

Quote of the week - "Afghanistan has men with long beards and pickup trucks and guns who hate the government. That is familiar to me. I grew up in Montana." - Kim Barker, the Chicago Tribune war correspondent in Afghanistan whose book, The Taliban Shuffle, about her experience there has since been turned into a movie, Whiskey Tango Foxtrot, with Tina Fey playing Barker

Quote of the week No. 2 - "The death of one man is a tragedy. The death of a million is just a statistic." Attributed to Joseph Stalin, it originated with Kurt Tucholsky, a Weimar Republic left-of-centre journalist whose books were deemed "Degenerate Art" in Nazi Germany, & burnt - *Whenever the goings-on in Syria & South Sudan make the headlines, this quote springs to mind.*

Dawn of a new era? - In 2009 Calgary-based Transalta acquired a 57 turbine windfarm near Pincher Creek in Southern Alberta, the oldest in Canada. It now plans to scrap it this spring after 23 years of operation - *it is challenging the Alberta government to put its money where its mouth is about changing from coal-, to renewable energy-, power generation; for it says it is "very interested in repowering this site. Unfortunately, right now, it's not economically feasible."*

German bank makes history - In early March Germany's Berlin Hyp, a US\$30+BN Euro-, 550+ employee-, privately-owned-, bank specializing in commercial real estate financing, sold a 3-year, 500MM Euro bond issue at a yield to maturity of -0.162% - *and so the madness spreads!*

Meir Dagan - In 2002 Prime Minister Ariel Sharon made him Head of Mossad to shake up an intelligence/counter-terrorism agency Sharon thought was "too diplomatic". He served as such for nine years under Prime Ministers Sharon, Olmert & Netanyahu, and was supposedly responsible for sabotaging Iran's nuclear program by having some nuclear scientists assassinated & by having the Stuxnet 'worm' inserted in its computer system (*definitely not "diplomatic" activities*). Upon his recent death, Prime Minister Netanyahu was effusive in his praise, saying "Meir was determined to ensure the Jewish people would never be helpless and defenseless again ... and dedicated his life to building up the strength of the state of Israel". In so doing he chose to ignore that Dagan after retiring had criticized him for preparing for a (*never used*) military option against Iran's nuclear program (calling it a "stupid idea" that wouldn't achieve its goals & could cause a regional war) & failing to seriously pursue a peace deal with the Palestinians, and finally, last year after Netanyahu was returned for a third term, told a political rally calling for (*long-overdue*) political change¹ "How did it happen that the country, stronger by far than all the countries in the region, is incapable of carrying out a strategic move that will improve our situation ...the answer is simple : We have a leader who is fighting one campaign only, the campaign for his political survival."

New York City police officer gets 'unhorsed' - On March 2nd Gunny, a New York City police horse was startled by a sudden loud noise, dumped its rider & galloped through the crowds to a

¹ Israel is the only country in the world that has **both** a former President **and** a former Prime Minister cooling their heels in jail. Moshe Katsav, President from 2000 - 2007, was found guilty in 2011 on two counts of rape & one of obstruction of justice, and is serving a seven year sentence, and Ehud Olmert, Prime Minister from 2006-2009, the last Prime Minister on whose watch there were serious negotiations with the Palestinians, last month started serving 19 months for bribery & obstruction of justice while mayor of Jerusalem & Minister of Trade, and still has appeals outstanding on an 8-months sentence for unlawfully accepting money from an American supporter.

nearby parking garage where the police keeps their horses during breaks. - *it is part of horses' 'fight or flight' syndrome mentality to flee, when startled, to the safety of familiar surroundings.*

