the deficit equal to 3.5% of GDP. And in FY18 (to September 30th) the federal deficit was up 17% & in the current fiscal year it's expected to be up 19%, in both cases a multiple of the rate of GDP growth - *it doesn't take the arithmetical acumen of a financial Einstein, to appreciate this is not a viable fiscal situation, especially since this year's tax revenues are expected to be down 9.4% from two years ago;*
- **Power generation is rightly seen as the largest (25%) source of greenhouse gas emissions but agriculture is not far behind with 24% and the manufacture of steel & cement with about 12% (as part of the industrial sector's 21%).** So he pointed out that the world's growing urbanization requires large amounts of steel & cement for buildings & infrastructure, the manufacture of which generates a lot of greenhouse gas - *In this context, it's worth noting that Canada appears to be a world leader in the construction of multi-story (so far up to 12) wooden high rises (in which the sole reinforced concrete component is the elevator shaft). For while trees are CO2 'sinks', the CO2 stays locked in their fibre when they are turned into lumber ⁵. This may also well augur the beginning of the end of today's factory farming with its huge inputs of fuel,*

⁴ During my first sojourn in Africa, in Kenya in 1989, the fellow I worked for, a wizened India-born economist, who still had an apartment in Bombay/Mumbai to which he retired on his holiday every year & who had been financed for years by various foreign aid agencies to act as a senior adviser (& trouble shooter) for Kenya's Permanent Secretary (i.e. Deputy Minister) taught me something that always stood me in good stead, namely that "When you come from the West to Africa, forget all you ever learnt in school about economics, for things here are the very opposite of what they are there : there capital is cheap & labour expensive while here labour is cheap (& plentiful) while capital is scarce & expensive" (the validity of which was driven home to me a few years later in Ghana when, after I asked the very successful, fiftiesh Lebanese owner of a plastics extrusion factory how he could afford paying 32% on his bank loans, his response was "Do you really think I would have spent all my life in this ***** country if I couldn't make more than that on my money?"). The other interesting lesson from this man was that, when he had difficulty getting production out of his night shift (& he had no choice but to have the extrusion machines run 24/7, since they operated most efficiently within a very narrow temperature range (& after being turned off required several hours to get back -, & stay-, in that range), since the night shift operators preferred to sleep, rather than work, at night, he found a very simple solution to his problem : doubling the night shift staff and making sure that each machine had one big-, & one much smaller-, operator, counting on the former to tell the latter "I'm going to sleep while you work; and if you haven't enough product made by morning, I will beat the living daylight out of you on the way home!", with him telling me that the extra labour cost was "insignificant compared to the extra value in product I get this way"..

⁵ An article on the subject in the January 5th Economist made two interesting points : the energy required-, & hence the greenhouse gas produced-, in producing the laminated wooden beams at the core of this type of construction, is one-sixth of that required to produce a steel beam "of comparable strength", & when trees are cut down & seedlings planted to replace them new 'carbon sinks are created.

fertilizer & pesticides, all of which cause greenhouse gas emissions in their manufacture. And as I remember it from my youth, traditional farming, produced, either directly or indirectly, little greenhouse gas other than that from the burping of cud-chewing ruminants & the flatulence of Man & Beast, (with the former hiked by some components, like beans, of the diet that's 'more environmentally-friendly than meat').

“More than 450 candidates have already registered with the Federal Election Commission to run for President in 2020” - This is the opening sentence in a lengthy article on the Internet, supposedly sourced from Time Magazine & entitled Meet the Major Candidates Running for President in 2020 that, whatever its source, can provide those interested in such things with useful thumbnail sketches on all the declared hopefuls to date (*interestingly enough, over 430 of the 450 are opposed to President Trump*).

