

GLEANINGS II - 750
Thursday March 1st, 2018

Quote of the week : “We were sort of bred to be competitive ... Dad encourages it. I remember skiing with him and we were racing. I was ahead, and he reached his ski pole out and pulled me back.” - Ivanka Trump (from a Nov. 8th, 2017 presentation by Work and Money’s Dave Copeland).

Canada’s Trudeau government priorities - This week’s Budget Speech contained the word “gender” 258x, and the words “oil”, “pipeline” & “energy” not even once. And while it talked about Canada’s “strong economy” in reality, while Canada’s GDP grew by 3% last year, on January 22nd the IMF upgraded its forecast of our economy’s GDP growth rate by 0.2% to 2.3% for this-, & by 0.2% to 2.0% for next-, year. And it envisages continuing to ramp up the national debt, by C\$18BN this year, most of it going into vote-buying-, not productivity-enhancing-, programs, with no end in sight to deficit funding in the foreseeable future (while Trudeau’s 2015 campaign call had been for three years of C\$10BN deficits for infrastructure improvement & a balanced budget by 2019-2020) - *The latest cow flap Trudeau has stepped into in his 2 ½ years as Prime Minister was his recent disastrous visit to India, in which he once again displayed that, while he may be photogenic, he is a human Potemkin village, all front & little substance behind, who seems to have gotten his brain power genes from his mother, not his father, & that his chances of being re-elected in 2019 may be slipping, with his sole saving grace 18 months hence may well be that he is more photo genetic than the two other party leaders, so that Canadians will find themselves in the unenviable position 18 months hence of having to choose between Tweedledee, Tweedledum & Tweedledumber.*

Critical week for Germany - On February 12th, after 153 days of trying, first with the Free Democrats & the Greens since that, with the CDU’s 200 seats in the 709 seat Bundestag, CSU’s 46¹, the Free Democrats’ 80 (up from zero in the previous election)² & the Greens 67, would have given her a comfortable 393 seat absolute majority in it that another Grand Coalition with the 153 seat SPD wouldn’t³, Chancellor Merkel & the SPD leadership finally agreed on a new ‘Grand Coalition’ structure. While it was rapidly approved by the CDU rank & file, including its youth wing, despite the fact that the SPD’s price had been control of three “trophy ministries” (Finance, Foreign & Labour), SPD acceptance of the deal was made conditional upon the approval by its 463,723 members, in a mail vote with a March 2nd deadline & publication of its result two days later, the outcome of which is by no means a ‘done deal’, for grass roots’ party unrest had cost Martin Schultz who, after being President of the European Parliament for five years, had become SPD leader one year ago, his job on the grounds he had allowed his personal ambition to be Foreign Minister overrule the party’s interest &, more importantly, that the party’s youth wing, that has been against the idea of another Grand Coalition from the get-go, has in recent weeks been aggressively recruiting new party members, most, if not all, 25,000 of whom will vote NO. And if that vote nixes the Grand Coalition idea, Chancellor Merkel is said to have only two options, call new elections or try running the country with a minority

¹ The CDU’s Bavarian affiliate that has been losing a great deal of voter support to the far-right AfD party (which accounts for much of the loss in voter support for the CDU/CSU combo) .

² To get any seats in the 709 seat Bundestag (the lower chamber of the German Parliament) a party must have at least 5% voter support)

³ That foundered on the irreconcilable policy biases of the pro-business FDP & environment-focused Greens.

government⁴. And whatever the outcome, she will be a “lame duck”⁵ (creating a void in the EU that the ambitious young French President, Emmanuel Macron, will be only too happy to fill) although for as long as she ‘hangs on’, five of the six parties with seats in the “Bundestag” (i.e. the Lower House) will have women leaders. And, with the loss of her eight year, fiscally hawkish Finance Minister Walter Schaeuble the Eurozone will lose its greatest fiscal ‘hawk’ (with the SPD already having made it clear that, in a new Grand Coalition, its SPD Finance Minister will turn the fiscal ‘sluice gates wide open. And, as to any new election, the following poll-, & election-, results suggest that it would be highly unlikely to change the German political landscape in any significant manner (with the three-party option still the best of a bad lot) :