Official firearms - On April 1st the Barrett 50-calibre rifle became Tennessee's, with one State Senator calling this a tribute to "Tennessee's ingenuity and manufacturing" since it was invented by a Tennessean, NRA Board member Ronnie Barrett, & is being manufactured in Christiana, Tenn. Originally designed for military use, its detractors *rightly* claim it can "penetrate light armour, down helicopters, destroy commercial aircraft and blast through rail cars"² & according to the San Francisco-based Law Centre to Prevent Gun Violence is "among the most destructive weapons legally available to civilians in the United States". The trend towards having official state firearms is of recent vintage; it only got started in 2011 when Utah adopted the Browning M911 pistol as its official state gun. Tennessee is the seventh state to have done so; others include Pennsylvania (the colonial-era Pennsylvania Long Rifle), West Virginia (the 1819 flintlock rifle) & Arizona (the Colt revolver, "the gun that won the West") - *but a .50 calibre is light years from those in killing power (it was used by snipers in Afghanistan because of its greater range, up to 2,000 metres/1.25 miles, & "greater lethality" - there is no good reason imaginable for civilians to own one).*

Oldest man in the world - According to Guinness World Records it currently is Israel's Marco Frigatti. Born in 1903 in Poland, he survived Auschwitz (while in his 40s) but lost his wife & family there, and on March 11th was 112 years & 178 days of age.

Pakistan's oil and gas reserves - In June 2013, the EIA revised its estimate thereof upward to 586TCF of gas (105TCF 'technically recoverable') & 227BN bbls of oil (9.1BN). But last November Pakistan's Petroleum & Natural Resources Minister Shahid Khaqan Abbasi told reporters that a study undertaken with support of USAID between January & November 2014 had identified 10,159TCF of shale gas (95BN TCF recoverable) & 2,323 BN bbls of shale oil (14BN bbls), based on data from 1,611 wells & samples sent to the New Tech laboratory in Houston for assessment - *the "technically recoverable" rate is a moving target that depends on two things. One is technology (thus the 10BN bbl Pembina pool underlying central Alberta was abandoned after 20% or so of the oil in place had been recovered, until shale technology made it once again a 'hot play'). And secondly, & with greater volatility, on price (thus back in the mid-90's when the Hibernia offshore platform off Newfoundland came on stream & oil was in the US\$20 range, it was said to have 625MM bbls of reserves & capable of producing oil for 15 years at an initial daily rate of 125,000 bbl/d., whereas today, twenty years later, it is still producing at a 100,000+ bbl daily rate rate (& for years produced at rates well in excess of 125,000 bbl/d) and has reserves, after 20 years of production but at a US\$30+ base price, not unlike what they were said to be 20+ years ago.*

Sign of aging populations - London-based Euromonitor International researches & documents trends in 200+ categories in 206 countries. It recently noted that sales of adult diapers are expected to grow by 48% by 2020 vs. 2.6% for baby diapers. And both Kimberly-Clark & Procter & Gamble³ expect to be selling more adult-, than baby-, diapers within a decade.

² The very range of uses for which the original .50 calibre machine gun was designed for by John Browning during WW I (although then there were no helicopters yet).

³ The two largest diaper manufacturers in the US with 39% & 31% market shares respectively.

Smart (electricity) meters - They record, & communicate to electric utilities, individual customer usage at regular time intervals, and supposedly save consumers money & help the environment. But more important for utilities, they provide two-way communications with their distribution network (& *clear the way for introducing "dynamic pricing"?*⁴) that enables them to remotely turn off power to a customer, get usage info *without human meter readers*, limit the amount of power a customer can draw at any time, detect outages & 'unauthorized use', and remotely change customers' billing arrangements. Since 2009 the number of installed smart meters in China has gone from zero to 400MM (*i.e. to a majority of users?*) while in the West, where they have been controversial for invasion of privacy reasons, growth has been slower (despite government funding support in some countries, incl. the US), & the number went from 10MM to 50MM in the US & in the EU from 50MM to 75MM. One problem the industry has yet to get a grip on is that of 'information overload'; for, while the capital cost of installing smart meters is relatively modest, once installed they can start spewing out so much information as to make processing it a potential financial burden.

