

GLEANINGS II – 884
Thursday June 10, 2021

Biden’s vision for his forthcoming European trip – In a June 6, in a WP Op-Ed piece, he explained that it is part of a larger defence of democracy, noting that “In this moment of global uncertainty, as the world still grapples with a once-in-a-lifetime pandemic ... this trip is about America’s renewed commitment to our allies and partners, and demonstrating the capacity of democracies to meet both the challenges and deter the threats of this new age.” And, identifying the need for a unified effort *both* to end the coronavirus pandemic and push back against the governments of China and Russia, he called for America once again to lead the world from a position of strength, pointing to the America’s rebounding economy, its vaccine distribution program & American Rescue Plan as indications that the US is recovering, saying “we will be stronger and more capable when we are flanked by nations that share our values and our vision for the future – by other democracies.” - *He may have a hard time getting other leaders to take his words at face value; for while Trump’s promotion of isolationism may be a thing of the past, in America Trumpianism appears alive & well, the various states’ voting registration initiatives are anti-democratic, the the US dollar’s role as the world’s ‘benchmark currency’ is eroding & his failure to get his domestic recovery plans through the Senate, likely put him in a weaker position internationally than any US president in the post-WW II era. And it cannot have escaped foreign leaders’ attention that, according to FiveThirtyEight, while since his Inauguration his Approval Rating has remained in positive territory (something that escaped Trump for four years), it has softened marginally (from 53.1% to 53.0%) while his Disapproval Rating has gone from 36.0% to 38.6%.*

Biden strengthening his bargaining position for Europe? - On Wednesday June 9, before departing on his first foreign tour as President, he told reporters that he had a new ‘global vaccine strategy’, but did not go into detail. That he left for his arrival in England the next day, when he announced the US was donating 500MM doses of the Pfizer vaccine to the COVAX program [that is administered by WHO & GAVI (Global Alliance for Vaccines and Immunization)¹ which operates in 92 low income countries, i.e. *almost half the countries in the world*], with 200MM to be made available this-, & the remaining 300MM in the First Half of next-, year². *Elsewhere it was reported that the UK is changing its vaccination strategy to focus on combating what is now called “Variant Delta (& used to be known as the ‘Indian variant’), that now has made its presence known in all provinces & one territory of Canada.*

Meme stocks – They are a new phenomenon. They are stocks without much, if any, merit for serious investors but that are bought by young and/or novice stock market players who band together to buy them as a pack all at once to spike their prices and who coordinate their activities on Internet message boards such as Twitter, Facebook & Reddit. Prominent among them is AMC Entertainment Holdings, a TV network operator that, that three years ago already had seen its analysts BUY recommendations shrink from 55% to 15%, and since has become a full-fledged “Zombie” company for the professionals that nevertheless, as of June 2, was up 3,112% YTD!

1 Like WHO it is Geneva-based. It was founded in 2000 to improve access for people in poor countries to vaccination for, at last count 17 infectious diseases. Its work has been funded, among others, by governments, the World Bank, UNICEF, WHO, and the Bill & Melinda Gates Foundation.

2 This is on top of the 80mm doses & tUS\$2BN in funding that Biden had earlier pledged to provide to COVAX by the end of this month.

FOUR FACTORS BEHIND THE METALS PRICE RALLY **(IMF, Martin Stuermer & Nico Valckx)**

- Industrial metals' prices are up *an average* 72% from their pre-pandemic levels, with iron ore up 116%, copper 89% & nickel 41% ³ And, while the prices of agricultural & energy commodities (crude oil, coal & natural gas) are also tracking upward, they are doing so at a much slower pace. There are four reasons for the strong metal prices :
 - **Manufacturing-based recovery** - Manufacturing didn't slump as much as the services sector, & recovered faster, especially in China (while the transport sector remains depressed & global road fuel consumption is still only at 93% of its pre-pandemic level, which has not stopped Brent crude from being up 327% from April 2020's US\$21.44);
 - **Supply-side factors** - Mining operations were disrupted and freight rates are at 10-year highs;
 - **Expectations for faster energy transition and infrastructure spending** - The former may prompt a 40x increase in the lithium consumption while according to the *Paris-based* IEA) the consumption of graphite, cobalt & nickel may rise 20-25 times amid the ambitious infrastructure programmes in the EU & US; and
 - **Storability of metals** - They store easier than farm & energy commodities and low interest rates reduce their 'cost of carry'.
- While prices may peak soon since the first two factors above are temporary, they are expected to remain high unless the energy transition-, & infrastructure-, programmes don't materialize as quickly as expected.

