

**Quote of the week** - "Our party was caught between two devils ... *and* decided ... *to stick with* ... the better devil." Julius Malema<sup>1</sup>, the leader of the anti-capitalist EFF (Economic Freedom Fighters) party that in South Africa's August 3<sup>rd</sup> municipal elections got 8.19% of the vote nationwide [vs. the post-Apartheid dominant ANC's 53.9% & the main opposition DA's (Democratic Alliance's) 26.9% ] that in several major cities, incl. Johannesburg (pop. 4.4MM) & Pretoria (pop. 700,000)<sup>2</sup> was enough to put it in a 'kingmaker' position - *his response when asked why he had decided to throw in his lot with the DA, rather than the ANC.*

**Another case of truth being stranger than fiction** - Rev. Gretta Vosper (age 58) was ordained in the United Church of Canada in 1993 & has been the minister at the West Hill United Church in east end Toronto since 1997. But she now faces defrockment over her avowed atheism, her "non-belief in a theistic, interventionist, supernatural being called God", & her disavowal of the Bible. She told Canadian Press she intends to hang on to her "job" as long as possible, no doubt confident of the backing of her congregation, whose board chairman was surprised that "the covenant between a congregation and their minister of choice can be interfered with by church courts" - *According to the 2011 Household Survey the Roman Catholic Church had most (38.5%) adherents in Canada, with the United Church running a distant second with 6.1% (a decline from 11.5% over the previous two decades), a rate of decline far faster than that of any religious denomination in Canada. But she is not alone, in England a number of Anglican bishops, inc. the Archbishop of Canterbury himself, have expressed not dissimilar, albeit not necessarily as extreme leanings.*

**Canada's Chief Statistician resigns** - Earlier this month Wayne R. Smith did so after almost six years in the job, claiming that action by the *previous* government threatens the agency's independence. He is the second holder of the office to have done so in the last five years. But in his case, as in that of his predecessor, his choice was a good 'business decision' and likely was made easier by the fact that as a 35-year employee he was 'entitled' to an annual pension in the \$175,000 range, more or less, fully indexed for inflation for the rest of his life<sup>3</sup>.

**The latest GM Canada union contract** - It treated its current workers OK at the price of them accepting that new employees would no longer contribute to a defined benefit-, but rather to a defined contribution-, pension plan, causing one third party observer to note that, while defined benefit plans are becoming scarcer than hen's teeth in the private sector, they continue to be 'de rigueur' in the tax payer-backed public sector, thus increasingly widening the rift between the retirement packages of public servants & of tax payers earning their living in the private sector.

**The US economy** - Generally speaking, despite much optimistic talk by 'experts', the evidence is mixed. The Commerce Department just reported that new orders for non-military capital goods other than aircraft (the order flow for which is highly volatile), that is often taken as a

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<sup>1</sup> Now age 35, he is a pretty nasty populist piece of work. Once a 'comer' in the ANC, head of its Youth League & referred to by Zuma himself as a "future leader" of South Africa he kicked its traces often enough to be charged, starting in 2010, with-, and convicted of-, a series of offenses ranging from hate speech through 'sowing division in the ANC' to money laundering, culminating in his expulsion from the party in 2012, after which he founded the EFF in 2013.

<sup>2</sup> The country has a convoluted capital structure. Capetown is its "parliamentary" capital (home to Parliament), Pretoria its "administrative" capital (home to the President & Cabinet) & Bloemfontein its "judicial" capita (home to the Supreme Court).

<sup>3</sup> I.e. 2x the median family income in Canada, as calculated by the agency he formerly headed.

proxy for business spending plans, rose in August for the third month running; on the other hand, while it just revised Second Quarter GDP growth to an annualized 1.4%, up from the First Quarter's 0.8%, First Half GDP growth had been still just 1.0% annualized, well below the 2.1% average for the post-Great Recession era. And while JPMorgan just upped its estimate of the GDP growth rate for the Third Quarter (that ends today) to 3.0%, it attributed this in part to stronger exports (that can be volatile) & to a resumption of inventory building (that can borrow demand from the next quarters). And elsewhere it was reported that after years of steady gains in new job creation, its rate of growth now seems to be leveling off, while the participation rate remains stubbornly stuck at a 38-year low well below 63%<sup>4</sup>. Last, but not least, what has been lost in the shuffle is the fact that, according to the AAI (American Association of Individual Investors), since November 2011 the members of the FOMC collectively have shaded their forecasts of long-term, real GDP growth (*aka the 'trend growth rate'*) from 2.55% to 1.80%.