GLEANINGS II - 658SP
Monday March 21st, 2016

FEBRUARY WAS THE WARMEST MONTH IN RECORDED HISTORY
(The Guardian, R. Mckie)

- It surpassed last December's record high. The global temperature was 1.35 C above pre-industrial levels, close to the 1.5 C target of last year's Paris climate conference, although Prof. Richard Betts, Head of Climate Impact Research at Exeter University, says "it remains to be seen if temperatures are going to continue to rise this steeply ... but ... this is a worrying sign." While the current El Niño is starting to slow, for meteorologists can see its strong conditions across the equatorial Pacific Ocean easing from their 2015 highs, they believe this year will be the hottest on record, warmer than even 2015 and, furthermore, that this is not *solely* triggered by the unusually severe El Niño, with Prof. David Vaughan of the British Antarctic Survey saying "This is catch-up of a recent hiatus that has occurred in rising global temperatures. We are returning to normality : rising temperatures. This is an absolute warning of the dangers that lie ahead."
- According to NOAA (US National Oceanic and Atmospheric Administration) most of Earth's surfaces were warmer than the average. Drought in the Pacific's Marshall Islands forced its government to issue a state of emergency warning, France has had the hottest winter since records began. Arctic sea ice is 1MM square kilometres less than the average for this time of the year. In Indonesia the government last week announced emergency action to deal with an alarming rise in fire-risk dangers spots across the country⁵, with Prof. Betts commenting "El Niño helped to turn Indonesia into a tinderbox." Ethiopia is having one its worst droughts ever (according to the UN, 10+MM

⁴ This is a relatively new concept using sophisticated algorithms that is increasingly used in service industries with finite lifetime products, like airlines, hotels, public transit & toll roads to try & shift demand from high-, to low-, usage periods.

⁵ While many fires are started by farmers clearing land, the dried-out nature of the vegetation has tended to have in many cases caused them to spread uncontrollably.

people⁶ need emergency food aid), hit doubly by changing rain patterns & El Niño, causing rains to fail, crops to wither & cattle to die. And no place has warmed more than Alaska where temperatures have been up to 7 C above average & where the melting permafrost is causing buildings to collapse.

And yet, in the face of all such scientific & empirical evidence, some people remain wilfully blind.

THE 30-YEAR ECONOMIC BETRAYAL DRAGGING DOWN GENERATION Y'S INCOME
(The Guardian, Caelinn Barr & Shiv Malik)

- An analysis using data from LIS (Luxembourg Income Study), the world's largest data bank on international incomes, into the prospects for those born between 1980 & the mid-1990s, found that, while 30 years ago young adults earned more than the national average, this is no longer so; they now earn as much as 20% less, with pensioners having had much higher disposable income growth than young people. Shown below is the % deviation from in the long-term national average rate of income growth for three age cohorts in eight countries (that account for 43% of global GDP) :

	----- age cohort-----		
	25-29 years	65-69 years	70-74 years
UK (1979-2010)	-2%	+62%	+66%
Canada (1987-2010)	-4%	+ 5%	+16%
Germany (1978-2010)	-5%	+ 5%	+ 9%
France (1978-2010)	-8%	+49%	+31%
US (1979-2010)	-9%	+28%	+25%
Spain (1980-2010)	-12%	+33%	+31%
Italy (1986-2010)	-19%	+12%	+20%
Australia (1985-2010)	+27%	+14%	+ 2%

This has all the makings of future 'inter-generational warfare'. According to OECD Secretary-General Angel Gurría "This situation is tough on young people ... They were hit hard by the Great Recession, and their labour market situation has improved only little since ... This is a problem we must address urgently. Kicking it down the road will hurt our children (& even more so our grandchildren?) and society as a whole."

GREENSPAN SAYS NEGATIVE RATES 'WARP' INVESTMENT BEHAVIOUR
(BB, C. Condon)

- In a February 29th interview he opined negative interest rates are "I wouldn't say dangerous, but ... clearly not productive ... The big argument about excessively low interest rates for a very long period of time is that it warps the investment pattern of real investments." And he is not optimistic about growth in the US or globally, largely because business investment is so low, eroding companies' productivity growth, saying "We're in trouble ... productivity is dead in the water ... Real capital investment is way below average. Why? Because business people are very uncertain about the future ... (and) I don't see how we ... can bring the entitlements down, which means we're going

⁶ I.e. 10+% of its population. Part of the problem has been deforestation that has contributed to changing rainfall patterns : in the past half century it is believed to have lost 98% of its tree cover.

to get some form of political crisis, which is what we're in the process of getting now ... Where this ends up, I do not know."

