

GLEANINGS II - 846
Thursday August 6th, 2020

Allen Lichtman - Now age 73, after getting a Ph.D. from Harvard he started teaching history at the Washington-based American University & is still there. In the late 1970's, since 'polls are mere snapshots of a moment in time other than election day', he used a Russian method for predicting earthquakes & data from 120 years of Presidential elections, to create a list of 13 True-False questions ¹ to forecast Presidential Election outcomes. If five answers to the questions are False, the incumbent wins & if six or more are so, the challenger does; and since six are now False, Biden gets the crown & Trump the booby prize - *Since 1980 he has been 'wrong' only in 2000, when he predicted Al Gore would get most popular votes, but Bush 43 got most in the Electoral College and sort of, in 2016 when he forecast Trump would win but Hillary got more popular votes*

Dance of the lemons - This is the title of Bagehot column in the July 18th issue of The Economist in which he tells us "America's public educational system has given the world two pungent mismanagement phrases : the "dance of the lemons" & the "rubber room". For the power of teachers' unions has made firing their members so hard that school districts either shuffle bad teachers from one school to another ("the dance of the lemons") or put them in an office ("the rubber room") to twiddle their thumbs & draw their salaries (*until they get tired of doing so or become pensionable?* ²)

During the pandemic young investors have flooded into Bitcoin & older (& wiser?) ones into gold - According to a major New York bank, "The older cohorts prefer gold while the younger cohorts prefer bitcoin ... *and while* younger cohorts of US retail investors show little interest in bond funds, they also avoid equity funds, preferring to invest ... directly by buying individual stocks, especially tech stocks ... *while* the older cohorts continue to deploy their excess liquidity into bond funds, the buying of which continued strong in June and July".

Lebanon has been on the road to failed state status for decades due the endemic corruption by the ruling elite with its many ethic & religious components - Last October that led to a series of demonstrations by the hoi polloi now known as the October Revolution after the Saad Hariri government had introduced new taxes on gasoline, tobacco & social media aps, which led to his resignation & replacement last January by Education Minister Hassan Diab.

The country has long been 'on the ropes' due to its kleptocratic political class, a 152% national debt-to-GDP ratio (the world's third highest after Japan & Greece), a near valueless currency, unemployment of up to 46%, a food-import dependency and the presence of 1.5MM Syrian refugees for a decade & for much longer of Hezbollah, Iran's Israel-inimical proxy.

The August 4th explosion killed 158 people & hurt 6,000+ more (overtaxing the city's hospitals), left 300,000 homeless in a city with a population not much bigger than that & a metropolitan population of 2.2MM, and created a crater 43 meters/141 feet deep. Worse still, it destroyed much

¹ Incl. things like the outcome of the previous mid-term elections (FALSE), the wellness of the economy (FALSE) and the absence of social unrest (FALSE); details about them can be learnt by googling "Keys to the White House"

² Which in many states at any age after 20 or 25 years of service and in Florida even at age 42 after 6 years of service (which may well be a convenient way to get rid of deadbeats,

of the food import handling facilities & the grain elevators that held the lion's share of the grain inventory of a country that depends heavily on food imports. In the five days since seven parliamentarians have resigned, as well as the Foreign Minister, the Information Minister (who declared the government "had failed to live up to the aspirations of the people") & the Environment Minister (who said he had "lost hope in a sterile regime that had botched serial opportunities"). And, while the Prime Minister on August 9th called new elections, the consensus is that this will merely be a matter of 'same shit, different pile' (i.e. result in a government with no more real interest in its citizens' well-being than its predecessors).

A Sunday August 9th 'virtual' intergovernmental pledging conference hosted by French President Emmanuel Macron raised US\$300MM (*a mere bagatelle in terms of the estimated US\$15+BN cost of restoring Beirut after its ammonium nitrate-fueled explosion*³ *to a shadow of its former self*). And without exemption all donors insisted that 'all of their money had to go to UN Agencies or NGOs, & absolutely none to the Lebanese government', a sentiment echoed by UN Managing Director Kristalina Georgieva when she announced there would be "No more loans unless it reformed its government ... current and future generations of Lebanese must not be saddled with more debt than they can ever pay."