This could throw the expectation that inflation will be a temporary phase 'into a cocked hat! And some of these higher prices may now well be 'baked into' the system (Stuermer is an Economist & Valckx a Senior Economist in the IMF Research Department's Commodities Unit).

WHAT TO WATCH ON BIDEN'S 1ST FOREIGN TRIP TO THE UK, BRUSSELS AND GE-NEVA (NPR, Franco Ordones)

- **Wednesday June 9 – RAF Mildenhall, Suffolk (60 miles/100kms North of London).** After arriving there on Air Force One Biden & the First Lady will meet the US military personnel stationed there – *this has for all intents & purposes been a US base since early in WW II & currently is home to the USAF's 100 ARW (Air Refuelling Wing);*
- **Thursday June 10 – London.** Meet with Prime Minister Boris Johnson to discuss bilateral issues (incl. climate, trade & Northern Ireland ⁴);
- **Friday June 11 & Saturday June 12 – Carbis Bay, Cornwall ⁵.** At the G-7 meeting there he intends to seek support for poor countries' vaccination programs, improve

³ Never mind lumber that is now up 316% to US\$1,330 per 1,000 board feet, down from US\$1,610 in May.

⁴ Proud of his Irish heritage, he plans to urge Johnson not to 'renege' on the Northern Ireland part of the Brexit deal (*from the outset not allowing the UK to have a back door entry into the EU markets via Northern Ireland's 310 mile/510 kms border with Ireland was a priority for the EU and hence one of the thorniest issues in the negotiations.*

- relations with foreign leaders that had gone seriously gone downhill under Trump, & have one-on-one chats with other leaders (*to pitch his 15% corporate tax idea?*);
- **Sunday June 13 – Windsor, Berkshire.** Where he & the First Lady will meet with the Queen at Windsor Castle 24 miles/39kms West of London ⁶;
- **Monday June 14 – Brussels.** NATO – Issues for consideration are said to include Putin’s aggressive foreign policy stance, cyber threats, climate change & the US withdrawal from Afghanistan;
- **Tuesday June 15 – Brussels.** US-EU Summit. The issues expected to be discussed at this first such event since 2014 (i.e. since well before the Trump era) will include US tariffs on European goods, the subsidies to Boeing & Airbus, and technology (*and Biden’s 15% minimum corporate tax proposal?*); and
- **Wednesday June 16 – Geneva.** Meeting with Putin .

Biden sees this first US-Russia Summit since the rather unsatisfactory 2018 Trump-Putin one in Helsinki as a first step in creating a more “stable, predictable” relationship with Putin, even though he plans to raise sensitive issues like Ukraine, Russia’s interference in foreign elections, the poisoning & imprisonment of Alexei Navalny, the Solar Winds hack ⁷, & the growing number of ransomware attacks on US companies by entities of Russian origin. And Sen. Joe Manchin (D-WV) did him no favour when, on Sunday June 6, three days Bidens departed, he denounced, on Fox News, the “For The People Act” ⁸ as “the wrong piece of legislation to bring our country together and unite our country” & would vote against it “because ... it will divide us further” (something that Putin could not help but interpret as solid evidence of Biden’s domestic political frailty). And it is hard to believe that, with his domestic policies going nowhere, the once allmighty dollar having lost much of its one-time international lustre & the US seeming to acquire some of the trappings of a ‘failed state’, Biden will have much credibility at the various meetings. For they all know all too well from firsthand experience how easy it is to ‘talk the talk’ and how difficult it can be to ‘walk the walk’⁹

Biden may be making two serious mistakes. Given his age, & Kamala Harris’ lack of experience, he should have broken tradition & have her at least attend the G7 meeting with him [rather than send her on a wild goose chase in Guatemala & Mexico (especially within days of an election in the latter in which the President’s party did not fare particularly well)]. And if he really believes that talking with Putin is the way to develop a relationship with him, he is plain

5 About 250 miles/400 kms West of London, only a few miles from Lands End, the most Westerly point in England, this village of 3,500 has been invaded not just by hundreds of G-7 attendees & hangers-on but also by 6,000+ police brought in from all over to provide security

6 Biden is the 12th US President since her Coronation on June 2, 1953 and he will be the 11th she has met (LBJ was the exception), three of whom (Eisenhower, Reagan & Bush 41) she honoured with Britain’s highest honour for Americans (that of Honourary Knight Grand Cross of the Honourable Order of the Bath).

7 Last year’s major cyber attack by a group backed by the Putin government that affected thousands of organizations worldwide, incl. many US federal agencies among whom it led to numerous security breaches.

