<u>**GLEANINGS II - 778**</u>
Thursday September 20th, 2018

Quote of the week - “That the established *Canadian* parties have tended to pander to narrow and particular interests, rather than the broader public interest, is well documented, as is the result : an ever-expanding state *apparatus* devoted almost wholly to redistributing income, not from the rich to the poor, but from taxpayers to well-organized and well-cultivated client groups (incl. *public employees*). In the same way the state redistributes from consumers to producers ...west to east, young to old, and so on, in the service of neither efficiency or justice … but just whoever frightens politicians the most.” Andrew Coyne in the September 18th National Post - *Thus in Canada unionized public ‘servants’ have more generous salaries, benefits & pensions than the vast majority of their notional employers, the tax payers (Coyne is one of the best political commentators in Canada [& as my (socialist) high school math teacher would say about my class mate whose father was a socialist city councillor, “he comes from a good nest*[1] *”.*

Canadian household debt - On June 30th it totaled C$2.16TR (100.3% of GDP & 169.1% of after tax household income), compared to the US’ 78.7% & 100%, respectively[2]. According to the BIS in 2014 Canada, with a then 93.60 percentage, had been the country with the 5th highest rate of consumer debt to GDP [after Denmark (126.50%), Switzerland (122.50%), Australia (118.30%) & the Netherlands (112.50%)], vs., among others, the UK (#8 - 86.20%), the US (#9 - 80.00%), France (# 24 - 56.10%), Germany (#25 - 54.30%), Israel (#28 - 40.70%) & China (#30, 30.16%).

Canary in the coal mine? - In August in Edmonton residential listings were up 1.63%-, & the inventory of homes for sale 7.73%-, YoY, and the average number of days before they were sold up YoY to 64 days from 58 days. And single family home prices were down 3.23%-, condo prices 0.12%-, & duplex/row house prices 6.90%-, YoY - *And while the City Economist prattles about the city’s economy “recovering”, this may seem to him so since there is an office tower-, cum apartment/condo-, building boom in a city in which the office vacancy rate is 17+%-, & that for apartment & condos, 7+% (over triple that four years ago); but at the grass roots there is little evidence of a recovering economy &, worse still, what he mistakes for a recovery may just be economic growth ‘borrowed’/’stolen’ from tomorrow.*

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1 For his father, James Coyne, who died a few years ago at age 102, had been, while still in his mid-forties, the second Governor of the Bank of Canada (from 1955-1961). Winnipeg-born, an Oxford Rhodes scholar from Manitoba & a graduate of the Manitoba Law School, he was one of a number of Winnipeggers who “made it big” in the Canadian public service in the post-WW II years. But he was the only one to have made it in the history books; for in the early 1960s, during the Diefenbaker years, he got in a very public row with the Minister of Finance who didn’t like his monetary policy stance. It all ended when the House voted to fire him & the Senate refused to do likewise, upon which he resigned, a few months before his term would have ended anyway (this has become known as the “Coyne affair). Interestingly enough, the government thought it would solve this problem for future governments by amending the Bank of Canada Act through the insertion of a provision that the Minister of Finance could give the Governor written instructions as to what monetary policy should be (which has given the Governors an unprecedented degree of independence ever since; for no Minister of Finance in his right mind would ever be so dumb as to stick his neck out in such a manner).

2 Due the fact that since the 2008 financial crisis American households worked assiduously at reducing their debt, while in Canada they have merrily kept on borrowing as if nothing had happened.