"Make Billionaires Pay Act" - This bill was introduced in the Senate on August 6th by Sens Bernie Sanders (I-VT), Ed Markey (D-MA) & Kirsten Gillibrand (D-NY). It would impose a one-time 60% tax on the increase in the wealth of the US' 467 US billionaires (about 0.00015% of the US population) between March 18, 2020 & January 1, 2021. According to its sponsors it will raise US\$761BN in new government revenue [*i.e. hike its currently budgeted revenues (that, due to the dismal state of the economy are likely to fall well short of the budgeted number) by 18.3%*] & its proceeds would be used to pay the out-of-pocket medical expenses of all Americans for one year. In their press release they indicated it would cost Jeff Bezos (Amazon) US\$42.8BN, Elon Musk (Tesla) US\$27.5BN, Mark Zuckerberg (Facebook) US\$22.8BN & the Walton family (Wal-Mart) US\$12.9BN - *This tax is unfair to the targets since much of their wealth is tied up in their companies' shares & the start date is very close to the mid-March date when the stock market had YTD taken a one-third 'hit' (so the real rate of tax on their "gains" is well in excess of 60%). Generally speaking it would also be a stupid tax. It lacks the first measure of a "good" tax (ease & low cost of collection). It would not equally apply to all Americans but only to those with medical expenses, incl. some wealthier ones quite capable of paying their own medical expenses. And it would provide only one year's relief of medical expenses & pose a fiscal problem for the government in Year Two. But it serves the sponsors' purposes as a 'Trojan Horse' first step towards 'Medicare for All'.*

³ Ammonium nitrate (*chemical formula NH₄NO₃*) is a commonly used farm fertilizer (I used a lot in my farming days) that normally is quite stable. But ammonium nitrate explosions are not uncommon; they are ignited when a flame causes a chemical reaction in which the NH₄NO₃ breaks down into nitrous oxide (NO₂) & water (H₂O). In 1947 a carelessly disposed-off cigarette triggered one in Texas City TX involving 2,300 tons of the stuff (about three-quarters of the amount on this occasion) that killed 560+ people & caused a blast strong enough to knock people off their feet in Galveston, 10 miles/16kms distant. And more recently it has been used in terrorist acts (since it can easily be purchased in volume without raising any eye brows) incl. the 1995 Timothy McVeigh bombing in Oklahoma City, the 2002 Paddy's Pub Bali nightclub bombing by an Osama bin Laden- affiliated group & the 2011 Anders Behring Breivik Oslo bombing near the Prime Minister's office.

President Trump regularly reports on “how much better” the US has done in the battle against the coronavirus than any other country, despite the fact that with less than 5% of the global population the United States accounts for 25% of global fatalities – One fair way to verify his claim is by comparing the US fatality count per million with those of other countries with reputable reporting systems. On that basis, according to Johns Hopkins University the US, with at last report a rate of 475 per million, had ‘outperformed’ only 5 other countries (Belgium-862, UK-696, Spain-609, Italy-582 & Sweden-564), done worse than seven others (France-452, Ireland-363, Netherlands-358, Canada-243, Switzerland-233, Germany-110 & Denmark-106), much worse than three (Israel-62, Finland-60 & Norway-48) & infinitely worse than another six (Australia-9, Japan-8, South Korea-6, Singapore & New Zealand-5 each & Taiwan- 0.03). It’s also worth noting in this context that last March the US fatality count had been 2 (one per 165MM) & South Korea’s 17 (one per 3MM); in other words, while then South Korea’s ratio was 55x that of the US, today the situation is reversed with the US ratio 80x South Korea’s - QED.

Recently a doctor asked an interesting question on TV - Why does President Trump object to more public testing to identify new cases, when he has for some time insisted on having everyone who comes in contact with him tested daily & recently had that extended to all people in the White House, regardless of whether they are ever directly in contact with him? - *One can only guess : in his mind ‘what is good for the gander is not necessary for the goose’.*

Third COVID wave coming up in the US? - It was just reported that in the latter half of July 100,000 school age children had been diagnosed with the COVID-19 virus. And there is now underway, in the 7,000 inhabitant South Dakota city of Sturgis, the 81st Annual Motorcycle Rally ⁵ that this year is attended by ‘only’ half its usual 500,000 bikers from all over North America, very few, if any, of whom wear masks or practice social distancing. So some of them are likely to become “superspreaders” when they return home, with the results showing up in a few weeks.