**GLEANINGS II - 678**  
**Thursday September 29<sup>th</sup>, 2016**

**WTO CUTS 2016 WORLD TRADE GROWTH FORECAST TO 1.7 % (Reuters, Tom Miles)**

- Last April it said world trade this year would be up 2.8% YoY but now, *three quarters into the year*, it has cut that to 1.7% (if so, this will be only the first time since 2001, & the second since 1982, that it will lag that of the global economy<sup>5</sup>). And, while in April it had anticipated 3.6% growth in 2017, it now has cut that to 1.8% - 3.1%. In its semi-annual trade outlook report Director-General Roberto Azevedo called this a wakeup call for governments, saying "We need to make sure that this does not translate into misguided policies that could make the situation much worse , not only from the perspective of trade but also for job creation and economic growth and development which are so closely tied to an open trading system<sup>6</sup>" Still, the data seem to confirm that governments, while decrying protectionism, are increasingly protecting their own industries at the expense of foreign competitors.
- He told a WTO conference that "I am absolutely convinced that this is not a moment to turn inward" but that the benefits should be shared more widely in a system that would do more to include poor countries, small firms, marginalized groups & entrepreneurs (in a nod to anti-globalization activists?). And speaking at the same event, EU Trade Commissioner Cecilia Malmstrom said that *due to a lack of transparency* many people no longer feel included in trade policy and "There's a growing anti-globalisation movement. There are fears, questions, and we also see figures ... that absolutely give reason to be concerned."

*Over the longer term global trade has grown 1.5x as fast as global GDP & 2x so since globalization started accelerating the 1990's (whereas this year it will do so at 0.6x, or marginally better).*

**OBAMA LOSES BIG VETO ON SAUDI 9/11 BILL (AP)**

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<sup>4</sup> In researching this, it was interesting to discover that, whereas between 1990 & 2014 the size of the global labour force grew by 45%, the US work force grew at about half that rate , i.e. 24%.

<sup>5</sup> Which depending on the source is held to be in the 2.8%-3.1% range

<sup>6</sup> A comment targeting the Trumps of this world?

- *Last May the Senate unanimously passed-, & earlier this month the House approved-, the Justice Against Sponsors of Terrorism Act, a bill co-sponsored by Sen. Chuck Schumer (D.-NY) & Sen. John Cornyn (R.-Tx) to overcome a series of court rulings that have blocked all lawsuits by the 9/11 families against the Saudi government. This bill, among others, amends a 1976 law that grants other countries broad immunity from American lawsuits [unless the country is on the State Department's list of state sponsors of terrorism (Iran, Sudan & Syria) or is alleged to have committed a terrorist act that killed Americans on US soil]. But on September 23<sup>rd</sup> President Obama vetoed it since it would set a dangerous precedent.*
- *On Wednesday September 28<sup>th</sup> Congress overrode the above bill, in the Senate by 97-1, with the only Senator siding with the President being Sen. Harry Reid (D.-Nev.)<sup>7</sup>, & in the House 348-77 (i.e. over 100, well over half the Democrats, voted against the President)<sup>8</sup>.*

*This was only the first of Obama's 12 vetoes during his eight year presidency that Congress has overridden. US lawyers must have uncorked the champagne bottles at the news of this. On the other hand, within hours 30 Senators sent what one media source called an "oops" letter to the President that they had not thought through the possible consequences of their action. Not surprisingly, Obama reacted angrily to this setback in the dying days of his Presidency.*

### **WHO WOULD ISIS VOTE FOR? (The Telegram, Gwynne Dyer)**

- *After Saturday's New York bombing Trump wrote on Facebook "Hillary's weakness while she was Secretary of State has emboldened terrorists all over the world to attack the US, even on our own soil ...They are hoping and praying that Hillary Clinton become president so that they can continue their savagery and murder." Not to be outdone in idiocy, she responded by calling him a "recruiting sergeant for the terrorists' & saying in an interview on Israeli TV that the Islamic State was praying for a Trump victory."*
- *Terrorism is not about blind hatred (for terrorist leaders is just a means to an end, a way of motivating new recruits). It is a technique used by clever people with clear political goals to achieve their goal of gaining political power by provoking those with the hard power into doing things that will further their own ends. Thus 9/11 was orchestrated by bin-Laden to provoke the US into invading Muslim countries, with Bush 43 obliging him first by using the word "crusades" (a very heinous word for Arabs) & ultimately by invading Iraq.*
- *There are three basic facts about terrorism :*
  - *it is the weapon of choice for those with little money or military hardware;*
  - *given that lack of the latter, terrorists must avoid frontal assaults & stand-up battles;*

