

Bad news for the Alberta government's revenue outlook - During the four years to December 31st, 2014 9MM hectares of Alberta were under oil sands leases; but in the two years since this declined to 8.1MM hectares, *due to doubts about the longer term oil price outlook (oilsands projects have long payback periods), the prospects of higher overhead costs due to the Province's introduction of a cap on emissions & a carbon tax, the departure of some large foreign leaseholders & the industry's cost-cutting binge - the Province has been hoisted on its own petard; for rents on non-producing oilsands leases are of an annually escalating nature (which had made sense when oil sands development was "on wheels" since this was expected to encourage their early development). The impact on the province's revenue stream will be both direct & indirect, in a minor way due to its impact on the annual lease rent revenues, but mostly since for decades oilsands development has driven the province's economic growth as all talk about the need for economic diversification has long been just that, talk.*

Fuel-saving measure? - During a ride in a friend's late model BMW I was fascinated by its engine automatically shutting itself off at every red light & restarting itself when it turned green.

July 25-26 FOMC meeting - The lead off para in the Fed's subsequent press release noted that information received since the June meeting had indicated the market had continued to strengthen (*relevance?*), that YTD economic activity had been rising moderately & job gains solid¹, that the UE rate had declined, that household spending & business fixed investment had continued to expand, and that on a YoY basis overall inflation & the measure *thereof* ex. food & energy prices had declined & were at a level below its 2% target and were expected to remain there in the near term & stabilize around the Committee's 2% objective over the midterm - *in the last fifty years the US annual inflation rate has only 8x been less than 2%, five of them in the seven post-Great Recession years, & the others in 1986 (1.91%) & 1998 (1.55%).*

Jared Kushner and the Israeli-Arab peace process - President Trump dumped the responsibility for making "the ultimate deal" in the Israeli-Palestinian peace process in the lap of his *politically novice* 36 year-old son-in-law (*in part because of his family's long relationship with Netanyahu?*). Kushner recently gave a briefing to a group of congressional interns that was (secretly?) recorded & then leaked. Aaron David Miller, now a Distinguished scholar at the Washington-based Wilson Center (established in 1968 within the Smithsonian to devote itself to "Research, Open Dialogue and Actionable Ideas") but once, during the Bush 41 & Clinton administrations, a State Department peace negotiator, comments on this briefing in an August 1st Politico article entitled What Kushner's Speech Gets Wrong About Mideast Peace - *Miller's take is that Kushner's "thinking on it isn't going to make his job any easier" & his conclusion that "he will - like his predecessors - remain trapped in a peace-process Bermuda triangle".*

"Mooch" Scaramucci is gone - After 11 days as Trump's foul-mouthed, self-avowed hatchet man he was himself thrown under the bus within two hours of the White House swearing-in of its new Chief of Staff, former Homeland Security Chief John Kelly - *after Reince Priebus, Kelly's predecessor, was made to 'walk the plank', Scaramucci himself became excess baggage; the \$64 dollar question now is whether this was a move demanded by Kelly & agreed to by Trump as a condition of him replacing Priebus, or a message by Kelly to Trump that the time has come*

¹

It may be worth noting that the average number of jobs created in the five months of this year was lower than the last six years monthly averages-, & the second lowest among the six years' first five months, as the size of th total labour force during the six years increased by 4.6%

*to quit behaving less like the town clown & more like the nation's Commander-in-Chief. Time will tell if there is room for two-, or at least one-and-a half-, Alpha males in the White House!*²

Unemployment Rate - The BLS (Bureau of Labor Statistics) calculates the unemployment rate in half a dozen different ways, with the official rate, known among economists as the U-3 rate, defining it as the ratio of the number of unemployed vs. that of those having a job or **actively** looking for a job. Last May that rate was 4.3%, down a lot from a high of 10.0% during-, & a smidgen from the rate prior to-, the Great Recession. But many economists think the more relevant rate is the broader-based U-6 rate that uses the number of unemployed as the numerator & the number of employed **plus** the number of those with part-time jobs who would like to have full-time ones **plus** the number of unemployed as the denominator (which is more like the way other advanced countries calculate their unemployment rates). Last May that rate was 8.4%, down from a high of 17.1% in March 2010 but still up from 8.0% in 2007.