Wal-Mart drive-ins - Next week it will begin, in partnership with the New York-based, Robert De Niro-founded TFF (Tribeca Film Festival) to start showing movies in drive-in fashion in the parking lots of some of its stores. Admission will be free although reservations are required – *what a clever, COVID 19 -sensible move : Mom or Dad can go shopping while the kids watch the movie.*

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TRANS-PACIFIC PARTNERSHIP VOWS ‘FLOW OF GOODS (Reuters, Laura Gottesdiener)

- Late Wednesday August 5th, after a Mexico ‘hosted’ virtual ministerial meeting, its 11 members (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam), agreed to fight protectionism and avoid food & medicine shortages during the coronavirus pandemic.
- In her opening statement Graciela Marquez, Mexico’s Economy Minister had told her colleagues “I am convinced we must take action to strengthen existing regional supply chains and develop new ones in the face of the coronavirus pandemic” And in their joint statement afterwards they expressed support for expanding the group, saying “We strongly believe that, given the current circumstances, it is more important than ever to

⁵ Launched in 1938 by the local Indian motorcycle dealer for Indian riders, it has been held every year since 1938, except 1942 due to gasoline rationing, now lasts nine days and in the past 30 years has routinely had 400,000-500,000 attendees & been a boon to the local economy.

counter protectionism” and that WTO should demonstrate an ability to deliver “outcomes on 21st century issues”, a dig for its decade-long deadlock on trade negotiations. .

- This comes as the pandemic has exacerbated a trend towards protectionism, as a number of European countries have taken steps favouring domestic investments and US-China sabre-rattling has been increasing and lockdowns around the world have shattered some of the web of suppliers central to modern manufacturing.

The TPP was signed by 12 nations, incl. the US, on February 4th, 2016. But, although the idea had been supported by both Bush 43 & Obama (so as to crimp China’s influence in the region), then candidate Trump pledged during the campaign (solely & shortsightedly since the US had signed it during the Obama years) to pull out of it forthwith, if elected. And he did, on January 24th, 2017, just four days after his inauguration - Last year, the 11 remaining countries had an aggregate GDP of US\$13.5TR (15.4%) of the global total, vs. China’s US\$14.1TR (16.1%) & the US’ US\$21.4TR (24.4%). And since economists expect US GDP not to regain that size again until late 2022, and in the First Half of this year US GDP shrank at the far higher rate than either China’s or the TPP member countries’, & the US now appears on a slower recovery path than them, these percentages could be quite different by December 31st, 2022, thereby further undermining the US’ one-time pre-eminent status on the global stage)

GEORGIA SECOND GRADER TESTS POSITIVE FOR CORONAVIRUS AFTER FIRST DAY AT SCHOOL (CBSNews)

- Two Atlanta suburban school districts started in-person, mask-optional classes on Monday August 3rd. But the very next day one of them announced a second grader had tested positive, causing the child’s teacher & class mates to be quarantined for two weeks.

And there are many first-day-back-at-school pictures & others of crowded high school hallways on the social media, with none-, few-, & seldom even half the students wearing masks ⁶. This prompted Dr. Marybeth Sexton of the Serious Communicable Disease Unit at Atlanta’s Emory University Hospital to observe “That is concerning ... probably my biggest worry is the behavioral aspect ... with older kids and teenagers, it really does appear that they can be just as contagious and likely to transmit ... (thus) at the summer camp right here (i.e. in Georgia) 3/4 of the kids and staff all tested positive after working, playing and living (for a week?) in close quarters.”

THE BALLOONING MONEY SUPPLY MAY BE THE KEY TO UNLOCKING INFLATION IN THE US (CNBC, Thomas Franck)

- M2 is the broadest basis for measuring money supply growth; it includes cash, checking- & savings-, deposits and money market securities. On July 31st it was US\$ 18.3TR, up 20% YTD & a record 23+% YoY [*it’s growth has been in the (low) double digit range only 4x in the past half century, in 1983 and, very briefly each time, in 2002, 2008 & 2012*]. According to Mike Wilson, Morgan Stanley’s Chief US Equities Strategist this week, “It’s fair to say we have never seen money supply growth as fast as it is today ... The Fed may not be in control of Money Supply growth which means they won’t have control of inflation either, if it gets going ... The risk of higher inflation may be greater than ever ... while this

⁶ One of which caused the girl who took it & put it on Facebook to be suspended (although a few days later that decision was reversed).

hasn't shown up yet in backend rates yet, the very sharp move higher in bond market inflation expectations and precious metals suggest higher inflation may be on its way."

