

On Fareed Zakaria's GPS October 19th Sunday morning program on CNN one of his guests opined that the US economy can no longer pull the global economy along all by itself & that Germany is the caboose (*the brakeman's cum crew's car at the end of trains in the olden days*) rather than the locomotive of the EU economy because its export dependent-, & domestic consumption light-, economy needs growth elsewhere in Europe & in the ROW to flourish. Furthermore, that the global post-Great Recession crisis adjustment had not been completed & that there was simply no fiscal room for deficit-funded 'pump priming' without risking a worse crisis than the one in 2008¹.

The Paris-based Reporters without Borders² accompanied the publication of its 2014 World Press Freedom Index with a comment that "the ranking of some countries has ... been affected by a tendency to interpret national security needs in an overly broad and abusive manner to the detriment of the right to inform and be informed ... a growing threat worldwide ... endangering freedom of information in countries regarded as democracies". As usual Finland, the Netherlands & Norway led the pack while Germany was 13th (up three spots YoY), Canada 18th (up 2³, behind Jamaica as No. 17), Australia 28th (down 2), the UK 33rd (down 4), France 39th (down 2), the US 46th (down 14), Italy 49th (up 8) & Japan 59th (down 6).

Uber created a smart phone app that lets users summon a nearby driver to take him/her where he/she wants to go. It was founded in San Francisco in March 2009, in 2011 was USA Today's Tech Company of the Year, at last report was operating in 200+ cities in 47 countries, & last June did a US\$1.2BN IPO private placement with institutional investors that valued it at US\$18+BN. The latter was remarkable; for not only is the stock not listed on any exchange (& the Company says it has no plans to seek a listing during the foreseeable future), it cannot even be traded OTC; for a condition of the IPO was that henceforth all changes of share ownership would require Company approval (in other words there would be only one buyer, the Company, that determines the price however it wants, a restriction that prompted a sale of their shares back to the Company by a couple of early investors on the grounds that "liquidity at a low price is better than illiquidity at a high one" (*more at the very end for those interested in the arcane, self-serving, consumer-unfriendly state of affairs in the North American taxi industry*).

¹ Zakaria noted that, knowing little about his family background, he had his DNA tested & learnt he had inherited from his father a veritable smorgasbord of genetic material, incl. bits of European Jewish & Polynesian origin. *Genetic research & DNA analysis often holds surprises. Thus Oprah Winfrey, learnt a few years ago her genetic material, while, largely African (although not from regions she had been led to believe her slave ancestors had come from) was 8% Native American & 3% East Asian. And according to Mail Online Obama is not only a 10th cousin once removed of Bush 43 & an 8th cousin of Dick Cheney but also is related to former US Presidents Ford, Johnson, Truman & Madison, and is a 9th cousin to Brad Pitt, and that Hilary Clinton is related to Madonna, Celine Dion & Alanis Morissette. And a few years ago civil rights activist Rev. Al Sharpton learnt to his dismay that one of his ancestors had been owned by an ancestor of arch segregationist Strom Thurmond. And the worst case was perhaps when in a nasty divorce case in the US a decade ago, DNA analysis revealed to the husband three of the four kids who called him "Dad" weren't his.*

² This organization is financially supported by the Reeuwijk, Netherlands-based Adessium Foundation, founded in 2005 by the Van Vliet family that made its fortune managing other people's money. It promotes people living in harmony with each other & with their environment by selecting & funding entities that focus on issues of 'public importance & societal change with long-term consequences'.

³ This was before the recent two homegrown terrorist events in Montreal & Ottawa, the reaction to which may well result in Canada being dropped a few notches in next year's edition.

Janet Yellen, when President of the San Francisco Fed, & the New York Fed's William Dudley, were the highest-paid regional Fed Presidents, pulling in US\$410,000 each. But as Fed Chair she gets the same as a Cabinet member, i.e. half that (& put up with the fact that 113 of her staff make more than she does). But to paraphrase the Andrew Lloyd Webber song from the 1996 movie *Evita*, 'Don't cry for me, America'; for public records show she & her fellow economics professor husband George Akerlof (a 2001 Nobel laureate) have assets in the US\$5.3MM-US\$14.1MM range (& only one child to bequeath them to, Robert Akerlof, a Yale & Harvard graduate, and Assistant professor at Britain's University of Warwick) - *but this hasn't stopped her from publicly on occasion decrying the growing inequality in American society.*

Historically the Fed's UST portfolio was short term-weighted. But since 2007, as its balance sheet quintupled, the share maturing in a year or less has gone from half to next to nothing - *so when interest rates start rising, it will start incurring book losses that will boost the federal deficit.*

Since 2007 in the US solar power's cost has declined to the point of undercutting that fueled by LNG & Brent oil (at least before its recent price decline), although significantly more costly than coal & natural gas. But Deutsche Bank says that by 2016 its cost will equal the average in 47 US states if the US maintained its 30% tax credit system cost (which is slated to expire this year), & 36 if it were cut to 10%. Solar is going 'mainstream' as its cost keeps dropping & its technology improving, and financing becomes more readily available. Already it is fully competitive in the ten states that account for 90% of installed US solar power capacity (where it is expected to grow sixfold over the next 5 years) - *if its cost keeps declining & the recent oil price decline proves not to be the onset of a long-term trend, solar will continue to make inroads on 'conventional' power generation, albeit it still from a very low level in absolute terms.*

Jared Dillian was in charge of Lehman's ETF trading desk when it collapsed in 2008, after which he emerged as publisher of the *Daily Dirtnap*, a market letter for investment professionals. He is an über contrarian who now calls the professional sports scene one of the greatest shorts ever. And he may well be proven right; for it has loaded down its overhead with expensive new stadiums & costly long-term player contracts at a time that US consumers' discretionary spending is being, & will continue to be, squeezed by modest economic growth, stagnating personal incomes & higher taxes, and more non-discretionary spending needs on food.

