

GLEANINGS II - 860
Thursday November 12th, 2020

Atlanta fed's GDPNow - For all it is worth (& in all fairness YTD its numbers have consistently been in the 'ballpark'), the Atlanta Fed's GDPNow reading as of November 6th was an annualized 3.5%, up from its 2.2% reading on October 30th, to which level it had cratered from 37.0% **in just two days!** - *The next reading is not until next Tuesday, November 17th.*

Electoral College - The existence of the Electoral College is a function of the Founding Fathers' concern that proportional representation & majority rule could lead to abuse of the minority by the majority. So they decided the number of Electors for each State should equal that of its members of Congress; as a result the 600,000 population state of Wyoming has 3 Electors & California, with a population size 66x Wyoming's, only 55. But the Constitution never went into detail as to how Electors were to be elected; it only specified the date they must meet in their respective states to vote for the President & Vice President (*on separate ballots*), i.e the first Monday after the second Wednesday in December, which this year falls on December 14th.

Over the years there have been "faithless electors" who voted for candidates other than those they were supposed to vote for, a total of 180 out of the 23,000+ who have served as Electors over the years (in 2016 there were eight voted for Democrats other than Hillary). But in recent years the relevance of the Electoral College has been questioned. In May 2019 this gave rise to a Washington State Supreme Court 8-1 ruling that "the Constitution confers broad authority on the states to declare the manner and mode of appointing Presidential electors" & last July to a unanimous one by the United States Supreme Court that "the Constitution does not require that the people elected to serve in the Electoral College be free to vote as they chose, but that States have the constitutional power to force electors to vote according to the state's popular vote" (although 18 states still have laws giving Electors the freedom to vote "independently").

At the time of writing the Electoral College 'score' was Biden 290 & Trump 214, with the remaining 34 accounted for by Georgia (16), North Carolina (15) & Hawaii (3), and the latest vote counts favouring Biden 49.5-49.2 in Georgia and Trump 50.1-48.7 & 56.9-39.1 in North Carolina ¹ & Hawaii respectively. Meanwhile on November 11th, with Biden leading by 14,098 out of the 4,929,742 votes cast, Georgia's Republican State Attorney-General ordered a 'county-by-county, hand audit' of ballots cast in the presidential race *only*, with a targeted end date of November 20th.

Six states currently in the Biden column (AZ, MA, MD, NH, NV & VT), with an aggregate 45 Electors among them, currently have Republican governors [although in three (MA, MD & NV) their legislatures are Democrat-controlled]; perhaps Trump thinks those six, mostly sexagenarian male, governors can be made to finagle their states' Electors into voting for him, giving him a win.

"Growth Bomb - *The Minneapolis MN-based Leuthold Group was founded four decades ago as an independent investment research firm (that two decades ago branched out, through a subsidiary, into asset management and, going into the Great Recession, had AUM of US\$4+BN, but at last report only about US\$1BN). According to Jim Paulsen, its Chief Investment Strategist, given the skyrocketing personal savings rate during the pandemic (it spiked from 7.2% last December to 33.6% in April & in September still was 14.3%), US consumers are sitting on a*

¹ Democrat Cal Cunningham has conceded on November 11th.

US\$2.5TR savings cash pile and, since historically "With *such* a pool of excess idle fuel [savings], it has only taken a bit more confidence to produce a healthy advance in the economy ... this may be all it takes to fuel the economic recovery from the COVID-19" (*that he says could have GDP grow by as much as 6% in 2021*) - *What he seems to be ignoring is that North America is now in an era of social change in which its society is more 'binary' than ever, with the upper half, incl. the billionaires, the political elite & the entire public sector, feeling secure in its physical and/or mental 'gated' communities', doing OK cash flow-wise, & totally disconnected from-, unaware of-, & insensitive to-, what's happening in the lower half where there is much insecurity & pain, increasingly so the deeper in the "swamp" people are. And, with two-thirds of US economic growth consumption-driven & those sitting on top of that "savings cash pile" having a 'propensity to consume' much lower than those "lower on the totem pole", those savings may have less 'pump-priming potential than he seems to think. Another observation he makes that seems worth noting, however, is that, since inventories as a % of GDP are at an all-time low, any pickup in consumption could have a major impact on job growth (albeit from low levels ²).*

Peace in the Caucasus? - Early in the morning of November 10th it was announced in Yerevan, Armenia's capital, that Prime Minister Nikol Pashinyan had signed a Moscow-brokered/imposed peace treaty with Azerbaijan that features a five year Russian armed peacekeeping presence & territorial concessions to Azerbaijan (in areas geographically within Azerbaijan but largely populated by ethnic Armenians. This quickly prompted major socio-political unrest calling for his resignation.

