

Quote of the week : “If anyone is having a bad day, remember that today in 1976 Ronald Wayne sold his 10% stake in Apple for \$800. Now it’s worth \$58,065,210,000.” (*for a theoretical compound annual rate of return of 55.1%*) - a London tube billboard on April 12, 2012 (when Steve Wozniak (age 25) & Steve Jobs (21) founded Apple in 1976, they brought Wayne, age 34, in as their “adult supervisor” & gave him a 10% interest in the venture. But having had a bad business experience a few years earlier, Wayne felt he was “too old” to take risks & cashed it in 12 days later (apparently they had named their hitech start-up after this lowly fruit because its original logo pictured Newton under an apple tree just before the apple dropped on his head).

A talk with a climate change denier friend prompted a search for evidence it is real, not a figment of the imagination of ‘junk scientists’ with an interest in promoting the idea. This led to an NOAA website, & a chart entitled January-December Mean Temperature over Land and Oceans that, using the 1901-2000 average temperature as a benchmark, showed the average temperature “anomaly” (deviation from the benchmark) had gone from < 0.1° C in 1975 to > 0.6° in 2005 (although it since has plateaued), & another one that showed this to be a combo of somewhat higher ‘over-the-ocean’-, & lower ‘over-the-land’-, temperatures (*which helps explain the recent torrential rain phenomenon; for warmer water has a greater evaporation rate, & warmer air can hold more water; so when more ocean water-laden warm air masses collide with colder air over land, there’s more water to come down*). Next was a NASA website that stated outright “The year 2014 ranks as the warmest on record” (breaking the record set in 2013) & “as of January 2014 the average global temperature was 0.68° C above the 1951-1980 average”. Then, more interestingly, it divided the world into, & tracked temperatures in, three latitudinal zones, North of 23.6°N, between 23.6° North & 23.6° South¹, and South of 23.6°S. And while the temperature change pattern in all three was similar, first hovering around its 1951-1980 benchmark from 1935 to 1970, & then rising, it did rise faster in the Northern zone than in the other two, so by 2005 the anomaly was 1.0° C in the Northern zone, and just 0.6° in the Equatorial-, & 0.4° in the Southern-, zones - (*coincidentally?*) *88% of the world’s population lives in the Northern Hemisphere (& well over half North of latitude 23.6°N)*.

Jagadeesh Gokhale has a Ph.D. in economics from Boston U &, after career stops at the Cleveland Fed, the US Treasury, and the American Enterprise-, & Cato-, Institutes, became Director of Special Projects for the University of Pennsylvania’s Penn Wharton Public Policy Initiative. A year ago, while still at Cato, a libertarian Washington-based think tank, he authored a book, The Government Debt Iceberg, the summary of which starts out with “Europe and the United States will soon begin to encounter fiscal restraints the like of which we have never seen before (*as Japan is already doing?*) ... If we include commitments that have been made under the Social Security and healthcare programs, the US fiscal imbalance is 9 percent of the estimated present value of future US GDP (which means an additional 9% of GDP in taxes, *over & above existing taxes*, would have to be levied each year to ensure that “all future government spending commitments could be met from *concurrent* taxation.” This follows up on his earlier work in the January 2009 Study No. 319 of the National Center for Policy Analysis entitled Measuring the Unfunded Liabilities of European Countries & on work by Michael Tanner, a colleague at the Cato Institute, who in a paper entitled Is America Becoming Greece? in the Spring/Summer 2013 Cato Journal calculated that in 2009 the Present Value of the aggregate US unfunded liabilities (*i.e. the national debt as reported plus the total of the US government’s contingent liabilities, that everybody ignores*), had been equal to 797% of that

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The former runs roughly across the Gulf of Mexico, Southern Egypt, Central India & Northern Vietnam, & the latter across Central Brazil, Central Mozambique & Northern Australia.

year's GDP, a ratio well in excess of that of, among others, Spain (242%), Italy (264%), Germany (418%), the UK (442%) & France (549%), but less than Greece's 875%².