The fight to unseat North Carolina's Democratic Senator Kay Hagan, in a state with just 6MM registered voters, set a new record for campaign spending. For the US\$55+MM of out-of-state funding & the US\$30+MM the candidates raised themselves boosted total Senate campaign spending in the state to US\$90+MM (with estimates running as high as US\$106MM). Since this is a relatively low-cost media market, this resulted in 10,800 (*mostly attack*) TV ads in the week of October 14th, i.e. one every minute. In the end Sen. Hagan's challenger, State House Speaker Thom Tillis, who had earlier all but tied her 50-49 in the public disapproval ratings' race, won 48.9-47.2, despite having been instrumental as Speaker in the passage of unpopular laws, incl. two that cut unemployment benefits & teachers' salaries, another that rejected the expansion of Medicaid under Obamacare & a third that enacted restrictive voting laws.

Following are some statistics on the cost of US elections :

- in 2000 the cost of the Congressional election campaign was US\$1.7BN & that of the Presidential one US\$1.4BN; in 2012, it was US\$3.7BN & US\$2.6BN respectively (representing annual compound growth rates of 6.7% & 5.3%);

- in 2012 winners in House elections spent an average US\$1.567MM & Senate winners US\$11.474MM (& losers US\$540,000 & US\$7.4MM) with the highs being US\$21.2MM & US\$49.5 respectively;
- in 2012 90% of House-, & 91% of Senate-, incumbents were re-elected^{4 5};
- 0.4% of the population accounted for 63.5% of all individual contributions; and
- among various interest groups, the securities/investment industry, with US\$287MM, was the second biggest source of political funding, with 31% going to the Democrats & 69% to the Republicans. Lawyers, with US\$208MM, were 3rd, split 70-30. Others included real estate (4th with US\$155MM split 35-65), the health profession (5th, US\$152MM, 42-58), oil & gas (8th, US\$74MM, 11-89), education (10th, US\$67MM, 76-24), TV/Radio/Music (11th, US\$73MM, 73-27), & computers/Internet (12th, US\$64MM, 60-40).

The rising cost of elections means that law makers, especially those in the House, who must run the gauntlet every two years, are now first & foremost full-time, year-round fund raisers, with lawmaking by necessity relegated to second place, a situation not conducive to democracy.

Henry Kissinger has at age 91 come out with a new book, World Order. It posits that the world has changed since 9/11; for, while the Cold War was binary, pitting two ideologies against one another, the 'new normal' is a multi-polar, *multi-dimensional* mix of nation-states, regions, cultures & shadowy non-state players, with irreconcilable differences & few diplomatic means to find common ground. He describes the four models of world order as Europe's Westphalian one of nation states with equal status, the US model, China's notion of itself as a great regional (*or global?*) power, & the Islamic *black-and-white* one of believers & infidels. And while he supports the need to destroy ISIS, he says this does not alter the fact that the region is now enmeshed in the equivalent of Europe's Thirty Years' War *four centuries ago* between ethnic-, ideological-, & religious groups & that, while Putin has overplayed his hand, if the West were to do the same it would drive him into China's arms & create power vacuums in both Europe & Asia.

In a session on the family & its role in society at a recent conference at Yale, it was noted that, while the divorce rate is high in the US, it is as low as 10% among those with college degrees⁶.

Cardinal Raymond Burke (age 66), while Archbishop of St. Louis mobilized, & led, a move among US bishops to deny Communion to Catholic politicians supporting legalized abortion. And since Francis became Pope he has questioned some of his pronouncements & approaches, most prominently his denunciation of the excesses of capitalism. So last year Francis removed him from the Vatican's Congregation for Bishops (that deals with the selection of bishops worldwide). Now, after he led last month the move to oppose Francis' attempt to have the Church focus less on abortion & same-sex marriage, the Pope on November 8th 'relegated him to the back benches' by removing him as Head of the (three Cardinal) Vatican High Court (responsible for the administration of justice in the Church) & giving him the largely

⁴ In the House often due to 'gerrymandering' (the drawing of constituency boundaries in, often weird, ways so as to create 'safe seats'.

⁵ This year was the exception to the rule : about one-quarter of incumbents left on their own volition or were removed by voters.

⁶ This appears derived from an article Marriage Isn't Dead - Yet by Ben Casselman on fivethirtyeight.com that reported on a recent Pew Research study on the decline of marriage in the United States, which noted, among others, that those with college degrees on balance marry at a later age.

ceremonial post of Patron of the Sovereign Military Order of Malta (that deals with hospitals & residences for the elderly worldwide).

We truly live in a global economy when Sarah Frier can leave her iPhone in a New York taxicab, as she did last summer, only to have it being activated a few weeks later in Dhaka, Bangladesh, when a phone stolen in the US turns up in Vietnam's Ho Chi Minh City & when another one stolen in Israel can turn up in Ukraine a mere 24 hours later.

Since 2008 a growing number of Chinese-Canadians & Chinese investors have bought, or invested in, BC wineries. One real estate agent specializing in wineries has a dozen clients who have done so, is working with ten others looking for 'the right fit', & has another hundred interested in investing in BC vineyards⁷. Part of this is due to a growing interest in China in wine, especially red wine⁸ (last year China consumed 1.86BN bottles of red wine, up 136% in five years), as the younger generation deems it a healthier choice than hard liquor. And their interest in BC is in part a function of to the growing reputation for quality of BC wines.⁹.

