Quote of the Week :"Government is a great fiction through which everybody endeavours to live at the expense of everybody else." - Frédéric Bastiat (1801-1850). Even though, after a life in business & local politics, he didn't get seriously involved in economics until six years before his death at age 49, his ideas are part of the philosophical underpinnings of the Austrian School (of economics) & dear to the heart of libertarians,. His most famous work, entitled The Law, published the year he died (from TB), proclaimed everyone has a right to protect "his person, his liberty and his property" & that the state should only be a "substitution of a common force for individual forces" to defend this right. And that statism was based on "this triple hypothesis : the total inertness of mankind, the omnipotence of the law and the infallibility of the legislator" which, he said, would lead to social engineering by legislators, & to Mankind becoming "like the clay in the potter's hands" - *while it's hard to place these observations in the context of his own time, they display a remarkable insight into the state of affairs in politics one hundred & fifty years after his death*.

The other day a market observer summed up beautifully in one short sentence what's wrong with the late 20th/early 21st century banking system : "It used to be all about making money **for** your clients whereas today it is all about making money **off** your clients."

The St. Louis Fed tracks what it calls "The Adjusted Monetary Base", the sum of all currency (incl. coins) in circulation outside the Fed & the US Treasury, **plus** all deposits held by depository institutions at the Fed. It is currently 4½ x what it was five years ago & capital markets are now addicted to this ongoing stimulus, which has led to what some refer to as the "QE Trap".

At the time of writing, Janet Yellen was before the Senate Banking Committee for her nomination hearing grilling (which was rather mild since her confirmation is a done deal). According to one observer, prior to this event, "Mrs. Yellen ... is not a hawk. She does not see any bubbles in the US. She is an interventionist ... (she) likes big government." This was confirmed when she told the Senators the economy was performing below its potential & that "the surest path to returning to a more normal approach to monetary policy" was more intervention *(of the abnormal kind?*) & that "we need to get the economy back to normal[1] and that is what I **hope**[2] ... (the Fed's) policy will accomplish." She specifically rejected the notion that either stocks[3] or real estate were in a bubble but acknowledged that gold had a following as

1 She seems to be ruling out the possibility of a "new normal" in which the trend US GDP growth rate may be closer to 2.0% rather than 3%, or more. But, while since 2000 the US population has grown by almost 9%, from 285 to 310MM, total employment has been 'flat" at 135 to 145MM, depending on whether one uses the BLS' CES (business-based Current Employment Statistics) number or the broader, household-based CPS (Current Population Survey) number collected by the Census Bureau for the BLS. Moreover, in the years 2006-2010 the dependency ratio (the % of the population too young or old to be in the work force) bottomed out at 50% & now is heading for 55% by 2020; and the higher the ratio, the more of a drag it becomes on a country's GDP growth potential.

2 Bolding is mine; "hope" is not a word normally found in a central banker's professional vocabulary, nor in that of those with a Ph.D. in economics : they **know** rather than hope!

3 In March 2009 the S&P 500 was 700 while yesterday it was 1,750. Most of this gain came in four time periods : QE 1 - +22%, QE 2 - 17%, Operation Twist - +13% & QE 3 - +20%. Corporate earnings are at an all-time high as a % of GDP. Some companies are having trouble achieving top line growth while unit cost reductions are harder to come by. P/E ratios are in the upper half of their historical range. And any increase in interest rates

a hedge to tail-risk & catastrophe (*which was more than Bernanke ever could get himself to admit*), and avoided giving a direct answer to a question as to the possibility of a decline in the effectiveness of the QE strategy.

One side effect of the Great Recession that hasn't gotten much press is the dramatic decline in the US fertility-, & birth-, rates. The former declined from 2.12 in 2007 to just 1.89 in 2011 & the latter (the number of births per 1,000 women of child-bearing age) from 69 in 2007 to 63 in 2012. This is state of the economy-driven since in states, like the Dakotas, where the economy is booming & unemployment below the national average, birth rates are in the ascendancy.