8 It was passed by the House three months ago. According to the *liberal* Brennan Center for Justice at the New York University of Law it seeks to “make it easier to vote in federal elections, end congressional gerrymandering, overhaul federal campaign finance laws, increase safeguards against foreign interference and strengthen government ethics rules”.

9 And while the progressive wing of the party hates Manchin’s guts, he is politically speaking Teflon-like. For West Virginia is a “red” state that last November was rated “safe Republican”, in which Trump beat Biden 58-39, while in 2018 Manchin first beat his Democratic challenger 69-31 in the primary & then his Republican one 49.6-46.3 in the election.

dead wrong; for Putin is not only a thug, but also a bully, who will interpret all Biden's chatter as a sign of weakness & pay absolutely no attention to it. It reminds me of the story about the man in the Southern US who decided to start a hobby farm. To do so he needed a mule. So he went to a local mule dealer & bought one that came highly recommended but had "to be treated with kindness" So he did so treat her. But to no avail. For, when hitched to a plow it did not respond to commands. So off he went to complain to the vendor, and when he came to his farm to see for himself & got the same result when hitched to a plow, it did not respond to commands, he went looking for a suitable stick and, when he found one, walked up to the beast that was still hitched to the plow & whacked it on the head, upon which it became more amenable & started doing as it was told. All this surprised her new owner who asked the vendor "But you told me to treat her with kindness?" to which the response was "Ah, but you must get her attention first!" And that applies equally well to bullies; for when they realize that someone does not put up with their crap, they more often than not change their ways ¹⁰. So, extraordinary as such behaviour might be in international politics, Biden should simply call Putin on Friday to inform that there is no use in meeting with him until he gets more control over his country's 'bad apples' (for rest assured, 'not a single sparrow will drop in' in Russia, & for that matter Belarus, that he doesn't know about').

WE RAN THE TREASURY DEPARTMENT. THIS IS HOW TO FIX TAX EVASION (NYT, Timothy F. Geithner, Henry M. Paulson Jr, Lawrence Summers, Robert E Rubin)

- All of us have served as Treasury Secretaries under Presidents Obama, Bush (43) or & Clinton, and between us represent 17 years of experience in that position.
- Tax evasion costs the US Treasury \$600BN a year. That is two-thirds of total annual federal government's non-defense discretionary spending, about what it spends on the Pentagon each year & more than its mandatory spending on Medicaid. This must-, & can, change. While we don't necessarily agree in detail on matters of tax policy, we do agree on the need to strengthen the tax system to have it collect more legally owed, but currently uncollected, taxes.
- In the past 25 years IRS resources have been steadily cut to the point where the ratio of enforcement funding to the number of tax returns filed has fallen by 50%. As a result the IRS today has fewer auditors than at any time since WW II ¹¹ and in 2018 audited only 140 of the approximately 4MM partnership tax returns & none of the 300 high income taxpayers who cost it an estimated US\$10BN in owed but uncollected tax revenue over three years.

By coincidence, Forbes that same day ran an article entitled "Richest Americans – including Bezos, Musk and Buffett – paid federal income taxes of 3.4% of (their) \$401 billion in new wealth" that reported, among others, that, while the median American household earning an income of \$70,000 per year paid 14% in federal taxes, the 25 richest Americans paid a "true tax rate" of 3.4% on their \$401BN wealth gain between 2014 & 2018, and, that, while Warren Buffett who publicly favours higher taxes for the wealthy, he saw his wealth grow by \$24BN while only paying a true tax rate of 0.10% (because he pays himself a tiny salary, with most of

10 Thus when I was in Grade 9, a guy much bigger than I who sat in the seat behind me, sometimes amused himself by giving me a hard time. One day I had enough, turned around in the middle of class and totally unexpected hit him with my fist across the bridge of his nose, giving him a nose bleed. End of story!

11 This seems to be part of a trend; for while in 1968 direct US federal government employees (both civilian & military) numbered 6.638MM, their number had declined to 4.403MM by 2011 & to 4.145MM by 2019, in other words from 3.2% of the US population in 1968 to 1.4% in 2011 & to 1.3% in 2019.

his income coming from low-taxed capital gains – This is part of the public sector elite favouring the private sector one that fuels populism!