Truth is often stranger than fiction. Last December a head-on collision on the Fort McMurray-Edmonton highway killed both drivers. One of the vehicles involved was an armoured truck. One passer-by, who had stopped to see if he could be of any help, found a plastic bag with a lot of money in it (later found to be \$130,000). So he picked it up before someone else would find it & abscond with it, planning to turn it over the RCMP when they arrived on the scene. When after 45 minutes they still had not, he drove to the nearest RCMP detachment, gave them the bag of money, told what had happened & signed a written statement to that effect. Imagine his surprise when three days later, in the middle of the night, he was arrested at his home and charged with theft & possession of stolen property. Last week, when the case came to court, someone had obviously come to his/her senses for all charges were dropped. This raises at least four questions. Why was the RCMP so slow to respond to a fatal crash? Don't they have anything better to do than to lay such inane charges? How come it took so long before anyone came to his/her senses? And is he going to be compensated for the time & money he was forced to waste on this (& for the stress this idiocy had caused him?).

In Alberta departmental Grade 12 final exams have in past years counted for 50% of final marks. Right now there is a move afoot, initiated by the teachers, to cut that to 30% (on the grounds it creates undue stress for students). Add to that the fact that teachers aren't allowed to give students zeroes during the year for homework not handed in & one wonders whose interests are being served & how well the educational system is preparing students for real life.

In Hongkong the average house price is 14.9x the median household income; in North America terms that would be equivalent to C\$1,134,400 in Canada or US\$760,000 in the US (*few people on either side of the border realize how much higher household income is in Canada than the US, even after taking into account the roughly 10% discount of the Canadian dollar*).

⁷ At last report there were 240 wineries in BC, up from just 17 in 1990 & 86 a decade ago.

⁸ In China red is deemed a lucky colour.

⁹ But locally-produced Chinese wines cannot be too shabby; at least, three, four years ago, a panel of equal numbers of French & Chinese oenologists taste tested 12 wines, six each French & Chinese, and the latter took the top five spots.

In the last decade Russia's central bank tripled its gold holdings to 1,150 tonnes (almost half a year's global newly-mined production). While this made it the world's sixth largest official gold holder, this amount is close to the amount of physical gold that in recent years shifted **annually** to **each** of China & India. Last year Russia's gold output hit a record 254 tonnes, of which the central bank absorbed 77.5 tonnes, i.e. about one-third. But YTD it has taken down 115 tonnes of the smaller output prompted by the lower gold prices & the deferral of the coming on stream of the new Nataalka gold mine that, in its first stage was to have produced 16 tonnes annually. But this was not necessarily by choice; for the Russian banks that normally are the conduit for funneling newly-mined gold into world markets have been hampered by the sanctions.

The largest-ever study on whether cell phone use increases the risk of getting brain tumours, the International Interphone Study, conducted by the International Agency for Research on Cancer in 2010, failed to find 'strong evidence' that it did so¹⁰. But a recent Swedish study, reported on in the journal *Pathophysiology*, begs to differ. For according to its lead researcher, Dr. Lennart Hardell, an oncologist at the University Hospital in Orebro, Sweden, a review of 1,380 patients with brain tumours found that those who had used cell-, or wireless-, phones for 20-25 years were nearly twice as likely to be diagnosed with glioma (*that accounts for 80% of all malignant brain tumours*), & those who had done so for 25+ years, nearly 3x as likely. This seems to both confirm & contradict a 2012 study by Dr. Gabriel Zada, a neurosurgeon at the University of Southern California's Keck School of Medicine, that found that, while the incidence of brain tumours in the parts of the brain closest to where people hold their phones had risen significantly in California between 1992 & 2006, the incidence of gliomas had decreased. Meanwhile in 2011 a WHO panel of 31 scientists from 14 countries classified cell phones as "possibly carcinogenic" while the U.S. National Cancer Institute's website notes cell phones emit radio frequencies that can be absorbed by tissues closest to where the phone is held, with children's growing brains particularly vulnerable - *when the science is not clear, the prudent thing to do is to assume the worst*.

New textbooks issued by the education department in Gujarat state (*once run by President Modi*) tell children, among others, that airplanes existed in India in the mythical era of Lord Ram (in 5000 B.C) with one Gujarat scholar commenting "If children are taught from a young age about Hindu supremacy, they will not question it at a later stage in their life."

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MAKERS AND BREAKERS (NYT, Thomas L. Friedman)

- There are now two geopolitical struggles. One the traditional one between nation states on land, the other a *free-for-all* between "makers" & "breakers" *in the nethersphere*¹¹. This is a great time to be a maker, innovator or starter-upper; for via the Internet, one can raise capital, sell goods & services, find collaborators & *reach bigger audiences* more easily & cost-effectively than ever before. But it's also a great time for breakers who want to steal other peoples' secrets, misinform them, or collaborate with other bad guys; for now this too can now be done easier & more cheaply than ever before. The outcome of the struggle between the two will shape our *future* world.

¹⁰ Not entirely surprisingly so, since the study was funded in part by cell phone companies.

¹¹ My choice of words, not Friedman's.

*The same concept likely holds true here as taught in my armoured corps officer training many years ago, namely 'you can never design armour strong enough that the other guy cannot design a device to defeat'. So all the talk about of the need for better security to eliminate the risk of domestic terrorism may be a 'false god' perpetrated, or a placebo administered, by vested interests, to give the masses of the Great Unwashed a false sense of security & enable them to build empires that create lots of (mostly low-paying) jobs, at the risk of creating a 1984-like societal environment. Longer-term **real** security can only be found on the ethereal level of the 'hearts & minds'; rather than focusing on the need to identify potential evil doers before they can do harm, resources might be put to better use creating an environment in which 'agit prop' falls on deaf ears.*

THE FURY OF THE MAKERS (The Economist)