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GLOBAL MANUFACTURING SURGES FORWARD (Reuters, Jonathan Cable)

- Factories across the world powered in July, suggesting the Second Quarter momentum carried through into the Second Half : growth in the Eurozone remained buoyant, British manufacturing recovered from a seven-month low, Chinese factory activity unexpectedly expanded & the next US number is expected to show that its factories had chugged along at slightly more modest-, but still solid-, pace (*even though the political turmoil imperils President Trump's plans for fiscal stimulus*). According to Capital Economics' Andrew Cunningham "there is nothing immediately on the horizon to cause the global economy generally to slow. Central banks are moving very slowly to remove stimulus - but it is very slow and cautious so I don't think that will cause any problems."

According to Sir John Templeton (1912-2008), an early entrant onto the mutual fund management scene & the godfather of international investment management "Bull markets are born in pessimism, grow in skepticism, mature in optimism and die on euphoria." All it will take is a single 'black swan' event to cause the global economic house of cards to implode. And former Fed Chairman Alan Greenspan recently said in an interview "By any measure, real long interest rates are much too low, and therefore unsustainable ... When they move higher, they are likely move reasonably fast. We are experiencing a bubble ... in bond prices. This is not discounted in the market place" - Even modest rises in interest rates could throw the bond market into a 'cocked hat'; for higher interest rises result in lower bond valuations which has some 'weak sister' bond holders panic & sell some of their bonds which will depress prices & increase yields which will cause more selling pressure, still higher yields etc., etc.

²

The latest scuttle butt sound positive : He told a recent briefing of past & present senior homeland security officials that he had spent a great deal of time talking the President through the Mexican Wall issue & believed he had convinced him there was no need for an actual wall (*even though it would create thousands of jobs?*), during his confirmation hearings for the Homeland Security job he told those present "I have never had a problem speaking truth to those in power and firmly believe that those in power deserve full candor and my honest assessment and recommendations." And according to the Newsweek-owned *Daily Beast* he has already been making overtures to top Democrats like Rep. Nancy Pelosi (D.-CA) & Sen. Chuck Schumer (D.-NY) (according to senior White House officials because "Tax reform is going to be a heavy lift ... No need to tick off/alienate [Democrats] any more than we already have.") - The key question here is if there can be any common ground on tax reform for the extremists in both parties.

US HOMEBUILDER CONFIDENCE SLIPS (AP)

- The July NAB/Wells Fargo's Builder Sentiment Index was 64, down two points from June's downwardly revised 66 & three from the 67 expected, driven by builders' sense of their sales-, & prospective buyers³-, expectations for the rest of the year..

Readings indicate the % of builders that deem their sales outlook "good"; since September 2016 they have been in excess of 60.

IN CANADA, A NATION OF REALTORS BRACES FOR THE END OF THE BOOM **(Reuters, Andrea Hopkins)**

- While housing has for some time been the main engine of Canadian growth, economists say a drop in home sales has already started (nationwide they were down 6.7% mom in June, the largest monthly drop since 2010 & the third-straight monthly decline) - *A year ago already RBC Economics reported "Canadian Home Afford ability has deteriorated the most in six years."*). *This could result in wiping out many jobs in the industry, nowhere more so than among Realtors whose numbers since 2008 have surged 26.9% and 77% (to 48,000³ in Toronto, Canada's hottest housing market).*

Combine this with the stronger Canadian dollar, the lackluster the oil price & the problems resource producers have to get new projects approved & & output from existing projects to world market, it's hard to comprehend why some are so bullish on Canada's economic outlook.