Bitcoin is a "digital" currency that, since it's beyond the control of any regulatory body, is believed to be a favorite venue for illicit transactions. So far the amount in circulation is said to have grown this year from US$200MM-equivalent to US$4+BN, & a Bitcoin's dollar-equivalent value from US$20 to US$350 (after double digit increases on Thursday November 7th & Friday November 8th). Earlier this month the first-ever Bitcoin ATM was installed in a Vancouver coffee shop; it had 348 transactions (for a total of 100,000 Bitcoins) in its first 8 days - *but, as a word to the wise, last April the dollar-equivalency of Bitcoin soared from US$30 to US$260 in five weeks, only to crash to US$70 in a matter of days &, as one analyst pointed out to his clients, while in one four minute period US$8,500-worth of Bitcoin was created, QE 3 created US$7.8MM*.

Dennis Gartman graduated in 1974 from North Carolina State University with a Master's degree. After 'making his bones' as a currency trader & working for several Wall Street firms, in 1989 he founded the Gartman Letter, targeting an institutional audience among whom he has over the years gained many devoted readers even though his detractors accused him of being a "Pump & Dumper" (*someone who seeks to inflate the market price of a stock by misleading statements in order to maximize his profits*). He is a darling of the media, always ready to be quoted or interviewed. His latest prognostication, earlier this week, was that we are witnessing a "massive top in the bond market", with long-term interest rates going to 4% within two years & to 6% before 2020. Last month he predicted the price of oil will hit US$85, leading to a possible demise of solar energy. Long a bear on gold, he said last August he had become less so, & had been dabbling in it since "the gold bear parade had gotten a little crowded" even though he didn't think its price had hit bottom yet). And several years ago he opined that with "1.3 billion Chinese, 1.2 billion Indians, 240 million Indonesians and 28 million Malaysians ... (*and*) Africans being brought into the modern world ... where transportation and communications are better than we've ever seen, if you think that a high school diploma in the US or Europe is going to give you the same living standard and the same wage rates that your parents got, you're naive."

The Paris-based IEA has come out with a forecast that by 2016 the US will be the world's No. 1 oil producer, ahead of Saudi Arabia & Russia. But in a Yahoo online poll only 28% of respondents believed this, while 33% were skeptical & 39% said the US should be investing more in alternate energy - *the IEA's forecasting track record has been spotty at best, & in this case it seems to be straightlining; while in each of the last two years US oil output increased by about 1MM*[4]*, at last report it was still less than 8MM bbld while Russia's output in October hit a post-Soviet record of 10.6MM bbld & Saudi Arabia's output fluctuates around 10MM bbld, depending on its reading of the demand & supply situation.*

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would reduce the scope for dividends to help prop up share prices. And all prices in all asset markets by the liquidity sloshing around in the system.

4 Of which, rather surprisingly, only a relatively small portion came from the Bakken.

Canada's crude oil output grew by 12% in each of the last two years. This prompted the IEA to forecast in its October 2012 World Energy Outlook report that Canada will become the third-largest driver of global oil output growth (after Iraq & Brazil). But it hedged its bet by saying "While the resources are unquestionably large enough to support such an expansion, achieving it is contingent on the construction of major new pipelines to enable crude to be exported to Asia & the US."

The WTI (West Texas Intermediate) oil price (set at Cushing, Okla.) has long been at a small discount from Brent, & the Western Canada Select *Heavy Crude* price at a somewhat larger, quality-driven discount from WTI. While back in 2009 their combined total was < US$10, by late last year the growing Bakken-, & oilsands-, output, and a lack of pipeline capacity, had created a glut at Cushing that drove the WTI/Brent spread to US$10 & the Western Canada Select/WTI spread to US$40, which Alberta's Premier estimated was costing her government $6BN annually in lost revenues (& producers 3x that much) & the Bank of Canada that it had cost the national economy an annualized 0.45% in GDP growth in the Second Half of 2012. Then the two combined shrank to about US$20 by mid-2013, only to start widening again in the fall to its recent near-record US$50 (in part due to a fire at a 167,000 bbld refinery at Lemont, Ill. that had accounted for one-tenth of Canada's heavy oil exports) - *While the oilsands needs more pipeline capacity to markets other than the US, the three proposals that would do so each face opposition of the NIMBY kind & delays & in any case won't to start moving oil to markets until 2016-2017 at the earliest*.

In October in China car sales were 1.61MM units, up 24% YoY, well ahead of expectations.