He is just giving voice, like Trump, to what many others are thinking, but as a nonagenarian has the luxury of not having to care about where the chips may fall (or whom they may hit).

CONSERVATIVE ERA IS OVER (U.S. News & World Report, Sean Wilentz)

- "It's gone," said Ed Rollins, Reagan's Political Director, about his once formidable nation coalition, "It doesn't mean a whole lot to people anymore." That was in December 2007 (*the start of the run-up of Bush 43's re-election*). While for four decades conservative ideas & policies dominated US politics, now almost every element of Reagan conservatism is in disrepute, incl. his cornerstone ideas of unregulated free markets & trickle-down prosperity.
- It all started with Bush 41 who only won in 1988 by running a scurrilous campaign⁷. In 1992 Clinton won back part of the Reagan coalition but only until Newt Gingrich's scorched-earth counterattack won them back. Bush 43 became President in 2000 by a single conservative vote on the Supreme Court, tried to surpass the Reagan agenda & then, after 9/11 sought to exploit the "war on terror" to partisan advantage but handled its aftermath so badly that in 2004 he was re-elected only due to Democratic weakness & public fears over national security but then mismanaged his second term so badly as to end up being the least-liked modern president with a disapproval rate higher than even Nixon's when he resigned.
- Clearly the public has repudiated what remains of a political era that has come to stand for reckless, top-dog, supply side cure-alls, overzealous regulation and hapless "small government" dogma that has been worsened by arrogance & bungling. A new political era may be struggling to be born, but an old one has *certainly* died.

The author has taught history at Princeton since 1979 & is a Clinton family friend. and has long been critical of the Bushes & of the GOP, warning that it was 'descending into extremism'.

WHY TRUMP NOW? (NYT, Thomas B. Edsall)

- The economic forces driving the 2016 nomination contests have been at work for decades. The share of GDP going to labour has gone from 68.8% in 1970 to 60.7% in 2013. The number of manufacturing jobs dropped 36% between 1979 & 2015 as the population grew 43%. The real average hourly wage grew by just US\$1.49 between 1964 & 2014. Since 2000 the only household income group to have grown in number is that with incomes < US\$35,000 (i.e. Americans were moving down the ladder) & the cost of trade with China has fallen disproportionately heavier on the low income classes. But the social stew really began to roil with the September 2008 financial collapse which people from both right & left attributed to reckless financial engineering on Wall Street that, according to MIT economist Daron Acemoglu, "put the nail in the coffin of trust in government." For it gave rise to a widespread sense that the Washington & New York elites were bailing out the miscreants who had caused the crisis & kept their bonuses

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That in its late stages was so focused on the case of convicted murderer Willie Horton, who had been furloughed, only to commit another murder, on his opponent's watch as Governor of Massachusetts although under a law initiated by a Republican, that Bush's campaign manager, Le Atawater, among the more nasty political operators ever, bragged that "By the time we are finished, they're (i.e. voters) going to wonder whether Willie Horton is Dukakis' running mate".

safe, while the hoi polloi lost their jobs & homes. Then on January 10th, 2010 the Supreme Court's Citizens United decision⁸ removed the restraints on the elites' ability to buy political influence to feather their nests. And Obamacare offended many middle-, & working-, class Americans who saw it as diverting healthcare dollars from them to others. This resulted in a swing to the Right *in the GOP* & the emergence of the Tea Party movement, with *middle-, & working-, class* voter anger targeting both the "undeserving" rich & poor. And those who cast their votes in anger in 2010 & 2014 *were angered even more* when nothing changed : Obamacare stayed & the elites kept looking after themselves, while they themselves continued to go nowhere. So, already disillusioned with the Democratic Party, white voters became equally convinced the GOP was failing them as well, as witnessed by a September 2015 Ipsos survey that found that, when people were asked "more and more, I don't identify with what America has become", 72% of Republicans concurred, along with 58% of independents & 45% of Democrats⁹, and that 62% of Republicans, 53% of independents & 37% of Democrats agreed with "These days I feel like a stranger in my own country."