WHY XI JINPING REMOVED A POTENTIAL CANDIDATE FOR THE LEADERSHIP **(Epoch, Times, Larry Ong)**

- Earlier this year 53 year-old CPC official Sun Zhengcai seemed to be riding high. He was the party chief in the industrial/commercial hub of Chongquin in Southwest China, one of the youngest members of the Party's Politburo & seen as a possible successor to Xi. But on July 15th it was announced he had been removed, he was not with his successor, Chen Mi'ner, when the latter was introduced to the Chongquin city officials, the local & Western media reported he was in Beijing for questioning, and on July 24th it was reported he was being investigated for "severe violations of discipline" (*Xi-era talk for corruption*). His abrupt dismissal, two months before the 19th Party Congress, is a demonstration of Xi centralizing power in Beijing, his determination to root out internal obstruction to his rule, & his desire to deprive a rival political faction headed by Jiang Zemin⁴ of its favoured successor to his throne while consolidating his own authority.

³ To put this in perspective, there are 48,000 Realtors in the 6.4MM inhabitant GTA bur only 13,000 in the 9.4MM greater Chicago region (and their have been scuttlebutt that a significant number of Toronto Realtors in recent months have averaged two sales, or less, per month.

⁴ Celebrating his 91st birthday on the 17th, he is a 'rara avis' among senior Chinese officials, especially those of his age for being multilingual. He was President from 1993 to 2003 (i.e. Xi's predecessor once removed). In recent years a nostalgic hero worship cult for him has developed among Millennials called "toadies" (since he looks a bit like a toad) whose sentiment is reflected in a 22 year-old Beijing college graduate's comment that "I hope there will be more leaders like Jiang ... otherwise the country is too stuffy, a bit like a dictatorship" (this must really scare Xi).

- The Xi & Jiang factions have been embroiled in political warfare since Xi became President in 2012. Since a failed coup by two of Jiang lieutenants, *Sun's predecessor in Chongquin, Bo Xilai*, & security czar Zhou Yongkang^{5 6}, he has purged many Jiang associates in his sweeping anti-corruption campaign. Sun's links with Jiang suggest why Beijing insiders cite "political indiscretion" as the reason for his fall & why one told Reuters he was being investigated for "violation of political discipline", while Chongquin officials were told, when introduced to Sun's successor, that he had made "political mistakes". And according to a source close to the CPC headquarters Sun's removal was not just an attempt by Xi to scare off rivals with a show of strength but part of a broader reorganization of the Party *more to his liking*.

Knowing what happened to the Soviet Union & its Communist Party after Gorbachev introduced glasnost & perestroika, Xi is focused on saving China from a similar fate by clawing back more power to Beijing after decades of it being siphoned off by warlord-like local party chiefs (of whom he once was one). In an October 21st, 2016 speech in the 'Great Hall of Beijing' celebrating the 80th anniversary of the end of the Long March in Chongquin, he stressed four points : the party must "rejuvenate its spirit" (i.e. revert to being more community-, & less self interest-, driven, "the CPC's survival will depend on the party cadre's absolute loyalty to the party leadership", "the need for a 'New Long March' to achieve China's policy goals"⁷, & "China must build a strong, loyal army" (to seize the parts of resource-rich Eastern Siberia where ethnic Russians are leaving & the resultant void filled by ethnic Chinese, which then could have Beijing take a leaf out of Moscow's play book for Eastern Europe by pretexting a need to "protect its citizens" there?). And he has reason to be worried & want to "make hay while the sun shines"; for, while China may now be the world's second largest economy, that may just be a passing phase. For apart from being a nation whose food stuffs aren't fit to eat, water not fit to drink & air not fit to breathe, Xi's dreams lack demographic underpinnings. For its population is rapidly aging & its working age population rapidly shrinking⁸ : while the latter grew by 380MM during the 35 year period ended in 2015, it is expected to shrink by 29MM by 2025⁹ & by 250MM by 2050. Sixty plus million, i.e. 20+%, of its current 0-19 year age cohort are "left-behind children", many of them as a result being inadequately educated & too emotionally scarred to be quality members of its future work force. And in the same age cohort males outnumber females by 20+MM, i.e. 13%¹⁰ of the age cohort, which doesn't augur well for social peace in the coming

⁵ Who was not even arrested until 2 years after Xi was elected President

⁶ Both of whom are now serving life sentences for "corruption", with in Zhou's case presumably US\$14BN in family assets also having been seized.

