

**GLEANINGS II - 769**  
**Thursday July 19<sup>th</sup>, 2018**

**Quote of the week** - “Companies have begun to devote greater attention to issues of long-term sustainability, but despite increased rhetorical commitment they have continued to engage in buybacks at a furious pace. While we certainly support returning excess capital to shareholders<sup>1</sup>, we believe companies must balance those practices with investment in future growth ... To prosper over time, every company must not only deliver financial performance but also show how it makes a positive contribution to society ... *and* benefit all of their stakeholders, including shareholders, employees, customers and the communities in which they operate.” - Larry Fink last January in his Annual Letter to CEOs - *Not surprisingly this went over like the proverbial ‘lead balloon’ with some recipients, only the more so since Fink is the CEO of New York-based BlackRock that, with AUM of US\$6.3 TR, is the world’s largest investment management company (whose client base has included several countries’ sovereign wealth funds, incl. those of China & Saudi Arabia . And recently, on Monday July 16<sup>th</sup>, Fink noted in an interview on Bloomberg TV “The market’s having a hard time digesting the whole change in globalization and trade ...causing investors to ‘pause’ despite record deal-making and stock repurchases” and “the intensifying global trade tensions may spur a broad (10-15%) market decline & cause US GDP growth to start slowing in 2019 if Trump follows through on his threat to levy further tariffs on Chinese-, (& other countries?)-, imports”.*

**A divided Britain, momentarily united - in its disdain for Trump** - This was the headline in the digital version of the UK’s left-of-center New Statesman that noted, among others, that while he had insulted Prime Minister May in an interview with the tabloid newspaper The Sun & in a joint news conference with her when he had patronized her in front of the world media, “this ill-mannered guest” still got to meet the Queen (*whose long-engrained sense of duty must have been put seriously to the test by having to suffer his company for a half hour ‘tea’*).

**Amazon workers strike** - On July 16<sup>th</sup> Amazon warehouse workers went on strike in Germany, Spain & Poland (*Germany accounts for a full 9.5% of Amazon’s global sales*). But this did not stop its share price from rising 0.5% from 1,822.08<sup>2</sup> in the first five minutes of trading (at which level it was up 6.3% in two weeks & 50+% YTD) - *Their timing was deliberately picked to coincide with Amazon’s Prime Day which last year had yielded the Company US\$1BN in sales, up 60% YoY. If so, this was to no avail; for initial reports are that this year’s Prime Day sales were up 89% YoY, which means they have tripled in three years (Amazon Prime is a paid subscription service that, at US\$99/year, gives its 100+MM members access to select movies, TV programs, music, a Kindle book library &, in Munich, Germany, delivery of purchases to the trunks of Audi cars, and to ‘special ‘deals on Prime Day (that some critical spoil sports, however, claim often are not all that great & often available cheaper on Amazon at other times of the year*

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<sup>1</sup> Which, at least in theory, would enhance the economy’s productivity by enabling recipient investors to re-deploy their money in the shares of companies with higher rates of marginal returns on investment than the company that had bought back its own shares.

<sup>2</sup> At which point the non dividend-paying Amazon stock trades at a P/E in the 230x range, down from a death-defying, all time-high 1,439x on December 23, 2013

**American state-, & local-, government pension plans' unfunded liabilities** - According to a recent report by ALEC (American Legislative Exchange Council<sup>3</sup>) the unfunded liabilities of the US state-, & local-, pension plans were US\$6+TR (& growing at a 7% annual rate), *roughly equal to one-third of US GDP, twice those governments' 'on balance sheet' debt, & US\$50,000 per American household (i.e. 9x their average credit card debt)*

**Corporate share buybacks** - According to JPMorgan's Nikolaos Pangirtzoglou, they are this year on a full year US\$1TR track (i.e. 5.5% of the NYSE's total capitalization & 2½x their volume in both 2016 & 2017) - *But, while the S&P 500 rocketed from 2696 to 2878 in the first three trading weeks of this year, it has since been 'dogging' listlessly, twice (on February 8<sup>th</sup> & April 2<sup>nd</sup>, hitting 2581 on the downside & a post-January 26<sup>th</sup> high of 2,804.49 on July 19<sup>th</sup>. Draw your own conclusions!*

