

GLEANINGS II - 863
Thursday December 3rd, 2020

Quote of the Week - "While Biden's other nominees have done little to provoke Republican backlash thus far, Tanden is 'radioactive' " - Sen. John Cornyn @-TX) (50 year-old Neera Tanden is a Yale Law alum & Democratic Party activist named by Biden to head the OMB (the White House Office of Management and Budget ¹). *While deemed 'progressive' & "one of the more liberal members of Clintonland", she opposes Bernie Sanders "Medicare for All" idea. Massachusetts-born & bred, she is the daughter of Indian immigrant parents who split up when she was five, after which her mother had to go on welfare for a couple of years until she found a job, something that, by her own admission, has coloured her political thinking ever since.*

Since 2011 she has headed the Washington-based Center for American Progress ², a liberal public policy think tank. Twitter may prove her undoing. For she has been outspoken in her use of it & for two weeks has been deleting 1,000's of tweets, prompting Sen. Cornyn to note "It's pretty crazy ... to think she can go back ... eliminate all the tweets ... she has sent over the last, whatever, months, years" & Sen. Lindsey Graham (R-SC), who will head the Senate Budget Committee that will spearhead her nomination process, "She had a lot to say. It will be a long hearing. Uphill!"

Quote of the Week No.2 - "Globally we have become over-reliant on borrowing as a solution to everything ... We are quickly approaching a situation where we have dug ourselves a debt hole which is going to have profoundly negative effects on the economy for probably decades going forward. " - Maya MacGuineas, President of the Washington-based Committee for a Responsible Federal Budget bipartisan group of legislators, business leaders & economists that includes *former Fed Chair & now Treasury Secretary nominee Janet Yellen (& until his death last December at age 92, Paul Volcker)*. Last month it must have upset the Democratic Party's progressives when it published an article entitled Canceling Student Debt is a Poor Economic Stimulus (since it would hike consumer cash flow in the short run by only US\$90BN/year at a long term cost of US\$1.5TR, a situation made worse by the fact that 75% of its benefits would accrue to the top 40% earners (with a lower 'propensity to consume' than those with low incomes).

Airlines' profits & losses - After the Great Recession, they had annual profits of US\$17.3BN worldwide, of which US\$4.2BN was accounted for by North American airlines Then in the middle of the decade, lower fuel prices generated three 'banner' years of US\$35+BN profits worldwide & US\$20+BN in North America, only to be followed by two years (2018 & 2019) of much lower annual profits in the range of US\$26+BN worldwide-, & US\$17+BN in North America.

This year their losses are expected to be in the US\$118.5BN & US\$45.8BN range respectively, i.e. losses equal to 220% & 143% respectively of the previous two years' profits. If the capitalist system had worked as it is supposed to, some airlines would have been allowed to go bankrupt, with much of the "hit" taken by the "1%" & the new owners having a much lower cost structure. Instead, the industry has been allowed to become a drain on tax payers for years to come.

And there is no company less deserving of a bailout than Fort Worth TX-based American Airlines. For in the five years to December 31, 2019 it bought back US\$11.9BN-worth of its own shares with US\$12.6BN

¹ That "oversees the implementation of the President's vision", and with 529 employees is the largest office within the Executive Branch.

² The current Chairman of which is South Dakota-born & raised Tom Daschle (who will turn 73 next Wednesday). He served as a Democrat in the House from 1978-1986 & then in the Senate until 2005 (during his last four years as Majority Leader) until his surprise defeat in 2005 (the first time in 50 years that a Party Leader in the Senate was defeated), after having been derided as the "Darth Vader of the US Senate" & "a prairie populist in South Dakota but the darling of Hollywood and the East Coast elites in Washington"). In 2008 was nominated by Obama to be Secretary of Health & Human Services until controversy arose about his failure to properly report & pay income tax.

of borrowed money & then leveraged its balance sheet even further by tripling the share of short-term debt in its total debt load, from roughly 10% to almost 36%, as its revenues waxed by 12% to US\$45.8BN as its Net Income declined 78% to US\$1.7BN.