- The GOP establishment has been wedded to a blind faith in the long-discredited Reagan era "trickle down theory", causing it not to demonize unregulated finance or free trade but 'the other', immigrants who took away jobs & claimed undeserved government support¹⁰. So Trump has mobilized a constituency that will remain enraged if he were to lose, convinced he was defeated by a self-serving elite. But if he were to win, it will likely be proven to have wasted its energies on a candidate incompetent to better their lives.

Americans are fed up with a political class 'inside the Beltway' that is unduly focused on ego-tripping political gamesmanship & living high off the hog at their expense, rather than on attending to the wellbeing of the nation & its people, i.e. are not doing what they are being paid to do.

GOLDMAN SACHS DITCHES PLANS TO BID FOR RUSSIAN BOND (bidnessetc, M. Blanc)

- *Russia has for a couple months been 'talking up' the possibility of floating a US\$3BN sovereign bond issue.* This would be its first trip to the market since sanctions were imposed in the wake of its involvement in Ukraine. Earlier Goldman's marketing people had expressed interest in being the lead underwriter but senior management nixed the idea after being warned off by Washington. Earlier JPMorgan too had backed off, quoting 'political risk', & from the get-go no other too-big-to-fail banks had been interested.

The EU has since warned its banks against getting involved; so this idea is likely still-born.

⁸ That a September 2015 Bloomberg poll found that 78% of voters want overturned (with significant unanimity across the political spectrum : Republicans 80%, Democrats 83% & Independents 71%).

⁹ Although not necessarily for the same reasons.

¹⁰ The irony of which is that, as shown in the 30-year economic betrayal item, the aging white voter cohort that is most vocal in their criticism is itself part of the problem.

PM BUCKING TREND WITH OAS (OLD AGE SECURITY) DECISION¹¹ **(FP, Andrew Allentuck)**

- In an interview with Bloomberg TV on March 17th Prime Minister Justin Trudeau said “Next week’s budget will confirm that we are keeping the old retirement age at 65 ... How we care for the most vulnerable in our society is very important.”

*Sounds great, but isn't. For, generally speaking, Canada's Boomer-, & "X" -, generations are the best-heeled retirees in history, having lived 'high off the hog' in their working years at the expense of their grandchildren, as their government ran deficits for 47 of 57 years, an indication that they weren't paying in full for their government-provided services & benefits. If he had been true to his (Liberal) convictions, & really cared "about the most vulnerable", Trudeau might have lowered the income level at which the now universal Old Age Security (OAS) starts getting 'clawed back' from the current \$73,682 [which seems high for a country in which at last report (2013) the median family-, & individual-, incomes were in the \$76,000 & \$27,000 ranges] with possibly a transitional arrangement for low income people. It is beginning to look increasingly as if his avowed "sunny ways" are little more than a euphemism for an unwillingness to face up to-, and make-, hard decisions. Hiking the retirement age was one of the few things former Prime Minister Harper actually got right. Last but not least, this is not an issue that needed addressing right now since the change would only have been 'eased in' between 2023 & 2029 - in all likelihood his decision will be one a future government will be **forced** to reverse once again at a time not of its choosing (with those affected likely given less time to adjust). Anyone interested in the back ground to this issue may find more 'below the line').*

WHAT TO EXPECT AFTER MODERATES SWEEP THE IRANIAN ELECTIONS **(Epoch Times, Gary Feuerberg)**

- The election was really a referendum on President Rouhani's policies of opening up to the West, the nuclear deal, economic reforms, more individual freedom & reduced sanctions. Robin Wright, a Joint Fellow at the U.S. Institute of Peace & the Woodrow Wilson International Center for Scholars¹² summed up the outcome as follows : “The voters rejected big-name hardliners who had blocked reforms at home and tried to stymie the nuclear deal with the outside world. The result is a wave of new faces in Iranian politics; only about a third of the winners are incumbents ... The number of women almost doubled, and younger candidates also won more seats. The largest bloc will be made up of centrists, moderate conservatives and independents, with a few real reformists” (who often had the highest vote counts). But Brookings' Suzanne Maloney thinks this may not result in major change since “it really wasn't the parliament *that was* holding the president back”; for lawmakers *in the past parliament had* approved his most important cabinet members, not blocked the nuclear deal, nor “the rehabilitation of