⁷ The Long March took place in the mid-1930's, took slightly more than a year, covered by various counts between 6,000 & 12,000 kms and of the 86,000 starters fewer than 35,000 survived.

⁸ Beijing is pinning its hopes for a reversal of these trends on the recent reversal of the four decades-old 'one-child policy' that last year resulted in 1.31 births, up 7.9% YoY. But this is likely to founder on two facts : a survey late last year by the state-run All-China Women's Federation of 10,000 women in ten provinces found that 53.3% of them didn't want a second child (a percentage that was 60% in Beijing & other 'rich' areas along the East Coast, and, more importantly, a lack of 'breeding age females' in the years to come, since the female 0-19 age cohort is less than half that of the 20-39 one.

⁹ While that in India during the same time interval will increase by 100MM.

decades. Worse of all, as shown in the table below, its “old age dependency ratio”, that of people 65 & over relative to those of working age (15-64), is about to start increasing rapidly, & far more so than India’s (& rising old age dependency ratios boost healthcare spending & act as a ‘boat anchor’ on a country’s potential GDP growth rate”):

	65+ Age cohort as a % of the working age population			
	1965	1990	2015	2050 (est.)
China	7.3	9.7	20.6	39.2
India	6.5	8.0	10.0	21.3
Japan	11.0	19.4	47.0	75.3
Germany	19.4	21.5	32.2	57.5
France	22.4	23.9	33.8	43.1
Canada	13.1	16.5	23.8	42.0
Britain	18.1	24.1	27.6	38.6
US	15.7	19.0	22.3	24.5
Kenya	7.5	5.6	5.1	8.4 ¹¹
World	8.1	9.0	10.0	24.4

The above suggests their demographics are not conducive to better-than-average future GDP growth in China & Japan, but favourable for India, the US & the UK (which may prove the Brexit naysayers wrong).

SUICIDES OF NEARLY 60,000 INDIAN FARMERS LINKED TO CLIMATE CHANGE, STUDY CLAIMS (The Guardian, Michael Safi)

- According to a study from the University of California, Berkeley, published in the journal PNAS¹² & authored by Tamma Carleton¹³ found that the Indian agricultural industry is

¹⁰ This prompted, two years ago, Xie Zuoshi, an economics professor at Zhejiang University (one of China’s ‘oldest, most selective & most prestigious institutions of higher learning’, currently ranked 87th in the world, up from 170th in 2012) to blog that, since there would soon be 30MM bachelors in China (called “guanggun/bare branches”) “women are in short supply and their value increases ... But that doesn’t mean the market cannot be adjusted. The guanggun problem is actually a problem of income. High-income men can find a women because they can pay a higher price. What about low-income men? One solution is to have several men take a wife together (*a practice called polyandry*) ... That’s not just my weird idea. In some remote, poor places, brothers already marry the same woman, and they have a full and happy life.” (& when this went viral & raised a massive negative response, he said his critics were “driven by empty notions of traditional morality that are impractical and selfish, and even hypocritical”)

¹¹ Included to demonstrate how global economic power could shift in the decades to come to a part of the world that now largely ignored but that will account for half the world population growth over the next three decades..

¹² Proceedings of the National Association of Sciences.