Bad omen? - On September 7, 2016 Patti Domm noted on CNBC that “Eight of the last 11 recessions (*incl. the Depression & the Great Recession*) have occurred within the first year of a new presidency ... *and* since 1920 recessions during a new president’s first year have been three times as common as in other periods.”

Office of the US Vice-President - Mike Pence is the 48th Vice-President since 1789 (nine of whom ended up becoming President ‘intra-term’). Originally, they became Vice-President by coming second in the Electoral College vote. But in 1800 a tie in the vote had to be settled by the then President of the House of Representatives, prompting passage of the 12th Amendment to the Constitution to provide for a separate ballot for Vice-President. And since the passage of the 25th Amendment in 1967, if the Vice-Presidency were to become vacant through death of the incumbent, or for any other reason, the President can name a replacement, subject to confirmation by both Houses of Congress.

Presidential hopefuls have for obvious reasons, long picked their ‘running mates’ for reasons other than their Presidential potential, and most commonly for what they might ‘add to the ticket’ on Election Day. This was the case with, among others Truman and Johnson, before they ‘fell into the job’ after the unexpected demise of the incumbent, and resulted in the selection of nincompoop Vice-Presidents, incl. Spiro Agnew, Dan Quayle & Mike Pence. And Kamala Harris’ selection, like Geraldine Ferraro’s in 1984 & Sarah Palin’s in 2008, was a function of her being a female (& in her case a ‘female of color’), not because she was ideally suited to become President in case a late septuagenarian President required repalcing.

So, in the best of all possible worlds, Joe Biden should turn over a new leaf in US Presidential history by, rather than treating her like a mushroom, keeping her in the dark & feeding her horse shit, treating her as a President-in-training with whom he pro-actively shared his work load, especially since, even if he were to complete his full four year-term, he is unlikely to run for a second term in 2024 and she, as Vice President, would be the odds-on favorite Democratic Party standard bearer candidate. But given her criticism of Biden during the primary season, that may require him ‘swallowing a lot of pride’.

Much of it will depend on Harris, who should be guided by an observation by Leon Panetta, Obama’s Secretary of Defense ³ “He (i.e. Biden) was loyal ... to Obama in every way ... even ... when he disagreed with what Obama was doing ... (even as) [he] oftentimes felt that loyalty was not being rewarded.”

State of the economy - On Friday December 4th BLS (the Commerce Department’s Bureau of Labor Statistics) reported that in November 245,000 new non-farm jobs were created (only about *half the 460,000 expected*) and that the unemployment rate had declined to 6.7% (down from 6.9% in October & 14.7% last April, *but still nearly twice the rate last February & a level last seen in March 2014.*

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MORTGAGE DEMAND FROM HOME BUYERS SPIKES 28% AND THE AVERAGE LOAN DEMAND SETS A RECORD HIGH (CNBC, Diana Olick)

- The MBA (Mortgage Bankers Association) reported that in the week to November 27th mortgage applications to buy a home were up 9% WoW (*despite the fact that Thanksgiving week typically is not a popular time for home buying*) & 28% YoY. And while applications for refinancing existing home loans were down 5% from the week before, they were still up 102% YoY. According to Joel

³ And before that in turn a 16-year member of the House (from California), Director of the White House Office of Management and Budget, Clinton’s Chief of Staff, Professor of Public Policy at California’s *private Jesuit* Santa Clara University & CIA Director and, since then, Chairman of the Panetta Institute for Public Policy at the Monterey Bay campus of the California State University.

Kan, the MBA's Associate Vice President of Economics & Forecasting "Purchase activity continued to show impressive year-over-year gains ... Housing demand remains strong and despite extremely tight inventory & rising prices home sales are running at their strongest pace in over a decade".