- Business doesn't like Obama. When on October 8th AT&T CEO Randall Stephenson grumbled publicly about the wave of damaging regulations, his audience of business execs applauded; yet since Obama came to office, AT&T's earnings per share have risen 56% & Stephenson's pay 47%, the S&P500 has set records, for the first time in 15 years US firms now dominate the league table of the world's most valuable firms, corporate profits as a share of national income are at post-1960 highs and, while median household incomes have not grown, those of the S&P500 CEOs have, by 43%. While the CW holds that American firms are tortured by red tape & taxes, and the OMB says the cost of regulation has risen, Richard Nixon introduced wage & price controls & during Reagan's & George H.W. Bush's¹² 12 years the tax code grew by 50+%,but in Obama's six <10%¹³, the total tax paid by non-financial firms has averaged 25% under Obama vs 32% under Reagan, & according to the World Bank the US is the fourth-easiest place in the world to do business in.
- Three factors account for this business disenchantment. One, American firms see greener grass abroad, and find it easier shift to friendlier places & often are under pressure from shareholders to do so. While in 1988 the 34% US corporate tax rate was among the lowest in the world, today's 35% is among its highest¹⁴. And a survey of Harvard Business School alumni revealed 47% of them thought America is losing competitiveness (an improvement of the 71% in 2001). Secondly, the polarization of American politics is bad for business since it gets in the way of agreement on much-needed legislation, gives rise to extreme events like government shutdowns & generally *creates uncertainty that* makes business reluctant to invest. So while firms earn lots, they don't invest enough. But at the same time as they rage at government, they spend more than ever to lobby it (*which leads to more polarization*); and while lobbying makes sense for firms individually (since empirical evidence shows shares of firms that lobby outperformed the stock market for 15 years), collectively it's insanity; for it becomes an arms race. So while business says it hates partisan politics, it's partly to blame for it. And finally, there is the matter of corporate inequality. Multinationals & technology firms are booming; while the biggest 10 S&P500 companies account for 23% of its profits, according to Christine Kymn of the watchdog Office of Advocacy, small firms have yet to regain all the ground they lost during the financial crisis. And employment by firms with <

¹² All three of them Republican Presidents.

¹³ Which may be due in large part, however, to polarization-drive Congressional paralysis.

¹⁴ Although the 25% noted a few lines earlier suggests the **effective** tax rate is nowhere near 35%.

100 staff¹⁵ is still below its 2007 peak & the Confidence Index of the NFIB (National Federation of Independent Business) well below its 2006 level. And for the first time in 30 years since 2008 more firms have died than were born.

POLICE USE DEPARTMENT WISH LIST WHEN DECIDING WHICH ASSETS TO SEIZE (NYT, Shaila Dewan)

- The Comprehensive Crime Control Act of 1984 allowed local & federal law enforcement agencies to divvy up seized assets. This has led to a practice known as civil assets forfeiture that provides for the seizure of assets with *real or purported* ties to crime without needing to get a conviction, or even file criminal charges. So now seminars are being conducted on what, & how, to seize ('don't bother with jewelry, it's too hard to get rid of, or computers, everybody has one, but concentrate on flat screen TVs & cars, especially nice cars). Thus in one video targeting law enforcement officers Sean D, McMurtry, Chief of the Forfeiture Unit in Mercer County, New Jersey, was shown as telling his listeners "If you want the car ... let me know."

*This practice dates back to the British Navigation Acts of the "Brittania rules the waves" era & created resentment among the colonists in North America during the pre- Revolution days. It was extensively resorted to during Prohibition and now in the War on Drugs (as Reagan's Attorney-General put it in 1989 "It's possible for a drug dealer to serve time in a forfeiture-financed prison after being arrested by agents driving a forfeiture-provided car while working in a forfeiture-funded sting operation"). And the worst part is that, in cases where forfeiture was not justified, it is up to the victim to convince a judge that this was so **and** bear all legal-, & court-, costs associated with the recovery of his/her assets. This practice has now been perverted into a way of supplementing the budgets of the agencies making the seizures. Thus in Edmonton there has recently been a hullabaloo about speeding tickets; for in the past two years the number of speeding tickets has more than doubled as the city's police, seemingly in a effort to generate spendable cash, has been handing out tickets for going as little as five kilometers over the speed limit - there is something intrinsically wrong with law enforcement agencies financially benefitting from their law enforcement activities in this manner; for it puts them in an adversarial position vis a vis the public whom they have sworn to protect (& can inflict a financial burden on other levels of government by adding to the courts' workload (& in this case seems at odds with the Edmonton Police Service's motto of "Integrity, Courage, Community").*

WE'RE ALMOST AS IGNORANT AS THE ITALIANS (BB, Tom Randall)

- UK pollster IPSOS MORI based a 14-country Index of Ignorance on interviews with 11,527 of their people. Americans were second only to the Italians in their lack of knowledge of their economic & political environment : while they thought 13% of the population was Muslim, it's 1%; ditto for immigrants : 32% vs. 13%. And while 70% believe that each year teenage mothers account for 24% of all births, it's only 3%. The only thing they got right was presidential election voter turnout (57-58%) & life expectancy (80). Following are the country rankings (the most ignorant first) : Italy, US, South Korea, Poland, Hungary, France, Canada, Belgium, Australia, Great Britain, Spain, Japan, Germany & Sweden.

Other examples of ignorance it found included :

¹⁵ Which historically have been the 'staff of life' in new job creation.

- *in Britain interviewees thought teenage mothers accounted for 16% of all females giving birth each year vs 3% in reality, & that 21% of the population is Muslim vs. 5%;*
- *the French believed that 30% of the population is Muslim while it is 8% & that the turnout in the last Presidential election (in 2012) had been 58%, vs. 80%; and*
- *Italians guessed that almost half the population was age 65 & over while it's 21% ,& half the population unemployed while the official unemployment rate is 'just' 21%.*

Overestimating the rate of unemployment was common to pretty well all countries.

WOMEN WITH CHILDREN ARE MORE PRODUCTIVE AT WORK (WP, Yian Q. Mui)

- That's the conclusion of a recent study by the St. Louis Fed. Based on a sample of 10,000+ academic economists, it found that over a 30 year career mothers outperformed childless women, with those with two, or more, children having the biggest edge (even though their productivity dropped by as much as 17% when their children were small).