As food processors' operations experienced coronavirus-driven interruptions, they had difficulty keeping up with demand; as a result, as of June 30th food prices were up 4.2% YTD & 5.6% YoY, which must have hurt those laid off or furloughed disproportionately since at the best of times their spending on food tends to account for a higher share of their, typically below average, disposable incomes. This did not stop Nathan Sheets (age 55) from seeing things differently, saying "if businesses aren't inclined to spend, the large money supply may do little to fan inflation" - But he may be proven wrong. One, because business spending accounts for a far smaller share of GDP than consumption. Two, the government's large income supplement programs have resulted in consumption declining at a far slower rate than the money supply has been growing, creating a classical 'more' money starting to chase fewer' goods' recipe for inflation. And three, having worked at the Fed & City Group before serving as the US Treasury's Under Secretary for International Affairs in Obama's second term, & now being Chief Economist & Head of Global Macroeconomic Research at NYC-based, PGIM Financial, Prudential's asset management arm, Sheets may be one of those 'pointy-headed' economic PhDs that are not as finely tuned to events at the grass roots as he might, & should, be.

TRUMP CAMPAIGN NEARS POINT OF NO RETURN (Politico, David Siders)

- There are 92 days left until Election Day. But interviews with two dozen, both Republican & Democratic, party officials suggest he has less than half that time to start closing the gap with Joe Biden, given the expected surge in mail voting & the fact there seem to be fewer *still* undecided voters than in 2016. Voters should begin getting ballots in the mail next month : in North Carolina the ballot sending-out process starts on September 4th & in four other 'swing' states (FL, MI, MN, PA) before month end. And according to Charlie Gerow, a Pennsylvania-based Republican strategist who still believes (*or hopes against hope?*) Trump will outperform the current polls on Election Day, "If I were running the Trump campaign, I would want to see a marked uptick by the beginning of October."
- According to the RealClearPolitics' polling average Trump trailed Biden by 7% points in the national polls & Biden held an edge in nearly every swing state ⁷. And while Trump has waited for months for a rebound in the polls in the hope that the coronavirus would subside & the economy show signs of improvement, neither has happened. And the Trump campaign seems to have recognized the calendar squeeze since on August 3rd its advertising campaign started focusing on the earlier-voting swing states (*that may, however, eat up campaign funds used to greater advantage closer to Election Day?*)
- One reason Republicans worry about mail voting is that the Democrats have outpaced them in mail ballot requests & that, while in 2016, 40% of voters had cast their votes in person or by mail before Election Day, this year their number may increase dramatically due to the pandemic. And in North Carolina nearly 6x as many voters had by last week requested absentee ballots than at the same stage in 2016, with Republicans having accounted for just 14% of those requests, down from 36% in 2016. But many Republicans think their party's voters will swamp the polls on Election Day & that the later undecided voters make up their minds, the better it will be for them in the "hope that coronavirus conditions will improve, and Trump will damage Biden in the debates". But depending on

⁷ More specifically they suggest that, while Trump may lead Biden by 7-9% among white males, Biden has a similar edge over him among **all** voters.

Election Day outcomes can be risky, for it may rain, supporters may forget to vote and/or another coronavirus outbreak may scare supporters off.

The real risk for Trump may well be that the thousands of voters who have lost relatives or friends to the coronavirus & the millions who have trouble feeding their kids, paying their rent or their mortgage payments, and/or are facing eviction or foreclosure, will have a profound personal grudge against for Trump. And given Trump's proven proclivity for suing those responsible for unfavourable business outcomes & the possibility that some 'once safe' GOP incumbents may go to defeat & be deprived of their ego-boosting sinecures, the post November 3rd legal donnybrook may well make the 2000 'hanging chads' episode look like child's play.

WISCONSIN REPUBLICANS HELP KANYE WEST IN HIS ATTEMPT TO GET ON THE STATE PRESIDENTIAL BALLOT (Milwaukee Journal Sentinel, Daniel Bice)