The BLS has a US CPI data series going back to 1919. But two decades ago it was alleged to have been overstating the real in the cost of living³. So the Senate in 1995 mandated Stanford's Michael J. Boskin, a former CEA Chairman under Bush 41, to "study the CPI's ability to estimate inflation". His report, the next year, concluded it had indeed overstated it *somewhat*, due to a failure to include new products & changes in product quality in a timely fashion. But critics of the CPI as calculated since say it now **understates** the cost of living. One of them is Ed Butowsky, a one-time MD at Bear Stearns & SVP at Morgan Stanley & now one of two managing partners of Chapwood Capital Investment Management, a money management firm based in Addison, Texas, a suburb of Dallas. So since 2010 his firm has, twice a year, published the Chapwood Index that it says "reflects the true cost of living increase in America", based on the unadjusted actual cost & price movement of the Top 500 items on which Americans spend their after-tax dollars in America's 50 largest cities. And it has since indeed reported much higher numbers than the CPI (the latter in brackets) : 2011 - 9.9% (3.0%), 2012 - 10.7% (1.7%), 2013 - 10.7% (1.5%) & 2014 - 9.7% (0.8%) - *while both sides having an axe to grind, the gap between the two is sufficiently wide to give at least some credence to those who say the CPI understates real inflation for the hoi polloi (& therefore has been overstating real GDP growth?)*

Hurricane Andrew in 1992 featured the third-ever strongest winds & did more damage than any hurricane, US\$26.5BN in the US (mostly in Florida) & US\$34BN in total. This cost insurers a bundle; so investment bankers came up with a new financial instrument to let them 'cap' their potential catastrophic loss exposure by laying some off on investors. These 'catastrophe'-, aka 'cat'-, bonds" most commonly have a three maturity, often are of a floating rate nature & pay a premium rate of interest; but the catch is that, if a specified catastrophe occurs, investors lose their money. First launched in 1996, since then US\$70+BN of cat bonds have been sold to investors & the current low yield environment, & yield-hungry investors' low risk aversion levels, has whetted their appetite for them; thus in 2014 a record US\$8.4BN were sold, incl. in April 2014 a three-year 'floater' by Jacksonville, Florida-based state-run Citizens Property Insurance Corporation, the size of which was hiked from an initial US\$400MM to, eventually, US\$1.5BN, as investors couldn't resist its 7.50% premium yield **over** its benchmark. And this year, as of April 30th, issuance was up 30% YoY - *one hedge fund with a stellar track record achieved this by having 90% of its AUM in cat bonds. But "black swan" events are by their very nature unpredictable & tend to come as a thunderclap on a sunny day, and on several occasions in recent history the clever algorithms developed by the high-powered Ph.Ds in the Mathematics of Finance employed by investments banks to calculate risk have been found disastrously wanting.*

After decades of a 'the only good wolf is a dead wolf' mentality, wolves ceased to be part of the Yellowstone National Park ecosystem in the mid-1920's. This was the start of a journey that culminated in their reintroduction in the 1990s. For, with their natural predator gone, the park's elk population exploded, leading to overgrazing & damage to its ecosystem. This prompted an 'elk control program', that first involved relocation but soon progressed to "culling"⁴; but public

² Although it's worth keeping in mind that, once the current, ridiculously low, interest rate levels become a memory, the PV of these contingent liabilities will shrink.

³ Which, if so, would have resulted in overpayments under all inflation-adjusted pension payments.

⁴ This brings up an interesting point. From the point of maintaining a healthy population, predators do (& culling can) play a more constructive role than hunters; for, while the latter prefer 'trophy animals'

opposition to the latter led to it being suspended which, in turn, led to an overgrazing renewal. So, while bringing back wolves had long been touted by a few 'outliers', the idea in due course resulted in the relocation of 31 Canadian wolves (14 in 1995 & 17 in 1996) from packs in Northwestern Alberta & Northeastern BC to six locations in the park. As of 2013 there were 95 wolves in ten packs in the park (down from a high of 171 in 11 packs in 2007, although the 44 surviving pups in 2013 were a post-2007 high). Their reinsertion has been a positive; for the elk herd has declined to sustainable levels, as has, in the absence of their main predator, the number of coyotes, reducing the pressure on their main food source, hares & young deer, there are now more beaver ponds (positive from an ecosystem-healing point of view) since the elk had, for a lack of alternatives, started feeding on the willows that are a key food source for beavers during the winter, and wolf kills are scavenged by, & provide a smorgasboard of nutrition for, a range of four-legged-, & winged-, animal species. As an experiment it has been closely tracked (of the 95 wolves in 2013, 22 wore US\$4,000 radio collars), producing some interesting findings; thus, when mange hits (when mites burrow under a wolf's skin causing such severe itching that it scratches itself to the point of severe hair loss), wolves in large packs cope better than those in small packs (*due to a more plentiful food supply?*). Also that males matter; for in the not infrequent altercations between packs, those with more males tend to come out on top. Finally, age seems to help; given an average life span of four years, the presence of just one wolf six years or older in a pack tips the scales in its favour in fights, even though the individual involved is no longer as strong a fighter as in its prime.

