

Better educated women are having more children - The May 23rd, 2015 Economist article Having it all, and then some on a 2010 US Census data-based Pew Research report noted that, while the US fertility rate has dropped to a record low¹ because teenagers & young women are having fewer babies, well-educated women are having more children; for between 1994 & 2014 the % of childless women aged 40-44 had declined, for those with an MD or Ph.D. from 35% to 20%, a Masters 29% to 22%, a Bachelor's 24% to 19%, high school & some college 14% to 13% & less than high school 10% to 7%. It opined that mothers once spent 7x as much time with their children as fathers, whereas today it is 2x ('affecting women's inclination to have a second child').

Canadian canola growers acting like spoiled children? - Dockage is the term used for the maximum foreign material (weed seeds & stems, chaff, straw, dirt & other grains) allowed in bulk grain shipments. For Canadian canola exports it is 2.5% (5x that for wheat). Beijing announced last month that effective September 1st, it would set it at 1% for its canola imports (of which Canada accounts for 4MM tonnes per year/40% of our canola exports). So the canola lobby is whining this would "cost too much" & prevailed upon the PM to raise the issue during his visit to China this week - *The reality of life is that canola is a generic product, for which the buyer sets the terms & the producer has the choice between going along or lose the sale; while it has been announced quite conveniently that the two sides will 'keep negotiating, Beijing has no good reason to give in, especially since Prime Minister Trudeau during his visit there has been publicly hectoring Beijing for its human rights record.*

Growing concern for the Clinton Camp? - That the black voter turnout in November may be less than in 2012. Worse still, that this will be less due to the colour of her skin (or her sex?), or to Trump's blandishments, than to a trend; for while black voter turnout grew steadily after 1996, it peaked in 2008 at 76.6% vs. 73.6% for whites & in 2012 slipped to 65.2% for blacks & 66.1% for whites) - *since the black vote is deemed solidly pro-Clinton, a lesser black turnout could have a disproportionate impact for Clinton (aggravated further if even a few were to vote for Trump).*

Fortunate taxi driver - This morning (*August 29th*) I took a taxi to physiotherapy. The Ghanaian driver had been driving taxi for 27 years & got his 'medallion' before Edmonton City Council in 1993 had the stupidity to limit their number, i.e. when all it took to get one was to go to City Hall, pay \$25 & have the appropriate class driver's license, while since then they have changed hands for as much as \$200,000+ & even post-Uber still go for \$60,000. So he is laughing all the way to the bank, saving himself the \$60 **per shift** his medallion 'renting' colleagues pay third-party owners, while owning an asset the Rol on which will remain all but inevitably infinite for some time to come.

Iceland in for a volcanic eruption? - Early August 29th it was shaken by two 4.5 earthquakes, giving rise to concerns this may prompt its largest volcano, Katla, 140 kms. East of Reykjavik, to erupt; for that's long overdue, it has long done so twice a century & last did so in 1918.

Impediment to the efficient use of PayPal? - Apparently it has been co-opted by OFAC (the US Office of Foreign Asset Control) to refuse to complete transactions that mention any one of a

¹ Although, at 2.06 according to the World Bank it is still in the replacement range, unlike France (1.99), UK (1.89), Netherlands (1.78), Sweden (1.67), Canada (1.60), China (1.56), Switzerland (1.49), Russia (1.46), Italy (1.43), Germany (1.44), & Japan (1.41).

long list of sensitive key words (like Cuba, ISIS), even if it is, say, part of the payor's street address.

Sweetheart tax deals - According to the Daily Mail former Danish Prime Minister & now EU Commissioner for Competition Margrete Vestager "has won a legion of fans over the Apple tax evasion" matter (& has declared war on sweetheart tax deals). But she picked on a relatively 'soft' target, Ireland, & one wonders if she intends to target Luxembourg, where the current President of the European Commission, Jean-Claude Juncker, during his long stint as that country's Prime-, & Finance-, Minister refined its sweetheart tax deal structuring to a fine art² - *and it is worth noting that two of the EU's most important officials have some cumbersome baggage, Juncker for the reason given above & ECB President Mario Draghi because he was Head of Goldman International during the early years of this century when the firm underwrote several bond issues for Greece that enabled it to be accepted in the Eurozone because the prospectuses Goldman wrote for those issues fudged Greece's really abominable fiscal situation.*

Three hundred reindeer killed by lightning - There have been an unusual number of lightning strikes in Europe. On August 26th in Norway 323 reindeer were killed by lightning over an area about 80 metres in diameter; for when the lightning struck, its electric charge traveled via 'ground current' through the soil & then up one of an animal's leg & out another.