Mothers of four or more children get a lifetime exemption from income tax - This was in Hungary Prime Minister Viktor Orban's February 10th State of the Nation Address. Another item in it was the subsidization of seven seater motor vehicles – Hungary's fertility rate is 1.45%, below the EU's 1.57% average, and it's population is shrinking at a EU-low 2.0% annual rate - *Orban is a particularly nasty bit of humanity & the EU's most rabidly & proudly anti-immigrant public personality (even among those on the far-right) whose Leit Motiv is “Our country won't need immigrants ... to ensure the survival of the Hungarian nation ... we need Hungarian children”. Still, this is an inspired -, & likely quite effective-, bit of social engineering!*

Sen. Amy Klobuchar - *At some point during at her February 10th announcement rally in a blizzard, she started shrieking ‘I will do this ... and I will do that ... and I will do the next thing ... and I will do the thing after that’ & repeated that several more times like an out-of-control banshee, the last thing US politics needs over the next 18 months. But at her subsequent UNH rally she came across quite differently, showing guts in her answers to questions about the now supposedly “mainstream” far left free education- cum universal healthcare-, mantras. She took questioners on head to head, telling them ‘hopefully one day in the not too distant future but not in 2020’, although she was less dogmatic about-, if not actually conceded-, tuition-free two year colleges (a state-, not a federal-, responsibility, so an easy concession) ⁷. Of the three Democratic hopefuls (Harris, Castro⁸ & Klobuchar) I've so far seen in action, she may well be the most likely to be one of the Top Five in the running when the 2020 Democratic Convention opens its doors on July 13th, 2020⁹. Bernie Sanders was foolish & self-indulgent to throw his hat in the ring. First, the issue of him by choice never having been a member of the Democratic Party will at some time come to haunt him. Two, in 2016 he was a fresh face against a not very well-liked, jaded old party hack well past her “Best Before” date, while this time around there are a number of fresh faces who have adopted his popular 2016 popular platform ‘planks’ as their*

⁷ She is smart to do so. One, this could be marketed as a step in the right direction. Two, it is a relatively cheap option : tuition fees are typically one third of those at public universities. Three, two year colleges have two streams, one terminal, readying students for careers in the as automotive-, construction-, & culinary- , but also computer-aided drafting & design -, & health information technology-, fields , and the other transfer, readying them ‘on the cheap’ for carrying on to university. And most of their students come from financially less well-off families.

⁸ Who, interestingly enough, is the only declared hopeful to date to actually have had hands-on experience managing large public sector bureaucracies at two levels, as Mayor of San Antonio TX & as Obama's Secretary of Housing and Urban Development, but may be too soft-spoken & not flamboyant enough to have mass appeal nationwide (and whose last name may be repugnant to some voters).

⁹ The only blemish so far on her escutcheon is the accusation of being too demanding on her staff, which she readily concedes but explains by being no harder on her staff than on herself; and what is never trotted out by her detractors is that her key advisers have been with her for half a dozen, or more, years.

own; so he no longer has the far left field all to himself¹⁰. Three, the Party's leadership will, long before the primaries, conclude that his 'over-the-top' far-left oratory is a gift to the GOP, for it has already enabled it to paint the Democrats as socialists & hence un-American (even though many voters who would buy that line could be hard-pressed to explain what socialism is all about & why it is so 'ba-a-a-ad". Four, for many voters, & not necessarily only non-whites, he's just "another old white man" (so that the party would lose the potential edge it could have over Trump, or any other old white man as the GOP standard bearer) with a younger candidate¹¹. And last but not least, while collecting US\$5.9MM in three days from 227,000 people was an impressive feat, in real world, absolute terms 227,000 is only a minuscule fraction of the 70+MM Americans it likely will take to elect the next President and the 'little people' who helped him achieve this feat may not be willing, or able-, to keep on giving at this rate, especially if the economy were to continue on a slower growth path.