**Fire Arm Death Rates per 100,000** - According to the UN Assistance Mission in Afghanistan (UNAMA) a record 1,692 Afghan civilians (up 1% YoY) were killed in the first six months of this year as a result of militant attacks & suicide bombings (i.e. 3,412 annualized/9.7 per 100,000). Putting this number in the perspective of the "firearm-related" death rate per 100,000 in some other countries, produces the following :

- Honduras - 60.0, Venezuela - 59.1, El Salvador - 45.6, Guatemala - 34.1, Jamaica - 30.7, Brazil - 21.9, Columbia - 18.7, Panama - 15.1 & US - 12.0 while on the other end of the spectrum were the UK - 0.23, India - 0.28, Cuba - 0.50, Germany - 1.01, Australia - 1.04, Denmark - 1.28, Sweden - 1.47, Norway - 1.75, Canada - 2.05 & France - 2.83.

*In other words, Afghanistan may be a safer place than the US, with one difference : there most deaths occur in bunches in public places as a result of terrorist acts whereas in the US many are the result of guns being fired in home-, or place of business-, environments.*

**Helsinki Putin-Trump Summit** - The Finnish newspaper Kauppalehti's perhaps summed its outcome up most succinctly with the headline "Trump 0 - Putin 1" (*although that may well 'low-ball the winning score*). While President Trump's agenda for the meeting been expected to include sensitive 'micro' issues such as Ukraine & election meddling (the latter of which the President sometimes denies and at others accepts as a given), at the last moment it was announced he wanted his one-on-one with Putin to focus it on *less sensitive 'macro' matters* like China & nuclear disarmament (a change seemingly a function of what his more hawkish advisers, first & foremost John Bolton, had wanted & what Trump wanted. And before the Summit started there was a bit of one upmanship when Putin, who is notoriously, *deliberately & pecker stretchingly?* non-punctual for meetings with world leaders, was almost an hour late arriving at the presidential palace, the Summit's site, with Trump not leaving his hotel until he knew Putin had arrived at the palace.

**Investors dumping equity holdings** - New York-based BlackRock reported in its Second Quarter Report that during the quarter investors had cashed in US\$22BN of its equity products - *while a mere 'drop in the bucket' compared to its AUM base, the NYSE's US\$18.5TR-, & the US\$68.5TR global stock markets' aggregate-, capitalizations, one reason given by BlackRock*

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<sup>3</sup> An Arlington, VA-based non-profit, whose membership consists of conservative state legislators & private sector representatives, one of the 1973 co-founders of which, Paul Weyrich, was also a co-founder of the Washington-based Heritage Foundation, the mission of which is to "build and promote conservative public policies"..

for is worthy of note, namely that “for the first time since 2008 the rising short rates have made holding cash a viable option for some investors.” (in the US these rates have gone from zero in early 2016 via 0.5% one year later & 1.10% early this year to, at last report 1.80% (still, with inflation in the 2+% range that still leaves those investors losers in “real”/inflation-adjusted terms).

**Putin’s (“interesting”?) proposal to have Michael McFaul (& Bill Browder) interrogated by Russian officials** - The idea that Trump had undertaken to even consider having the former (2012-2014) US ambassador to Russia interrogated by Russian officials (or, worse still, extradited to Russia to be interrogated) generated great opposition & anger in Washington, with even a spokesperson for the State Department declaring it “absurd” - *The reason for asking for McFaul’s hide presumably is because in Putin’s eyes during this ambassadorship McFaul had become too cozy with Moscow’s tightly-knit opposition community. But the Browder case is quite different & looks like pure vengeance. For in 1996 he had co-founded Heritage Capital Management that for years made money like there was no tomorrow, as a result of which Browder became a great Putin fan. But in 2005, upon his arrival from a trip abroad at the Moscow airport, he was denied admission & sent back to London as a ‘national security risk’. And when Browder’s Russian lawyer, Gergei Magnitsky, started poking around to look for to Browder’s US\$4.5BN in assets, he stirred up a corruption hornets’ nest and ended up in jail where, in 2009, he died under suspicious circumstances, sending Browder on a ‘get-even’ war path that led to the US Congress in 2012 overwhelmingly passing (and prompting the UK, Canada & the Baltic Republics to pass) the Sergei Magnitsky Rule of Law Act that has since been used to apply sanctions against some Russian oligarchs*