GLEANINGS II - 674
Thursday September 1st, 2016

U.S. CONSUMER SPENDING RISES (Reuters)

- In the Second Quarter US consumer spending, that accounts for over two-thirds of all US economic activity, grew at a 4.4% annual rate, the fastest clip in two years (but in June at only 0.5%, revised upwardly from the initial 0.4%). And on August 29th the Commerce Department reported that it had grown by 0.3% in July, amid strong demand for cars.

While the article says this is "a pickup in growth that could allow the Fed to raise interest rates this year", all an objective third party can say is "Big Whoopee" for in July it grew at less than half the Second Quarter's average rate; if that is good news, hang on to your hat for the bad!

US JOB MARKET CLOSE TO FULL STRENGTH (Reuters)

- In an interview with Bloomberg TV Fed Vice-Chairman Stanley Fisher said US "employment is very close to full employment", three days after his boss, Janet Yellen, had told the Jackson Hole annual central bankers' clambake that the case had grown stronger in recent months for an interest rate increase, prompting Mr. Fisher later that day to say it might come as soon as the next FOMC meeting in September (*to be exact on the 20th & 21st*).

If it were to come in September, it would be an unpleasant surprise for many; for the Fed has historically been averse to make such a move in the latter stages of a presidential election campaign, for fear this would make it the move a political football. And it may have been

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And who now, for that very reason, is under growing pressure to resign.

presented with an 'escape hatch' by the August new job creation numbers; for last month only 151,000 new jobs were created, many of them of a low-paying nature, down from the 170,000 expected & little more than half of June's 271,000 & July's 275,000.

THE ECONOMIC RECOVERY HAS BYPASSED SCHOOLS (FiveThirtyEight, Ben Casselman)

•As 50.4MM³ children go to school this fall, there will be fewer 'teachers' than in years gone by (who on average are being paid less^{4 5}): while according to the Bureau of Labor Statistics in May 2008 US public schools had employed 8.4 MM teachers (& *other workers*), last May this was down to 8.2MM, despite 1+MM higher public school enrolment. So now student teacher ratios are at a post 1999 high, although well below their 1980s & most of the 1990's levels⁶. The staff cuts are due to the fact that during the Great Recession state funding declined 6.6% & local funding, that accounts for 45% of school budgets, 1%, resulting in 2.4% cut in inflation-adjusted per-student spending. And while federal dollars had picked up some of the slack, in 2014 they dried up. But the spending cuts were not universal: while a dozen states had grown their education funding, 15 others, many of which already spent least on public education, cut it by 10% or more between 2008 & 2014. And while aggregate spending on schools has slowly started growing again, the 'golden decade' for it appears over, with 50+5 of states now spending less per pupil than in 2008.

Public school system are getting growing competition from 'charter schools' that get less public funding and may have less qualified-, & lesser paid-, teachers, but often are administratively 'leaner', & get as good, if not better, results⁷. Starting with one in Minnesota in 1991, there are now 6,800 in 42 states & D.C. with 3+MM students (six times the number in 2000).

MILLENNIALS CAN'T PAY FOR BOOMER HEALTH CARE (G&M, David Dodge, Brian Golden & Tiff Macklem)

³ 31% of them in grades 9-12.

⁴ Earlier this month the NCSL (National Conference of State Legislatures) produced a report noting that the "teacher pay penalty" (the income loss vis a vis other professions) was "getting more and more severe" & that *hence* the number of college students considering teaching as a career is at an all-time low). This report may well have been inspired via lobbying by the NEA (National Education Association - with < 3MM members, down from 3.25MM in 2007, the largest union in the US) that represents those involved in the education process broadly defined, i.e. not just teachers at public schools & colleges but also support staff, since part of the funding shortfall is, in fact due to state legislatures being parsimonious).

⁵ According to the left-leaning Washington, D.C.-based Economic Policy Institute, In part due to the pusback in many states against *excessive* public sector salaries, average public school teachers' remuneration has declined 5 percent over the past five years.

⁶ The situation is worse than these numbers suggest; for in recent decades the number of those who work in schools in a non-teaching capacity who are included in the student-teacher ratio calculation has grown disproportionately faster than of the teaching staff, narrowly defined.

⁷ So over 60% of the students in private primary & secondary schools are now in charter schools.

- As a generation they face a double squeeze. Over the next two generations the growth potential of our economy is projected to be just 1.5%, half the rate it used to be (due to declining labour force growth as the Boomers retire & slower productivity growth) while the cost of our health care system is expected to grow at 3.5% annually, due in part to quality of care improvements but mostly due to population aging (the cost of healthcare for an octogenarian is 5x that for someone 65 years of age or younger & the ratio of seniors to working age population will go from 20% in 2010 to 50% by 2035). So the millennials with relatively stagnant incomes will face ever-increasing taxes to pay for the boomers' care, & at some point will balk. So what we need is a national effort to boost productivity, especially so of the healthcare system; for while it delivers a bigger bang for a buck than the US system, those of many other developed countries deliver more care more efficiently.