A sign of the US' increasingly 'binary economy' in which for one part of society (the 1%, the political & corporate elites, and much of the professional-, retiree-, & public sector employee-, class) its cash flow is little changed & things are pretty "normal" except for some temporary coronavirus-induced personal inconveniences, while in a growing part of the 'working stiff element' of American society people don't know where the next meal for their family may come from and/or how long they it will be before they're evicted from their rented-, or foreclosed out of their 'owned'-,homes.

BIPARTISAN GROUP OF LAWMAKERS ROLL OUT \$908 BILLION CORONAVIRUS RELIEF PLAN (CBSNews, Melissa Quinn)

- On December 1 a bipartisan group of 16 lawmakers ⁴ rolled out a US\$908BN coronavirus relief/economic stimulus proposal. It includes US\$288BN for small businesses/PPP & US\$180BN for new unemployment insurance, US\$160BN for state-, & local-, government support, US\$82BN for education, US\$17BN for the airlines, and US\$16BN for vaccine development & distribution, and testing & contact tracing, as well as short-term liability protection for corporations facing coronavirus-related law suits (a Mitch McConnell priority).
- That day also Speaker Nancy Pelosi (D-CA) & Treasury Secretary Steven Mnuchin spoke on the phone (for the first time in five weeks), with Pelosi reporting he would consider the bipartisan proposal & one she & Senate Minority Leader Chuck Schumer (D-NY) had concocted. And Mitch McConnell told reporters he had received the Pelosi/Schumer proposal & had spoken to Secretary Mnuchin & White House Chief of Staff Mark Meadows to see what President Trump might be prepared to sign, since "This government is in place for sure for the next month... *and* while it does require bipartisan support to get it out of the Congress ... *it also* requires a Presidential signature."

It makes one wonder about the Democrat leadership role in all this. For with four Republican co-sponsors the US\$908BN deal, if approved by the House, would, provided McConnell let it come to the Senate floor, get 52-48 approval there & go to Trump for signature (while he is said to be anxious to have a stimulus package approved, he indicated earlier he would like something "big" & at the best of times his willingness to sign anything depends on his mood).

Meanwhile the government faces a more imminent problem. For by next Friday, December 11th, Congress must pass, & the President sign, a Budget Bill for the fiscal year ending next September 30th. And they don't, the government must shut down, something Trump is said to want to avoid (since that would mean that in his four years in office there would have been as many government shutdowns for more days than in the previous nearly two decades?)

REPUBLICANS TO TRUMP : GEORGIA FRAUD CLAIMS COULD COST US THE SENATE (Politico, Andrew Desiderio & Marianne Levine)

- The key battleground states now have certified their election outcomes & Trump's legal challenges are crumbling. Still, he won't let go of his baseless claims of election fraud, even as the official presidential transition process is now in full flight, with President-elect Biden last Monday having gotten his first presidential intelligence briefing. And *growing numbers* of Republicans are starting to see his election fraud posturing as a self-serving quest imperiling the party's grip on the Senate by possibly lowering the party faithful's turnout in the Georgia run-off races. And they hope he won't

⁴ Seven members of the House (3 Democrats & 4 Republicans), and nine Senators, four Democrats [Jeanne Shaheen & Maggie Hassan (both from New Hampshire), Joe Manchin (WV) & Mark Warner (VA)], one Independent, Angus King (ME), and four Republicans [Bill Cassidy (LA), Susan Collins (ME), Lisa Murkowski (AK) & Mitt Romney (UT)], at least two of whom do not need to fear core GOP voters' wrath until 2026.

push his false election fraud claims on Saturday December 5th when he will come to Georgia to campaign for Sens. Perdue & Loeffler.

- According to Sen. Roy Blunt (R-MO), a member of the GOP leadership, “I think what he says on the trip will probably matter more than what he’s said until now.” And while many Republicans still believe Trump is key to motivating his supporters to vote in the January 5th run-offs, they still worry about a voter collapse in a race in which the candidates have already earmarked US\$308MM (US\$30 per capita) in campaign spending.