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<sup>7</sup> Who, after initially having indicated that, at age 75 & after 29 years in the Senate, he would run again this November, last March 15<sup>th</sup> announced he would not; at last report, Joe Heck, the GOP candidate, physician & former Army brigadier-general, was leading the Democratic standard bearer, former State Attorney-General, Catherine Cortez Masto, by 4-7points in the polls

<sup>8</sup> Obama angrily denounced the Congress' move, calling it a political move that set a "dangerous precedent" the implications of which the members of the House did not understand and had never debated. But he is now in his "lame duck" phase (a time when party discipline slackens, especially when his party-anointed successor does not look like a sure-fire winner.

- it can only succeed if those with the 'hard'power' can be tricked into doing things that serve the terrorists' ends.

*The only thing that can effectively put and end to terrorism is to 'win the war for the hearts & minds' (starting at home) by creating meaningful jobs for young men & by educating young women<sup>9</sup>.*

### **WHY NETANYAHU IS SMILING (G&M, Michael Bell)**

- His position & that of his his rightwing soulmates has never been stronger. The integration of the West Bank into Israel, their key ambition, is continuing apace (*funded indirectly by IS military aid?*). While the centrists & leftists almost carried the day under Ehud Barak & Ehud Olmert<sup>10</sup>, they now are marginal players, with the Labor Party, *once the dominant factor in Israeli politics*, being a shadow of its one-time self & the peace camp seemingly on its last legs. The Palestinian Authority under Mahmoud Abbas (*who last faced the electorate a decade ago*) is powerless to prevent 1,000 more settlements being slated for the West Bank & the security 'wall' being expanded. Scheduled Palestinian elections have been postponed because of the rivalry between Fatah & Hamas (& the loss of support on 'Arab Street' for the current Palestinian leadership). Despite persistent criticism from the Obama administration the relationship with the US has not been *seriously weakened (and might well improve, no matter who wins the election?)* EU criticism of Israeli practices has proven little more than an irritant. But what has been most critical has been the changing nature of Arab politics; for the ruling Sunni elites having now deem Israel an ally with shared geopolitical interests & a common enemy, Iran, especially so since the coming to power in Saudi Arabia in 2015 of King Salman, Crown Prince Mohammed bin Nayev & *Defense Minister Mohammad bin Salman al Saud*.

*There is an old adage that "It something looks too good to be true, it likely is". The reality of life is that the future of the Sunny monarchies in the region, first & foremost that of Saudi Arabia, is at the very least a bit iffy, that the Palestinian problem hasn't gone away & is not unlike a pressure cooker with the safety valve inoperable, that the Jews are increasingly in a minority in the area between the Mediterranean & the River Jordan, and that Israel's standing in the global economy would be lower than a snake's belly, were it not for the mentorship of the US, a country whose global leadership may well be increasingly challenge in te years to come (Michael Bell, age 74, now teaches at Carleton University, but is a 35-year Department of Foreign Affairs veteran, starting in 1968, where his assignments included stints as Ambassador to Jordan (1987-90), Israel (1990-92), Cyprus (1991-92), Egypt 1994-98) & Israel (1999-2003).*

### **THE HEAD OF HEZBOLLAH HAS FOUND SOMEONE HE HATES EVEN MORE THAN THE ISRAELIS (Yahoo News)**

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<sup>9</sup> In the 5<sup>th</sup> century BC Aristophanes wrote a delight comedy about the women of Greece breaking their men folk from their warring mentality by given them a choice between making war or love (though at a more practical level educating women seems to lead to a lowering of their fertility rate

<sup>10</sup> The latter of whom is currently cooling his heels in jail, serving was initially was a six-year-, later reduced to 18-, & recently increased to 19-, months-, sentence for bribery going back to the day he was Mayor of Jerusalem a decade ago - *his main 'crime' may well have been that he was caught!*

- On September 27<sup>th</sup> Hassan Nesrallah, the Secretary-General of Hezbollah, Iran's franchise in Lebanon, that has been fighting Israel for decades, declared "Wahabbism is more evil than Israel".