Those who want to question this finding will point to the fact that the researchers involved in the study were all men and/or that academic economists are a privileged lot that can better afford good childcare & have more flexible hours of work than most. But on an anecdotal level, I have known two cases that support the idea that having kids boosts efficient time use. One, many years ago, when my girl friend from high school told me that in her group of eight married women in their late 20's who played tennis once a week, the only one to show up without fail every week was the one who had four kids, while the other seven, who had one child or none at all, frequently "couldn't make it". And the other one was that of the sister of a friend of mine in university, who after six years of marriage had eight kids (incl. three sets of twins);she was well-organized, & unflappable beyond belief.

MP's QUESTION ABOUT COST OF ANSWERING QUESTION COST \$6,500 (G&M, Bill Curry)

- The Opposition in the House of Commons has been using written questions to Ministers to ferret out information about the operation of the Harper government that could embarrass it. So Conservative backbenchers started launching questions about the cost thereof, which elicited an answer to one asked by Mike Wallace, the MP for Burlington, Ont., that getting the answer to one Liberal MP's question had cost \$117,188 in staff time. This prompted an opposition MP to file a question about the cost of answering MP Wallace's question, with the answer being that, assuming an average public servant's annual salary & benefit cost of \$116,160 (\$60/hour), it had been \$6,500.76.

*This answer to the opposition MP's question raises more, & potentially more embarrassing, questions about the efficacy of the Harper government. One, why tallying the answer should have taken nearly three weeks of staff time¹⁶. Secondly, whether, since the work of coming up with an answer must have been largely of a lower cost clerical nature, it should have been costed out at the average salary & benefit cost. Last but by no means least whether it was reasonable for the **average** hourly rate for federal public servants to be **in excess** of the average Canada-wide rate for people "in management positions"; for, according to StatsCan, in October 2014 average hourly salaries in Canada ranged from \$39.81 for those in "management positions" through, among others, \$28.31 for those in "health"-, to a low of \$16.75 for those in*

¹⁶

Based on the Government of Canada's 37.5 hour work week.

*“sales and service”-, occupations. For allocating a (likely generous) 40% of public servants’ salary & benefit cost to that of their benefit package suggests an **average** hourly public service salary of \$42.29, i.e. 6.2% in excess of that for those countrywide in “management positions”. This issue was also sort of addressed earlier, in December 2012, by the then Parliamentary Budget Officer Kevin Page (who, having been a perennial thorn in the Harper government’s side, was replaced upon the end of his term in office by someone presumably more ‘amenable to reason’). He calculated the average “total compensation” cost for federal public servants at \$114,100 (somewhat higher than what the government said it was two years later) & noted that its growth since 1999 had outpaced inflation & employee costs in both the private sector and the provincial & territorial governments, and estimated it would rise to \$129,800 (i.e. by an annual compound rate of 4.4%) by 2014-2015 (i.e. this year). Furthermore that between 1999 & 2012 the federal government’s personnel cost per employee had risen by an average 5.1% per year, more than twice the average inflation rate, and well in excess of the 3.3% in the private sector¹⁷ & the 3.8% in the provincial & territorial governments - in a best of possible worlds the opposition parties would use these numbers in next year’s election campaign as to why public servants should be a privileged class remuneration-wise compared to tax payers.*

PUZZLE SURROUNDS A CHINESE SUSPECT’S FORTUNE (NYT, Chris Buckley)

- Mao Chaoquin used to manage an SOE that supplied water to the seaside resort of Beidaihe¹⁸. According to Xinhua, when anti-corruption officials recently raided his home, they found 120MM renminbi (roughly US\$19MM) in cash, 37 kg of gold (*which sounds more impressive than it is, being ‘just’ 3 standard, 400 troy ounce ‘bricks’ worth a total of value of US\$1.5MM* & ownership documents to 68 homes (100 million renminbi in 100 renminbi notes has a mass of 42 cubic feet & weighs a ton - this is not a record, earlier this fall in a raid on the home of Wei Pengyuan, a central government official involved in overseeing coal production, officials found 200MM renminbi.

They seem like ‘low-hanging fruit’, people not clever-, or well-connected-, enough to stash their ill-begotten gains outside the country.

CALIPHATE IN SWEDEN : SWEDES CEDE CONTROL OF MUSLIM AREAS (Investors.com)

- Muslim immigration into Sweden has been fostered by its open door asylum policy. Thus in the 1990's it welcomed 100,000 refugees from the Balkans, it has been a haven for an estimated 125,000 refugees from Iraq &, according to the Hudson Institute’s¹⁹ Soeren Kern, asylum seekers from the Arab world are now pouring in at a 1,250 weekly clip. But

¹⁷ As a result of which the cost of the average cost of the federal government’s salary & benefit package at the end of the 12-year period had risen 20% more than the private sector’s.

¹⁸ Located in Hebei Province, 285 kms. straight East from Beijing on the Bohai Sea, with a population of < 100,000, it was during pre-revolution days a popular holiday destination for wealthy Chinese & foreign diplomats, and now is a secretive summer hideaway for party & government officials.

¹⁹ Mistake! He is associated with the Gatestone-, not the Hudson-, Institute (the latter was founded in 1961 by futurist & military strategist Herman Kahn, who had close links to a number of nuclear bomb makers), & several of his colleagues at the RAND Corp., in Groton-on-Hudson, NY & during his lifetime had a liberal bent but nevertheless an excellent reputation. But after his death in 1983 it was moved, first to Indianapolis & later to Washington, D.C, where it now bides its time as just another conservative think tank (*for which there always seems to be endless funding*).

last year there were serious 'ghetto riots' in Stockholm with hundreds of cars & buildings torched, and a subsequent police report noting the existence of 55 "no-go" zones in the country, Muslim enclaves where Sharia law rules, essential services (incl the police itself) do not go unescorted, & access is controlled at check points by Muslim gangs.