A ManulifeBank survey, conducted between February 10th & 27th, of 2,372 Canadian home owners across Canada aged 29 to 59 with household incomes of over \$50,000 found that in the previous year 40% of those with mortgages had made extra payments, i.e. paid more than their payment schedules called for. But the bad news was that over one-third of mortgagors said they would face financial hardship if their mortgage payments increased by just 10%, with almost half saying they wouldn't be able to cope with any hike at all in their payment schedule. It also found that, while the average mortgage debt was \$190,000, in Alberta it was \$242,300⁵, in BC \$217,300, \$196,000 in Saskatchewan & Manitoba, \$193,000 in Ontario & an average \$127,300 in Atlantic Canada.

The writing had been on the wall for some time for all but the willfully blind & financially illiterate that a 'correction' in the Chinese stock markets was inevitable. It got its start last year when the real estate market cooled & Beijing flooded the economy with money at a time business saw little reason to boost its capex spending & instead parked its money in the stock market. Then early this year borrowing to invest in stocks got out of hand : in the four months ended in mid-May margin lending officially doubled to the equivalent of US\$340BN (& *unofficially almost quadrupled since borrowing from 'shadow banks' is not included in the official number*). And the final blow-off came when, egged on by the government, retail investors poured into the market; thus, according to the China Securities Depository & Clearing Corporation, between June 1st & 19th (the day the market peaked) the number of Chinese stock market 'investors' grew from 84MM to 90MM. And, to show its impact. CNBC carried the story of Yang Cheng, a farmer *in his late thirties/early forties*, who invested US\$164,000, all of his own-, & his family's-, savings in the shares of a local company, then was persuaded to leverage it 6x and now has lost it all &

from the deep end of the gene pool, predators more often than not eliminate the weak and/or the old who part of the shallower end thereof.

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With also a higher-than-average proportion of Alberta home mortgages being of the low down payment/high leverage variety.

still owes more than he invested in the first place - *small wonder he was quoted as saying (which must be truly disconcerting for Beijing), "I trusted the government too much."*

Last February a TransAsia Airlines plane crashed in Taiwan three minutes after takeoff, killing all 43 people on board when one of its engines had a 'flame-out', i.e. quit working, on takeoff. It has since come out that the pilot had pulled the wrong throttle, thereby shutting down the still working engine; for in a cockpit voice recording he can be heard exclaiming seconds before impact "Wow, pulled the wrong throttle". Furthermore, nine months earlier he had apparently failed a simulator test for having insufficient knowledge to deal with a flame-out on takeoff.

Rebranding' often seeks to revive a tired brand. Last fall Nicolas Sarkozy, France's President from 2007-2012 as leader of the UMP party (created by Jacques Chirac in 2002 by merging several right-of-centre parties) made a political comeback by being re-elected as its leader by 64.5% of its 210,000 members,. Then in March's two-round local elections in all of France, except Paris & Lyon, the party won control of 67 of the 101 local councils (up from 40)⁶ while President Hollande's Socialists went from 61 to 34 (& Marine LePen's ultra-right Front National got none⁷), & on May 30th 83% of party members voted to rebrand the party Les Republicains, upsetting many Frenchmen who saw it as usurping Republican values they all shared.

According to OPEC's June 16th 2014 Annual Report the oil export revenues of its 12 members in 2014 had been US\$993.3BN, down 11% YoY, the first time in four years they had dipped below US\$1TR. But their aggregate current account surpluses had declined much faster, by 35% to US\$273.6BN, as the impact of their lower oil export revenues was reinforced by higher import costs - *and their oil export revenues may take even more of a beating this year; for while in 2014 the average oil price was in the US\$80 range, YTD it has been very significantly lower.*

On June 17th, while beavering away at Gleanings, pipes could be heard wailing & drums beating two blocks away. For Edmonton was hosting a multi-million dollar event⁸, the 'regimental funeral' of a police officer killed in the line of duty nine days earlier⁹ as he was positioning a battering ram to break down the door of a house in West Edmonton where eight officers were seeking to serve a warrant for hate crime violations & bullets suddenly started flying (after which the doer went into his basement, set his house - that was being foreclosed on - on fire & shot himself). For 4,000+ policemen from all over North America were in town, mostly at taxpayers' expense, to walk in a funeral procession downtown that discombobulated traffic for hours - *every human life is precious & one cannot help but feel for his widow & young sons, and only*

⁶ Although he obviously is nowhere near as popular with the general public as he is with his party membership; for while the latter elected him last fall with 83% support, in the election his party got just 26.5% of the votes cast (which, however, resulted in control of 48.5% of the council seats, once the votes cast for members of centre-right parties affiliated with the UMP are included).