Rising interest rates starting to hit home? - According to the Toronto-based Environics Analytics firm, at the end of 2017 Canadian households' debt service ratio (the share of after-tax income needed to pay the interest on their debt) had begun to rise, for the first time in a decade, on average from 7.7% to 8.2% YoY More specifically, it went from 10.6% to 11.7% in Vancouver, from 9.0 to 9.8% in Toronto, from 8.2% to 8.6% in Calgary, from 7.8% to 8.3% in Halifax, from 7.4% to 7.8% in Montreal and from 6.8% to 7.1% in Ottawa - *while seemingly Ottawa households are more financially astute than those elsewhere, this is likely a function of civil servants having more job security & hence being better risks from lenders' perspective).*

World's largest 15 banks, in 2007 & 2016 -

2007	**Assets US$TR**	**2016**	**Assets US$TR**
Royal Bank of Scotland	3.77	Ind. Comm. Bank of China	3.47
Deutsche Bank	2.95	China Comm. Bank	3.01
UBS	2.53	Agr. Bank of China	2.82
BNP Paribas	2.47	Bank of China	2.60
Barclay's	2.43	Mitsui UFJ Fin. Group	2.59
HSBC	2.35	JPMorgan	2.49
Citigroup	2.19	HSBC	2.37
Crédit Agricole	2.06	BNP Paribas	2.19
Bank of America	1.72	Bank of America	2.19
Société Générale	1.57	Wells Fargo	1.93
JPMorgan	1.56	Crédit Agricole	1.82
ABN Amro	1.51	Japan Post Bank	1.80
Unicredit	1.49	Citigroup	1.79
ING	1.45	Mizuho	1.75
Mizuho	1.35	Deutsche Bank	1.68

This is interesting. First & foremost, since it shows how far & fast the Chinese banks have come up in the world of global finance & the greater potential risk they therefore now pose for its stability (the more so since China's financial system may now be displaying some of the same features of the pre-Lehman US system). Secondly, it shows how disastrously the pre-Lehman financial shenanigans in the US did affect Deutsche Bank & the Royal Bank of Scotland; for the former has gone from being the biggest German bank by far & No. 2 in the world with an AAA rating, to No. 8 in Germany & No 15 in the world, with a rating just two ticks above junk status, while RBS had to be bailed out by the UK government, & still is 60+% government-owned, and last year for the first time in a decade made a profit (but is still at risk of having to pay billions of pounds in penalties in the US & Japan). And thirdly, it illustrates how the once pre-eminent US & European banks have slipped, in part due to Beijing's scheming to hike the Yuan's global role.

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U.S. ON TRACK TO LOSING NEXT MAJOR WAR (WP, Robert O. Work & Elbridge Colby)

- Earlier this year Congress gave a 10% budget increase, its largest since 2001, to the Pentagon &, for the first time since the Cold War it now has a genuinely new strategy : focus on our rivals - Russia & in particular China - & maintain a competitive advantage over them. But, as Defense Secretary Mattis warned in his 2018 National Defense Strategy *document*, we may lose the next big war against these nations & endanger the free & open international order the US built & upheld since the 1940's if we fail to do so.
- The key question now is whether the Defense Department will take the big steps needed to implement this strategy. And it needs to do so in a hurry. For China & Russia have spent decades building militaries specifically designed to fight, & beat, ours, while we have focused on rogue states & terrorism, taking a largely business-as-usual approach to modernization by robbing the Peter of advanced capabilities to pay the Paul of day-to-day force employment which, as the strategy makes clear, is a losing proposition. We need modernization, not just in general terms, but modernization & advanced capabilities *specifically* designed to defeat Russia's or China's theories of victory that they have spent years developing to undermine our Desert Storm approach.
- It is now time for us to turn the tables on them before we lose our edge. That will require major changes in what we buy, in how & where we plan to fight & how we integrate with our allies & partners. The operational concepts that worked against Iraq in 1991 must be ditched. And we must move away from big & vulnerable ships, the fixed bases and short-range aircraft & munitions on which we have traditionally relied. And we need to revamp our space-, logistics-, & cyber architecture, and rethink military plans that focus on establishing dominance in every domain before pushing the enemy back. For, while such predictable & routinized operations may work against rogue nations, they won't work against the militaries of China & Russia; so we must concentrate on building & maintaining a force capable of taking & besting top-tier adversaries under the assumption that US forces will be contested at every step by highly capable opponents, & move towards operating artificial intelligence & unmanned systems capable of autonomous operations in conjunction with manned platforms or on their own. This means not doing some of the things *we've always done and* doing others in less costly ways, rather than squandering *scarce resources and* the readiness of our forces for the fight against terrorism, and being prepared to leave expensive platforms that don't fit our new priorities on the cutting floor room, no matter what their proud history or *how important their* political constituencies.
- Pretty soon the Pentagon will decide what their next budget will look like. They have the strategy, money & bipartisan political support to create a "master piece" & show Congress, the American people our allies and, most importantly, our foes that our armed forces are, & will be, ready to fight & defeat any comer; and if they don't, we may not have an opportunity to do so until forced by a crisis on our doorstep, by which time it would be too late.