One must always consider the source, especially with the Internet full of opinions as well as facts. The New York-based Gatestone Institute is a not-for-profit "dedicated to reporting what the mainstream media don't". But it does so with a bias. For it was founded by Nina Rosenwald²⁰, once labeled by The Nation magazine²¹ the "sugar mama of anti-Muslim hate" & has as Chairman John Bolton, the Bush Administration's super hawk/war monger, who once hid himself from the Vietnam War in the Maryland National Guard & who equates diplomacy with weakness & indecisiveness [which didn't stop him from serving as Bush's Ambassador to the UN]. But, having said that, the ghettoization of Muslims, & the reluctance of some of them to integrate to any degree into the society of their adopted country, has long been a problem in a number of European countries. And in Sweden the number of rapes reported has tripled in the past 20 years, with, according to the Swedish Crime Prevention Council Brå, a government agency, rapists 4x more likely to be foreign-, than locally-, born.

HOLY WAR IN HAMBURG (The Gatestone Institute, Soeren Kern)

- In the evening of Tuesday October 7th about 400 Kurds assembled outside the Al-Nour mosque, near the Central Railway Station in Hamburg to demonstrate against the ISIS attacks on their fellow Kurds in the Syrian city of Kobani. But what according to the police started out as a peaceful protest turned violent when they were confronted by a mob of Salafists armed with baseball bats, brass knuckles, knives, machetes & even the metal rods used in kebab restaurants to spear meat on. In the melee that followed dozens were injured including one man who had his leg almost lopped off with a machete & another who was stabbed in the stomach with a kebab rod. And it took 1,300 police officers & water cannon several hours to restore order, with hundreds of weapons seized & 22 people arrested. The imam of the Al-Nour mosque *displayed a sense of humour when he told Der Spiegel afterwards* "I had a feeling that we are living in Hamburgistan."

This resulted in similar events in other cities in (Northern) Germany over the next few days (there are now an estimated 500,000 - 800,000 Kurdish asylum seekers living in Germany) & some analysts are concerned local extremist Muslims may be using the long-standing religious & ethnic tensions in the Middle East to foment trouble in the streets of Europe.

HOSPITALS A BAD PLACE TO HAVE A STROKE (Vancouver Sun, Erin Ellis)

²⁰ An "ardent Zionist all her life", she she is a Sears Roebuck heiress (her Grandfather, Julius, was an early investor in the company & its President from 1908 to 1924.

²¹ Founded in 1865, it is the country's oldest continuously published news magazine (that calls itself the "flagship of the left") despite the fact having lost money in all but a handful of years since, having kept its head above water thanks to the effort of the "Nation Associates" group, now numbering 30,000, which generates 30% of its revenues, twice as much as its subscribers.

- Strokes are a leading cause of death & disability among adults (300,000+ Canadians are living with the after-effects of a stroke). Dr. Alexandra Saltman is a third year resident in internal medicine at the Institute for Clinical Evaluative Sciences at the UofT Faculty of Medicine. She & her colleagues examined the records of 1,048 people who had been in hospital-, & of 32,227 who had been at home-, when they had a stroke between 2003 & 2012. And they found it had taken an average 1.3 hours for those not in hospital to get a brain scan, vs. 4.5 hours for someone already there (& 4½ hours is the time limit for administering medication to break up the blood clot that had caused the stroke (the cause thereof in 80% of the cases, with the other 20% caused by a broken blood vessel in the brain, so-called hemorrhagic strokes). Moreover, that on average it took 1.1 hours for anti-clot medication to be administered for someone in the community, vs. two hours for those in hospital (& time is of the essence in dealing with strokes).
- A key reason for the hospitals' slower response time is the fact that a patient is typically there for another condition the nursing staff are focused on, but emergency responders are trained to trigger, the moment they detect possible stroke symptoms, a "code stroke" so that the moment the patient arrives at the hospital a medical team, incl. a neurologist, will be on hand, and a brain scan can be performed forthwith & the results analysed.

Their study also found that, while the death rate among both groups was similar, the hospital patients were more likely to end up disabled by their stroke.

DON'T WAIT FOR THE NEXT WAR : A STRATEGY FOR AMERICAN GROWTH AND GLOBAL LEADERSHIP (The Atlantic Council, Wesley K. Clark)

- The US needs a national strategy to address the issues that will arise in the 21st century. We are at an inflection point in our history not unlike 1945 & 1989 but lack the kind of forward-looking strategy China & Russia have. With so many challenges across the planet, we must put aside our internal strife & *collectively* deal with five key issues :
 - Islam's struggle to modernize & accept democracy;
 - our vulnerability to cyber attacks (& the cost of defending against it);
 - the complexity of the financial system & its overrunning the economy;
 - the rise of China & its contrary view on global governance; and
 - the reality & inevitability of climate change.

The Washington-based Atlantic Council was founded in 1961 as an independent, non-partisan, not-for-profit think tank to study issues from a North American/Western European perspective, and Clark is a one-time Oxford Rhodes scholar & a retired US Army general whose last posting was that of NATO's Supreme Allied Commander from 1997-2000, & who now heads his own international consulting firm. But one wonders how reasonable it is to expect the US "to put aside its internal strife" & how it is possible for him not to stress explicitly that getting one's economic & fiscal house in order is a 'sine qua non' for any globally credible national strategy.