Ilham Tohti is a prominent Uighur economist working with human rights' advocates. He disputes Beijing's (*self-serving?*) characterization of the recent incident on Tiananmen Square as the work of Islamic militants - *the Uigurs are Turkish ethnic Muslims, about 10MM of whom live in China's Xinjiang Province (with much smaller numbers in Hunan Province & the Central Asian 'Stans"), who have, like the Tibetans, been dismayed by the Han Chinese influx into their land*). He points out that there have been many incidents involving members of Han majority, incl. the man who last summer sought to blow himself up in the Beijing International Airport & those in the string of knife attacks on school children. Instead, he said, the family in the car[5] were more "like (*Tibetan self*-) immolators ... people who felt they had been wronged and wanted to release their anger."

On November 24th the Swiss will vote in a referendum[6] on a proposal to make it illegal for any business operating in the country to pay any of its staff more than 12x what it pays its lowest-paid employees (*what about its possible extra-territorial jurisdictional implications?).* Waiting in the wings, but coming down the pike, is another referendum on a proposal whereby, regardless of status or income level, everyone in the country would receive a monthly cheque from the government - *such 'guaranteed annual income ideas have periodically surfaced in Canada for*

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5 While it was previously known this was the first-ever reported case of there being three people, rather than just one, involved in the same car bombing event, this is the first indication that they were members of the same family which, if true, would seem to lend credibility to his argument that this was a case of people feeling wronged.

6 In this country of 8MM people all it takes is 100,000 signatures to force a free-standing referendum on any issue the signatories can agree on.

decades with some support from across the political spectrum. And they're not as ludicrous as they may sound; for much of what would go to the better-off would be "clawed back" through income taxes while it would reduce the size & role of government by doing away with most, if not all, the existing plethora of labour-intensive wealth transfer programs (the very reason the idea is anathemous to the public service unions).

A new term recently surfaced in the global economic/financial arena scene. "The Fragile Five" refers to five emerging economy countries (Brazil, India, Indonesia, South Africa & Turkey) with large current account and/or fiscal deficits that are more dependent than most on foreign capital inflows & therefore most vulnerable to any slowdown in the creation of international liquidity.

State Prosecutor Nicola Gratteri works in Southern Italy's Calabria region, where the Mafia is active. He told the Fatto Quotidiano daily that Pope Francis' emphasis on transparency & dismantling economic power in the Vatican is making the mobsters "nervous and agitated" since "for many years, the mafia has laundered money and made investments with the complicity of the church ... the Pope ... dismantling the poles of economic power in the Vatican ... is dangerous ... If the godfathers can find a way to stop him, they will seriously consider it."

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US TO SELL $10 BILLION TO $15BILLION IN FLOATING RATE NOTES
(BB, K. Klimasinska)

- On January 29th, for the first time in 17 years, the US Treasury will introduce a, for it, new type of security when auctions off US$10-15BN of two year Floating Rate Notes (FRNs).

It can be a red flag when an issuer seeks to tap a new funding source if that means its traditional lenders are loaded to the gills with its paper. While the core investor base for fixed rate bonds is among non-bank end investors with longer term time horizons, FRNs target a different core investor base, banks operating on a "spread" basis who don't care what they pay for money provided they can get their spread (& who, in practical terms don't worry about their funding sources drying up, since money is always available for those willing to pay whatever the market wants to charge). And, equally, if not more, worrisome is the fact that for every FRN the Treasury issues, the deficit will become more interest rate-sensitive.

<u>CONFESSIONS OF A QUALITATIVE EASER</u> (WSJ, Andrew Huszar)

- Five years ago the Fed launched an unprecedented shopping spree to halt the US banking system's freefall, with Bernanke saying his motivation was "to affect credit conditions for households and businesses." After working at the Fed for seven years I had left it more than a year before out of frustration with its growing deference to Wall Street; for independence is at the heart of any central bank's credibility. Then, one year later I got a call asking me to come back to help it purchase US$1.25TR of mortgage bonds (MBS) over a 12 months' period. After some hesitation I did so, having been assured by senior Fed officials that it was now committed to a major Wall Street revamp. But soon my doubts resurfaced; for all rhetoric to the contrary buying the bonds wasn't making credit more accessible to average Americans since banks were issuing fewer loans &, worse still, making credit they did extend not much cheaper. Our warnings that QE wasn't working as planned fell on deaf ears & the Fed's leaders' sole obsession seemed to be with their own latest in-person feedback from Wall Street.
- Once QE 1 ended in March 2010, the final results confirmed it had only provided marginal relief for Main Street but generated huge capital gains for the banks on their securities' holdings & fat commissions on their QE business with the Fed. Then, when without questioning the wisdom of QE 1, a few months later the Fed announced QE 2 (a move Germany's Finance Minister Walter Schäuble called "clueless"), I realized it had lost its ability to operate independently from Wall Street & returned to the private sector.
- Even by the Fed's most optimistic calculations QE has generated only minimal *real* growth[7]; thus PIMCO's Mohammed el-Erian thinks it spent US$4TR to create just US$40BN in incremental economic output. But Wall Street had racked up hundreds of billions of dollars in opaque Fed subsidies, the banks' share prices had tripled since March 2009 & the biggest ones among had become even more of a cartel, with 0.2% of all US banks now controlling over 70% of the US banking system's assets. In addition, QE's relentless pumping of money into the financial markets has killed the urgency for Washington to confront a real crisis in its structurally unsound economy. And Bernanke's response to criticism of QE that 'some Fed action is better than none' implies the Fed's compensating for Washington's dysfunction had now placed it at the center of that dysfunction and turned QE into Washington's new "too big to fail" policy*, making part of the problem rather than of the solution.*