	2013	September 2017 election	February 26 Poll
CDU/CSU	41.5%	32.9%	33.1%
SPD	25.7%	20.5%	17.1%
AfD (far right)	4.7%	12.6%	14.1%
FD (Free Democrats)	4.8%	10.7%	8.9%
Greens	8.4%	8.9%	12.0%

Jared Kushner’s ‘week from hell’ - First, he got his security classification downgraded last week by *White House Chief of Staff John Kelly* who, by doing so, likely took a large step closer to being jettisoned by Trump for ‘gross disloyalty’) which in practice may not mean much since President Trump could all but be counted on to share with Kushner anything he had been briefed on. Then Ivanka, his self-avowed women’s rights defender wife, essentially called on TV at the Winter Games all women liars who had alleged unwelcome sexual behavior by her father (despite the fact that over the years he has openly bragged in TV interviews about his repulsive Alpha Male views of women). And finally he got caught with having twice had ‘his finger in the cookie jar’, one year ago by getting a US\$325MM loan from Citibank against the security of some New York real estate owned by his family’s, *apparently not financially over-robust*, real estate company &, again last November, by getting from Apollo Global Management a, for that company, outsized, US\$184MM loan secured by a Chicago Sky scraper, in both cases within days of meeting executives of the two lender companies in his White House office - *All this came after earlier questions had been raised about his family’s real estate company having raised, one month before the 2016 election, a US\$285MM loan from Deutsche Bank & two local, US\$50BN asset each, Signature- & the New York Community-, banks that was secured by four, mostly empty, retail floors in the old NYT headquarters building that it had bought for US\$74MM less, & the US\$5 -25MM MM unsecured Lines of Credit that both Jared & Ivanka had gotten from each of the three banks.*

New meaning for NRA - A Washington wit has come up with one, namely “Not Relevant Anymore” - *While this may overstate the case, it may well be a sign of things to come; for little is more damaging in politics than being deemed ‘irrelevant’.*

⁴ Which is not quite correct; for if the idea of another Grand Coalition were to fail, she would still have the option of trying to revive the Free Democrat & Greens idea, with both she & the other two parties perhaps being more amenable to the ideait.

⁵ The more so with the election of Annegret Kramp-Karrenbauer (of West German Catholic-, as opposed to her East German Protestant-, extraction) as CDU Secretary-General & her choice of anti-Merkel Jens Spahn as Health Minister in the (about to fail?) new Grand Coalition.

RNC (Republican National Committee) - In September 2017, it came under pressure because it had paid US\$230,000 in legal bills for the President & his No. 1 son, Donald Jr., for the Special Counsel's Russia investigation; so it stopped doing so & turned to paying US\$37,000 a month rent to the President's company for space occupied by the Trump re-election campaign staff in New York's Trump Tower (& another US\$12,000 a month⁶ for the salary of Vice President Mike Pence's 28 year-old nephew John, the Trump re-election campaign's Deputy Executive Director⁷. According to Brendan Fischer, Senior Counsel at the non-partisan Campaign Legal Center⁸, "This is permissible ... if reported properly, but why they are doing it is a mystery ... one would think the RNC could be spending their money more effectively right now on the 2018 campaign, rather than ... on paying Trump's rent⁹" - *Trump's campaign never really ended; for he literally filed the necessary paper work to launch his re-election campaign on the day after his inauguration, the first president ever to do so (Obama didn't until 18 months before his re-election).*

Telling Trump family photograph? - On October 26, 2016 they posed as a group at the ribbon-cutting official opening of the Trump International Hotel in Washington. Their line-up was interesting. For with Trump in the middle, his No. 2 son Eric was immediately to his right, between the Donald himself & his older brother Donald Jr., and daughter Tiffany (from second wife, Marla Maples¹⁰), second to his left between his No. 3 wife Melania & her half sister Ivanka.

