

**NOTE :** As I was finishing this edition the news came that in a drastic change of policy & without apparently having consulted Congress but after having forewarned Moscow since there were known to be Russians stationed there, President Trump had ordered the US Sixth Fleet in the Mediterranean to launch a Tomahawk & Cruise missile attack on a major Syrian military airfield partway between Homs & Damascus.

**Quote of the week** - "The most difficult subjects can be explained to the most slow-witted man if he has not formed any idea of them already; but the simplest things cannot be made clear to the most intelligent man if he is firmly persuaded that he knows already, without a shadow of a doubt, what is laid before him." - Leo Tolstoy.

**Quote of the week No. 2** - "If you don't fund the State Department fully, then I need to buy more ammunition ultimately ... So I think it is a cost benefit ratio. The more we put into the State Department's diplomacy, hopefully the less we have to put into a military budget as we deal with the outcome of an apparent American withdrawal from the international scene." - *Then 4-star Marine Corps General-, & now Defense Secretary-, James "Mad Dog" Mattis in addressing Members of Congress attending a 2013 meeting of the United States Global Leadership Coalition's National Security Advisory Council (for those interested, there's a little more detail 'below the line')*.

**Canadian infant care fees** - According to the '*left-leaning*' Canadian Centre for Policy Alternatives in Montreal & Québec City they're \$164 & \$179/month respectively, while in 20 cities in the other provinces they range from \$1,649 in Toronto to \$651 in Winnipeg, average \$1,066, & have a median of \$1,113 - *this is what infuriates many Albertans, the Quebec government doing nice things for its citizens with 'their money'; thus in the latest federal budget \$18BN, with two-thirds thereof going to Quebec, was allocated to 'equalization payments' ('to enable the poorer provincial governments to give the same level of service to their citizens as the richer ones, incl. Alberta, can from their own resources')*. But even now, at a time Alberta is running a deficit equal to roughly 20% of its budget, it is getting zilch by way of equalization payments.

**Police armbands** - In the morning of Sunday July 26<sup>th</sup>, 2016 two City of Ottawa police officers were despatched to a local coffee shop where a man (a 37 year-old Somali with known mental problems) was reported to be groping women. Shortly after they arrived, at 0930 hrs, they chased him 250 meters from the coffee shop to the apartment building where he lived, in front of which he was shot in full view of many bystanders, with a subsequently arrived paramedic reporting "no vital signs" at 0959 hrs. On March 6<sup>th</sup>, after a lengthy investigation by the Province's SIU (Special Investigations Unit), one of the officers was charged with manslaughter, aggravated assault & assault with a weapon. Some of his colleagues have since started wearing, & marketing nationwide<sup>1</sup>, special wristbands 'in solidarity' with him. While the Ottawa Police Chief banned his officers from wearing the armbands on duty & called on them to consider the message the wristbands are sending to the community at large and "the long-term impact on public trust this could create", much of the force, incl. his senior officers, have either not spoken out at all against the armbands or have only done so anonymously for fear of reprisals on the part of their colleagues - *It is hard to understand how adult professionals can fail to appreciate that broad public support for them in their often very challenging day-to-day activities is a most valuable, if not critical, asset & that their behaviour equates to sh\*\*\*\*\* in their own nest - this, by the way, is the same city in which the local police union chief*

<sup>1</sup>

With orders coming in from police officers across Canada, sales had at last report exceeded 1,200

*demanded, but didn't get, an apology from a sociology professor at Carleton University for having the temerity of including in his lectures a five-minute video of half a dozen British 'bobbies' armed with night sticks only effectively dealing with, & arresting without anyone getting hurt, a deranged man armed with a two-foot sabre.*

**Rent-the-chicken** - This Pittsburgh, Penn.-based franchiser, now active in a baker's dozen or more US states & at least two Canadian provinces, provides urban dwellers with an easy way of getting access to fresh eggs that supposedly contain "1/3 less cholesterol, 1/4 less saturated fats & 2x the amount of Omega 3 fatty acids". Because for \$375 it will arrange to have everything delivered to their home to produce a dozen eggs in their own back-yard for five months (June to October) : two hens, a predator proof pen (on wheels so it can be moved around one's yard on a regular basis to give them access to new feeding ground) & enough feed to keep them going for those five months, i.e. about 200 lbs) - *This is not a cheap way to get eggs (their cost would be about \$22/dozen, but this taps into the same vein of desire among many young-, & not quite-so-young-any-more-, urban dwellers, to get away from the chemically-laden & often taste-challenged 'farm factory-produced Frankenfoods'<sup>2</sup> on supermarket shelves, that, among others, has led to the growth of supposed 'organic food' offerings in supermarkets, of farmer's markets & community gardens, and of the old-fashioned 'canning' of fruits & vegetables & the '100 Mile Diet' (and just this week in Edmonton two elderly farmers made the news by proposing to donate their highly productive farm land within the City limits that the City has zoned for residential development to an entity that would undertake to preserve its agricultural status in perpetuity (in the process foregoing the millions of dollars that developers would have happily paid for it).*