Hash tags like #Crooked Kelly and #CrookedPerdue have popped up ⁵. Some Trump supporters are calling on voters to ‘write in’ the President’s name on their January 5th ballot. At a November 28th public event RNC Chair Ronna McDaniel was told by Trump supporters they saw no reason to vote on January 5th since “the races had already been decided”. Both incumbents have accused Georgia’s GOP Governor & GOP Secretary of State of not pushing Trump’s voter fraud allegations hard enough, with Trump himself on Fox Business saying “Gov. Kemp has done absolutely nothing to support me” and I am “ashamed to have endorsed him in 2018” (when the then Georgia Secretary of State Brian Kemp just nosed out African-American Democrat Stacey Abrams 50.2-48.8). So it’s no surprise some wit observed “the GOP in Georgia is acting like a circular firing squad”. And even if the two incumbents kept their seats, Mitch McConnell may have difficulty keeping control of the Senate; for it would take only two of the four Republican Senators noted above, who are co-sponsoring the US\$908BN proposal, to vote with the Democrats for ‘national interest reasons’ to create a tie that then would be broken by Vice President Kamala Harris.

REPUBLICAN ARKANSAS GOVERNOR : TRUMP BEGINNING TRANSITION PROCESS MORE “SIGNIFICANT” THAN CONCESSION (The Hill, Zack Budrick)

- On Sunday November 29th Asa Hutchinson told Bret Baier on Fox News Sunday “We need to work on that transition. I applaud President Trump for initiating that ... We expect [Biden] to be sworn in on January 20th ... The words of President Trump aren’t quite as significant as the transition process being underway ... I understand the legal reason why he should not [concede] because he has some appeals ongoing ... but it’s President-elect Joe Biden.” And as to the Trump’s legal challenges, “the courts have not seen any evidence of ... extensive fraud ... scores of courts have looked at that.” ⁶ This came a couple weeks after he told NBC’s Chuck Todd “It’s very important that Joe Biden have access to the intelligence briefings to make sure he is prepared ... During times of transition, our enemies have an opportunity to take advantage of us ...”.

Another straw in the wind that Trump’s star is fading! As were the fact that on December 1st Mitch McConnell in a press conference referred to the “new”, rather than the “next” administration, and Attorney-General/ William Barr went on record that “the Department of Justice had found no evidence of widespread voter fraud”, thereby apparently infuriating Trump.

ISRAEL HANDS OVER \$1 BILLION IN PALESTINIAN AUTHORITY TAX BACK LOG IN SIGN OF WARMING TIES (Reuters, Staff)

- On Wednesday December 2nd it handed over 3.77BNshekels/US\$1.14BN in tax money 1 of these funds it had collected for-, & owed to-, the Palestinian Authority, i.e. half its budgetary revenues, but that the PA had refused to accept since last June because of Netanyahu’s annexation plans (as well as several times last year after Israel had objected to some of the money going to the families of jailed or killed Palestinian militants. Receipt of these funds will enable the PA to pay in full the back pay owed to its 130,000 employees.

⁵ Because earlier this year Sen. Loeffler was-, & Sen. Perdue is currently being-, investigated by the Department of Justice for insider stock trading?

⁶ He is being “diplomatic”; for the reality is that the courts haven’t been presented with any evidence; and under our system accusers must present evidence to make charges stick.

- Last August Netanyahu froze its annexation plans as part of its agreement to forge diplomatic relations with the UAE. And after the Biden election victory President Mahmoud Abbas dropped his Washington boycott & PA Foreign Minister Riyad al-Maliki announced in a November 26th video conference “We are sending clear messages not only to the Israelis, not only to the Biden administration, but also to the Europeans and many others that Palestine, and the Palestinians, are ready to reengage completely with Israel”.

Time will tell; it takes two to tango! And Netanyahu's position seems to be weakening internally, while after January 20th Israel's geopolitical position is likely also to weaken a great deal.