- Billionaire rapper Kanye West turned in, by the 5:00 p.m. Tuesday July 4th deadline, the number of signatures he needed to get his name on the Wisconsin Presidential ballot (doing the same in Ohio, Arkansas & West Virginia). Reid Magney, a spokesman for the State Election Commission said it would take several days to confirm he had enough valid signatures to get on the ballot as an independent candidate for the Birthday Party.
- While an impressive feat for him to have gotten as many signatures as he did by the deadline, he had help. For his nomination petitions were delivered to the state regulator by Lane Ruhland, a former general counsel for the state's GOP who is currently representing Trump's re-election campaign in its April 12th federal law suit against a Rhinelander TV station ⁸. And while Alesha Guenther, a state GOP spokesperson, in noting Ruhland's involvement with West's campaign, commented "It appears that Kanye West made a smart decision by having an experienced election attorney ... We welcome Kanye and all other candidates who qualified access to the race", Melissa Baldauff, Democratic Gov. Tony Evers' former spokesperson criticized it, tweeting "Honestly, it is the least surprising thing in the world that Wisconsin Republicans want to screw around with our elections", noting they had, nearly a decade ago, run several fake Republicans during the recall elections.
- To make it on the ballot, West had to get 10 people (one for each electoral districts & two 'at large') who would pledge to vote for him in the Electoral College if he were to win the state (*it has 10 Electors, out of a total 538*). According to media accounts several of those named are big Trump supporters or top-ranking GOP activists, incl. 25 year-old Tanner Hill, an Iron County supervisor who tweets regularly in support of Trump & the Republicans who, when reached at his home on Tuesday night, said someone with West's campaign, whose name he didn't remember, had asked him to serve as an elector if West wins and that "I like a lot of his ideas ... He'd be good for the country.

⁸ The city has a population of < 8,000 and NBC-affiliated WJFW TV-12 is part of a three small station chain (the other two of which are in Bangor ME). It had run a 30 second ad paid for by the Democratic Super PAC Priorities USA that featured Trump calling the coronavirus a "hoax" & continued doing so after being sent a March 25th 'Cease & Desist' letter by the Trump campaign that to date has spent US\$16MM in defamation suits against the NYT, WP, CNN and dozens of other stations, US\$200,000 of which, according to its financial reports, on the Rhinelander suit. Few, if any, are likely to be successful but meet Trump 2008 standard of "I spent a couple of bucks on legal fees, but they spent a whole lot more... I did it to make ... their life miserable, which I am happy about."

Many Wisconsin Republicans believe West will syphon votes away from Joe Biden, presumably mostly from the relatively young 6.7% of its population that is Afro American [nearly 70% of whom live in Milwaukee & less than 5,687 (1%) in Iron County].

THE CORONAVIRUS BETRAYS NETANYAHU (al-Jazeera, Akiva Eldar)

- In April public fear of the pandemic made Bernie Gantz break his campaign promise not to form a coalition with Netanyahu. But he is now probably regretting that for it's starting to look increasingly Netanyahu won't not only be able to deal with the political & economic fallout from the pandemic but is willing to throw the country into turmoil to save himself from jail by calling an election as Gantz's coalition is shattered by his coalition decision.
- While an April poll gave Netanyahu's handling of the health crisis a 68% approval rating in July only 25% gave him full marks for his coronavirus-, & 30% for his government's performance. For, against his experts' advice, he eased the shutdown in late May and Israel now faces a 'second wave', with hospitals full to capacity, unemployment & bankruptcies surging, a budget hole emerging & he pushing for an election nobody wants to regain control of the Justice Department (*to end the corruption trial nonsense*).
- And it hasn't helped that in late June he got the Knesset to approve retroactive tax refunds for expenses for his private villa in Caesarea & then lashed out against demonstrators outside his official residence in Jerusalem, incl. Likud voters, religious & orthodox Jews & even a few Netanyahu family members, by calling them "anarchists ... trying to topple a strong right wing leader". This prompted a July 31st monologue on Channel 12 by Moshik Galamini, once a proactive Netanyahu's supporter, saying "I am concerned about my future and that of my self-employed friends ... about whom you up there don't give a damn ... This is definitely not an issue of right or left and I am definitely not an anarchist ... simply an independent businessman ... who wants you to take me into account too."
- So in November he may not just lose an election (a recent poll suggested support for Likud had declined 25%) but also his White House benefactor & both Houses of Congress controlled by the Democrats and from January 21st onward his calendar full of court appearances on corruption charges & more claims he's unfit for office. The coronavirus that in April kept him in control may now well result in his political demise.

His position has become so precarious that The Times of Israel recently had a headline telling its readers "Ultra-orthodox parties said threatening not to back Netanyahu if election called", quoting Interior Minister Aryeh Deri, the leader of the Shas party, as saying "The Israeli people will not forgive us if we go to elections ... and want us to work together" (a concept that is not in Netanyahu's playbook at the best of times & especially not when his legal troubles are uppermost in his mind).