¹³ A Ph.D. student in Agricultural Resource Economics, after getting a BA in Economics from Portland’s Lewis & Clark College and, as a Rhodes Scholar, M.Sc. degrees in Environmental Change & Management and in Economics for Development from Oxford.

extremely sensitive to spikes in temperature, that even small temperature increases can cause significant suicide increases & estimated that 59,300 agricultural suicides over the past 30 years can be attributed to global warming (although temperature changes outside the growing season appear to have had no significant impact on suicide rates), while rainfall increases of as little as 1 centimetre a year are associated with a 7% drop in the suicide rates. Farmer suicide rates in India decreased last year but remain at epidemic levels in some states; thus in one drought-hit state, Maharashtra (*population 115MM*) in the first four years of this year 852 farmers committed suicide, while in 2015 12,602 did so across India.

In India agriculture still accounts for a very high share of GDP, (17.4%), a rate exceeded only by a number of African countries & far higher than in the other BRICS countries (Brazil 5.5%, Russia 4.7, China 8.6% & South Africa 2.4%) and in the developed world (where it typically runs in the low single digits). And climate change, & the seemingly greater incidence of more severe droughts may have just aggravated the long-term consequences of Norman Borlaug's Green Revolution in India, the initial spectacular results of which, with the increased use of more fertilizer & pesticides, and commercial seeds earned him the Nobel Peace Prize in 1970 but over time resulted in the depletion of the soil's natural fertility, ground water depletion & farmers' greater cash outlays on third party inputs that led their greater dependence third party financing that often is the cause for their suicides; for if crops fail, or even do not live up to expectations, the debt remains & creates big political problems since this results in massive pressure on politicians for (costly) debt relief.

BANK OF ENGLAND STAFF BEGIN FIRST STRIKE IN 50 YEARS (Reuters)

- The three day strike started on August 1st was prompted by the “derisory” pay settlement imposed on workers by management without their union’s agreement but involved only 150 maintenance & security personnel (who, the union claims, earn < £20,000 (US\$33,124). Their push for higher wages highlights the growing pressure to end the tight controls on public sector wages in Britain.

Since 2013 the government, in a below 1% inflation rate environment, has had a 1% wage cap for public sector pay as part of its efforts to cut public spending; the problem now is that in the past year the inflation rate has gone from 0.6% to 2.6%.

AN UNPRECEDENTED COLLAPSE (G&M, Ricardo Hausman)

- In the July 16th hastily *opposition*-organized plebiscite to reject President Maduro’s national constituent assembly proposal no fewer than 720,000 Venezuela in the diaspora cast votes, more than 10x the 62,311 who did so in the 2013 presidential election. According to the IMF Venezuela’s GDP this year will be 35% below its 2013 level (& 40% on a per capita basis), far greater than in the US during the Great Depression; in fact, its economic catastrophe dwarfs anything ever seen in much of the world. And its government’s previous profligacy when oil prices were high has now made it the most indebted country in the world, with the situation having been made worse for the hoi polloi by the Maduro government’s decision to stay current on its foreign debt service obligations by cutting imports of consumer essentials (none of which can be made at home). So living standards have collapsed with the minimum wage in real terms having declined by 75% in the past five years. with the result that, according to a study by three of the country’s most prestigious universities, 74% of Venezuelans have lost a average 8.6 kgs/19 lbs of their body weight.

This will create such desperation as to make the fall of the Maduro government all but inevitable - The writer (age 61) was Venezuela's Minister of Planning in 1992-93 (i.e. in the fifth year of the Chavez Presidency), Chief Economist of the IADB from in 1994-2000 & currently is Director of the Center for International Development at Harvard's Kennedy School of Government & its Professor of the Practice of Economic Development.