Trump's declaration of a national emergency - Under the Constitution Congress has the 'power of the purse', i.e. the exclusive right to decide how taxpayers' money is to be spent. So it is not clear if the 1976 National Emergencies Act can overrule the Constitution [which may, if the question ever were to come before the Supreme Court, demonstrate whether the "conservative" Supreme Court Justices are really "strict constructionists" (i.e. committed to the view the Constitution must be taken "as is", not interpreted in today's context)]. Meanwhile, if Congress were to pass a bill seeking to 'queer' Trump's pitch to use the 1976 Act to get around the Constitution (as it is expected to do next week) & he were to veto it, Congress can overrule such a veto by a simple majority in both Houses [which in the case of the House would be a foregone conclusion & in the Senate would need the support just four Senators (Utah's Mitt Romney & three of the 22 running for re-election in 1920?)¹³. If he were to veto a second such Congressional attempt, it again could seek to overrule it, and this time for all times, albeit only by two-third majorities; i.e. 292 votes in the House & 67 in the Senate. And, if the polls are correct & far more Americans don't-, than do-, want the Wall, bipartisan support for a bill to overrule a second Trump veto & his vision of a 'Trump Wall' forever, may well be forthcoming from the less than one-third of the House Republicans needed, all of whom must run for re-election in 2020, & from 20 Senators, 22 of whom must also run for re-election in 2020.

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GOV. BILL WELD LAUNCHES EXPLORATORY COMMITTEE (Fortune, Natasha Bach)

- President Trump may have his first announced 2020 opponent in his own party; for on Friday February 15th former Massachusetts Gov. Bill Weld announced, at a Politics and Eggs breakfast in Bedford NH, he is launching a 'presidential exploratory committee', saying "I think our country is in grave peril and I cannot sit quietly on the sidelines anymore", & telling those present "Trump was a schoolyard bully ...simply too unstable

¹⁰ Or as a third party put it, "This time around he won't be the only far-left candidate or the only alternative to a single (seriously flawed?) front runner".

¹¹ In fact it could, at least in theory, potentially become a lose-lose proposition for the Democrats (& a threat to Trump's renomination?). For the Republican National Convention next year won't be until August 24th, six weeks after the Democratic one. This could create an opportunity for non-Trump base Republicans (who by all accounts are continually making inroads thereon) to push for the nomination of a non-old white man GOP standard bearer if the Democrats were to have been foolish enough to have opted for Bernie Sanders.

¹³ As the Democrats expect to do next week, which is making the White House nervous as to how it would go over politically if the required four (or more?) Republican Senators would actually vote with the Democrats, with the result that the bill would end up on Trump's desk to sign or veto.

to carry out the duties of the highest executive office ... in a competent and professional manner ... *and that his priorities are skewed towards the promotion of himself, rather than the good of the country*". While he may be the first Republican to formally announce plans to challenge Trump (*if, according to the Washington Post, he can raise enough money to do so*), last November it was reported that John Kasich, the former GOP Governor of Ohio, was "very seriously" considering running against Trump in 2020". If Weld were to proceed, he faces at least two serious obstacles : first, one *that every Trump challenger will face*, namely that Trump's approval rating among Republicans remains high ¹⁵ & a second, Weld-specific one, that in 2016 he was New Mexico Gov. Gary Johnson's running mate on the Libertarian ticket (*that in the final analysis got 4.5% voter support, more than any third party candidate since Ross Perot's 6.4% twenty years earlier, but that may have helped elect Trump since in the four states (Florida, Michigan, Pennsylvania & Wisconsin) it attracted support from more voters than Trump's lead over Hilary (most pronouncedly so in Michigan where his lead had been only 4,000 votes & the Johnson ticket's vote count was 172,000.*

Any GOP Trump challenger may have his/(her?) work cut out for him/her in a historic sense; for it's 134 years since a challenger last kept a sitting GOP President from serving a second term ¹⁶ (although in the post-WW II era there have been two occasions when a sitting president who had faced a serious challenge in the primaries didn't get re-elected in November (Bush 41 in 1992 & Jimmy Carter in 1980). And Weld is an old-fashioned New England fiscally conservative/socially progressive type of Republican that today is a dying breed in the party as it has moved to the right (which in time may undermine its relevancy in contemporary political terms?).