¹¹ In 2012 already an OECD report, The Pensions Outlook 2012, were underway-, or planned-, in 28 Out of its 34 members countries. But it warned that in only a handful of them these increases were expected to keep up with increased life expectancies and it suggested that governments might be wise to link retirement ages to life expectancies. Higher age eligibilities for government pensions are known to be eased in, among others, in Australia, Belgium, Denmark, France, Germany, Ireland, Netherlands, Spain, UK, the US,

¹² Both are based in Washington, D.C. The Institute was founded in 1984 as a 'non-partisan, independent, but federally-funded, think tank with a mandate to analyze conflicts around the world and the Center by an Act of Congress to be part of the Smithsonian Institute.

the Iranian economy”, although she conceded that now, with those generally supportive of President Rouhani dominating parliament, “it’s going to be more difficult for conservatives ...to criticize Rouhani’s [fixes of] long-term structural issues of the Iranian economy.”

*What really matters is not that change may not happen quickly but that it is happening at all¹³. For the regime did it utmost to keep ‘undesirables’ from running; thus 78% of those desirous of running for the 88-member Council of Elders were deemed ‘unqualified’ (incl. a cleric grandson of the late Ayatollah Khomeini), & 60% of those wanting to run for Parliament. In the final analysis, only two things may **really** matter : whom the now somewhat less hardliner-dominated Assembly of Elders in due course will elect to succeed the septuagenarian, & supposedly ailing, Supreme Leader, and how the Revolutionary Guards will react; for it has significant military ‘muscle, controls one-third of the economy,& is said to have more political heft than the entire cabal of Shia clerics.*

LAW MAKERS WANT TO BAN ISLAMIC VEILS IN PUBLIC (WP, Sudarsan Raghvan)

- Some Egyptian lawmakers purport niqabs (*the black cloth covering the entire face except the eyes*) to be un-Islamic with one, Asthma Nosseir, a professor at Cairo’s Al-Azhar University, even arguing the Koran contradicts its use & it actually was a Jewish tradition in the days before Islam, and others that a ban is needed for security reasons & to foster a moderate religious landscape. So the government is said to be drafting legislation to ban the wearing of the niqab in public areas & government offices.

Cairo University already did so last year & a lawsuit launched by some of its staff seeking to have that decision reversed was tossed out by a judge earlier this year. This is likely an attempt by President Al-Sissi to curry favour with Washington so as to keep the annual US\$1+BN in (military) aid flowing. The Brotherhood’s reaction will be that of a bull to a red flag & it will be hard to enforce, if not outright ignored, outside the major urban centres where most Egyptians still live & where the Brotherhood is strongest. Former strongman Hosni Mubarrak too tried this but didn’t get very far (although the rural population was then greater than today).

BANK OF ENGLAND’S CARNEY WARNS EU EXIT A RISK TO FINANCIAL STABILITY (AP)

- In testy exchanges with MPs on a House of Commons committee Mark Carney did his best to avoid saying anything those for & against a Brexit could use to bolster their case, although he did say “The issue is the biggest domestic risk to financial stability because, in part, of the issues surrounding uncertainty” & he did opine the debate on EU membership potentially could “amplify” risks surrounding trade & investment, housing and financial markets, that “without question” London, Britain’s financial centre would lose business if it voted to leave the EU without making arrangements for financial professionals to work freely in the 28-nations in question & that he was aware some financial firms were making contingency plans to relocate in case the referendum were to favour leaving.

At last report the average of six polls tracked by The Telegraph found 15% “undecided” & among the rest a 51-49 split in favour of leaving (in the past six months support for the Stay side has never exceeded 55% & that for the Leave side never fallen < 45%). Meanwhile, in Scotland

¹³ It is seldom change itself that matters, but **rates** of change

Prime Minister Nicola Sturgeon has started readying for another independence vote in case the rest of Britain votes to leave, while in Wales for the first time in two years polls are showing more support for staying, with voters having become aware of the dollops in EU subsidies they have benefitted from in years gone by & could expect to benefit from in years to come.