Those who call Trump a "five-time draft dodger" have a 'slam-dunk' case - While he claims not having gone to Vietnam was due to a "phenomenally high number" in the draft lottery (that would have kept him from having to go), the first such lottery was held in December 1969, 18 months after he had exhausted four annual college deferments & one for medical reasons (for a bone spur on his foot¹¹ that not seemed to have been a problem during his football-, tennis-, & squash career in his high school-, & college-, years, nor with his playing golf since

⁶ For a total of US\$290,000 to date.

⁷ Who is engaged to 23 year-old Giovanna Coia (a cousin of Presidential Counsellor Kellyann Conway) who is a White House press assistant.,

⁸ A Washington-based organization that since 2002 has focused on law & democracy issues-, the enforcement of US campaign finance laws-, ethics reform-, & fighting gerrymandering.

⁹ A view likely not shared by the President.

¹⁰ Who, while Melania & Ivanka wore sedate knee-length dresses, wore a sporty mini-dress with lots of leg showing. She was raised by her mother in California, has a degree from the University of Pennsylvania & now is at the Georgetown Law School, who has 890,000 followers on Instagram & is part of a group that the NYT called "The Instagram Rich Kids"(along with Robert Kennedy's granddaughter Kyra, Henry Matisse's great-great granddaughter Gaia Jacquet Matisse & Magic Johnson's son E.J. (Earvin) Johnson (who now is a TV personality in his own right) .

¹¹ A calcium deposit on the heel of one's foot that can be quite painful.

Truman used to have a sign on his desk “The buck stops here” - The Broward County Sheriff showed how times have changed when he told a CNN interviewer, after bragging about the quality of his leadership, “I am not responsible for anything that I didn’t know about¹².”

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GUN CONTROL SUPPORT SURGES IN POLLS (Politico, Steven Shepard)

- A number of polls, incl. the latest Politico/MorningConsult one¹³, found that now roughly two out of three Americans say gun control laws should be made stricter. Our poll shows 68% support for stricter gun control laws (while only 25% oppose the idea), vs. 58% after the 2016 Pulse nightclub shooting (that killed 49 people), 64% after the 2017 Las Vegas country music concert shooting that killed 58, & 60% after last November’s Sutherland, Texas church shooting that killed 26. More specifically, 82% favour a 21 year-old limit for the purchase of assault-style weapons, 81% a 21 year-old age limit for the purchase of all fire arms, 78% the establishment of a national data base with information of each gun sold and/or a three-day waiting time for all gun purchases, 70% a ban on all high capacity magazines, 68% a ban on all assault-type weapons & 60% a ban of all fire arms in schools or on college campuses. But people doubt Congress will pass any gun control bill : only 10% think there is an “excellent”-, 21% a “good”-, 27% a “fair”, & 32% a poor-, chance of it doing so.

This ends 25-years (i.e. since President Clinton’s signing of the “Brady Bill” into law in 1994) of waning support for stricter gun controls. And even more significant is the observation by Kyle Dropp, MorningConsult’s co-founder & Chief Research Officer, that much of the new support for gun controls came from Republicans (53% of whom now support stricter gun laws, up from 37% after the 2016 Pulse nightclub shooting); and while support for stricter gun controls had grown 2% among Democrats & 8% among Independents, it was up 14% among Republicans.

TRUMP SLAMS TRUMP (Canadian Press, Alexander Panetta)

- The President often bemoans the US trade deficit with Canada, as he did again on February 26th when he told the state governors at their White House gathering “We lose a lot with Canada. People don’t know it. Canada’s very smooth. They have you believe that’s it’s wonderful. And, it is, for them, Not wonderful for us.”. But the recently released 2018 issue of the White House’s Economic Report of the President (that was actually signed by the President himself) takes a round out of some of his favourite shibboleths, one of them being the supposed trade deficit with Canada that he keeps talking about & insists it exists. For the report states at least 3x that Canada is among the very few countries in the world with which the US *actually* has a surplus, noting specifically & that “...the U.S. *is* running a net bilateral surplus only with Canada and the United Kingdom” Trade and economic growth are strongly & positively correlated ... Trade has helped the U.S. economy grow ... Economies are shifting away from manufacturing ... Foreign trade is increasingly important to the modern economy ... America has a good record of

¹² I cannot remember the number of times during my (short) army career that I signed letters over the printed signature ‘block’ of a senior officer who would have ‘taken the hit’ if I had been wrong.