**Sign of the times** - On July 17<sup>th</sup>, Canada’s Financial Post devoted an entire page to a detailed guide on how “Aisle-by-aisle ... to buy Canadian at the grocery store”, so as to help those “consumers *who* have vowed ... to buy only made-in-Canada products ...”

**Trump suffering from a mistaken understanding of his role in the US political system?** - At about 2125 hrs on Thursday July 19<sup>th</sup>, as I was trying to ‘put Gleanings to bed’, there was a brief flash of a Trump interview on my computer that caught my attention because of his observation that ‘of course, because he is responsible for his country, just as I am for mine...’ - *Sorry, Mr. President, due to the Constitution America’s political set up is unlike that of Russia, China, Turkey, Venezuela, Syria or North Korea (or, for that matter, Hitler’s “Third Reich”).*

**Trump was said to have had “low expectations” for Helsinki** - And while he must have underperformed just about every non-Russian’s most modest expectations, Putin’s countrymen were jubilant : Russian Foreign Minister Sergei Lavrov told reporters the meeting had gone “fabulous ... Better than super”, the state-run Rossiiskay Gazetta newspaper’s headline was “The West’s attempt to isolate Russia has failed”, and the Russian military must have informed some sort of understanding had been reached in Helsinki on July 16<sup>th</sup>; for a couple of days later the Ministry of Defense announced it was ready to begin the “practical implementation of the agreements in the sphere of international security reached by Russian and U.S. Presidents.”

**Washington Post headline : “Trump Calls Summit with Putin a Great Success - ‘Even Better’ than his Meeting with NATO Allies ... Some in GOP Disagree”** - While he blames the media for the negative coverage of his performance alongside the Russian leader, some of his fellow Republicans want him to clarify his statements on Russian meddling in US elections -; *one can only wonder when the Congressional GOP leadership will have the balls to ‘put him on a leash’!*

## **AS UNCERTAINTY RISES, TAKE A DEFENSIVE APPROACH (G&M, David Rosenberg)**

- I see a heightened level of uncertainty that will cause business spending to freeze once the fiscal stimulus (*of the Trump "tax reform"*) fades (the key comment in the most recent set of minutes of the *most inexperienced FOMC in many a moon*). Here's what I see. The Fed will continue raising rates, albeit gradually, & its quantitative tightening (QT). By the end of next year, the Fed's balance sheet will be nearly US\$900-billion (*i.e. one-fifths*) smaller as it plays out quantitative easing (QE) in reverse. That's a really big deal for risk assets (remember: the stock market peaked in the very same month QT really started taking effect). So if one takes everything at face value that the Fed says it will do on rates & its balance sheet, on top of what it has already done, that adds up to a defacto 525 basis point tightening cycle, and never in the past has such a monetary policy tourniquet failed to generate an economic downturn. While the current economic backdrop looks firm, this is due to a "fiscal sugar-high" & if one strips out the effect of the tax stimulus, the US economy is doing no better now than it was in the First Quarter when real GDP growth was in the 2-percent range. And, while by year end, if not sooner, the US tax cut effects *will* fade, what won't fade is the strength of the US dollar, the weakness in emerging markets, higher interest expenses & the margin squeeze from accelerating US unit labour costs. So here's reality : every bull-, & bear-, market , and every expansion & recession in history has had the Fed's thumb print-, & not fiscal policy's, all over it. And the Fed is now not on hold, it's tightening. Since WW II there have been 13 Fed tightening cycles, ten of which resulted in US recessions with the forecasting consensus missing everyone single one of those ten. So historical precedent is sending me a signal to become much more defensive.