CAUGHT IN THE MIDDLE OF THE BEE WAR (G&M, Margaret Wente)

- Bees are dying. This week Gord Miller, Ontario's environmental watchdog, warned that the 'bee-pocalypse' could trigger an environmental & economic crisis (due to the key role bees play in pollinating many important food crops), that bees are 'the canary in the coal mine', that the threat *to the bee population (via the food chain?) to humanity* is "bigger

- than DDT”, and that many people refer to it as a second “Silent Spring”²². Miller & others blame a *not so* new pesticide called neonicotinoids & want the province to ban it²³, and the Ontario Beekeeping Association has launched a class action suit against its makers.
- This is another battleground between the environmental movement & agribusiness. Not all scientists & beekeepers agree on the hazards of neonicotinoids. One of the latter is Walter Zimmerman, a former Environment Canada-, & 15-year beekeeping-, veteran, who says he’s never had a problem, blames beekeepers themselves for their sloppy management practices & that “There’s good science and then there’s junk science, and the junk science aspect is being pushed by some of the media.” And Alberta beekeepers, who account for nearly half of Canada’s honey production, say the new seed treatments actually reduce their bees’ exposure to harmful pesticides (since, rather than spraying it on growing crops, it coats the seeds with neonicotinoids in an attempt to reduce harm to all animal life, incl. bees (*although they may still leach into the soil?*)).
 - Nobody questions that bees are dying & that *in Canada* Ontario beekeepers have been especially hard hit. But in Australia the bee population is stable while neonicotinoids have been used there for years, and the Australian regulator even reported recently that they are more environmentally-friendly, than the products they replaced. And Ernesto Guzman, Head of the Honey Bee Research Centre at the University of Guelph, told a Senate Committee last February that he blames bee mites for the ‘bee colony collapse syndrome’, ahead of fungi, pesticides & climate change, saying that “If it was one factor, we would solve it relatively easily, but we have a number of factors.”
 - Nothing, incl. Dr. Guzman’s testimony, is likely to satisfy environmental conspiracy aficionados who believe that the problem is one of greedy multinationals sacrificing the bees in a *reckless* pursuit of profit, nor reassure a gullible public. Meanwhile, one thing that everyone can agree on is that more research is needed.

The writer comes across as a bit of a shill for the ‘agri-industrial complex’. There are three problems with much of today’s product research. It is often funded by sources with an agenda, be they product pro-, or op-, ponents. It is usually done within short time frames; while exposure over a short period of time may not do any, or much, detectable harm, the cumulative effect from long-term exposure may be a different story²⁵. And no research ever extends to the effect of chemicals’ interaction (quite understandably so; for the number of combinations & permutations is all but infinite - so it is wise not to take al, scientific claims at face value.

BRITAIN CAN THANK AUSTERITY-LITE FOR CURRENT FORTUNES (G&M, Eric Reguly)

- In 2009 Britain was in economic hell; thus after the 2010 election the outgoing (Labour) Chief Secretary to the Treasury *supposedly* left a note for his (Conservative) successor saying “I am afraid there is no money. Kind regards and good luck!”. But today, as Germany flirts with recession (due to its overdependence for its economic wellbeing on

²² Rachel Carson’s 1962 book that documented the detrimental effects on the environment of the indiscriminate use of pesticides that, while strenuously opposed by the chemical industry lobby, nevertheless led to a ban on the use of DDT.

²³ In fact, pressure from environmental lobby groups has caused the EU to ban them as a precaution causing major damage to German & British farmers’ rape/canola crops & forcing them to revert to older, less effective & likely environmentally more harmful pesticides.

²⁵ Thus four decades ago, in Ontario, the father of a friend of mine who had been stung by bees a number of times during his lifetime, almost died in his sixties from a bee sting.

exports to EU countries whose economies are floundering), and France & Italy flop around in misery, the British economy will this year grow by 3%, while in August the unemployment rate was 6%, down from 7.7% YoY. On the other hand, while Chancellor of the Exchequer George Osborne preached fiscal discipline, the austerity that Britain actually got was nowhere near as severe as advertised; for the government's net debt now stands at 79.1% of GDP, up from 77.3% YoY, and its spending as a % of GDP went from 40.6% in 2007-2008 to 47.0% two years later (although now forecast to fall to 42.5% next year). And since 2008 the government's deficit has been among the highest in Europe : it peaked at 11% in 2009, nearly 4x the EU limit, & this year's 4.6% will be second only to Spain's. But Britain cannot go on borrowing forever &, while the government proposes to cut spending 9% by 2019, this is always easier said than done, the stronger pound & inevitable higher interest rates will create headwinds &, if house prices were to fall, all bets are off for a sustained economic revival since no other country in Europe has seen such a crazy rise in property prices. Still, George Osborne may have done the right thing by going easy on austerity.

The above ignores the role that 'economic refugees' from all over Europe may have played in boosting the British-, & especially the London-, economy. For while the media occasionally has highlighted the presence of rich Russians who now call London "home" & the public's resentment about the poor Third World folks crossing the Channel illegally in search of a better life, little, if any, coverage has been devoted to the many well-to-do from other EU countries who decamped with their wealth to London; thus it is estimated that today half a million French citizens reside in London, along with, among others, some 400,000 Italians.

BRITAIN SET TO BECOME THE FASTEST GROWING ECONOMY IN THE DEVELOPED WORLD THIS YEAR (Daily Mail, Hugo Duncan)

•According to the IMF in 2009 Britain had a £1.4TR economy & France a £1.7TR one. It now expects 3.2% GDP growth for Britain for this-, & 2.7% for next-, year, vs. 0.4% & 1.0% for France. As a result, next year Britain will have a £1.9TR economy & France a £1.8TR one; so it will replace France as the EU's second largest economy. This could help Prime Minister Cameron in next year's elections, especially since Labour Leader Ed Miliband has closely aligned himself with his French socialist soulmate, President François Hollande (*whose public approval rating at its post-WW II low is about as low as a snake's belly*²⁶). Meanwhile, as France & Italy urge relaxing the EU budget limit rule that limits deficits to 3% of GDP & the IMF is calling for more infrastructure spending (*presumably by the countries in a better fiscal 'place' than the basket cases*), Britain's Chancellor of the Exchequer on October 9th called for greater "fiscal discipline" *in the EU*, warned there was no "free lunch" & expressed skepticism about calls for more public spending at a time many countries are still a long way from balancing their books.