This is a thought-provoking article well worth reading in its entirety. It paints a scary, but altogether feasible, future of inter-generational conflict due to my generation's, & the generation behind mine, all but total lack of looking beyond the end of our collective noses & failure to think long-term, preferring to download the cost of our lifestyle onto future generations, rather than pay for it ourselves (David Dodge was Governor of the Bank of Canada from 2001 - 2008, Brian Golden is Vice-Dean of Professional Programs at the Rotman Business School-, & holds the Sandra Rotman Chair in Health Sector Strategy-, at the UofT, and Tiff Macklem is Dean of the Rotman School and was Dodge's Senior Deputy at the Bank of Canada from 2004 - 2007 (but left after being passed over by the now Bank of England Governor Mark Carney as Dodge's successor at the Bank.

PUBLIC PERCEPTION OF POLICE 'DAMAGED (EJ, Damien Wood)

- Doug King, a former Calgary Police Service research & planning analyst now teaching at Calgary's Mount Royal University says the growing number of questionable incidents involving the Calgary Police Service is eroding public confidence in it. Thus in late July it was announced the officer who had shot & killed a man in a hotel room in early 2015 would not face charges since according to the Crown there was no 'reasonable likelihood of conviction', although the Alberta Serious Incident Response Team, that investigates all "incidents involving Alberta's police that resulted in serious injury or death to any person", had found serious charges were warranted. And again when two police officers were relieved of duty & two assigned to desk jobs after dashboard cam footage had revealed how a suspect was badly hurt (*several ribs broken & a lung collapsed*) during an arrest.

Police being its own worst enemy is a continent-wide, rather than a Calgary-specific, problem.

TURKEY FIRES ON US-BACKED KURDS (Reuters, Humeyra Pamuk)

- On August 24th Syrian rebels backed by Turkish soldiers, tanks & war planes captured the 30,000 inhabitant city of Jarablus, just West of the Euphrates River, one of the Islamic State's last strongholds on Turkey's border with Syria. But the very next day Turkish troops fired on US-backed Kurdish fighters of the People's Protection Units (YPG), South of that city. And President Erdogan made no bones of the fact that, as far as he is concerned, 'Operation Euphrates Shield' is as much (*if not more?*) about ensuring that the YPG will not gain control over more territory in previously ISIS-controlled areas of Northern Syria than about fighting the ultra-hardline Islamist group (*that is rumoured to have served his family well by selling it oil at deep discounts from*

market prices). For as pointed out by his Defense Minister Fikri Isik, the YPG wants to unite the Kurdish-controlled areas East of Jarablus, & hence *the Euphrates*, with those further West (*of the river*), telling Turkish broadcaster NTV “We cannot let this happen ... Islamic State should be completely cleansed, this is an absolute must. But it’s not enough for us ... the YPG militia should not replace Islamic State there.”

This drama is playing out northern Syria, 100 kms. Northeast of Aleppo (& about twice that far East from Latakia, the coastal province in the country’s very Northwest that is the homeland of Bashar al-Assad’s Alawite tribe. The YPG controls a 50 sq. km. chunk of Syrian soil North of Aleppo along Syria’s border with Turkey & bigger chunk East of the Euphrates that were separated by about 120 kms. of ISIS-controlled territory until recently YPG units advanced 50 kms West of the Euphrates. Erdogan’s nightmare scenario is that it would link up both chunks & thus gain control over a 250 km-long stretch of its Southern border abutting the home region of its restless Kurdish population.

DONALD TUSK RANTS AT EURO ELITE (The Daily Express)

- A few days ago Donald Tusk, the former Polish Prime Minister & now the EU’s top bureaucrat, shortly after meeting with Luxembourg’s Prime Minister Xavier Bettel to discuss Brexit, the migrant crisis & Brussels’ growing unpopularity, *went out on a limb and* delivered a speech in which he said his Brussels colleagues were out of touch with reality & ‘totally unable to relate to the lives of ordinary people’. But in a subsequent speech, on September 1st he struck a more conciliatory tone & echoed the increasingly tough rhetoric on immigration that is taking hold across the continent, saying among others that “our priority should be to take back full control in the field of internal security and our external borders. It is not an accident that this issue ... was at the forefront of the referendum campaign in Britain”, adding that Europe was being ripped apart by a “growing fear of globalization ... fear about our economic future ... (*and that*) globalisation only benefits the elites.”