WEST VIRGINIA TEACHERS TO CONTINUE STRIKE IN CHARTER SCHOOLS' FIGHT **(Reuters, Jonathan Allen)**

- A union for West Virginia teachers vowed on February 19th to continue their strike that had closed most of the state's 700 schools serving 277,000 students after the State's GOP-controlled Senate had passed a bill to open the door to charter schools (*which would have made it the 45th state in the nation to have done so*). But the next day already the State House of delegates caved after the Republican Gov. Jim Justice (*a coal & agriculture cum political operator with an estimated US\$1.9BN Net Worth*) vowed to veto the bill it were to follow the Senate's example.

The State's teachers are among the nation's poorest paid, even given their 5% raise after last March's nine-day strike. And last September the State Education Department produced its first-ever report grading all the state's public schools on a wide range of topics, incl. attendance, student progress during he year, achievement & graduation rates, using a four tier rating system ("exceeds-, meets-, partially meets-, & doesn't meet-, the standard"). And the results, according to Metro News' Hoppy Percheval, were "not ones you want to take home to your parents", with the cake being taken by the State's 116 high schools, 88% of which were in the "does not meet the standard" category. Charter schools are publicly funded but privately run, according to parents offer more educational opportunities for their children & are typically non-union, and

¹⁵ For all it's worth, a recent Fox News poll is said to have found that 87% of Republicans approved of Trump's job performance

¹⁶ Although he had not been elected in his own right & came into the Presidency after Garfield's assassination & by 1885 was in ill health.

hence pose a threat to the union's first-, if not sole-, goal, the maintenance & growth of their fee-paying membership base. But if the union had thought out-of-the box & in the best interest of their members, the school children & their parents, and the community at large, they might have taken the line of "charter schools OK, but only if publicly funded on a per capita basis at a lesser amount than the public schools, with the resultant savings added to the public schools' budgets; for in that case the more students the charter schools took off the public schools' hands, the more the per capita spending on the public schools system would grow while the State wouldn't have cared one way or the other since this would be expenditure- neutral for it.

PRICE OF COLLEGE INCREASING ALMOST 8 TIMES FASTER THAN WAGES **(Forbes, Camilo Maldonado)**

- The cost of a college education is skyrocketing. So it is no surprise that student loans now make up the largest share of US household debt, more than that for credit cards or for auto loans. According to the National Center for Education Statistics, the average annual *total* cost (i.e. tuition-, & other-, fees plus room & board) was just over US\$19,000¹⁷ for a four year course at a public-, & nearly US\$40,000 at a private-, university. So averaging those *on a weighted basis* at US\$26, 092 in 1989 (US\$52,892 in inflation-adjusted dollars) & US\$104,480 in 2016, in real terms the annual rate of growth in the cost of a 4 year degree during the 1989-2016 period had been 2.6%.¹⁸

A quick flip through a January 2016 article online by the American Institute for Research entitled Trends in College Spending : 2003-2013 - "Where does the money come from? ... Where does it go? ... What does it buy?" found the following phrases :

- *"half a decade of state disinvestment in higher education" (during the Great Recession not recouped by 2013);*
- *"even when faced with significant revenue constraints, colleges and universities were unwilling or unable to make drastic spending cuts";*
- *"as a result of lower public support, students now pay a majority of education-related institutional costs"; and*
- *"reinforcing the notion of education as a private, rather than public good".*

The sad part of this fast growth in tuition fees it has mostly benefitted the front-, & back-, offices' "wants", rather than the "needs" of the 'sharp end' (i.e the classroom).

Personally I am "from Missouri" on the subject of free post-secondary education. Anything free is typically taken for granted, used to excess¹⁹ and/or outright wasted. And free university education is lower on my personal priority scale than, say, universal healthcare, it being more of a "want" rather than "need" nature. But I am biased; for I worked my way through university (one year in a meat packing plant on the 10 p.m. to 7 a.m shift) and still made time for a busy student life (although not for going skiing or on holidays), and I graduated without owing anyone a dime, although, in all fairness, times were different then : paying for my tuition took only 300 hours of work and my First Year Economics class had 30 students it & was taught by a tenured professor whereas I have heard horrors of students in that course today being taught by the hundreds by underpaid sessional lecturers on short term contracts.