¹³ Conducted over five days ended February 26th, it involved 1,992 registered voters & has a margin of error of 2%.

success in international dispute panels at the WTO ... You can't rework trade agreements to fix an import-export deficit.

It's not clear whether Trump's view stems from malice, a lack of understanding of fundamental economics or just plain stupidity; for I learnt in my First Year Economics 201 class the difference between a country's balance of payments' surplus/deficit, & its two little brethren, the surpluses/deficits on trade & on services. And according to the Office of the US Trade Representative itself "The U.S goods and services trade surplus with Canada was US\$12.5BN in 2016 (the net of a US\$11BN deficit on goods & a US\$23.5BN surplus on services). Perhaps he skipped the class in which he was supposed to have learnt that at Wharton where, like so many 'rich kid students', he likely had a spotty attendance record.

TRUMP CLAIMS HE WOULD HAVE FOUGHT OFF PARKLAND SHOOTER **(Salon, Rachel Leah)**

- On February 26th at the White House gathering of State Governors on the last day of their National Governors Association winter meeting in Washington, President Trump told them, after it had become common knowledge that a Sheriff's Deputy on the school grounds had failed to enter the building after the shooting started, "I believe I'd run into the High School even if I didn't have a weapon, and ... think most of the people in this room would have done that too (an observation White House Press Secretary Sarah Huckabee-Sanders later that day told reporters "I think he was just stating that as a leader he would have stepped in and hopefully been able to help." This came from a man who at a July 16th, 2008 Howard Stern radio interview told him that once, when at a US\$100,000 per table Red Cross charity event at Mar-a-Lago, an 80 year-old man "*that nobody liked very much*" ... "*falls off the stage, right on his face, hit his head, and I thought he died. And I let others help him, you know what I did? I let others help him because of my unease at the sight of blood*".

He was also quoted as having said "Oh, my God, that is disgusting, and I turned away ... he was right in front of me, and I turned away ... our beautiful marble floor didn't look like it. It had changed color. Became very red ... And all the rich people are turning away ... I was saying 'Get that blood cleaned up! It's disgusting!'" Since 1993 he has had over three dozen brazen interviews with Howard Stern, incl. one in 1997 in which he bragged, few months after her death, that he could have seduced Princess Diana (but only after she had taken an HIV test). And he topped it all off in a long October 26th, 2016 CNN Politics' article by Andrew Kaczinski, two weeks before the 2016 Presidential election entitled It's okay to call my daughter 'a piece of ass in which, egged on by Stern, he chronicles his views on-, & his experiences with-, sex, I found too salacious for Gleanings

POWELL SAYS OUTLOOK STRONG, SIGNALS GRADUAL RATE HIKES **(AP, Martin Crutsinger)**

- Jerome Powell took over as Fed Chair on February 5th. In his February 27th maiden public report to Congress he painted it a picture of an economy that was still gaining strength, told it with respect to the stock market's recent wild gyrations that the Fed does "not see these developments as weighing heavily on the outlook for economic activity, the labour market, and inflation", failed to express concern that the economy may be starting to overheat & stressed a number of developments suggestive of economic strength, but also that the government's now more "stimulative" fiscal policy will boost inflation (which, while it has been low in recent years, the Fed now expects to move up

this year, before stabilizing around its 2% target¹⁴. And while Yellen had opposed Republicans' push for the Fed to follow a specific monetary rule in setting interest rates, arguing that the economy was too complicated to use a single rule in setting interest rates, he said he shared her view on the matter, although conceding that the Fed "routinely consults monetary rules "to use as guidelines in setting policy", adding "Personally, I find these rule prescriptions helpful".

The first Fed Chair in three decades without a Ph.D. in economics but a lawyer who spent most of his career in the private sector, in his half a dozen years as a Fed Governor seems to have picked up the art of "central bankers' speak", of talking incomprehensibly but in dulcet tones.