PAY FOR UK BOSSES IS 'ABSURDLY HIGH (The Guardian, Daniel Boffey)

- This is the conclusion of a groundbreaking LSE study of the UK's top headhunters that is a damning indictment of the state of executive pay at a time another study of FTSE 100 company accounts showed the average pay package of a top CEO is £4.6MM¹⁴. Interviews with the top intentional recruitment firms behind 70-90% of CEO appointments in recent years found a consensus among these 'corporate kingmakers' that remuneration levels for senior executives are "absurdly high", that for every CEO appointed they could have found 100 more that could have filled the job just as well, that many of those appointed were "mediocre", & that asking for a larger remuneration than offered had been a winning strategy. One headhunter opined that "the wage drift over the past 10 years ... has been inexcusable, incomprehensible, and ... very serious for the social fabric of the country" & another that "I am a great defender of capitalism and the market, and what worries me about all this is that it threatens to erode the market."

According to Stefan Stern, Director of the High Pay Centre¹⁵ (that conducted the FTSE 100 pay study noted above) there is a systemic problem with executive pay & that "Some top bosses, it seems, are keen to manage all their costs - except the cost of employing them."

VIKING FISHING VESSEL SUNK BY INDONESIAN AUTHORITIES (The Maritime Executive)

- Last February 26th the Indonesian authorities arrested the *Nigerian-flagged* FV Viking & its Chilean crew off the coast of West Java, where it had been fishing for toothfish¹⁶ (after being alerted by the *San Juan Island, Wash.-based* maritime conservation *Sea Shepherd Society* to its presence in Indonesian waters¹⁷) & on March 13th sank it there. According to Maritime & Fisheries Minister Susi Pudjiastuti "This stateless vessel has done illegal, unreported and unregulated fishing in some parts of the world for a long time"¹⁸, while President Widodo twittered that "thirteen countries have been hunting it".
- The Society's vessel, the MV Shepherd, had for some time been seeking to put six rogue fishing vessels ("the Bandit Six"), that had been exploiting loopholes in international law for over a decade, out of business & this was the last of them (the Thunder was scuttled last April by its crew in waters-, and the Songhua & Yongding

¹⁴ Almost 10x that of the highest-paid CEO in the UK two decades ago.

¹⁵ A UK-based think tank carrying out research & analysis on issues related to top incomes, corporate governance and business performance (that is generally critical of existing pay practices and advocates policies designed to reduce income inequality).

¹⁶ A cod-like but much bigger & more valuable (up to US\$25 lbs/US\$55 kg) fish that appears on restaurant menus as "Chilean Sea Bass.

¹⁷ It is a so-called "ghost" fishing vessel that changes its name & registration frequently, and makes itself hard to find by not broadcasting any type of satellite signal.

¹⁸ Thus in 2013 Norway had lodged a complaint with Interpol for it doing so in Norwegian waters.

were apprehended a month later-off West Africa, the Perlon detained by the Malaysian authorities that same month, and last month the Kunlun was arrested, once again off West Africa.

*Prone to corruption as West African & Malaysia are, the other five vessels may well reappear on the world's oceans with a different moniker & registry. But since Widodo came into office in 2014, Indonesia has ramped up its fisheries enforcement & is said to have arrested & blown up as many as 150 vessels caught illegally fishing in its waters, with Ms. Pudjiastuti warning " This is to serve as a deterrent ... you may go freely in the rest of the world , but upon entering Indonesia, this is the consequence". The largest toothfish stock used to be in the South Pacific but it has been overfished to the point of depletion (as is the case for as many as 70% of the world's most valuable fishstocks). Between 1950 & 2012 global fish production rose from 20MM to 160MM tonnes (i.e at a CAGR of 3.40%) as the world's population grew to 7.0BN at a 1.65% CAGR, while the fish stocks didn't grow much, if any. The only good thing that has happened is that production of 'farmed fish' grew from 8MM tonnes in the late 1980's to 70+MM tonnes in 2012 (i.e. at a CAGR of 9.65%), although the FAO estimates that at its 2012 catch level, wild fish catches were about 10MM tonnes (12%) about their sustainable level. Apart from over fishing the outlook for the fishing industry is clouded by, among others : **overcapacity** (the FAO estimates there are about 2½x as many fishing vessels as needed to harvest at a sustainable rate), **bycatch** (30%, or more of all fish caught is of insufficient commercial value & dumped back, dead, into the sea, along with assorted other marine life, incl. birds, turtles & ocean-dwelling mammals), **rising ocean water temperatures**, **stun/dynamite fishing** (that stuns or kills fish upon which they float to the surface for easy collection¹⁹), and **habitat-, incl. coral reef-, destruction**. And with open ocean fishing beyond territorial waters having been a lawless free-for-all, first come, first served melee without regard for the future, fish stocks there are now so depleted that 'poacher fishing' in territorial waters where fish stocks have been managed is becoming a problem which the Indonesians are dealing with in the only effective way.*