NETANYAHU SAYS ISRAELI COALITION POISED TO TO UNSEAT HIM IS RESULT OF 'ELECTION FRAUD (The Guardian)

- After having been in power for 12 years, he now faces being toppled by a diverse coalition of lawmakers that are united only by their shared hostility of him. And, if successful, this could lead to his imprisonment *on long-standing corruption, bribery & breach of trust charges.* So, since it would only control 61 seats in the 120 seat Knesset, he has been doing his utmost to peel off at least one defector before the Knesset confirmed the coalition.
- He bases his case on a “broken campaign promise” by Naftali Bennett, who would succeed him as Prime Minister; for during the election campaign he had pledged not to partner with left wing-, centrist-, or Arab parties, prompting Netanyahu to tell his (*remaining?*) Likud supporters in a live broadcast that “We are witnessing the greatest election fraud in the history of the country and, in my opinion, in the history of any democracy ...that’s why people justifiably feel deceived and ...are responding; they must not be shut up.”
- This prompted Nadav Argaman, the Head of Shin Beth, Israel’s internal security agency to issue on Saturday June 5 a rare public statement warning of the possibility of a “severe escalation in violent discourse” in the social media “that could be understood by certain groups or individuals as enabling illegal violence that could even cost a life” (*i.e. a January 6 12.0?*) and calling on public officials to “issue a clear call to stop this discourse”. Some politicians opposing Netanyahu interpreted as a warning to him (which prompted Netanyahu to tell a meeting of (*shrinking numbers of?*) Likud members the next day that “We can’t say that when criticism comes from the right, it is an incitement to violence, and when it comes from the left, it’s a justified use of their free domain of speech”.
- Meanwhile, *while he still held the reins of power*, police burst into the home of a prominent family in the Sheikh Jarrah neighbourhood of East Jerusalem to arrest a 23 year-old woman who had led protests against attempts by Jewish settlers to evict Palestinians from their houses in the area [earlier attempts by the police to do so having triggered the latest (11 day), Gaza War].

His fate was pretty well sealed when Knesset Speaker Yariv Levin, a supposed Netanyahu supporter, announced a couple of days ago that, after a vote of confidence is passed by the Knesset the new government would be sworn in on Sunday June 13. He of all people knows better than most that in this day & age, especially in Israel, politicians breaking promises is all but a second nature to them. And the depth of the anti-Netanyahu feelings can be gauged by the fact that so far he has been unable to convince even a single MK to desert the coalition (while they usually change allegiances as routinely as people change underwear). And it must really rot his socks that Bennett, who once was his Chief of Staff, will be his successor (even though his Yamina Party has only 7 seats in the Knesset vs. Yair Lapid Yesh Atid party’s 17) and that former Likud member Gideon Sa’ar’s New Hope party will also contribute 6 seats to the coalition(although that would not have surprised him since Sa’ar quit the Likud party & founded his New Hope because of his dissatisfaction with Netanyahu.

THE RETURN OF A LOST TRIBE OF ISRAEL, 27 CENTURIES LATER **(Israel & Christians Today, Abigail Klein Leichman)**

- On January 3, three sisters, Rut, age 28, Dina (21) & Avigail (13) Lhangal immigrated to Israel from Northeast India. Their story begins 2,700 years ago when the Assyrian Empire conquered the Northern Kingdom of Israel (that had split from the Southern one a couple of centuries earlier) and deported its nine tribes.
- The Menashe/Manasseh were the largest of these 'Lost Tribes', that who after wandering for centuries through Central Asia & the Far East, had finally settled in the villages of Manipur & Mizoram¹² on India's Myanmar border where they continued to practice biblical Judaism & dreamt of 'returning home'.
- For decades Bnei Menashe (children of Manasseh) have been arriving in dribs & drabs to the point that there are now nearly 4,500 foreign- & locally-born of them in Israel. And the more than 6,000 that still in India all hope to join them with the aid of Shavei ("returnees") Israel, an Israeli non-profit. But it takes quite an adjustment. For not only does contemporary Orthodox Jewish practice differ from biblical Judaism (if only because of the holidays such as Hanukkah that commemorate events that occurred long after their ancestors were exiled but also because, while under Israel's Law of Return anyone with one Jewish grandparent has the right to immigrate to Israel & automatically get citizenship, that doesn't apply to the Bnei Menashe (who therefore must undergo a formal conversion process).
- Many Bnei Menashe now work in high-tech factories, or as nurses, dental hygienists, social workers or rabbis, study in universities or serve in elite IDF units. According to Michael Freund who 25 years ago, as a young immigrant from New York working in then Prime Minister Netanyahu's Communications Office, first became aware of the Bnei Menashe issue & then founded Shavei Israel, "The Bnei Menashe have shown themselves to be committed Zionists who work hard ... want to contribute to Israel's security and prosperity ... They are really a blessing for Israel. A Jew is not measured by the shape of his eyes or colour of his skin, but what is in his heart and soul".

12 This is factually incorrect. Both are states, not villages, each of which has a fraction of Israel's population, but a landmass of similar size.