This sounds like a cri de coeur by two recent senior DoD officials (Work was Deputy Secretary of Defense from 2014 to 2017 & Colby Deputy Assistant Secretary of Defense from 2017 to 2018) who are now associated with the Center for a New American Security, a Washington-based, decade-old, small (30 employee, US$6MM budget) think tank much of whose focus is on the study of "the emergence of Asia as a centre of global power, particularly as regards China". And, more specifically it's a denunciation of the super-annuated US dependence on aircraft carriers as the centre of its military power and, if so, would seem to be on the right track, given the Pentagon's creation in 2009 of the Fort Meade, MD-based Cyber Command & its August 2017 upgrading by Trump to "unified combatant command" status, out from under the wings of-, & to the equivalency of-, the Strategic Command, with the Pentagon announcing that the "elevation of Cyber Command ... reflects the growing centrality of cyber space to US national

security and its (i.e. Pentagon's?) long-term commitment to cyberspace as a new warfighting domain." Unfortunately in the real world a 'follow the money' adherent would come away disappointed; for the Cyber Command's budget is US$650MM (i.e. 0.1% of the Pentagon's budget), a drop in the bucket compared to the cost of a new carrier[3] & that of keeping them deployed[4] (the US now has 13 carriers on active service[5], with two more under construction & two others on order for delivery as late as 2030). For a troublesome aspect of the central role of carrier power is that the Chinese have developed an anti-carrier missile that, after having been sent into space, would return to earth at Mach 6 speeds, that the Navy so far has been clueless as to how to defend against (that, if it can't would relegate these massive piles of steel to the 21st century equivalent of their 20th counterparts that were taken out of play early in WW II by Japanese planes at Pearl Harbour.

<u>PUBLIC TRUST IN *US* GOVERNMENT NEAR HISTORIC LOW</u> (Pew Research Center)

- Today only 18% of Americans (22% of Republicans & GOP 'leaners' & 15% of Democrats & 'leaners') say they trust government to do what's right (made up of 15% that says this is so much of the time & 3% that says "just about always"). This is down from nearly 80% at the end of the Kennedy-, 40% at end of the Johnson-, & 30% of the end of the Carter-, years; it recovered somewhat under Reagan to 40%, went from 20% early on in the Clinton years to 53% eight years later, only to slip again to 25% at the end of the Bush 43-, & after a brief, mild fillip early in the middle-, to 20% at the end-, of the Obama years.

This is the root of the populist trend in North America and Europe : the hoi polloi have lost faith in the system (but may have bought a "pig in a poke"; for what they have been fleeing to may prove a case of the 'cure being worse than the disease').

<u>OECD SAYS CANADA NOT 'BACK' ON WORLD STAGE</u> (CP)

- Contrary to the Trudeau government's claims, the OECD says that, while Canada deserves praise for its advocacy of the rights of women and girls in developing countries, it needs to spend more on ODA (Overseas Development Assistance); for Canada's 2017 foreign aid spending was just 0.26% of GDP, down from 0.31% five years earlier, below the 0.32% average of its 30 fellow OECD DAC (Development Assistance Committee) countries & only a fraction of the UN's long-time 0.70% target.