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[7] This was also confirmed several years ago by none other than Goldman Sachs' CEO Lloyd Blankfein when he conceded in response to a question at a Congressional hearing that much of his firm's activities had 'little real economic value'.

The Fed's QE policy would seem to confirm Einstein's definition of stupidity as "Doing the same thing over and over again, and expecting different results." Huszar has a JD & MBA from Columbia (& other qualifications from Georgetown University & the Paris-based École d'Études Politiques). He started his career as a lawyer at the New York Fed, worked his way up to head a group that assessed the financial risk exposure of major US banks, briefly worked at RBS Greenwich Capital before going back to the Fed, after which he became a Managing Director at Morgan Stanley dealing with OTC derivatives. He is now a Senior Fellow at the Rutgers School of Business.

ALABAMA DERAILMENT REIGNITES OIL TRANSPORT CONCERNS
(G&M, Grant Robertson)

- In the early morning of November 8th a 90-car train loaded with Bakken crude (which is 'lighter' & now believed more explosive than oil producers & transporters had let on) derailed, *while crossing a 60 metre-long wooden trestle,* in rural Alabama, *four miles from the town of Aliceville*, causing 11 cars to erupt in flames up to 90 metres high.

There were no deaths or personal injuries & any oil leaked was said to have been contained in a stagnant pond behind a beaver dam. But this is one more straw in the wind that, given the railways' acceptance of derailments being part of the cost of doing business, hauling oil by rail cannot be, & shouldn't be allowed to become, anything more than a secondary mode of moving crude from the well head to the refinery, primarily used to give producers more flexibility in meeting short-term fluctuations in the regional demand.

U.S., ISRAEL LOSE VOTING RIGHTS IN UNESCO (AP, Thomas Adsamson)

- The US & Israel quit paying their share of the UNESCO budget in 2011 after it decided *107-14* to have Palestine, according to Israel's Ambassador to UNESCO "a non-existing country", become a member. And when they failed to resume paying by a November 8th deadline, they automatically lost the right to vote. Many people in Washington fear this will weaken the US' ability to promote programs important to it, such as fighting terrorism through education, and promoting gender equality & press freedom, while others fear it will lead to still more anti-Israel sentiment in an organization in which where Arab criticism of Israel for territorial reasons has long been contentious issue.

A US law requires cutting off funding for any UN agency with Palestine as a member. Since the US accounted for almost one-quarter of UNESCO's budget, the latter has been forced to slash many programs, incl. some close to the US' heart.

OIL FIRMS LAG ON ENVIRONMENTAL DISCLOSURE (BB, Jeremy Van Loon)

- Bloomberg uses government data on companies environmental performance, company-provided date from social responsibility-, & annual-, reports, and proprietary surveys on emissions, spills & water use to compile Environmental Disclosure Scores. And, amidst the growing *global* scrutiny of the *Alberta* oilsands, by its reckoning Canada's biggest energy companies, incl. Suncor & Imperial, *badly* trail their global peers; thus, while in 2011 London-based BP scored 62, Irving, Texas-based ExxonMobil 54.4, & Europe's No.1 oil producer Royal Dutch Shell 48.8, Canada's largest ten oil & gas companies by market value averaged 31.7.