CALIFORNIA AGRICULTURE SEES 'CHILLING, DAMAGING' EFFECT' FROM WAVE OF IMMIGRATION AUDITS (CNBC. com)

- Already facing a farm labor shortage¹⁵, according to Manuel Cunha, the president of the Nisei Farmers League, a Fresno-based agriculture advocacy group, the problem is now aggravated by the wave of US Immigration and Customs Enforcement-ordered employee audits of large farms in its Central Valley, despite State laws barring local authorities from asking about the immigration status of people in routine interactions. This prompted President Trump to complain on Friday February 22nd "We're getting no help from the State of California ... Frankly, if I wanted to pull our people from California, you would have a crime mess like you've never seen. All I had to do was to order ICE and Border patrol to let California alone. You'd be inundated, you'd see like nobody's ever seen crime in this country." This came after a week-long ICE crackdown in Southern California that resulted in 212 undocumented immigrant arrests & notices of inspection to 122 businesses after, in January, dozens of other Northern California businesses had been audited. Meanwhile, a state Immigrant Worker Protection Act came into effect in January that bars employers voluntarily giving employee information to federal authorities, and requiring them to notify, within 72 hours of receiving notice thereof, all employees of imminent inspections by the Feds of their employment records.

California produces 90+% , or more, of the broccoli, artichokes, walnuts, kiwis, plums, celery, garlic & cauliflower produced in the US, as well as high percentages of many other fruits & vegetables en vogue with nutritionists. In 2015 the US trade surplus in foodstuffs was down 50% YoY; so any move that has the effect of lowering domestic production thereof ought to make no sense for a trade deficit-obsessed President, especially since the weak dollar is already having an inflationary impact on the prices thereof for consumers. And his forecast of a crime surge may well be of a self-fulfilling nature since people without jobs are more likely to engage in petty crime than those with jobs. And, since labor-intensive farm work has no appeal for 'legitimate' US residents, less output & higher production costs would create cost pressures for US producers that could not help but be reflected in higher prices for US consumers.

¹⁴ In the 'real' world of non-academics, the experience has, more often than not, been that once inflation gets started, it overshoots the pointy-headed academics expectations.

¹⁵ According to Ryan Jacobsen, CEO of the Fresno County Farm Bureau, last year was "extremely tight year" in terms of farm labor supply in the Central Valley, and possibly the tightest in the Valley in a decade, who expects this "this will continue in this year."

COURT HANDS TRUMP ANOTHER DEFEAT IN BID TO BLOCK OBAMA-ERA OIL AND GAS METHANE EMISSIONS RULE (CNBC.COM)

- Last year the Interior Department announced it would suspend an Obama-era rule to prevent planet-warming methane from escaping into the atmosphere during oil and natural gas operations on the grounds it placed an undue burden on the industry. But on February 22nd Judge William Orrick of the US District Court for the Northern District of California blocked it from doing so by granting a request for a preliminary injunction by California & New Mexico that will force it to continue enforcing the rule. In his ruling the judge said the Department's reasoning was "untethered to evidence" & that the plaintiffs "have shown irreparable injury caused by the waste of publicly-owned natural gas, increased air pollution and associated health impacts, and exacerbated climate impacts." While the industry & the Trump administration have made great efforts to delay the methane rule, they have twice been blocked by federal courts in California & Wyoming, and last May Republican Senators John McCain (AZ), Lindsey Graham (SC) & Susan Collins (ME) joined their Democratic colleagues in blocking an effort to scrap the rule.

This is the latest setback for Trump in his, now over a year-long move to wipe out his predecessor's environmental legacy.