Another case of "Thy hypocrite, first cast out the beam out of thine own eye, and then shalt thou see clearly to cast out the mote out of thy brother's eye."? (from the Sermon on the Mount, Matthew 5 7 : 5). Anyway, this is typical Trudeau : much talk & little substance or action, and woolly-headed priorities; Colby Cosh, another National Post columnist in the same National Post issue as noted earlier referred to Trudeau as a "handsome leader with some celebrity dazzle with ... an appetizing potential to make ghastly errors of Richie Rich cluelessness, and

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[3] The recently commissioned Gerald R. Ford cost US$13BN to build (US$2.4BN more than budgeted)

[4] Close to US&1BN/year to keep a carrier group of 7,500 people, a carrier with 65-70 aircraft, one cruiser and two destroyers or frigates operational at sea.

[5] The latest of which, the Gerald R. Ford, was delivered to the Navy in May, & commissioned by President Trump in July-, 2017, but is not expected to go on its first deployment until 2022.

has delivered.” (but didn’t mention that in the genetic lottery he may have drawn more from his mother’s-, than his father’s-, gene pool).

<u>I DON’T WANT TO GO THROUGH 2008 AGAIN</u> (FP, Tom Bradley)

- As a young analyst I experienced Black Monday in 1987 (*when the Dow Jones in one day went from 2,300 to 1,800, the S&P from 320 to 230 & London’s FTSE 100 from 2,400 to 1,700*) which, however, proved a mere pre-season game for that 31 years later, in 2008, when iconic investment firms went down & banks bankrupt, and trust in the financial industry went up in smoke, the auto industry had to be bailed out, credit dried up & companies needing short-term funding were unable to get it (*since no one knew who to trust anymore*).
- These are some things that remain imprinted on my brain :
  - “Limited downside” is an over-used phrase - when earnings start slipping, P/E ratios tend to also drop, creating a double whammy effect;
  - Prepare with caution - When the crisis hit, the mega global banks became ‘black boxes’ with nobody knowing what exactly was in them;
  - The strong get stronger - Well-financed companies came through it all with flying colours & longer-term benefitted as their weaker brethren struggled or disappeared; those who didn’t panic & invested in them, made out like bandits;
  - In bear markets survivors’ stock prices go down more than warranted by their prospects or, as Shelby Davis[6] once said, “You make most of your money in a bear market; you just don’t realize it at the time”; and
  - Ever since, I have prepared myself & my clients for gut wrenching decisions, *for not panicking*, & for leaving room to buy more.

So I am fully prepared for more bear markets but just don’t want to have to go through another financial crisis like the one 10 years ago.

The writer was CEO of Vancouver-based Phillips, Hager and North until, in 2005, he started his own firm, Vancouver-based Steadyhand Investment, that at last report had AUM of C$500MM.

<u>WHAT WE NEED TO FIGHT THE NEXT FINANCIAL CRISIS</u>
(NYT, Ben S. Bernanke, Timothy E. Geithner & Henry M. Paulson Jr.[7])

- Ten years ago, the global economy teetered in the face of a classic financial panic, the most dangerous of financial crises; for in a panic investors lose confidence in all forms of credit & retreat into the safest & most liquid of financial assets, US Treasury Bills, the prices of all assets collapse & new credit becomes unavailable, with dire consequences for workers, home owners & savers (*never mind businesses, large & small).*
- The seeds of this panic had been decades in the making as the US financial system outgrew the protection against panics put in place after the Great Depression[8], as a

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[6] A Princeton alum who in 1969 founded the Tucson AZ-based, employee-owned investment manager <u>Davis Selected Advisers</u> that at last report managed US$24BN for 122 clients (and US$2BBN for its own employees), whose father, Shelby Cullom Davis, an investment adviser to the political elite, between the late 1940s & early 1990s, grew US$100,000 of his own money into US$800MM.