If the average is 31.7, Imperial's grade is unlikely to be even remotely close to its parent company's 54.4, suggesting the latter is (justifiably) contemptuous of Canada's regulatory environment. Elsewhere in the media there was a report that last spring Canada's oil industry had successfully lobbied against proposed new greenhouse gas regulations on the grounds that a higher carbon cost would drive away investment while doing little to reduce emissions or quell criticism of the oil sands[8]. On the other hand, recently two institutional investor groups representing 70 global money managers with AUM of US$3TR, incl. Calpers (California's public employees pension system) & its New York State counterpart, as part of a growing trend to challenge the PV of fossil fuel companies & their long-term reserves in the expectation government policies will force down the the use of their most carbon-intensive energy sources, despatched an open letter to 45 of the world's top energy companies saying they had an obligation to reveal the financial risks they face if governments were to adopt aggressive policies to reduce carbon emissions. The handwriting is on the wall but the industry & some of its host governments seem to be blissfully ignoring it.

<u>NETANYAHU HALTS SETTLEMENT EXPANSION PLANS FOR WEST BANK, CITING "UNNECESSARY CONFRONTATION WITH THE WEST"</u> (AP)

- On November 12th he abruptly halted the plan announced earlier in the day by the Housing Ministry to explore possibly constructing thousands more homes in West Bank settlements that had prompted a Palestinian threat to walk away from all US-brokered peace talks & infuriated Washington that felt blindsided. He said his Housing Minister, a Jewish Home Party member, had drawn up the plan "without any advance coordination" & "This step does not contribute to settlement. On the contrary, there is damage here for settlement."

The chickens may be coming home to roost for his 'stonewall, always stonewall' Palestinian policy ever since he briefly suspended settlement construction early in his first term. Meanwhile previously approved settlement expansion continues apace in East Jerusalem & the West Bank.

<u>NETANYAHU : 'BAD DEAL' WITH IRAN WILL ONLY LEAD TO WAR</u> (RT News)

- He told the Knesset on November 13th that "On Iran there aren't just two options - a bad deal or war. There is a third option : Continuing to exert pressure through sanctions ... I would say ... a bad deal could lead to the second, unwanted result." The same day his Iran expert, Strategic Affairs Minister Yuval Steinitz, told the Jerusalem Press Club banking-, equipment-, & oil export restrictions were costing the Iranian economy US$ 100BN a year, one quarter of its domestic output[9], & that "The sanctions relief will reduce between $15 to $20 billion out of that amount" & would make it harder to enforce other restrictions. Also that same day, Hezbollah leader Hassan Nasrallah, a key Tehran

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8 It is thus likely no coincidence that on October 31st a Suncor-led consortium announced it would forge ahead with its much-delayed $13.5BN, 180,000 bbld Fort Hills oilsands mine and Shell that it would do the same with its $5BN 80,000 bbld Carmon Creek in situ project [*with the upfront cost difference being explained by the fact that operating costs (& emissions), are greater for in situ projects than open pits mines*] while earlier ExxonMobil & 70%-owned Imperial had announced they were on track to double output at its recently completed 110,000 bbld Kearl mine & would finish its 40,000 bbld Nabiye in situ project.

9 It's actually more like one-fifths.

ally, was quoted as asking in a rare public appearance : "What is the alternative to a deal with Iran and the countries of the world? ... The alternative is war in the region."

RT News is an English-language 24/7 news channel with a Russian slant on global news.

<u>POPPY FIELDS FOREVER?</u> (RT News)

- Despite their twelve year-long effort to curb Afghanistan's opium culture, poppy cultivation has hit record levels as the NATO forces prepare to leave the country. In 1994 only 175,000 acres were under poppy cultivation. By the time the US removed the Taliban from power in 2001 this had risen to 247,000 acres. Over the next few years it rose to a record 447,000 acres in 2007. *Then it declined for two or three years due to various eradication programs, only to start growing explosively again in 2010.* This year, on the eve of the NATO forces departure, it set a new record, 516,000 acres, up 36% YoY. Jean-Luc Lemahieu, Head of the UN Office on Drugs and Crime (UNODC) in Afghanistan, who earlier had estimated that in 2012 Afghanistan had accounted for 75% of the world's opium/heroin output, recently said that this year it may go as high as 90% (with output estimated at 5,500 tons, up 49% YoY). With opium profits estimated at nearly US$1BN, 4% of Afghanistan's GDP, insurgent groups, like the Taliban (which both taxes opium sales & is directly involved in the trade) are the main beneficiaries, while tribal warlords Government officials also profit from it.