⁷ And herein lies a story. For, while her party garnered 25% of the votes cast in the first round (& half the eligible voters actually voted this time, up from 44.7% in 2011), in the second round this dropped to just 15.5%..

⁸ For mostly the police department pick up the tab for attending the funeral and, since the officers are deemed "on duty", they are paid while not available for duty, and in most, if not all, cases their out-of-pocket expenses are picked up by their employer. And sadly to say, these events are becoming a weekly event in North America.

⁹ Only the eighth in 97 years, the fourth by gunfire & the first so in almost 25 years.

asocial retards & nihilist Second Amendment Patriot extremists relish the death of a peace officer; but in the overall scheme of things there is greater tragedy in the murder of an old lady in her own home than in the death of a worker in the work place (who may-, or whose co-workers may-, have contributed to his demise).

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DEBT - THE ELEPHANT IN THE ROOM THAT THE WORLD CAN'T DEAL WITH
(The Independent, Satyajit Das)

- In 2000 total global debt was US\$87TR (246% of global GDP), by 2007 it had grown to US\$142TR (269%) & by mid-2014 to US\$199TR (286%). If the developed country governments' unfunded liabilities are included, the numbers increase dramatically to 1,600% of GDP for Greece, 1,400% for Ireland, 1,100% for Spain, 1,000% for the UK, 800% for the US, 600% for France, 500% for Germany & 250% for Italy (while these numbers don't jive neatly in detail with those noted earlier, they're in agreement on the fact that they're large). And, while in the emerging countries debt levels were less extreme at the start of the financial crisis, they have since played catch-up (to the point where they have quadrupled in China).
- Reducing these liabilities is going to be difficult in an era of low growth & low inflation¹⁰ and, while for some analysts this is a time of "beautiful deleveraging" (*something the above numbers belie*), this process has hardly begun & will have major economic impacts for years to come. Traditional tools for dealing with debt - austerity, growth, inflation and/or default/restructuring, are unavailable or unpalatable, & policy makers will seek to rely on existing fiscal-, & especially monetary-, policies to avoid economic collapse, giving rise to a repetitive sequence of events : QE that, if the economy does respond, will in turn lead to a withdrawal of stimulus that will lead to higher interest rates & a slower economy that will prompt renewed QE encompassing a wider range of assets over & over again in what Edmund Burke called "the utopianism of the professors" (with a real risk that the global economy will be trapped on a QE treadmill forever).
- And a real life case study of this is at hand. Since the popping of its debt-inflated bubble in 1989, Japan has had two decades of deflation & minimal growth and, despite repeated attempts at reflating the economy through QE & near-zero interest rates, chronic budget deficits that have led to a 240% debt-to-GDP ratio, to tax revenues that are less than half its outlays & to one-quarter of its budget going into debt servicing. And, while since 2013 Prime Minister Abe has sought to accelerate economic growth through new initiatives that combined fiscal expansion with QE at levels exceeding anything attempted elsewhere, to date all this has achieved has been to weaken the Yen and boost stock-, & real estate-, prices, without much effect on the real economy.

The 58 year-old author is India-born & Australia-raised & educated, for 17 years worked as an investment banker & corporate CFO, and for the past two decades has been a financial consultant specializing in derivatives &, on the side, a columnist for this newspaper.

EL NIÑO MAY BE THE LARGEST IN OVER A DECADE, SPARKING HOPE AND FEAR (AP)

¹⁰ To the point where the US government has considered cancelling the US treasuries held by the Fed 'reduce debt', a move that would help eliminate the past decade's run-up in its balance sheet

- Every few years the prevailing winds in the Pacific shift from being West-, to East-, bound, driving warmer water Eastward. Sloshing back & forth around the Equator, it interacts with the winds above it & changes weather patterns worldwide. This is called El Niño. It triggers droughts in some parts of the world & floods in others. This year's version officially started in March & has kept getting stronger, and soon may officially become a strong El Niño, after which it is expected to peak late this year & peter out next spring. According to meteorologists it could become the strongest El Niño since the one in 1997-1998 when California experienced mudslides & 189 people were killed in the US in tornadoes.
- During El Niño years winters get milder & wetter in much of the United States (California it is now counting on it to end its historic drought), and the world warms, reinforcing the existing warming trend from manmade climate change. And Peru, where the offshore waters get warmer, Michael Ferrari, Director of Climate Services for Agriculture at the Colorado-based agronomic data firm aWhere Inc., says it "is just going to be a river falling from the sky."