*The 525 basis point rate increase is unlikely to ever materialize this time around, of only because the now seemingly imminent economic slowdown will long before that make the Fed lose its hawkish posture. Be that as it may, in 2009 Rosenberg was Merrill Lynch's Chief North American Economist in New York & a perennial on the Institutional Investor magazine's List of Stars. Then, to many people's surprise, he packed all that in to become Chief Economist & Strategist for the more modest sized Toronto-based money manager Gluskin Sheff<sup>4</sup>. He has long been among the more insightful economists & was one of the few who foresaw-, & talked publicly about-, the 2007 real estate implosion Last January he went on record on CNBC as saying " I wonder what it means to be heading into a new year with the global economy in sync, the Fed tightening policy, the US Treasury curve flattening, the equity markets hitting new highs, the credit cycle peaking, extremely low volatility, high investor complacency and equally high, excessive valuations among most asset classes and a US labour market that is drum-tight. As I dive into my memory bank this backdrop is eerily similar to 1988, 1999 and 2006" (all times shortly before a market 35-45% 'nosedive).*

## **U.S. CREDIT MARKET OFFERS A POSSIBLE RECESSION WARNING** **(Reuters, Richard Leong)**

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<sup>4</sup> The most likely reasons were because living in Toronto was more appealing than doing so in New York (he is a UofT grad) and because he had enough of being on the Sell side of the market and expected to have a better quality of life on the BUY side of the market

- The world's biggest economy still seems healthy by many rules of thumb, unemployment is low & exports strong and consumer-, & business-, confidence sky high. Still escalating global trade tensions have some investors worried, *particularly* since benchmark interest rates are rising, the Treasury yield curve is flattening (*although still not inverted*<sup>5</sup> (*one of the most reliable leading recession indicators*) & the federal deficit is ballooning after the massive tax cut. And now another reliable bond market indicator may now be flagging that a US recession is 'around the corner'; for the risk premium (*i.e. the difference in yield*) on investment-grade corporate bond yields over comparable maturity Treasuries have been rising since February (*from 1.02% then to 1.48% now*).
- While US corporations are still sitting on US\$2TR of cash & still can borrow easily, the Fed has been raising short-term interest rates, & Credit Suisse last week wrote that, while credit market conditions *may* have not have reached alarming levels yet, "potentially dangerous dynamics are brewing".

*When markets are 'on wheels' liquidity is never a problem but when they appear to be peaking, buyers start 'sitting on their hands' & the more they do so, the more liquidity starts drying up and the faster markets starts cratering. There is an old stock maxim "Bulls make money and bears make money but hogs get butchered", in other words, the wise thing to do is to get out while the getting out is still good, rather than wait & risk 'getting the lid on the nose'.*

### **DEBT TRAIN WILL CRASH (Thought from the Front Line, John Mauldin)**

- Excessive debt is dragging the world economy to an epic crash as evidenced by the following 2015 chart by the McKinsey Global Institute (based on BIS & IMF data :

	4Q/2000	4Q/2007	2Q/2014	CAR	
	-----trillions of us dollars -----			2000-07	2007-14
Debt of					
Households	19	33	40	8.5%	2.8%
Corporations	26	38	56	5.7	5.9
Governments	22	33	58 <sup>6</sup>	5.8	9.3
Financial Institutions	20	37	45	9.4	2.9
<b>Total</b>	<b>87</b>	<b>142</b>	<b>199</b>	<b>7.3</b>	<b>5.3</b>
<b>As a % of GDP</b>	<b>246</b>	<b>269</b>	<b>286</b>		

A McKinsey update set the mid-2017 total debt at US\$225TR<sup>7</sup> (*i.e. had grown at a CAR of 4.2% in three years*), a multiple of the rate the World Bank says global GDP had grown.

Our post-crisis *recovery and* growth has largely been a function of debt, something the central banks encouraged & enabled, resulting in a huge *hike* in asset prices without the kind of *rapid rate of* recovery of past business cycles<sup>8</sup>, making the *carrying* cost of debt a critical issue. But

<sup>5</sup> When the yield on 'long' Treasuries is higher than on 'short' ones.