[7] Who know whereof they speak; for during the Great Recession they were Fed Chairman, New York Fed President & Secretary of the Treasury respectively and so therefore were on the firing line in the battle to right the system.

result of which by 2007 over half of all credit flowed outside the banks, while, as financial innovation helped millions buy homes, it also facilitated unwise risk-taking by lenders & investors &, more dangerously, created billions of risky, long-term credit that was funded short-term, while a balkanized & antiquated regulatory system made identifying these risks difficult, providing policy makers with little scope to respond when the panic hit.

- And before the crisis economic performance had been troubling; for productivity growth had been slowing[9], wages stagnating[10] & the share of Americans working shrinking[11], while a desire to maintain living standards had prompted a surge in household borrowing[12]. While we & the regulators hadn't foreseen the crisis, when it came, we moved aggressively to stop it. And with the powers of the regulators inadequate, Congressional action made it possible for the President, working with them to avoid the system's collapse & another Great Depression (*& limit the damage to just a 'Great Recession'*) with, most importantly, Congress providing the capital needed to bail out the banking system, thereby allowing a normalization of credit flows (with the funds thus deployed *a few years later* recovered with a substantial profit to the tax payer).
- Are we ready for the next crisis? In some respects, yes. Financial regulation has been refined to make the system more resilient. Financial institutions are financially stronger & gaps in regulatory oversight have been filled. And regulators are more attuned to system wide risks. Still, "our main concern is that this will erode over time & risk taking will emerge in corners of the financial system that are less constrained by regulation."

This saw the light of day as an Op-Ed piece in a recent NYT that seems like an attempt to wave a red flag about the current 'lotus eater' attitude in the financial community[13]*, and may be 'putting lipstick on a pig'. They may have been driven by any one, or all, of five considerations : the fact that the US financial system is now dominated to a far greater extent than ever by the*

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[8] This is misrepresentation of fact; for what really put the cat among the pigeons in the system was the 1999 passage of the Financial Services Modernization Act that, after nearly two decades of lobbying, gave the dozen or so biggest US banks what it had long wanted, the repeal of the 1933 Glass Steagall Act that had been the most important "protection" put in place during the Great Depression by separating investment-, from commercial-, banking.

[9] While in the 1990s it had grown at a 3.8% CAGR (Compound Annual Growth Rate) & in this century's first seven years at 2.7%; in the current economic 'boom' its growth has been far slower, 1.3% during the 9 years ended last year and, since that was heavily 'front-end loaded coming out of the recession, it has been only 0.76% in the last eight years.

[10] And not much has changed here either; for according to a March 2018 Congressional Research Service paper by Sarah A. Donovan & David H. Bradley wages in real terms have basically been stable since the Great Recession at US$11 at the 10th-, marginally increased to twice that at the 50th-, & increased significantly to about US$40 at the 90th-, percentile.

[11] Big whoopee! For while it had declined from 67+% around the turn of the century to below 66% in 2007 it has now stabilized around the 63% level, a 44 year low.

[12] Good news : it has since declined from close to 100%-, to slightly below 80%-, of GDP (in contrast to Canada where has merrily kept on growing to now almost 170%).

[13] And these gents know whereof they speak; for they were key players in the government's bailout effort following the Lehman collapse (Bernanke as Fed Chairman, Paulson as Secretary of the Treasury & Geithner as President of the New York Fed) and Bernanke & Geither, as Obama's Secretary of the Treasury as part of the crisis fallout "clean-up crew".