UN HUMAN RIGHTS CHIEF SLAMS VETO (AP)

- On February 26th Prince Zeid bin Ra'ad al-Hussein, the outgoing UN Human Rights Chief, accused, in one of the clearest denunciations yet by a top UN official of the use of their veto power by the five members (*Britain, China, France, Russia & US*) of the UN Security Council that have it which, he said, had been second only to criminals who kill & maim, when it comes to responsibility for some of the world's most egregious rights violations. More specifically, he decried "some of the most prolific slaughterhouses of humans in recent times" in Syria's Eastern Ghouta region (& *before that Aleppo?*), the Ituri & Kasai regions of Congo, the city of Taiz in Yemen, and Burundi & Myanmar's northern Rakhine state. And he denounced the "minimal action" taken, even after his office had repeatedly exposed violations of *basic human rights* that "should have served as a trigger for preventive action".

The fact the UN is a "Paper Tiger" was demonstrated once again by the utter failure of Syria & Russia to respond to the Security Council's call for a cease fire in Syria & an end to the relentless bombing of the, mostly civilian, population of East Ghouta (that is akin to 'shooting fish in a barrel'). In the half century ended in 2016 the five used their veto power 258 times (with Russia/USSR leading the pack with 122-, & the US' 79 times (the latter mostly to void Israel-unfriendly resolutions) and the other three collective 57 times. Last year it was used thrice, on February 28th by China & Russia on UN sanctioning the use of chemical weapons in Syria, on November 17th by Russia on a 30 day mandate extension for the a special committee investigating the use of chemical weapons in Syria, & on December 17th by the US to defeat a draft resolution calling on member countries not to move their embassies to Jerusalem - Zeid is a 54 year-old Jordanian career diplomat with a BA from Johns Hopkins & a Ph.D. from Christ's College, Cambridge, who served his country as Jordan's Permanent Representative to the UN from 2000 to 2007, as its Ambassador to the US from 2007 to 2010 & again as its Permanent Representative to the UN from 2010 to August 2014 (when he was appointed for a five-year term in his present post). He really upset the Hungarian government when, in his February 8th opening speech to the 37th session of the Human Rights Council, he called Hungary's Prime Minister Viktor Orban a "xenophobe and racist" seeking "ethnic, national and racial purity" after

Orban had gone on record as saying that "we do not want our colour ... to be mixed with others" & that "Hungary does not want to be a multi-coloured country", prompting the Hungarian government to demand his resignation (a meaningless demand since Zeid had already announced earlier that he wouldn't seek another term in his present job after his current five-year mandate ends in August).

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WHY DEBT DOESN'T WORRY BMO'S CHIEF RISK OFFICER (G&M, James Bradshaw)

- Canada's banks continue to lower their estimates of their loans that may go sour, defying concerns about the added stress that consumers are sure to feel as interest rates rise (even as house prices are soaring & consumer debt is at a record level). In recent years most, if not all, of them have been cutting their 'Loan Loss Provisions' (since that hikes their reported earnings) to the point that the Bank of Montreal's at last report were just 0.19% of its C\$220BN domestic loan portfolio. And in a February 27th interview in response to TD Securities' bank analyst Mario Mendoza observation that "I'm sort of stunned to see to see how low credit losses are in are in Canada", BMO's Chief Risk Officer Surjit Rajpal delivered a lesson on the way the banks think about their potentially risky loans, the key sentence of which was "A lot of folks outside of Canada that make assessments on Canada assume that something is going to break, and break fast, and everything is going to collapse all at once. That is never the case¹⁶).

May God help the Bank of Montreal shareholders when its Chief Risk (Management) Officer spouts such unadulterated drivel. For, while last year's GDP growth rate was 3%, the IMF on January 22nd called for much slower growth this year, survey after survey has found that many Canadian households are over-borrowed & would have difficulty coping with interests rates as little as 0.5% higher than today's, while Jerome Powell, Janet Yellen's successor as Fed Chair, in his maiden presentations to both the House & Senate this week indicated the Fed expects to continue Janet Yellen's plans for three (if not more?) rate increases this year, the Canadian house building industry appears to be slowing down & house prices, that have increased by one-third since 2010, to be "softening" and half the young home buyers doing so with < 20% down payments and, last but not least, the outlook for meaningful oil price strengthening not being great.

¹⁶

False. A decade ago the GDP growth rate went from 4.40% in 2007 to -0.92% in 2008. And in the past 'black swan' events have often come like a thunder clap on a bright, sunny summer day.