**Retail bankruptcies** - According to the New York-based Alix Partners turnaround consulting firm, in the First Quarter of this year alone 9 retailers filed for Chapter 11 bankruptcy protection, the same number as in all of last year & that as a result 2017 could be a worse year than even 2008 (when there has been 20), and that the number of retailers on Moody's "distressed" list is at a post-Great Recession high. It blames all this on the fact there are "more stores than customers" & that private equity firms that had earlier gotten into the retail business via the LBO (Leveraged Buy Out) route have decided to try & get out while the getting is still good.

**GLEANINGS II - 704**  
**Thursday April 6<sup>th</sup>, 2017**

**FED MINUTES REVEAL DEBATE OVER INFLATION, TRUMP PLANS (AP)**

- The minutes of the Fed's March FOMC meeting were released on Wednesday April 5<sup>th</sup> *prompting the stock market to 'swoon' because some Fed officials had expressed the view that share prices were "quite high relative to standard valuation measures".* They

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Many years ago, when I had a farm, I used Monsanto's Glyphosate (aka Round-Up) copiously as a "post-emergence herbicide" to kill weeds in my corn fields when they were 2-4 inches tall & the corn maybe twice that. In the process, some of it eventually ended up via the plants' root systems & the animals' stomachs in the food chain. But today some Prairie farmers spray it on their nearly ready-to-harvest grain crops to 'ripen' them & facilitate the scheduling of their harvesting. And that's a whole different kettle of fish : for in this case the Round-Up is sprayed right onto the surface of the grain kernels that in due course are ground, Round-Up & all, into flour for your daily bread or delicious pastries - *Small wonder that a decade or so ago when an environmental group dared four leading MP to have their blood tested for 110 chemicals, some of them known carcinogens and/or of a gene-altering nature, their lowest count was 49 & highest 59.*

showed its members had struggled with two issues : if it was safe to let inflation rise faster for a while & the impact of President Trump's ambitious economic stimulus plans : some members worried the 4.7% unemployment rate posed a "significant upside risk" of higher inflation while others thought Trump's stimulus plans may not have much effect until next year. In the end the decision was to keep signaling future rate hikes would be gradual & that the Fed would be prepared to respond quickly to changes in the economic outlook.

*With FOMC members think the Fed's 2% inflation target will be reached by year-end, there was considerable support for the idea that since inflation has been so long below 2%, it might not do much harm to have it exceed 2% for a while. While there was also discussion as to when to start reducing the Fed's over-inflated balance sheet (now roughly 25% of GDP vs. 6% in 2008), Paul Ashforth, the 2010 Wall Street Journal Forecaster of the year & now Capital Economics' Chief Economist expects no action on the balance sheet until December by which time he expects there will have been three more rate increases.*

### **TRUMP WAS RIGHT ABOUT HEALTHCARE FOR MOST OF HIS LIFE** **(Washington Post, Fared Zachary)**

- In his 2000 book The America We Deserve he wrote : "I'm a conservative on most issues but a liberal on this one (*i.e. healthcare*). We should not hear so many stories of families ruined by healthcare expenses ... We must have universal healthcare ... The Canadian plan ... helps Canadians live longer and healthier than Americans. There are fewer medical law suits, less loss of labor to sickness, and lower costs to companies paying for the medical care of their employees ... We need, as a nation, to re-examine the single-payer plan, as many states are doing."
- While there is a belief on the right that the healthcare system would be more efficient if it were a free-, or freer-, market (for this is so for most consumer goods & services), in 1963 *already* the subsequent (1972) Nobel laureate & Stanford University economist Kenneth Arrow<sup>3</sup> argued this was not likely so in health care due to its huge mismatch of power & information between its buyers & sellers; for, while in any other consumer product market the buyer is free to disregard what the seller tells him, he is unlikely to second guess his doctor. And the proof of the pudding is in the eating : the United States ranks 17<sup>th</sup> in the conservative Heritage Foundation's Index of Economic Freedom & **all** 16 higher-ranked countries have universal healthcare systems of one kind or another. And the experience of Taiwan, a free market haven, is particularly telling; for, while in 1995 41% of its population had no healthcare coverage & the country had a very poor healthcare record, after canvassing the world for ideas, it opted for a universal, single payer option with multiple private providers & today it is getting some of the best healthcare outcomes in the world while spending only 7% of its GDP on it (vs. 18% in the US *for much lousier outruns*).
- And while Americans often assume their healthcare system provides better services than others, nothing could be further from the truth; thus America is just in the middle of the pack for instance where wait times are concerned &, according to one of the world's leading experts, Princeton's Uwe Reinhardt, Americans see their doctor less, & spend less time in hospital, than people in other developed countries. So after having been right on this issue for much of his life, *at the time it really mattered*, Trump caved (*or*