The proof is always in the eating : in this case those governments that early on took unpopular-, but typically long overdue-, corrective fiscal action now are doing better than those that didn't, first & foremost France & Italy, which are now paying the price for their 'short-term gain, long-term pain' choice & are a millstone around the EU's neck [& are less able to deal with adverse impact on their economies of the Russian sanctions, the effect of which would be reinforced if

²⁶ France currently has a 10.5% unemployment rate, vs. Britain's 6.2%, and an economy that, according to the IMF, is held back by "a bloated public sector" (& huge public spending).

Russia were to cut its gas exports to Western & Central Europe this winter, although that may be less of a risk now than a few short weeks ago, given the recent slide in oil prices)²⁷].

PACIFIC POWERS BUILD NAVAL CAPACITY, WARILY EYE NEIGHBOURING COUNTRIES (Defense News, Wendell Minnick)

- The majority of the 90% of global trade that travels by sea moves through narrow & vulnerable straits near Malaysia, Singapore & Taiwan. As a result of that fact, & of *China's territorial ambitions in the South-, & East-, China Seas*, the Asian-Pacific nations are now engaged in a major naval arms' race. China & India are, *of course*, the biggest spenders & are now building some of the most complex naval vessels the world has ever seen (while the media *a while ago* focused on China commissioning its first ever aircraft carrier, it has yet to twig on the fact that India has long had two carriers in service & is about to launch a third). South Korea's 'naval build' plans for the next decade are only US\$2BN smaller than China's and Indonesia is outspending Japan in new naval construction (*although the latter, in the face of China's territorial claims in the East China Sea is busy ramping up its naval buildup, recently having launched its first major warship since WW II, a helicopter-carrying destroyer with two or three times the tonnage of a quintessential one*). And with submarines the top priority, China, India, Indonesia, Singapore, South Korea & Vietnam have earmarked over US\$40BN for their construction, while Australia, Taiwan, Thailand & Pakistan intend to join the party, and Myanmar, Bangladesh, the Philippines & even Brunei say they may follow suit as well.

The more ships from more countries there will be in fairly restricted waters, the greater the risk of 'incidents', especially since such a rapid buildup will lead to the rapid promotion of relative inexperienced people. It has largely escaped the Western media that this major arms race is underway, in part prompted by Beijing's sabre-rattling (although interestingly enough President XI recently talked about the need for a closer monitoring of his country' defense spending.

KIM JONG UN CARRIES ON HIS FAMILY'S PURGE TRADITION (BB, Sam Kim)

- His father & grandfather practiced the politics of fear, using purges to consolidate their hold on power & eliminating anyone perceived to be a threat to their cult of personality. So far this year about 50 people have been executed on various dodgy charges (incl. 10 recently for watching South Korean soap operas) in an attempt to wipe out the last vestiges of the influence of his uncle, Jang Song Thaek (*who had been deemed the power behind his throne*), executed last year on charges of factionalism, corruption & sexual misconduct.

Rather interestingly, the North Korean embassy in London was opened up to the general public, for the first time ever, for four days in early November, for a public viewing of paintings, some of them London street scenes, by-, & meeting with-, four North Korean state-sponsored artists.

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Since Uber threatens to eat not only the traditional taxi industry's lunch but its breakfast & dinner as well, it is not surprising it is meeting resistance wherever it announces plans to 'open

²⁷ In fact there are rumours a deal may be cut at this week's Summit of Asian & European leaders in Milan to ensure the continued flow of Russian gas to Ukraine & the rest of Europe this winter.

up shop'. In North America the industry has based its opposition on claims of public safety that may, or may not, be spurious, & of the need to 'provide drivers with a living wage', that is utter balderdash. In many major North American cities the number of taxi "medallions" is restricted & therefore have a scarcity value that in New York today for instance, is North of US\$1MM²⁸ (more than double that a decade ago²⁹); so at 5% interest a New York taxi must generate income of US\$137 per day (US\$5.71 per hour 24/7/365) whether its wheels turn or not, **before** any capital-, & operating-, costs (incl. the driver's pay), an expense that must be passed on to consumers³⁰. The same is true for, among others, Boston where taxi medallions go for US\$700,000, Philadelphia (US\$400,000), Chicago (US\$350,000) & Phoenix (US\$ 300,000). Moreover, the majority of drivers does no benefit from the rising value of the taxi medallions; thus in Chicago where at last report there were roughly 5,500 taxi medallions, 30% owned by single medallion-owning taxi owners & 50% by 38 entities that lease them to drivers (with return on their investment since 2008 having far outstripped that on the S&P500). And the situation is no different in Canada; thus in Toronto the price of a medallion is in the \$700,000 range and in Edmonton, where twenty years ago all one had to do to get a medallion was to plunk down a Class 1 driver's license & \$25 on a City Hall counter, today after 20 years of not increasing the number of cabs, as the city's population grew by over one-third, the going price is said to be in the \$100,000 range. One thing, however, that can be said about the current taxi licensing system, is that it is a bureaucrat's dream, thus Edmonton's taxi bylaw is 66 pages in length!

28 So today as much as a possible US\$20BN may be tied up in taxi medallions in NYC alone.

29 When the average taxi driver in New York City had a net income of US\$49,532; while seemingly below the city-wide average of US\$53,974, the average was pulled up by the presence in the city of a large number of well-to-do city inhabitants, while their reported net income likely only included a portion, if any at all, of the drivers' income from tips (this from a one-time driver himself).

30 And the truly vicious part of this is that, as the value of the medallion this becomes, in a self-perpetuating cycle, a justification for still higher taxi fares.