*Wahabbism is the ultra-fundamentalist strain of Sunni Islam that thrives in Saudi Arabia & has big influence on its government, including, & perhaps especially, the Royal Family, as well as the various jihadist groupings. So this should be looked up in the context of the ongoing & recently accelerating Shiite-Sunni struggle for hegemony in the Middle East.*

### **DEUTSCHE BANK CEO CRYAN REFUTES STATE AID REPORT, CAPITAL INCREASE (Reuters)**

- During the September 23<sup>rd</sup> weekend the German magazine Focus reported that over the summer CEO John Cryan had met with Chancellor Merkel & that she had indicated he shouldn't count on help from Berlin in resolving the Bank's dispute with the US Department of Justice, nor on getting state aid for the Bank (*Germany's biggest & the world 13<sup>th</sup> largest*). This prompted Cryan to go public on the 28<sup>th</sup> saying that "this would be out of the question for us", that he couldn't understand "how anybody could claim that", that the bank needed no new capital, that it had "fewer risks in its book than before" & was "comfortably with free liquidity", that "it was clear from the beginning that we would not pay this sum" (*i.e. the US\$14BN fine the Department of Justice has said it is considering imposing on the bank for its role in the US mortgage debacle a decade ago*) & that he expected "the Department of Justice to treat us with the same fairness as American banks that have already agreed to a compromise."

*The IMF estimates that any really serious problem at Deutsche Bank could have a 'spill-over effect' on 26 "systemically significant" banks (12 in Europe, 8 in the US & 6 in Asia). As to the DoJ's fairness, it is currently contemplating whether it could realistically expect to be able to extract a double digit billion dollar fine from Volkswagen for tinkering with its cars' emission control systems, while it had fined the Big Three US car companies for much lesser amounts for similar actions. The world's other biggest 19 banks have so far been made to cough up US\$235BN in fines for their roles in the same affair, incl. The Bank of America -US\$80BN, JPM - US\$40BN, Lloyd's (a smaller bank than Deutsche) - US\$20BN & Barclay's (that is only marginally larger than Deutsche) - 15BN. Add to this the fact that DB had a huge, its worst ever, loss last year, that revenues were down 20% in the First Quarter & earnings down 98% YoY in the Second, and the outlook for the Third is not all that great, that its market capitalization has gone from US\$50BN to US\$16BN in the past year & that Bloomberg reported earlier this week that some of its big customers (& counterparties?) are reducing their exposure to-, involvement with-, Deutsche Bank, may make this a case where those who believe that "the more vehemently a rumour is denied, & the higher the level at which this is done so, the more likely the rumoured event is to be just around the corner" will be proven right once again (especially since in this case it involves not just one-, but two-, "big poobah" deniers, the Company's Co-CEO **and** the country's pre-eminent political figure.*

### **PUTIN ON A ROLL , BUT HAS BIG ISSUES AT HOME (G&M, Matthew Fisher)**

- In September 18<sup>th</sup> parliamentary elections his United Russia Party got 54.2% voter support & 343 of the 450 seats (*albeit with all-time low 48% turnout, prompting The*

*Economist* to call it a "hollow election"<sup>11</sup>). His heart must have been gladdened by Canada's Foreign Minister Stéphane Dion seeking to re-engage with Russia, after having met two months ago with his Russian counterpart, Sergei Lavrov, for half an hour to discuss the Middle East. His war planes are once again bombing Aleppo for the al-Assad regime & the Admiral Kuznetsov, his navy's sole aircraft carrier, is being redeployed from the Northern fleet to the Eastern Mediterranean (to give its 40 planes some bombing-, cum battle-, practice?) There has been an uptick in (Russian-sponsored?) violence in Eastern Ukraine that worries the Balts & the Poles. Russian army units are on joint military exercises in Pakistan & navy units with the Chinese in the Western Pacific. There has been more Russian hacker activity in the West &, what should be of concern to Ottawa, evidence of greater Russian presence in the Arctic.

- While all this is part of his dream to make the Kremlin a major global player again, he'd better watch his back. The Boston Marathon bombers were Russian-speaking, Kyrgyz-born Chechen & the perpetrators of the Istanbul Airport terrorist attack three months ago Russian-speaking Central Asians. As ISIS et. al. are losing ground in the Middle East & shifting their attention elsewhere, some of its fighters are going home to the Central Asian Muslim republics (that Moscow still deems part of sphere of influence) & to Chechnya, Dagestan & Isgushetia in the Northern Caucasus), while the Tartars are starting to create problems on the Crimean peninsula. Finally, one in seven of Russia's 140MM citizens are Muslim &, while most of them are strongly secular, Western European countries have learnt the hard way it takes only a few motivated radicals to cause much violence & tie up huge security forces.
- Putin is concerned about home-grown Islamic terrorism spreading to Russia's heartland. So following the elections he expanded the powers of his security forces & brought them closer under his control, and expanded the reach of the state security ministry to include the foreign & domestic intelligence service & re-labeled it the MGB (an acronym from the Stalin terror era), that can also be used to suppress any stirring of dissent among the hoi polloi frustrated by the country's economic situation (which, according to the independent Levada polling firm led to an 8% decline in his popularity this month (subsequent to which it was shut down earlier this month on the grounds of being a "foreign agent").