dozen largest-, "too big to fail"-, banks (that now control 70%, a far greater than ever share, of the US banking system's asset base, the emergence of 'stress points' in the global financial system (such as the Argentina & Turkish currency crashes &, more generally speaking, the emerging countries' excessive US indebtedness), the continued "risk on" attitude in the US financial community in general & the stock market in specific, the fact that the same crowd that ran the system off the rails a decade ago, incl. JPM's Jamie Dimon & Goldman's Lloyd Blankfein (neither of whom ever paid for their sins) still dominates the system on a 'business as usual' basis &, finally, that China's financial system today appears to display some of the same features as the pre-2008 US system - throughout history the signs of impending financial doom have always been very visible, but ignored until the biomass hit the fan (thus 13 months before the Lehman crash, on August 7, 2007, Paris-based BNP Paribas, then the world's third-largest bank, 'froze" three of its investment funds (i.e. stopped investors from being able to cash in their holdings in them) because of a " lack of liquidity" in US markets [i.e. an inability to determine the real market value of (some of?) their US assets)].

<u>WALL STREET NEVER LEARNED ITS LESSON</u> (WP, Phil Angelides)

- Ten years after the Lehman collapse brought the US economy to its knees, when, in former Fed Chairman Ben Bernanke's opinion, 12 of the nation's 13 most important financial institutions could have failed within a one or two week period, many wonder when the next financial crisis may hit. Since we often don't learn from experience, the answer may well be 'sooner rather than later'. And the great irony is that, while very few of those on Wall Street, whose reckless behaviour drove the financial system over the cliff, suffered any consequences, it cost millions of *ordinary* people their jobs & their homes, the banks barely skipped a beat &, after having been rescued by a multi-trillion dollar government bail-out, have carried on as per usual (thus just three years post-Lehman compensation at the biggest publicly-traded Wall Street firms hit an all-time high). And while they may have paid US$200+BN in fines for, among others, mortgage securities fraud, interest rate manipulation, money laundering & municipal bond bid rigging, all that money came out of shareholders' pockets & none out of those of the people responsible; in fact, the Justice Department has not held a single Wall Street senior executive civilly or criminally responsible for their malfeasance (*although it nailed a couple of 'small fish' to the cross*), creating anger among those who had suffered *first han & widespread* cynicism about the fairness of our legal & political system (*that created fertile soil for Trump's ascendancy)*.
- Worse still, the industry never engaged in a critical analysis of what could be learnt from what had happened and, to the contrary, has fought a fierce rearguard action against reform & has spent over US$3BN lobbying Congress & making election contributions to block, *or at least limit* the passage of, new common sense banking regulation rules in Congress, and now is working hand in hand with the Trump administration to roll back whatever safeguards were put in place *by the Obama administration* after the crisis[14]. And while those introduced after the 1929 crash & the Great Depression created *helpful* changes in Wall Street behaviour for decades & financial calm & economic growth for decades to come, this time the big banks haven't changed their behaviour a bit (& why should they since they never suffered any *real* consequences for their actions?).

[14] And seem to be helped in this respect by the judiciary; thus not long ago a US court struck down an Obama era-instigated rule that required financial advisers managing retirement accounts to put the beneficiaries' "best interests" ahead of their own!

Those who saw the movie *__The Big Short__* *& went home with the impression that the 2008 financial crisis had been the result of massive scams by overpaid & amoral financial predators taking advantage of the lack of the hoi polloi's financial sophistication & the greed of institutional investors' who failed to discharge their fiduciary 'due diligence' obligations, were absolutely spot on! - be that as it may, the author, a former Democrat California State Treasurer who, while quite right in his conclusions, ignored the fact that his party is as culpable for the current state of affairs in the system as the Trump administration; for, while Obama was well-intentioned when in November 2008 he appointed former Fed Chairman (& financial policy common sense 'hard case') Paul Volcker to head his Recovery Advisory Board & it produced the* *__Volcker Rule__* *(to seriously limit the scope for the kind of bank financial 'legerdemain' that led to the 2008 Financial Crisis, Luis A. Aguilar (an SEC commissioner from 2008 to 2015) observed "The success of the Volcker Rule will depend on the manner in which banking entities comply with the letter and the spirit of the rule, and the willingness of the regulators to enforce it" &proved prophetic, for the banks had no such intention & bought lawmakers of* ***both*** *parties to all but neuter the Volcker Rule & pressure the regulators to go easy enforcing whatever had been left.*