*After the earlier speech, someone must have taken him to the woodshed & as to the more recent one, doesn’t it sound familiar? (Tusk was a better than average Prime Minister during whose 7-year tenure the Polish economy grew at an average **real** annual rate of about 5%*

ECB’S LOW RATES ARE ‘HARMFUL (Reuters)

- Germany’s Finance Minister Wolfgang Schaeuble has for some time been warning of the dangers of the ECB’s low-rate policy & last June said that the German government believes that low interest rates should only be around for a limited period. On August 27th he did so again, being quoted in the Die Frankfurter Allgemeine Sonntagszeitung as saying “In the long run, the consequences of low interest rates or even negative interest rates are harmful, such as for retirement provisions” but that it would only be possible to start putting an end to loose monetary policy by implementing structural *fiscal* reform & more investment.

He is merely voicing the concern of growing numbers of non-central bank economists.

DEUTSCHE BANK REFUSES DELIVERY OF PHYSICAL GOLD ON DEMAND (Zero Hedge, Tyler Durden)

- Since 2007 the bank has offered a service to clients called Xetra Gold, that according to its website “is an attractive product” because it offers investors “the right for physical delivery of gold” (from the central bank’s vaults). Unit holders have since done so 900 times for a total 4.5 tons & at last report its gold holdings were 90.67 tons (up by 50% YTD). But when one holder recently asked for delivery, he was informed, to his surprise, that “for reasons of business policy ... the service was no longer offered”.

The demand for delivery likely was a function of the low/negative interest rate regime; for Germans in record numbers are buying home safes, since any asset beats money in the bank .

FINLAND TESTS GIVING EVERY CITIZEN A UNIVERSAL BASIC INCOME

(The Independent, Raine Tiessalo)

- On August 25th Finland announced it is proceeding with a test program to pay a basic income “to protect state finances & move more people into the labour market”. KELA, its Social Insurance Institution, will conduct an experiment involving 2,000 randomly selected welfare recipients & pay each a tax-free 560 Euro’s (£480) per month. The idea has been gaining traction in recent years, although rejected last June in a referendum in Switzerland June (that would have paid 2,500 francs/£1,950/US\$2,255)/adult & 25% of that per child).

The Netherlands is said to be toying with the same idea (that is driven by the expectation it would make government more efficient by eliminating the need for a lot of overlapping social assistance programs & reduce the disincentive for those in receipt of benefits under those programs to rejoin the work force, even on a temporary basis (in July Finland’s participation rate was 66.70%, down from 68.70% in June & from 71.80% in 2008, vs. 62.80% in the US, down from 65.70 in 2008).

MICROCEPHALY IS JUST PART OF ZIKA’S STORY (NYT, Pam Belluck)

- A study, published on August 30th in the journal Radiology, of brain scans & ultrasound pictures of 45 Brazilian babies whose mothers were infected with the virus during their pregnancy suggests that, because some of the damage evident in them was in areas that develop after birth, babies born without any obvious impairment at birth may experience unforeseen problems later on, especially in the areas that facilitate communications between the brain’s two hemispheres, those that play a role in movement, balance & speech, and those involved in thinking & emotion.

A year ago Zika-prompted microcephaly was first reported in Brazil. Since then a baker’s dozen other countries have reported cases thereof & 50 more proof of the presence of the mosquito spreading it &, worse still, there is growing evidence it can of it be spread person-to-person.

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JOHNSON, TAKING MORE VOTERS FROM HILLARY CLINTON THAN DONALD TRUMP, AIMS FOR A SHOCKER (The Oregonian, Douglas Perry)

- The Libertarian Party presidential candidate, Gary Johnson, is working hard to boost his poll numbers to enable him to join Clinton & Trump in the nationally-televised debates in *late* September & early October (hoping to gain enough national exposure to blow the pundits’ election outcome forecasts out of the water). To do so he needs to get 15% in the polls (*or more specifically in five designated polls*), up from his current 10% (& /

would not rule out that, if he only came close, those five polling entities may not see any problem, & may even deem it 'in the public interest', with jiggering the numbers to make sure he would).

- In the latest NBC/Survey Monkey poll Clinton has a six point, 48-42 lead head-to-head over Trump; but when Johnson & Green Party's Jill Stein are added to the mix, it drops to four points (41-37), i.e. brings it almost into the margin of error range). This has been a constant pattern in recent weeks, with Stein gaining a little ground from fringe leftists & disaffected Sanders supporters but Johnson pulling in independent voters, & more so from Clinton than Trump, with NBC News commenting on August 29th "The one group that is open to changing their minds are registered independents who do not lean to either party ... Trump has made inroads with this group." (*contrary to the message that CNN spreads*). And the independents who do not like Trump appear to be breaking for Johnson who is marketing himself as fiscally conservative, socially liberal & aggressively non-interventionist).

All this seems to shorten the odds somewhat on neither Clinton or Trump winning a majority in the Electoral College vote (that won't be held until December 19th, i.e. 41 days after the election itself), and the eventual choice going to the House of Representatives, in which case Hillary would be 'dead meat' since each state would only have one vote & .32 of the state delegations in the House are GOP controlled.