In the past El Niños have dumped larger-than-usual amounts of rain on much of Central-, & South America boosting crop yields but lowering its quality, cutting crop yields in Australia, China & India and resulted in warmer, & drier, summers in much of Canada.

WORLD'S WATER WOES ACCELERATE (WP, Todd Frankel)

- As drilling for water has taken off around the globe, aquifers, that have taken thousands, *if not millions in the case of 'deep' ones-*, of years to fill, are being stressed. While they typically supply 35% of the water consumed by humans worldwide, in rain-starved California that ratio is now 60%, up from its usual 40%. Two studies on the situation were published on June 16th in the Water Resources Research Journal. One led by Jay Famiglietti, Senior Water Scientist at NASA's Jet Propulsion Laboratory, reported that 21 of the world's 37 largest aquifers have passed their 'sustainability tipping points' (with more water pumped out than coming in¹¹). The other, by scientists at the University of California Irvine, found that some aquifers may be much smaller than previously thought (based on measurements of groundwater levels over a decade ending in 2013 using NASA's GRACE satellites that are capable of measuring subtle changes in the earth's gravitational pull & hence, since water is heavy, of measuring changes in aquifer levels.

Environmental Neanderthals no doubt will find ways to question these scientific findings.

AS THE BABY BOOMERS START FADING INTO RETIREMENT, THE MILLENNIALS ARE ARRIVING. (Globe & Mail Report on Business, David Berman)

- Last January 1st their, still growing, number in the US labour force (54+MM) for the first time ever exceeded the Gen Xer's 53MM & the Boomers' 43MM. Their consumption patterns are different. They don't like debt. Due to the social media they're better informed shoppers. They wait longer to start families. With less money to spend than previous generations they are sensitive to value. And they embrace a healthier life style, exercise & natural foods and *more likely to* avoid pop, smoking & pre-packaged foods.

¹¹ And as the more easily accessible aquifers closer to the surface are 'mined out' and the drills go deeper the replenishment problem will compound over time; for the deeper the aquifer, the slower it tends to be replenished.

Yet they are dumb enough to buy over-priced coffee at the likes of Starbucks & Tim Horton's

RECORD NUMBER GIVE UP US CITIZENSHIP (WSJ, Laura Sanders)

- In 2014 a record 3,415 Americans, 14% more than in the year-earlier period, gave up their US citizenship. And according to a May 8th US Treasury report in the First Quarter another 1,335 did so, up 25.7% QoQ, 33.4% YoY, & 32.5x the quarterly average for the 18-month period ended June 30, 2009. And a survey by a Hongkong firm specializing in tax preparation for expatriate Americans found that this year 27% of them were “seriously considering” renouncing their US citizenship, up from 18% last year¹².

It can be no coincidence that the number of those renouncing their US citizenship took off not long before Congress in early 2010 passed the Foreign Account Tax Compliance Act (FATCA) that 140,000 banks & other firms worldwide now comply with. And neither is it that Stowe, VT-based Casey Research has prepared a free-for-the-asking guide entitled The American Expatriation Guide - How to Divorce the US Government.

A BELIEVER AMONG SKEPTICS (NP, William Marsden)

- Although the parents of Toronto-born-, & UofT-educated-, Katharine Hayhoe (age 43) were evangelical missionaries, she had never, until she moved to the University of Illinois to specialize in the impact of climate change on human systems & the environment, “met anybody who didn’t think climate change was real”. Then she married a Ph.D. in linguistics who had grown up in an evangelical Baptist family & gone to Christian schools where no one believed burning of fossil fuels was affecting the climate. While after they married she realized he thought what she was doing was a hoax, after two years of talking, & research on his part, he co-authored, in 2009, a book with her entitled A Climate for Change : Global Warming Facts for Faith-Based Decisions.
- Now both are at the Texas Tech University in Lubbock, a city of 239,538 residents & 127 churches in the Texas Panhandle, a region which she says has the biggest US concentration of non-believers in climate change. There she is the founding Director of it’s Political Science Department’s Climate Science Centre & has been the lead author of a government report on the impact of climate change on the U.S, and in 2014 was included by Time magazine in its list of the 100 most influential people in America.
- The job of converting her husband launched her on a mission to convince other evangelicals that man-made climate change is real. She is now a missionary among them & a huge draw on the Christian speaking circuit, and single-handedly is raising hopes of a breakthrough in climate politics since polls show that evangelicals are the largest group among the nearly half of all Americans who still don’t accept the reality of man-made climate change. And if they could be convinced that it is real, the rest of the country may follow. In launching this mission she was helped by being an oddity in Lubbock as a Canadian woman evangelical environmental scientist; so she was invited to address, first women’s-, & then service-, clubs and, finally, churches & schools.
- Her base argument is that the debate is over faith, not climate change; for she believes political partisanship has taken over the church, that “Being a Republican has become synonymous with evangelical to the extent that people’s politics are ...guiding their faith