__NON-BANK FINANCING IN CHINA__
(Reserve Bank of Australia, Joel Bowman, Mark Hack & Miles Waring)

- The guts of its conclusion are that "Lending outside the formal banking system has expanded rapidly in China ... This expansion has provided a range of *short-term* benefits to the Chinese economy ... However, these benefits have come at the cost of increased *longer-term* financial stability risks ... Non-bank financing in China has facilitated higher leverage ... significant liquidity-, and maturity-, mismatches , lending to risky borrowers and an array of complex interconnections with strong links back to the banking system". It also notes that, while in recent years regulators have sought to gain greater control over the whole of the country's financial system, those affected, the non-banks, have fought this tooth & nail (& with considerable success).
- Of the paper's charts, the most interesting two are :

  Shadow banking Activity *in various countries* (in December 2016 as a % of GDP) :

  US - 90%, Canada - 75%, China - 65%, UK 60%, South Africa - 50%, Brazil - 40%, Australia - 25%, India - 15%, Turkey - 8% and Indonesia - 1%;

  China - Non-financial sector debt (as a % of GDP) :

Shadow Financing	2002 - 10%	2009 - 20+%	2017 - 60%
Bank Credit	2002 - 100%	2009 - 120%	2017 - 150%
Total debt	2002 - 115%	2009 - 125%	2017 - 270%

The key words in its conclusion are "increased financial stability risks"!

__WHY PUTIN'S POPULARITY IS SINKING__ (G&M, Nina Krushcheva)

- Trust in Mr. Putin has dipped to 48% from the 60% at his successful election for a third term as President (that was a function of he establishing himself as Russia's defender, the builder of new bridges & roads & the promoter of new infrastructure, and the creator of new public spaces, complete with parks, fountains & cafes). And after he invaded Ukraine & annexed Crimea in March 2014, his approval rating reached a dizzyingly high 87%, while last March he was re-elected to his fourth term as President with 76% of the

vote (made possible in part by the absence of credible alternatives), immediately after which his approval rating hit 82%.

- But many Russians believe now that, even if he has restored Russia's status as a "great power", this does not compensate for the rampant corruption, & the lack of opportunities, at home. Young people view his regime as outdated & he himself as an obstacle to change, such as the increased investment in social programs needed to raise living standards. And young entrepreneurs question whether his assertive foreign policy of militant nationalism, that won him so much support in the past, is worth the price, incl. the cost of the military & of its growing economic & political isolation from the West.
- Putin knows his position is shaky. That's why the police has been so rough on protesters; for the Kremlin fears not just more *popular* rallies but the intensifying opposition from business people, incl. some of Russia's most powerful elites, as well as the possibility that regional authorities will start questioning its decisions. Meanwhile his image as a steward of Russia's greatness is slipping away & his tried-and-true tactic of creating external enemies to gain popular support at home not a practical long-term strategy. So, unless he starts making real changes within Russia, his rating will continue to slide, increasing the chances he will finally leave the presidency when his current term expires in 2024 (when he will be 72), if not sooner.

He made a serious mistake with his pension reform proposals (to raise retirement ages), for it gored the oxen of the older generations among whom support for him has been strongest. And while the country's population decline has been halted & its size has almost returned to where it was thirty years ago, the 20-40 age cohort accounts for one-third of the population (& for a much greater share of the politically active) & their priorities are more personally-,& less macro-politically-, focused - the writer, age 54, is a greatgranddaughter of Nikita Krushchev with a degree from the Moscow State University & a Ph.D. from Princeton who now is a professor in International Affairs in the Graduate Program of the New York City-based 'New School'.