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JUST SIX MONTHS IN, TRUMP'S A LAME DUCK IN PARALYZED PRESIDENCY **(EJ, Andrew Cohen)**

- Six months into most presidencies the talk is of hopes, ambitions & progress while in this one it's about frustration, defeat & paralysis. Still, Trump's first six months have not been anywhere near as bad as Abe Lincoln's (who had to face the start of the War between States) or JFK's (who had to deal with the Bay of Pigs fiasco & the building of the Berlin Wall), *although, contrary to their, Trump's wound are mostly self-inflicted*. And, while he boasts of victories like appointing a deeply conservative judge to the Supreme Court, banning some Muslims from entering the country & transgendered people from being in the Armed Forces, withdrawing from the TPP & the Paris Accord & approving the Keystone pipeline, most of these are still 'hanging fire' & none are major legislative achievements comparable to Franklin Roosevelt's New Deal, LBJ's Great Society & Ronald Reagan's tax reform. And Obamacare survives, there's no trillion dollar infrastructure program, no approval of the wall with Mexico, no tax reform & no new trade deals, *he has just had to sign a new Russian sanctions' law that he loathes &*, while he boasts of a strong stock market & economy, *the latter is nowhere near as strong as he had promised* and the dollar has fallen out of bed.
- And while he may rhapsodize about his presidency, one doesn't fire one's national security adviser, chief of staff, head of communications, press secretary & FBI Director when everything is hunky-dory. John Kelly *may be a good man but* won't make a big difference; for Trump is Trump, incapable of change : Ivanka & Jared have *apparently* to no avail pleaded with him to quit tweeting & he can't, for it's his oxygen. His popularity is at a record low for a new president since his White House is like a French comic opera, he cannot get Congress to pass anything substantial, his feud with Sessions is an agony for both & he now realizes he cannot fire him, nor Special Counsel Robert Mueller, without angering conservatives & *further* emboldening *Congressional* Republicans. So after *just* six months he is the lamest duck in the history of the office &, while he may survive, it will only be as a tin-horn strongman who can cause real damage in the world.

Cohen (age 62) is an award-winning journalism professor at Ottawa's Carleton University and the author of many books, incl. John F. Kennedy and the 48 Hours That Made History.

RESERVOIR DOGS IN THE WHITE HOUSE (Venue, Gwynne Dyer)

- Anthony Zurcher, the BBC's North American correspondent, reported on July 27th "Where Abraham Lincoln had his famous 'team of rivals' in his administration, this is something different ... Trump White House seems more akin to the final scene in Reservoir Dogs¹⁴ where everyone is yelling and pointing a gun at someone else, and

¹⁴ A 1992 low budget Quentin Tarantino thriller movie in which eight men plot a diamond heist, seven of whom are killed while the eighth absconds with the loot.

there's a good chance no one is going to come out unscathed." For several walking wounded have limped out of the White House, the latest of them being Anthony Scaramucci, a stock character of the Italian commedia dell' arte (who combines the role of a clownish servant and a masked assassin carrying out his master's will & often ends up decapitated). Things are falling apart in the White House much faster than anyone could have predicted, and the important part is not its dysfunction. For the US would work as well- in fact better-, if Trump had never managed to turn his tweets into reality. And what really matters is that he is cutting his links with the Republican Party. For he never was a real Republican but an ideology-free populist. Some Republicans knew this & tried to stop him; but now are stuck with him & have been in an uncomfortable partnership with him ever since, on the understanding that some establishment Republicans would get senior roles in the Trump White House. But they are mostly gone now, and what's left are all-white right nationalists like Steve Bannon, New Yorkers with Democratic leanings like Jared Kushner, Dina Powell & Gary Cohn, family members like Donald Jr. & Ivanka, ex-businessmen like Rex Tillerson (who may not be around much longer) & a trio of retired generals. And nobody cares if this is a recipe for paralysis; for nobody wants a White House that would enable Trump to impose his whims on the United States (& the world?). But the GOP does care about controlling the White House; for it thinks long-term & knows that the changing demography of the US is eating away at its core vote and that this may well be its last opportunity to reshape its image & policies in ways that will appeal to at least some of the emerging minorities. But they cannot do so if it doesn't control the White House & the only way to do that will be by replacing Trump with Vice President Pence, who is a real Republican (which impeachment would accomplish, even though his instinct would be to fight back by creating a diversion, like a war against North Korea that is acting in a way that threatens America's heartland).

The writer creates a not implausible scenario.