¹² The usefulness of this survey is impinged up by the fact that no information was provided about the size of the survey sample, nor of the percentage of those who had “responded”.

instead of their faith guiding their politics.” And she counters the argument of Christians who believe God’s absolute power eclipses anything mankind could do to the planet with the reading for the Scripture that, while God created the Earth he gave Man dominion over it (Genesis 1 : 26-28) & that hence Christians must seek to protect-, not exploit-, it.

One can only wish her well.

MEDEVAC PLANE RETROFITTED FOR LARGER PATIENTS (Yukon News, A. Joannou)

- A Yukon medevac plane has been retrofitted for bariatric patients. For the number of them that need to be airlifted *from outlying communities to Whitehorse* has grown : while in 2008 it involved only one patient weighing 350+ lbs, there were three in 2013 & nine more in the first five months of this year.

The Territory uses out-of-territory companies with specialized equipment to haul oversized patients to hospitals South (at a cost of \$30,000, more or less, each - which raises the question as to why taxpayers should pay for what in the vast majority of cases is a self-inflicted affliction.

WOMEN GAIN RIGHT TO WATCH VOLLEYBALL (AP)

- In Iran women have been banned from sporting events since the 1979. This came to the world’s attention in 2014 when a British-Iranian woman, Ghoncheh Ghavami, sought to attend a men’s volleyball match. Now, according to Vice President for Women & Family Affairs Shahindokht Molaverdi, a women’s rights activist, a limited number of women will be allowed to watch the Volleyball World League games in Tehran later this month (i.e. June) as part of a move to allow women & families to attend male sporting events. With the decision not yet formally announced, the government plans, to avoid a showdown with hardliners & ease in the change, initially let only female family members of national team players watch the volleyball games. To test the waters, some women were allowed recently to watch a men’s basketball game in Tehran &, while there was no immediate backlash, hardliners threatened to keep women from attending a June 19th match in Tehran between the Iranian & US national volleyball teams.
- Ms Molaverdi also plans to seek a gender quota for women in next year’s parliamentary elections [there are currently only nine women in the 290-seat Majlis (Parliament)].

On June 19th there was a small (illegal) demonstration against women’s attendance, but a larger (also illegal) one protesting women had been allocated only 200 of the 12,000 tickets.

WHY CHINA HAS THE UPPER HAND IN THE SOUTH CHINA SEA (Reuters, Barry C. Lynn)

- In the 1990's advocates of liberalizing US trade with China claimed that economic interdependence would lead to peaceful coexistence; so Washington & its allies created WTO, and invited Beijing to join. But it hasn’t worked out that way. For the interdependence fostered by WTO has made the US dependent on China for many important items (*incl. key electronic components*) while China depends on the US for little of any consequence & has huge stockpiles of things it must import (*from third countries*).
- During the Cold War, the US promoted interdependence with allies whose economies were smaller & political systems democratic, and it never became dependent on them for any vital good. But China’s economy is *by some measures* bigger than that of the US, & *certainly* growing faster, and its system is autocratic (*which means that politics*

drives economics, rather than the other way around¹³, something many Americans have difficulty grasping & the implications of which they not always fully appreciate). Washington's challenge now, if it is not too late, is to come to grips with the impact of this asymmetry on its foreign policy (with Beijing working on the assumption that it limits Washington's scope for responding to any aggression-like move by it in, for instance, the South China Sea?). And the TPP (Trans-Pacific Partnership) is at best a doubling down on a WTO strategy that failed, & at worst will set Americans to fighting each other at a time that international threats grow ever more complex & dire, especially in East-, & South-, Asia where conditions are the tensest they have been in a half century.