<sup>6</sup> On top of which governments have piled up, & are continuing to pile up, massive social security 'safety net' unfunded liabilities that can far exceed their on balance sheet debt

<sup>7</sup> And according to the Washington-based IIF (Institute for International Finance) to 238TR.

<sup>8</sup> In the years following both the 1973-75-, & the 1981-82-, recessions the GDP growth rate was in the 4-5% range, twice the average since the end of the Great Recession

with interest rates now rising, premium asset prices to will lose their raison d'être, stabilize & eventually start to decline, **causing** the next recession (whereas historically declining asset prices have been the **result** of a recession). To make matter worse, over the next few years companies will have to refinance huge amounts of debt at higher rates, making some over-indebted ones no longer viable. I expect the crisis that ensues to have the following stages :

- **The beginning of woes** - Something, possibly high-yield bonds, will trigger a liquidity scramble that will spread quickly through an already unstable financial system;
- **A lending drought** - Rising defaults will force banks to reduce their lending, thereby depriving some *deserving* businesses of working capital thereby impinging on their earnings & growth, and turning the latter negative, i.e. into a recession mode;
- **Political backlash** - Desperate to cut costs, employers will start axing & automating jobs, prompting suffering workers/voters to start pushing for more 'safety net' spending & causing government debt to start *really* sky rocketing, *conceivably* leading to higher taxes (which will only worsen & prolong the recession); and
- **The Great Reset** - The central banks will abandon their plans to reverse their QE reversal plans & start pumping up their balance sheets, but to no avail for there's already too much debt in the system and will merely make life difficult for for investors & for those depending on-, or expecting to depend on-, government safety nets.

*The author is a finance professional based in Houston, TX & has an, albeit not excessive, right-of-centre GOP bent. His writings can be accessed on Google & are always worth reading, if not necessarily always worth agreeing with. But he often does pass on useful information, such as the above McKinsey table (the main 'Value-Added' component of which is that it illustrates that in recent years the biggest debt pile-up has been among the greatest wasters of money, i.e. governments<sup>9</sup>. And while the picture he paints er is one of a 'worst-case'-, if not utter 'doomsday'-, scenario, it's one that everyone should at least be aware of.*

### **WHITE HOUSE URGED TO GIVE FULL ACCOUNT OF TRUMP'S PRIVATE TALKS WITH PUTIN (The Guardian, Edward Helmore)**

- After Russian officials started talking of the "important verbal agreements" that had been made at the Helsinki Summit, the White House came under pressure to provide a full account of Trump's private talks there with Putin. And on July 18<sup>th</sup> Anatoly Antonov, Russia's Ambassador to the US, too declared the meeting had been "important, comprehensive, productive and constructive" & that Putin had made "specific and interesting proposals to Washington" on how the two countries could cooperate on Syria, incl. a joint fight on terrorism<sup>10</sup>. And later that same day, Trump in an interview on CBS News, gave a vague outline of his discussions with Putin but conceded that Putin had been responsible for the cyber-espionage assault on US political institutions before the 2016 elections because "he's in charge of the country", although the next day he tweeted "The Summit with Putin was a great success, except with the real enemy of the

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<sup>9</sup> It's worthy of note that during the 2000-2014 period under review, while the average CAR of GDP was 2.35%, this was made up of households'-, corporations'-, and financial institutions' 2.10%, 2.15% & 2.25% respectively, all of which was more than offset by governments' 2.64%

<sup>10</sup> The more tyrannical rulers in today's world have helped to make "terrorists" a hackneyed word by applying it to their political opponents, while key to the word's definition is the idea of someone using violence to **intimidate** civilians; by that definition the opponents of Bashar al-Assad are freedom fighters and it's Assad himself & by derivation Putin himself who are the terrorists! .

people, the Fake News Media. I look forward to our second meeting so we can start implementing some of the many things we discussed, including stopping terrorism, security of Israel, nuclear ...”