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<sup>3</sup> Who died February 21<sup>st</sup> at age 95.

rather stood by while Paul Ryan caved?) to special interests & ideology unmoored to facts.

*The Ryan solution suited the well-to-do, did less for the middle class & least for the downtrodden; so it would have jettisoned those whom Trump had vowed to protect.*

### **TRUMP'S BAD DEAL WITH CHINA - THE EARLY SIGNS SUGGEST THAT XI JINPING WILL RUN THE TABLE AT MAR-A-LAGO (Politico, Charles Dell)**

- On the campaign trail one of Donald Trump's winning themes was that nobody was better equipped to wring a good deal from China at the negotiating table than he, the author of the 1987 book The Art of the Deal. But what we have seen so far suggests that any Trump wins will merely be 'tactical', i.e. short-term, while any Chinese wins will be 'strategic', i.e. long-term. And, while he has signaled he expects this week's summit at Mar-a-Lago to be "very difficult" because he will go after China's aggressive trade policies & seek to hold it to account for failing to restrain North Korea, he may be about to learn some harsh lessons, there & in the months to come, about foreign policy deal-making.
- The Let Motif of James Baker (*who served Presidents Reagan & Bush 41 for their 12 years in office as Chief of Staff, Secretary of the Treasury & Secretary of State*) was "Prior preparation prevents poor performance". But the evidence suggests Trump team is woefully unready to handle a summit of this magnitude & that he himself is not approaching it with the seriousness & sophistication needed. His Administration has yet to undertake a full Asia policy review & to develop a coherent strategy for the region, and hosting a summit with Xi before having done so is grossly irresponsible & risks giving China the upper hand<sup>4</sup>. In contrast to this *adhockery* Xi will come to Mar-a-Lago *well-prepared* with detailed lists of demands based on Beijing's years of experience navigating the US-Sino relationship.
- Perhaps most importantly, the summit has the potential to cement the impression that America's Asian policy is built around a great-power arrangement between the US & China, such as was already messaged by Secretary of State Tillerson when, in his prepared remarks during his recent visit to Beijing, he parroted language about "mutual interests" & "win-win" cooperation cribbed from remarks by Xi back in 2013 which had appalled US allies in the region & raised doubts with them as to its commitment to their region.

*Trump is la poker player focused on winning the next hand & Xi a chess player looking for victory after umpteen (sometimes deliberately false?) moves. North Korea is to Xi what the Ukraine is to Putin, of critical importance as a means of keeping Western influence away from his country's borders; so he is very unlikely to make any **really** substantive concessions to Trump North Korea). And on economic issues Trump is 'fishing behind the net'; for the Chinese economy is shifting from being export-, to domestic demand-, driven; for its increasing wage levels have affected its consumer goods' industries global competitiveness as a result of which in the years ahead companies like Wal-Mart, that cater to a price-sensitive US client base will start sourcing their imports from countries like Indonesia, Bangladesh & Vietnam, not China. And as to Trump's claim that 'if China is not going to help us with North Korea, we will go it*

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<sup>4</sup> *if Trump hadn't done so already by jettisoning the TPP, which, contrary to the ignoramuses' perception, **never** had much to do with trade but was **purely** a political move to try & restrain Beijing's growing influence in the region.*

alone', this will be seen as an empty threat; for he would have only three options : **nuke the place** - which would result in a level of collateral damage among civilians that would bring wholesale global condemnation & adulterate America's image abroad, **a ground attack from South Korea** that would likely lead to Korean War 2.0, pitting US-, against Chinese-, ground forces with the latter having a huge tactical edge, & a **traditional air attack** that risks proving ineffective & prompting a strong hands-on response by Beijing.