The denouement could come sooner than expected, triggered by any one of a number of events &, when it does, will reveal another asymmetry between the US & China, with Beijing having a pro-active contingency plan/strategy & Washington reactively making it up 'on the fly'.

SUICIDES HIGHLIGHT CHINA'S "LEFT-BEHIND" CHILDREN'S PROBLEM (al-Jazeera)

- The village of Cizhu in Guizhou Province, *in South-Central China 1,000 kms Northwest of Hongkong*, located at the end of a long, winding, rutted track barely wide enough for a car to navigate, recently was off limits for three weeks to foreign journalists. Al-Jazeera was the first foreign news agency allowed to visit it, albeit under the watchful eye of government 'minders'. For here four sibling 'left-behind' children, a boy age 14 & his three younger sisters had committed suicide (*on June 9th*) by drinking pesticides, an event that triggered a national debate about poverty & child welfare in *rural China*.
- Guizhou Province is one of China's poorest provinces, with 25% of its 40MM people living on < US\$1/day. And with child poverty suddenly a high profile issue, our team had as many as ten government officials following our every move, worried since President Xi had been in the region just a few days earlier. The one school teacher we were allowed to talk to, after she had been briefed by government officials, said the parents of 20% of the children in her school were working elsewhere but that this wasn't "a big problem ... because most of them can talk to their parents by telephone ... every week."

The local journalist who first reported the suicide was subsequently detained for doing so, and, shortly after he broke this news 'heads rolled', figuratively speaking, among local party-, & government-, officials, and teachers. The boy left a suicide note which read in part "Thanks for your good intentions, I know you are good to me, but it is time for us to go". They had been on their own for three months, had not been in school for a month & had become reclusive. Their mother had left a year earlier, after suffering domestic abuse, & their father had in March gone to Guangdong Province to find work. And while, before leaving he had left contact information, after the children's death he could not be reached, the mother, 32 year-old Ren Xifen returned on June 13th, the day the four were cremated, for a last "tearful reunion", telling Xinhua "I did not shoulder my responsibility" (leaving the children in March 2014 following a "long and bitter dispute with their father, Zhang Fangqi") by not staying in contact with them, but had not

¹³ An example thereof is the market for the world's 17 'rare earth minerals that are critical to the manufacture of many hi-tech products today. Beijing seems to have realized their growing importance early on & set out to create, & succeeded in creating, a global near-monopoly in their production by undercutting producers elsewhere in the world. So today, with about one-third of the world's known rare earth mineral reserves, China accounts for 86% of their production (albeit down from 93% a few years ago), & used this at least once, in 2010, for political purposes by blocking exports to Japan to force it to release a Chinese fishing boat captain arrested for having his ship collide twice with Japanese Coast Guard vessels in disputed waters of the East China Sea.

*returned out of fear of further beatings by Zhang. This shocked the nation & prompted both President Xi & Premier Li to send their condolences. But it shouldn't have. For these were just four of an estimated 61MM (one quarter of the 0-14 year age cohort) "left behind" children; and while many are left in the care of friends or relatives (often grandmothers), according to Xinhua & the All-China Women's Federation 3.4% of them (i.e. 2MM), have been left, like these four, to fend for themselves as best they can by some of the 270MM migrant workers who have been the underpinning of China's 'economic miracle' (but the jobs of tens of millions of whom are now under siege from the slowing-, & restructuring-, of the economy). Contrary to what the teacher said, many of these children at best see their parents once a year, when they return briefly to their home village for the Chinese New Year & may not get any phone call in between. According to the Institute of Psychology of the Chinese Academy of Sciences as many as 70% of them suffer from "psychological problems at different levels & as many as one-third display suicidal tendencies" (by the way, the provincial capital, Bijie, made the headlines in November 2012, the very day President Xi became President, when four boys ranging in age from 13 to 9 who, after being similarly abandoned, had sought refuge from the cold in a garbage bin & were found dead from carbon monoxide poisoning from the fire they had lit inside it to stay warm, prompting the current affairs magazine *Caixin* to warn "These children wandered the streets for three weeks but no helping hand had been extended ... The tragedy in Bijie is bound to happen again." (& while resultant publicity had prompted a promise by the local authorities to take action to protect such children, that was long ago & long since forgotten).*

PROBE INTO SWAYING HIGH RISES (Shanghai Daily, Chen Huizhi)

- On July 29th experts from the Environmental Protection Bureau of Shanghai's 750,000 inhabitant, 180 sq. mi. Jiading District located 12 miles from downtown launched an investigation into complaints, first launched last June, by residents of two 18-story buildings completed just last January that they were made 'seasick' by the swaying of their homes. And when a reporter visited an apartment on the 15th floor of one of the buildings, crystals hanging from a chandelier & clothes hangers were swinging back & forth in a steady rhythm while water lapped back & forth in the toilet bowl, and when she sat down on a chair in the living room she became aware it was rocking gently, in sync with everything around her.