Another war that didn't work out according to plan. Afghanistan has 22MM people & a GDP of < US$20BN. While 4x what it had been a decade earlier, according to the World Bank, 90+% of the growth was due to spending by the NATO forces & aid moneys from other governments. So there is considerable concern as to the future of its economy when that money stops flowing, or flowing as bountifully as in the past. While the country is not without resources, developing them may be problematic[10]*. As to the global opiate trade, estimated to be worth US$65BN, 90% of it in the form of heroin, 30% is accounted for by Europe, Russia for 20% & North America for 15%.*

<u>PBOC WARNS OF PROLONGED DELEVERAGING IN CHINA'S ECONOMY</u> (ActionForex)

- In its Third Quarter Monetary Report it pledged to maintain a "stable and prudent" monetary stance, warned of the growth of the interbank business and signaled the domestic economy faces deleveraging-, & overcapacity-, risks. Meanwhile Premier Li Keqiang (*deemed more of a 'reformer' than President Xi Jinping*) said the government is "not seeking high speed growth (*although maintaining a 7.5% growth target*) ... and definitely not ...only GDP growth" but reiterated it would *nevertheless* strive to ensure "reasonable speed in growth".

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[10] Thus in 2007 two Chinese companies outbid others in an auction of a 30-year lease to develop the Aynak copper property, 25 miles Southwest of Kabul, one of the largest in the world. Once on stream, after they had spent US$3BN on the property itself & another US$3BN on ancillary infrastructure, it was expected to generate up to US$500MM in royalties for the Afghan Treasury & as many as 75,000 direct-, indirect- & induced jobs. But now it is estimated to be five years behind its originally-planned 2013 start-up date.

While the PBOC seems marginally less pro-growth than the government (which is as it should be) both accept the desirability of ‘snugging’ monetary policy if inflation were to pick up; either way, this doesn’t seem particularly good news for non-oil resource producers.

WHAT CHINA DIDN’T SAY AFTER POLITICAL MEETING (Yahoo Finance, Sophia Yen)

- This week China’s top officials met for four days as the Third Plenum (*plenary meeting*) of the *Communist Party’s 350-member 18th* Central Committee. It raised more questions than it answered even though, with growth slowing, pressure is building to address issues threatening economic development &, *as a possible result*, social stability. While its communique called for an opening up of China’s markets, a speeding up of the development of social security programs & a commitment to fiscal reform, it was silent on the three other *key* issues. It said nothing about the traditionally favoured but now bloated, inefficient & debt-heavy SOEs (State-Owned Enterprises) other than that they would continue to play an important, dominant role, a direct contradiction of the vow to open up China’s markets. It made no mention of the *hated* residence-based registration system *that makes second class citizens of migrant workers, if only because it means their children can only go to school near where their parents are registered residents, rather than near where they work*, other than to make some vague promises for the need for a more equal distribution of public resources between the urban & rural populations. And, finally, it said nothing about local government debt which is now estimated to equal 33% of GDP, twice what it was three years ago (*as they loaded up during the periods of monetary expansion*).

This outcome is generally seen as a victory for the ‘conservatives’ over the ‘reformers’ (headed by Premier Li Keqiang). Only time will tell. If so, it may prove a Pyrrhic victory if popular concerns about the impact of the country’s environmental degradation, & the growing power the social media are putting in the hands of the hoi polloi, were to derail this attempt to ‘roll problems down the road.”

BOOM YEARS ARE OVER, SAYS RUSSIA’S ECONOMY MINISTER (WSJ, James Marson)

- The Russian government has slashed its economic growth forecast for the next two decades, warning that the oil-fueled growth which has been the foundation of Putin’s rule is over, & that there is nothing to take its place, given the country’s poor investment climate & aging infrastructure. Its Economy Ministry now expects 2.5% average annual GDP growth to 2030, *far* less than the global average, and a far cry from the pre-financial crisis 7% & the 5% Putin has been calling for to support his global Great Power ambitions (which raises serious questions about how he expects to fund the ambitious spending plans that have heavily contributed to his popularity).

Few people beyond, & likely also within, Russia’s borders will shed any tears at a Putin exit. But there are two risks : how much more oppressive his regime might become in the short term as he tries to hang onto power &, longer-term, what might ensue after his reign ended.