*Three years ago, i.e. a year before the oil price collapse, Putin's Minister of Economic Development publicly cautioned him that, while plans were predicated on several years of 5% real GDP growth, it might average only 2%. And Russia has now had six quarters of negative growth (although this year's Second Quarter -0.6% rate was a vast improvement over its record -4.5% during the year earlier period. But Russia's GDP is the world's 15<sup>th</sup>-largest (behind, among others, Canada, South Korea, Spain & Australia, countries with only a fraction of its population). And while Russia's 'fertility rate' has risen from 1.16 in 1999 to about 1.75, it is still well below the 'replacement rate' and, while better than the EU's 1.58, is well below the US' 2.06. And with an average life expectancy of 70.47 years Russia ranks 153<sup>rd</sup> in the world (vs. the EU - 38<sup>th</sup> & 80.20 ) & the US' 43<sup>rd</sup> & 79.680. All this suggests his megalomaniac dreams may be like a "giant with feet of clay" (Daniel 2 : 31-33) & that he may get tripped up, as was the Soviet Union, by 'biting off more than he can chew').*

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<sup>11</sup> The overall 48% turnout was down from 60.1% five years ago, and was as low as one-third in Moscow & St. Petersburg, fully half of what it had been five years ago, and a (suspiciously high?) as 80+% in the restless, Muslim-dominated North Caucasian Chechnya & Dagestan regions

## **CLINTON'S GENDER IS NOT THE PROBLEM (Edmonton Sun, Candice Malcolm)**

- Hillary Clinton has an authenticity problem. She is the ultimate insider - a long-standing member of the political elite - and she has a difficult time connecting with voters. She is an establishment candidate in an anti-establishment election cycle. Scandals seem to follow her wherever she goes<sup>12</sup>. Despite running against *possibly* the most unpopular Republican candidate ever, she seems unable 'to seal the deal' or, as she put it last week in addressing a union audience "Why aren't I 50 points ahead, you might ask.?" The answer lies in the fact that two-thirds of Americans say they don't trust her & 55% view her unfavourably, i.e. she is almost as unpopular as Trump, and to many is worse.

*The writer is the Ontario Director of the Canadian Taxpayers Foundation & a hardcore right winger as evidenced by her advocacy of lower taxes & her association with the Vancouver-based Fraser Institute & the Washington-based Atlas Network (that 'promotes free-market policies across the world). Be that as it may, she seems to provide one answer to Hillary Clinton's plaintive question.*

## **CLINTON WANTS THAT YOUTH VOTE (AP)**

- On a University of New Hampshire stage on September 28<sup>th</sup>, with Bernie Sanders at her side, she urged millennials not to vote for third party candidates (that are threatening to become the spoilers in the election?), saying that "None of this will happen if you don't turn out and vote" (*thereby assuming that if they do, they will vote for her?*). Both promoted what originally was his plan to make college debt-free<sup>13</sup> for for student from middle class & low income families. But her problem is that while two-thirds of under 30 voters had backed Obama (*rather than her*) in 2008 & 60% of them Obama rather than Romney in 2012, they supported Sanders in droves in the primaries and that now, while they have recoiled from Trump, they seem to favour third party candidates rather than follow Sanders into her camp.

*Her problem is that in New Hampshire Sanders got 60+% support in the Democratic primary & her core support level is well below the 80+% Obama got in 2012, & that support for her vs. Trump in the polls has gone from 48-38 in April to 44-42 in July pre-, & 46-36 post-, convention & at last report was back at 44-39. But it would take the equivalent of a political earthquake for a third party candidate to 'win' New Hampshire; for it is one of the 48 'winner gets all' states.*

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<sup>12</sup> Going back four decades when she allegedly invested US\$1,000 & made US\$100,000 (in a matter of months if not weeks) trading in beef futures at a time Bill was making US\$26,500 as Arkansas' attorney-general & she US\$24,500 as a young lawyer, and subsequently when both allegedly played a role in the Whitewater land speculation bankruptcy affair

<sup>13</sup> Student debt is a real issue; for according to the New York Fed it is "the only form of consumer debt, that has grown since 2008. And it has not just "grown", but has 'exploded' from US\$500BN in 2007 to US\$1,300 BN in 2016), much of it indirectly on the government's 'dime', with the default rate having risen rapidly into the double digit range.