*In the political uproar in Washington about the Putin-Trump confab in Helsinki, that had the Democrats demanding that his translator be called before Congress to get his version of what had gone on, about the kindest thing said about Trump was the headline in the for him one of the prime ‘Fake News’ purveyors that read “This sad, embarrassing wreck of a man”. In the real world of baseball &, since 1994 in the world of US criminal justice, the rule is “Three strikes & you’re out!” So now Trump seems to have two strikes against him, having been ‘sand bagged’ in two Summits on the global stage, first by the ‘economic & political pigmy’ Kim & again by the ruler of the economically, socially & politically superannuated Russia. But types like Trump almost invariably will push their luck until their ‘One Bridge Too Far’ /Waterloo moment.*

### **‘STAGNATING PRODUCTIVITY’ HAS HIT SMALL BUSINESSES (FP, Jesse Snyder)**

- On Monday July 17<sup>th</sup> the OECD published a report that “stagnating productivity and weak business dynamism are a concern” in Canada due to regulatory and financing shortfalls, that “Barriers to foreign direct investment and the regulatory protection of incumbents are higher than in many other countries” that the government should focus *more* on “reducing market failures and better harmonizing provincial legislation”

*Like Trudeau père, today’s Prime Minister Justin “Sunny Ways” Trudeau fils is more concerned with how to ‘divide the pie’ than with making it grow. But at least he has an excuse; for while his father was highly intelligent, Jesuit-educated & an Alpha Male, his creation seems to have dipped deeper into his mother’s gene pool & according to some, he is “pussy-whipped”.*

### **ISRAEL ADOPTS CONTROVERSIAL JEWISH’ NATION STATE’ LAW (The Guardian/Reuters)**

- On July 18<sup>th</sup> the 120-member Knesset passed 62-55 with two abstentions, a “nation state” law, with Prime Minister Netanyahu telling it afterwards “This is a defining moment in the annals of Zionism and the history of the state of Israel.” Largely symbolic, it was enacted shortly after Israel’s 70<sup>th</sup> anniversary & stipulates “Israel is the historic homeland of the Jewish people and they have an exclusive right to national self-determination in it”, and downgrades the status of Arabic from an official language alongside Hebrew to “special status” (so as to permit it to be used within Israeli institutions). While earlier drafts had been criticized at home & abroad as discriminatory towards the country’s 1.8MM (20%) Arab minority, the clauses that would have enshrined in law the establishment of Jewish-only communities & instructed courts to rule, when there were no relevant legal precedents, according to Jewish ritual law hhave been dropped, only to be replaced with the more vaguely worded (*but possibly far more offensive & legally questionable?*) “The state views the development of Jewish settlements as a national value and will act to encourage and promote its establishment”.

*While officially Israel’s Arab population will continue to have full equal rights under the law, according to its leaders this has never, will never, keep them from facing constant discrimination & being disadvantaged by inferior services & unfair allocations of funding for education, health and housing. So according to the new law’s critics it will do nothing to ameliorate-, & in fact will reinforce-, the existing apartheid-like conditions the Israeli Arabs face on a day to day basis.*

## **CHINA'S COOLING ECONOMY COULD SPELL TROUBLE AHEAD FOR INTERNATIONAL GROWTH (Bloomberg, Enda Curran)**

- Data released on July 13<sup>th</sup> confirmed what had been expected for some time, namely that President Xi's campaign to curtail credit growth is putting the brakes on growth in the world's second largest economy; for the Second Quarter's 6.7% GDP growth rate was down QoQ to a two year-low level, as investment & industrial output growth had slipped although retail sales had held their own (*but in China retail sales account for 10 bps. less as a % of GDP than in the US*). Meanwhile the IMF announced on July 17<sup>th</sup> that China's economy will expand at a 6.6% rate this-, & a 6.4% next-, year, both unchanged from several months ago, despite the fact that it has repeatedly warned that the trade dispute between the US & China will reverberate globally (& create headwinds for not just the Chinese-, but also for all other-, economies).
- And if the US were to go ahead with targeting another US\$250BN of Chinese imports, Morgan Stanley estimates the hit to the Chinese economy's growth rate could be 0.3% (& Bloomberg that it could be as much as 0.5%). On the other hand, Beijing has the fiscal & monetary firepower to offset the negative impact of any US action on its economy (although this would necessitate Xi doing a climb-down on his credit growth constraint campaign); in fact, in June government spending had already jumped in an apparent attempt to stave off an 'undue' decline in the GDP growth rate - *If things were to get really ugly between the US & China, the latter has one financial rocket weapon that could do immense harm to the US economy, namely its holdings of US\$1.2TR of UST securities, the sale of which, or even the threat of the sale of which, would send tremours through the US economy; and those who pooh-pooh this idea of this ever happening because it wouldn't make any financial sense are Western thinking-bound, & have forgotten, or never learnt, that for Beijing political considerations **always** override economic/financial ones.*