### **MORE THAN 1.1MILLION BORROWERS DEFAULTED ON THEIR FEDERAL STUDENT LOANS LAST YEAR (CNBC.com, Tom Anderson)**

- According to Rohit Chopra, a Senior Fellow at the Consumer Federation of America, "Despite a booming stock market and unemployment falling, student loan borrowers are struggling"; thus its analysis of US Department of Education data shows that, with 3,000+ borrowers defaulting on their federal student loans each day, the number of those who had done so by December 31<sup>st</sup>, 2016 was up 17% YoY. All in all, by then 42.4MM Americans owed US\$1.3TR in federal student loans, of whom 4.2+MM were in default.

*Defaulters are at risk of having their wages garnisheed & tax refunds sized and, according to Chopra, are also "going to have a tougher time passing an employment verifications check, saving for retirement or ever buying a home" (especially so since they typically cannot get out from under their student debt by declaring bankruptcy). It is worth noting that while households did a stellar job in the past decade of improving their overall balance sheets, reducing its ratio to GDP from close to 100% to a smidgen below 80%, the ratio of student loan debt-to-GDP more than doubled during the period from 2.5% to 6.1%. And the truly sad part about it all is that its net result was to subsidize an inefficient university system that in the 7 years ended in 2014 ramped up tuition fees at a 4.0% compound annual rate, more than twice that of the CPI, while giving students what by many accounts is a lesser quality education than they used to get at lower cost.*

### **MORTALITY RATE LOWER AMONG IMMIGRANTS (TorStar News Service)**

- The Institute for Clinical Evaluative Sciences, an independent, not for profit based on the campus of Toronto's Sunnybrook Health Sciences Centre, & the University of Toronto conducted a study of the mortality rate<sup>5</sup> of immigrants vs. that of native-born Canadians & those who came here before 1985. According to UoT epidemiologist Laura Rosella, the study's lead author, "Immigrants have lower mortality ... everywhere we look ... and we were surprised by the magnitude of the difference. It's big and substantial<sup>6</sup>" She attributes this to the "healthy immigrant effect", a trend that newcomers to Canada tend to be in better health than Canadians (although over time the effect thereof weakens).

*This is counter-intuitive since Canada's healthcare system, despite its publicized shortcomings, is likely better than that of the countries these people come from. But it may well be that they went through a more rigorous 'natural selection' process in their countries of origin (& grew up in environments that encouraged the development of more 'robust' immune systems).*

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<sup>5</sup> The number of deaths per thousand over a specific period of time.

<sup>6</sup> More specifically, "they are 60% less likely to die during a given time period".

## **DESPITE APPEAL FROM TRUMP, ISRAEL PLANS NEW WEST BANK SETTLEMENT** **(CBS News)**

- Late Thursday March 30<sup>th</sup>, following a meeting of Israel's policy-making Security Cabinet<sup>7</sup>, the Israeli government approved its first new West Bank settlement in two decades, ignoring an *earlier* appeal by President Trump to Prime Minister Netanyahu to curb his government's settlement activity (with the White House's tepid reaction being that further settlement activity "does not help advance peace" & that it expects Israel to show restraint moving forward, while seemingly making matters even worse by "welcoming" Israel's "commitment" to take the President's concern about settlements into "consideration").
- Last February 1<sup>st</sup>, under orders of Israel's Supreme Court, the 200 or so occupants of Amona, *a settler outpost illegally built in 1995 on privately-owned Palestinian land*, were *forcibly removed by police in an action that caused a number of police injuries & their homes razed*, causing Prime Minister Netanyahu to promise them new homes; the new settlement to be built near the settlement of Shiloh (*a Jewish settlement since Biblical times*), near the Amona site, is to be it.

*This week was a lost week in Israeli-Palestinian peace terms. For on March 29<sup>th</sup> in Amman, Jordan the 24<sup>th</sup> Arab League Summit resurrected an earlier peace proposal that, in exchange for a Palestinian State, would formally recognize Israel's existence & that would have given the President something to talk about with Mahmoud Abbas when the latter visits the White House later this month. And while Egypt's' President Abdel Fayeh El-Sissi (whose April 3<sup>rd</sup> White House visit was the first by an Egyptian President in eight years, i.e. since before the Arab Spring) may have mentioned this to Trump, the official purveyor of the proposal was to have been Jordan's King Abdullah who met Trump on Wednesday April 5<sup>th</sup> (for the second time since he was inaugurated), a day when the President was unfortunately wholly pre-occupied with the Syrian gas attack<sup>8</sup>.*

## **CHINESE FIRM TAKES STAKE IN US INVESTMENT BANK (NOT, Neil Gogh)**

- On March 29<sup>th</sup> Shanghai-based CEFC China Energy, privately-owned Chinese conglomerate agreed to buy a 19.9% interest (at a 29.5% premium over market) in the New York-based, NASDAQ-listed investment bank boutique Cowed Group, giving it an immediate US\$100MM cash injection & US\$175MM in new debt financing, and a promise of better access to the Chinese market, and CEFC a ready-made spring board into the world of US high finance. This is only the latest case of a surging Chinese investment in US companies; thus, according to the London-based research firm Realogic, in 2016 Chinese firms made 173 deals worth US\$67.8BN for American

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<sup>7</sup> A ten Minister 'inner cabinet' chaired by the Prime Minister (that pre-dates Netanyahu).