The experts confirmed what everyone had earlier determined, namely that the rocking occurred when machinery was operating at a long-established stone processing plant 300 metres away.

EGYPT SEEKS TO CONVINCe ITS PEOPLE TO HAVE FEWER KIDS (AP)

- Egypt has a population of 90MM (expected to grow at a 0.9% compound annual rate to 103MM by 2030) that it has long struggled to provide with jobs & services. And, with much of its land mass desert, most live in narrow slivers of land along the Nile River & the Mediterranean coast¹⁴. After declining for two decades, since 2008 its women's fertility rate has risen dramatically, from 3.0 to 3.5; so under a plan laid out by Hala Youssef, the Minister of State for Population (a post created just three months ago), the government, in consort with NGOs & local communities, plans to provide financial incentives to keep children *longer* in school, expand family planning services & boost public awareness of the issue, in the hope of reducing the fertility rate to 3.0 in five years & over time to 2.4.

¹⁴ 96% of Egypt's population live on just 4% of the country's land mass.

The government got into family planning under Col. Gamal Abdel Nasser, the architect of King Farouk's overthrow in 1952 who became Egypt's second president in 1956. After his sudden death in 1970 & with funding from foreign donors, it became a major policy focus for his successor, Hosni Mubarak, who blamed Egypt's untrammled population growth for holding back its development. But the Muslim Brotherhood didn't see it that way, as witnessed by comments by Dr, Abeer Barakat, the Brotherhood activist who was the Assistant Minister for Health responsible for family planning in the short-lived Morsi Presidency; for she said in May 2013, after assuming her post, that Mubarak had been "biased" towards family planning at the expense of fighting disease & that the government had no business telling people how many children to have; for "Manpower is a treasure ... (and) assigning a number is against reproductive freedoms, and ... human rights" (a sentiment echoed by a 62 year-old construction worker, & father of five, who said government need not tell people how many children to have since "The Creator takes care of the created."

EGYPT PLANS £30BN PURPOSE-BUILT CAPITAL IN THE DESERT **(The Guardian, Patrick Kingsley)**

- The, as yet to be named, city would have 5MM inhabitants¹⁵, 1MM homes, 663 hospitals, 1,250 mosques & churches, & a theme park 4x the size of Disneyland, and would be built within seven years, with the bombastic Housing Minister, Mostafa Madbouly, boasting, as he unveiled the project in front of 30 visiting emirs, kings & presidents¹⁶, "Egypt has more wonders than any other country in the world ... This is why it is necessary for us as Egyptians to enrich this picture - and to add to it something that our grandchildren will be able to say enhances Egypt's characteristics ... We are committed for the first phase" (*that would cover 100 square kms of the proposed 700*).
- Egypt has a history of building unfinished towns in the desert in the belief they will curb overcrowding in its cities, the most notorious example being New Cairo, a suburb to the East of that city that was to have attracted several million residents but after 15 years only houses a few hundred thousand. And David Sims, a Cairo-based urban planner, who catalogues the failure of Egypt's satellite cities in his latest book Egypt's Desert Dreams : Development or Disaster? says "It's just a bunch of crazy figures ... and there are questions like : how are you going to do the infrastructure? How are you going to get the water?"¹⁷ ... It will be interesting to see if anything comes of it, but I rather doubt it."

Cairo has 73 public hospitals for 7+MM people. This helps to put the project's lack of realism into perspective; for 663 of even only 200 bed hospitals would create a ratio of 3.9 hospital beds per 1,000 inhabitants, vs. Japan's 13.7 & Canada's 2.75, and 8x Egypt's own 0.5 ratio.

¹⁵ I.e. more than the other three 'purpose-built capitals put together (Islamabad has 1.8MM inhabitants, Brasilia 2.8Mm & Canberra 380,000)

¹⁶ At least some of whom would be deemed potential 'angel investors'.

¹⁷ While under colonial era treaties Egypt is 'entitled to the exclusive use of 82% of the water in the Nile, & Sudan to the other 18%, thereby denying any of it to the other dozen or so riparian countries, this is like to prove an untenable, & unenforceable, claim in the years to come.