PHILLIP ORCHARD : CHINA STARES DOWN A FINANCIAL RECKONING - BEIJING THINKS THE PANDEMIC ILLUSTRATED THE SUPERIORITY OF ITS APPROACH TO FINANCIAL STABILIZATION (Mauldin Economics, Patrick Watson)

- In late October, Jack Ma in a speech in Shanghai ripped into overzealous Chinese regulators for having a “pawnshop mentality” & “stifling innovation”. This prompted Beijing (*at President Xi's instruction?*) to suspend the US\$35BN “record shattering” IPO of his Ant Group and, days later, to unveil anti-monopoly legislation that will affect his sprawling empire.
- It isn't surprising his comments struck a nerve. For as Chinese tech conglomerates like the Ant Group have expanded into financial services they have become more & more like lightly-regulated banks. And, as they innovate to get liquidity into lightly financially-serviced corners of the economy, the risk of a financial crisis rises. Meanwhile, President Xi wants to boost the financial SOEs (as part of his desire to boost the CPC's role in the economy?), while, according to the World Bank, no country in history has ever amassed as much debt as quickly as China has *since the Great Recession* without sooner or later suffering a financial meltdown.

President Xi obsessed by the idea that, when Gorbachev loosened his Communist Party's control over the Soviet economy, he signed its death warrant; so he is determined not to fall in the same trap. But in seeking to strengthen the CPC's control over the economy he may be falling into another one (of his own making). For the state-owned banks are loath to lend to borrowers other than those they perceive to be the most creditworthy, i.e. those with outright-, or at least implicit-, government backing. And in doing so they are creating a financing void among 'private sector' borrowers that the various non-banks seek to fill - Orchard has a Bachelor's degree in Journalism from-, & a Master's in Security, Law & Diplomacy from the Lyndon B. Johnson School of Public Affairs at-, the University of Texas at Austin. After a few years abroad (much of it in Asia) reporting on mass political upheaval, civil conflict & human migration, in 2011 he joined Austin TX-based Stratfor, a leading geopolitical advisory service that in 1996 had been founded by the now 71 year-old George Friedman (like George Soros, the offspring of Hungarian Jewish Holocaust survivors). And two years after Friedman had left Stratfor in 2015 to found Austin TX-based Geopolitical Futures, an online magazine analyzing & forecasting global events, he left Stratfor to join the new firm.

PUTIN'S PUSH INTO AFRICA (Gzero Newsletter)

- Recently Russia secured a deal to build a naval base *on the Red Sea* in Sudan, the first new military facility in Africa since the end of the Cold War⁷. This is a major milestone in his push to regain influence in, & generate income from, a continent in which the Kremlin once was a major player & where, since 2015, Russia has become the largest arms supplier, with two of its biggest clients being Angola & Nigeria (after the Obama administration cut them off for reasons of human rights concerns). In addition it has been supplying African countries with mercenaries to help them fight insurgents & with advisers to deal with political opponents. And the so-called Wagner Group, a private military entity owned by a Putin buddy, *Yevgeny Prigozhin*, has helped to crush an Islamic

⁷ This is not quite correct; in March 2016 China started building a US\$590MM military base in Djibouti, cheek-to-jowl with the former French Foreign Legion Camp Lemonnier that since 2002 has been operated by the US.

State rebellion in Mozambique & an uprising in the CAR (Central African Republic), and is believed to be active in Libya & to be on the UAE payroll.

- In return Russian companies have been involved in lucrative energy-, & mining-, projects in, among others, Angola, CAR, Guinea, Mozambique, Sudan & Zimbabwe, helped by the fact that in recent years Africa has not been a priority for the US (*as reflected in Trump's "shithole" country reference*) & while China has lent billions of dollars to cash-strapped African countries, it is now accused of having created 'debt traps' for them. But, while Russia is now seen in some countries as a 'transactional player with muscle', its clout in Africa is still nowhere near that of China & the EU, two of Africa's largest trading partners, and of the US that, with nearly 30 military bases in the continent, can win friends & influence people at little incremental cost.

This may well be another case of Putin's (political) eyes being bigger than his (economic) stomach.