¹⁷ This number is not really the best basis for any comparison; for half this amount, or possibly a little less, represents the cost of room & board at a student residence, while likely a majority of students, especially those from lower income backgrounds, have lower cost living arrangements at home or some form of independent/communal living.

¹⁸ While seemingly not too bad, according to the St. Louis Fed the annual real rate of wage growth in 1989-2016 had been 0.3%;, hence the "8 times".

¹⁹ Or as an Economics Ph.D. former colleague used to put it, "if beer was free, there would be a shortage of beer".

POLITICAL BOMBSHELL AS GANTZ AND LAPID JOIN FORCES TO REPLACE NETANYAHU (Haaretz, Jonathan Lis)

- On February 20th Likud announced that two small far right parties²⁰ had joined its side for the April 9th election (*in exchange for a couple of ministries each in his next Cabinet*). Early the next day (the day of the deadline for the submission of the all-important party candidate slates for the election), Netanyahu's biggest two left-of-centre rivals, Benny Gantz (age 59) & Yair Lapid [age 55 & former TV news anchor and Netanyahu Finance Minister (2013-2014)] announced they too had joined forces under a Blue and White banner²¹ and had succeeded in bringing on board Lt.Gen. (Ret) Gabi Ashkenazi (age 64)²², Gantz's predecessor as IDF Chief of Staff, and Moshe Ya'alon (age 68), another former IDF Chief of Staff & Netanyahu's Defense Minister from 2013 until he had resigned of May 20th, 2016 after a discussion with Netanyahu, quoting "the recent conduct of Netanyahu ... *and in light of my lack of faith in him*", to form his own splinter party.

The February 17th Channel 13 poll had given Likud 32 seats in the 120-seat Knesset, Gantz's Hosen Yisrael's 24 & Lapid's Yesh Atid 10, for a total of 34 but on February 21st dropped Likud to 27 & kept Blue and White at 34, and, worse still for Netanyahu it dropped the seat total for Netanyahu's current coalition from 60 to 54. The deal is that Gantz will be Prime Minister until November 2021, after which he will replace Ya'alon as Defense Minister & Lapid will become Prime Minister. Following the making of the deal, a statement was issued announcing that "Out of national responsibility, Gantz, Lapid and Ya'alon decided to form a united list that "will be Israel's new ruling party ... that will bring forth a cadre of military and social leaders to ensure Israel's security and to reconnect its people and heal the divide within Israeli society." (which may be easier said than done given the significant presence of a far right for whom there is only one possible option, OUR WAY) although leadership with such strong leavening a ex-IDF leaders may have a better-than-average chance to connect the country's non-far right elements. And speaking at the Tel Aviv Fair grounds immediately after having convened the new faction for the first time, Benny Gantz told those present "This is a historic day (as it may well turn out to be?) for Israel because this picture of unity has not been seen here for dozens of years ... All of us have an ego and an agenda but when we saw this country torn apart we put our ego aside, decided on a mutual agenda and decided to run together. We will work as a team to fix Israel." (and told them that his mother, Malka, a Holocaust survivor, had lived in the same building in the Budapest ghetto as Yair Lapid's father Tommy), while Lapid compared the team work of this group with the "one man rule of Netanyahu", adding "I wouldn't be standing here if I didn't believe that Bernie Gantz could lead us to victory and then lead the country and unite the country. He'll be an excellent Prime Minister. I believe in him". Netanyahu's comeback, after first having called them socialists (he must ve been reading Trump's playbook²³;) and then followed

²⁰ One of them promoting the views of Rabbi Meir Kahane, an US-ordained Orthodox rabbi murdered on November 5th, 1990 who dream was for Israel to become a theocratic state and for all Palestinians to be *forcibly* removed from it soil.