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The 65-year retirement age goes back to the 1870's when the arch-conservative Prussian Prime Minister, Count Otto von Bismarck, introduced the welfare state concept in the belief that if people thought they had a stake in society they would produce better soldiers who would fight harder (to protect them). As part thereof he created a universal pension scheme but set the retirement age at 65, at a time the average life expectancy was 61, to 'cap' his government's liability. In 1935, when Roosevelt signed the Social Security Act it kept the same 65-year retirement age even though the average life expectancy by then had risen to 66. And in the mid-1960's, when the Pearson government radically overhauled Canada's state pension system, it too adopted the 65-year benchmark, despite the fact that by then the average life expectancy had risen to 71 **and** that ever since 1927, when state-paid old age pensions first became part of Canada's political landscape, 70 had been the benchmark age.

In Canada old age pensions first saw the light of day in 1927, paying up to \$20 monthly depending on other income & assets, and covered all British subjects 70 or over who had lived in Canada for at least 20 years. The 1951 Old Age Security Act upped the amount to \$40 monthly, made it available to all Canadians 70 or over who could meet more liberal residence requirements, dropped the means test, & was fully taxable. At the same time the Old Age Assistance Act provided \$40 to retired Canadians aged 65-69 who could pass a means test. In

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After WW II in Holland we used to do that with handgrenades; it works really well.

1965 the universal payout washad been raised to \$75 monthly & Ottawa, effective 1966, introduced the Canada Pension Plan (designed to cover 92% of the work force & replace 25% of the average industrial wage) under which both employees were to contribute to a wage-related pension at age 65. Then, another year later, the Old Age Security Act was amended to provide, effective in 1967, a tax-free, but income-tested-, supplement to pensioners in receipt of OAS with little, or no, other income. At last report, the maximum OAS payout for singles was \$579.52 monthly, that for CPP 1,092.50 & for GIS (Guaranteed Income Supplement) \$773.60, subject to the provision that after a GIS recipient's income exceeds \$17,304 it will be reduced by \$1 for every \$2 by which its exceeds that amount.

When the CPP was set up, the actuaries advised the government that, to be actuarially sound, the contribution rate would have to be 5.1% for both employer & employee, a level that the government of the day deemed politically unacceptable; so it arbitrarily set it at 3.6%. In other words, everybody in the work force at that time, *incl. myself*, got a freebie in the sense that they were paying less than needed to fund their pensions. In addition, during the initial ten years anyone turning 65 would receive a pension bigger than their contributions would have warranted²⁰. Then during the next two decades, much of it under the aegis of Trudeau Père, the rate was kept the same while the benefit package was 'enhanced'. Last but not least, the mid-1960's actuarial tables used have since been proven to have been far too optimistic; for the average life expectancy has gone from 71.87-, to 81.85-, years (thereby lengthening the average payout period by 140%). While the contribution rate today is 4.95% each (once again for political reasons, since justifying a rate of 5% or more would have been 'politically difficult'), and the CPP's unfunded liability at last report (2012) was \$829BN, almost double its 15 year-earlier level, it is hard to take seriously the claim that the CPP is "sustainable over a 75-year projection period."

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Thus there is anecdotal evidence of an individual, who was 64 years of age when the CPP was introduced & therefore contributed for only one year, & being self-employed, paid both the employer & employee contributions for a total of \$151.20, the following years started drawing CPP at a \$46 monthly rate & when he died 25 years later was getting almost as much per month as he had contributed in total in the one year he did so.