*And what is more relevant in the present context is that Beijing has long regarded 6½% GDP growth as a possible tipping point into serious social unrest.*

## **CAN MACRON DO FOR THE BANLIEUES WHAT THE BANLIEUES<sup>11</sup> HAVE DONE FOR FRANCE IN SOCCER? (NYT, Anthony J. Blinker)**

- France's triumph in the FIFA World Cup soccer playoffs was powered by immigrants from the hard scrabble suburbs . While 21 of its 23 players were French-born, the parents of 15 of them were from the Republic of Congo (*one-time Zaire*), Cameroon, Morocco, Angola or Algeria, incl. one of its star players, 19 year-old Kylian Mbappe, who is part Cameroonian & part Algerian, and middle fielder Paul Pogba (who in a press 'scrum' responded to a question about the racial diversity of the team by telling the questioner "France today is full of colours") whose parents are from Guinea. In addition, one of the team's main goal scorers, Antoine Griezmann, is from German & Portuguese descent.

*This is not surprising. In France (& many other countries) football/soccer is like basketball for Afro-Americans, a low-cost means of entertainment & for some lucky ones a route out of the ghetto & a hoped-for chance at grasping the 'brass ring' of social acceptance & wellbeing; for all*

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<sup>11</sup> Administrative districts in major French cities that are not part of the city proper, some of which are so 'independent' in the worst sense of the word that they are "no-go zones" for the police



that's needed is ownership of-, or sharing a friend's-, ball, and access to some-, often publicly-owned-, space to practice in. But the problems in the banlieues typically don't originate with these go-getter types, but with those who are less motivated and/or stuck in a cultural ghetto, and who often from a young age have become categorized as "aimless delinquents" at best or "terrorists in the making" at worst & who blame the system for their misfortunes.

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### Post-Helsinki NYT headlines –

- **The GOP's choice - America or Trump** (David Leonhard)
  - "Whatever Trump's fellow Republicans did or didn't say yesterday (*July 16<sup>th</sup>*) ... Trump is engaged in a shameful campaign to weaken the US for some mysterious mix of self-interested reasons ... This is an emergency";
- **Why won't Donald Trump speak up for America** (Editorial Board)
  - "The president lays himself at Putin's feet";
- **Trump and Putin vs. America** (Thomas L. Friedman)
  - "His "refusal to condemn Russian attacks is a betrayal of every single American";
- **After you, Mr. Putin** (Gail Collins and Brett Stephens)
  - "Live in Helsinki, Trump brings his blame-America-first tour to a close";
- **An easy win for Vladimir Putin** (Elena Chernenko)
  - "Russia's president came away from this meeting with Trump looking confident and in charge";
- **The murder-suicide of the West** (David Brooks)
  - "Trump forcefully caps years of deterioration in European-America ties";
- **I was a White house stenographer. Trump wasn't a fan** (Becky Dorey-Stein)
  - "If the president is the victim of so much inaccurate reporting, as he claims, why is he so averse to having the facts recorded and transcribed"<sup>12</sup>

### Initial reactions of prominent Republicans on Trump's Helsinki press conference performance :

- **Senate Majority Leader Mitch McConnell**
  - "I've said a number of times, and I say it again, the Russians are not our friends and I certainly believe the assessment of our intelligence community" (*but he refused to say whether he would tell the President (to his face) that he disagreed with him*);
- **House Speaker Paul Ryan (Wisconsin)**
  - "The president must appreciate that Russia is not our ally. The United States must be focused on holding Russia accountable and putting an end to its vile attacks on democracy;
- **Sen. John McCain (Arizona)**
  - "One of the most disgraceful performances by an American president in memory";
- **Sen. Jeff Flake (Arizona)**

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<sup>12</sup> That one is easy! There is a school of thought quite prevalent among small business that "All knowledge is power"; for that enables the top dog to have the rules in his business to be those he decides they are on a day-to-day, week-for-week, month-to-month basis.