²¹ Causing Likud support in the Channel 13 poll to slide from February 17th to 21st to slide from 32 to 27, while that for the other two combined remained constant at 34 and, worse still for Netanyahu, the support for the parties in his current Cabinet from 60 to 54.

²² According to whom President Reuben Rivkin would like to see them replace Netanyahu.

²³ My experience has long been that once people start calling others "ism" names, it's because they have run out of relevant things to say to defend their position.

that up by warning "It is not at all certain that my party will remain in power and (therefore) I call on (all) right wing voters to go to the polls and vote for Likud." And he is running for his life in two, one his political life and again for his personal life, for if he gets voted out, there is no question that the new Attorney-General will waste no time starting to lay charges in the, at least three, cases in which he has been accused of fraud & corruption (and ditto for his wife?), in which case he is likely to suffer the same fate as his predecessor, Ehud Olmert, i.e. spent time behind bars, and for the same reason.

DEUTSCHE BANK LOST \$1.6BN ON A SINGLE BOND TRANSACTION WITH WARREN BUFFETT (CNBC, Hugh Son)

- In 2007 it bought a 7.6BN portfolio of US municipal bonds (*from a third party*) and then bought default protection on it from Berkshire Hathaway for US\$140MM. For the next decade, as the bonds declined in value, but none defaulted, the bank delayed cutting its losses as the bonds became an 'albatross around the bank's neck', sparking a debate between the bank's managers & auditors, until finally, in 2016, it 'bit the bullet' & sold the bonds, ended its Berkshire insurance & recognized a US\$1.6BN loss on its books.

The bank ignored the market's age-old truism that "The first loss is the easiest to take." Thirty plus years ago, when I was in Alberta Treasury, Deutsche Bank was a powerhouse, triple A-rated bank, No. 1 in its home market with a respectable international investment banking operation, whereas today, while still Germany's No. 1 bank (with assets 4x those of No.2) & Europe's fourth largest (with assets two-thirds of those of No. 1, HSBC), after years of what at best can be called "indifferent" management, it has a BBB+ credit rating (two levels above 'non-investment grade'), and abroad has been reduced to having to grovel for business 'low life' credits like Trump & the Kushner family. I never was close to the bank but it still saddens me.

SPANISH PM CALLS EARLY ELECTION AMID DEEPENING DIVISION (AP)

- On Friday February 15th Pedro Sanchez, Spain's Socialist Prime Minister, called an early general election for April 28th, the third in less than four years, after his minority government lost a budget vote in Parliament. In a televised appearance from the Moncloa Palace, the seat of the government, he explained "between doing nothing and continuing without a budget, or given the chance for Spaniards to speak, Spain should continue to look ahead.
- He came to power last June when he won a no-confidence motion triggered by a damaging corruption conviction against the liberal-conservative/Christian-democratic Popular Party of Prime Minister Rajoy. But the simple majority of Socialists and anti-austerity-, & regional nationalist-, parties that had united against Mr. Rajoy, crumbled after Prime Minister Sanchez recently broke off talks with the Catalan separatists over self-determination for their prosperous region in the northeast of the country, insisting that their demands did not fall "within the constitution and the law".

Spain's is the EU's fifth largest economy. And for the past five years it has been the "belle of the ball" in the EU in economic growth 'league table' although the shine thereof has recently dulled a bit as its annualized quarterly growth rate declined from 4% two years ago to the 2.4% range. Still, the youth unemployment rate has dropped from 55% on January 1, 2014 to 36.3% a year ago & 32.7% at the 2018 yearend) and the overall unemployment rate is now in the 13+% range, nothing to write home about in absolute terms but still a 10 year low and less than half the rate six years ago. And these official numbers may not give a true picture of the Spanish situation as millions are believed to be working in the underground economy, the effect of which

is to understate the size of the total economy by as much as 15%. But politically the situation in Spain appears to be similar to that in much of Europe where the disappearance of the original concept of two major left-, & right-, of centre parties & a small number of pygmy ones, that provided a degree of stability seems to have gone the way of the do-do bird, having been replaced by a model with four more similar-sized parties.