<sup>8</sup> So Secretary of State Rex Tillerson went on record on April 6<sup>th</sup> that "there was no room in Syria for President Assad", one week after he had said "Assad's status is up to the Syrian people" & three days after declaring "Assad's removal was no longer the US position" (leading to accusations by Sen. Marco Rubio & others, after the gas attack, that in doing so he had given Assad the impression he could get away with doing whatever he wanted). Tillerson's most recent statement is fueling speculation as to how much longer he may be willing to act as Trump's & Kushner's 'bum boy' in foreign policy & by making Assad's removal a sine qua non of the US' Middle East policy sets the stage for a direct confrontation with Putin (who is a far more stalwart ally for Assad than the US appears to be for any of its allies in the region).

businesses (i.e. more than in the six previous years combined). While it still requires regulatory approval, as well as approval from the US government's Committee on Foreign Investment in the United States, Cowen executives foresee no problems since the deal only involves a minority stake & is focused on financial services, not normally deemed a 'sensitive industry'.

*Cowen was founded in 1918 as a bond house. Various combinations & permutations later it was acquired in 1998 by France's Société Générale but spun off again in an IPO in 2006. In recent years an acquisition binge turned it into a more broadly-based financial services firm cum broker dealer with annual revenues of US\$400+MM and branch offices in Atlanta, Boston & San Francisco, and Hongkong & London. CEFC was founded in 2002 by the then 22 year-old Ye Yanming in Fujian Province<sup>9</sup>. It has 20,000+ employees & annual sales of US\$40+BN, & is No. 229 on Fortune's Global 500 while he himself was No. 2 on its 2016 list of "40 under 40". 60% of the firm's annual sales come from oil & gas, much of it in Central Africa, & the rest from a range of other sources, incl. holdings in the Czech Republic (incl. a major soccer club) & Slovakia. While officially "privately-owned", questions have been raised about its links to China's PLA (People's Liberation Army). This is not, however, a first : China Investment Corp., China's sovereign wealth fund, has owned 9.9% of Morgan Stanley for a decade & a smaller piece of the New York-based Blackstone Group (with AUM of US\$367BN one of the largest money managers in the world).*

#### **HURRICANE MAKES 'LARGEST UNDEVELOPED' OIL FIND IN UK WATERS (BBCNews)**

- With an estimated 1BN bbls of recoverable oil it is in a wholly different class from the typical average 25MM bbl find of recent years. (although still nowhere near the 5BN bbl original Forties field (discovered in 1970 by BP & still producing, albeit under a different owner, US' Apache Oil), after having produced over 2BN bbls. This strengthens the case of those who believe that as much as 20BN bbls remains to be discovered on the UK Continental Shelf.

*This discovery may well give more impetus to the Scottish Independence Movement.*

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The United States Global Leadership Coalition is a Washington-based not-for-profit founded two decades ago with a mission to "support a smart power approach of elevating diplomacy and development alongside defense in order to build a better, safer world". It operates through three Advisory Councils, one for Policy with a membership of ex-politicians (incl. Henry Kissinger & Madeline Albright), another for Security (with a membership of 160+ retired three & four star generals & admirals from all five branches) & the third for Business (that for some time has been headed by Chris Policinski, the CEO of Land O'Lakes Inc., a nearly century old, Minneapolis-based agricultural coop). Rather interestingly about the same time Gen. Mattis made his above-noted remarks, another member of the Security Advisory Council, US Coast Guard Admiral (Ret.) James L. Loy in March 2013 told the House Appropriations Subcommittee on State-Foreign Operations that "We do ... act out of the conviction that military strength is not sufficient to defend America's security, protect our most vital national interests and, in particular, address the deep-seated causes of violence and instability around the world. To deal with

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<sup>9</sup> On the coast South of Shanghai, opposite Taiwan, a province of which now President Xi Jinping was Governor in 1999-2002.

these threats, the US must fully utilize all three aspects of national power and international influence - defense, diplomacy and development.”