- “I never thought I would see the day when our American President would stand on the stage with the Russian president and place blame on the United States for Russian aggression. This is shameful”;
- **Sen. Bob Corker (Tennessee)**
  - “The president’s comments made us look as a nation more like a pushover and I was disappointed in that”;
- **Sen. Lindsey Graham (South Carolina)**
  - “(A) missed opportunity by President Trump to firmly hold Russia accountable for 2016 meddling and deliver a strong warning regarding future elections”.
- **Sen. Ben Sasse (Nevada)**
  - This (*believing Putin*) is bizarre and flat-out wrong ... Putin and his thugs are responsible for Soviet-style aggression ... When the President plays these moral equivalence games, he gives Putin a propaganda win he desperately needs”;
- **Sen. Tom Scott (South Carolina)**
  - “The President’s summit in Helsinki today should have been an attempt at confronting Russian aggression, hacking and election interference ... Russia is not a friend or ally. As Americans, we should stand up for our interests and values abroad ... I fear that today was a step backwards.”

*And now he has invited him to the White House in the fall (presumably in the midst of the mid-term election campaign? What should not be overlooked is that of the above Sen. McCain may not be around, or may not be able, to vote on Trump’s Supreme Court nominee Brett Kavanaugh (or if he can, may be disinclined to support Trump’s choice), and that Sens. Corker & Flake aren’t running again & won’t worry much about voting along party lines, and may decide to vote against Kavanaugh for ‘patriotism over party/what’s best for the country’ reasons or simply ‘to give Trump a ‘wake-up call’. The other thing worth noting in the above listing is the relatively strong language of Sen. Graham; for he supposedly has “close working relationship” with Trump.*

### **TRUMP INFLATES GDP GROWTH (FactCheck.org)**

In a July 13<sup>th</sup> interview with Britain’s Sun tabloid daily (*that is better known for its pictures of scantily-clad females than for discussions of serious matters*), he said *many things*, incl. on NATO financing, “Two percent is not enough. The US pays 4.2%<sup>13</sup> of a much larger GDP”<sup>14</sup> ... in fact, since I have taken over, GDP has doubled or tripled...” - *The Chicago Tribune called this “a laughable false assertion, bordering on delirium”*; for he failed differentiate between the GDP itself & the GDP growth rate (something that would have earned a first year economics student a well-deserved F) : *the recent years’ US GDP growth rates were 2015 - 2.9%, 2016 - 1.5% & 2017 - 2.3% , and the quarterly rates 4Q/16 - 1.8%, 1Q/17 - 1.2%, 2Q/17 - 3.1%, 3Q/17 - 3.2%, 4Q/17 - 2.9% & 1Q/18 - 2,6 % (the latter revised several times from an initial 1.2%)*. And while, *as of July 18<sup>th</sup> the Atlanta GDPNow reading for this quarter was 4.0%, not a number to ‘take to the bank’ since in the last nearly two months it has fluctuated between 3% & 4+%*. The interview, that prompted a headline in the more highbrow Guardian of The End of Diplomacy (although it conceded that “The trouble with the UK ... is that it is just too good at old-style

<sup>13</sup> Which was a) wrong in the aggregate since the real number was 3.6% and b) an apples & oranges comparison since the share of US military spending accounted for by NATO is about half that (with the rest of its military spending non-NATO-related)

<sup>14</sup> Surprisingly, no one seems to have picked up on this also being outright wrong; for **both** the US’-, & the NATO 28 other member countries’ aggregate-, GDPs are in the US\$18+TR range

*diplomacy” ) had been scheduled for 10 minutes but actually lasted 28 (because ‘Trump was clearly enjoying himself’ dissing Brexit, Prime Minister May & London Mayor Khan), but more likely because the interviewer hoped the loquacious Trump would shoot himself some more in the foot.*