Trump's legacy - According to NYT staff writers David E. Sanger & Eric Schmitt, in a November article entitled Trump has Installed Loyalists at the Pentagon and the Intelligence Agencies. But to What End?, it will include :

- as a result of him pulling out of the Obama 2015 nuclear deal, Iran now has far more nuclear material than when he became President;
- despite his much ballyhooed summits with Kim Jong-un, North Korea now has more (& *more dangerous?*) nuclear weapons than before; and
- China is now more expansionist & dismissive of international legal constraints than ever.

All three are negative in US national security terms.

US federal elections - The US Constitution makes the states & local governments responsible for the conduct of all elections. As a result, the Presidential-, & Congressional-, elections are run under a mosaic of state rules and regulations. Thus in Arizona recounts are automatic if the spread between candidates is < 0.1% of the votes cast but candidates can **not** ask for a recount, in Pennsylvania recounts are automatic when the winning margin is < 0.5% &, if it is > 0.5%, within five days of the election the state can be petitioned for a recount that, unless this leads to the discovery of fraud or major errors, the petitioners must pay for, while in Georgia there is no provision at all for an automatic recount, although candidates can ask for a taxpayer-funded recount if the winning margin is < 0.5%.

-0-0-0-0-0-0-0-0-0-0-

² According to the St. Louis Fed in August total employment in the US was 141,063k, up from 130,303k in April (which had been a 10-year low) but still well down from 152,463k in February.

INSIDE DONALD TRUMP'S UNDOING (Politico, Natasha Korecki et. al.)

- Trump campaign manager Brad Parscale was on the phone with President Trump & top White House officials in mid-February when someone in the group asked him what worried him most. He had just told Trump how good his internal poll numbers looked, but now had an urgent message - the coronavirus could cost him the election! Trump was perplexed & asked "This fucking virus ... what does it have to do with me getting reelected...?" After all, he had built an enormous political infrastructure, was raising hundreds of millions of dollars and the economy was strong. Still, Parscale told him : "Sir, regardless, this is coming. It's the only thing that can take down your presidency."

This was the beginning of the end for Parscale (who had been working for Trump since 2004). For, as the polls started getting worse, his status declined & his responsibilities were reduced, with the killing blow being the disastrous Tulsa rally, when he had bragged about millions of tickets having been sold but only a few thousand showed up, after which the ax fell on July 15th.

THE BIDEN BUMP (NYT, David Leonhardt)

- But for Joe Biden President Trump may well have won re-election; for while Biden won the 'swing states', vote counts suggest others might have fared less well. Thus :
 - nationwide Biden's 2.4% winning margin was better than that of the average Democrat running for the House or Senate, everywhere but Arizona;
 - In Nebraska's Second District Kara Eastman, a Bernie Sanders-style candidate endorsed by progressive groups like the Justice Democrats lost her race for the House seat by almost 5-, while Biden won that same district by nearly 7-, points;
 - In Texas Biden's margin was -6 & that of other Democrats -9, in Georgia it was +0.4 vs. -2.0, in Michigan +3.0 vs +1.5, and in North Carolina -2.0 vs. -2.1; only in Arizona the reverse was true, where the others' was +3.0 & his +0.5;
 - All this was consistent with the past year's polling results that suggested that in all hypothetical matchups Biden fared better against Trump than other Democrats.
- But the GOP has remained popular in much of the country, with a small, but crucial segment of Americans having voted for both Biden **and** the Republicans. Now neither party has a clear path forward. 'Progressive' Democrats who think the country is ready for getting rid of private health insurance, defunding the police, abolishing immigration enforcement & voting out Republicans who fill the courts with anti-abortion judges, are deluding themselves; for many working class voters of all colours don't agree with them on many of these issues. On the other hand, last week a new minimum wage law passed in Florida with 61% voter support, as did drug decriminalization-, & Medicaid expansion-, referenda in several states. And the Republicans have a very different set of problems; for they now have lost the popular vote in seven of the last eight presidential elections & seem headed for a messy struggle as to who their next leaders will be.

Trump Sr. seems to have visions to run again in 2024 & Donald Jr. is said to have political ambitions of his own (either or both of which could negatively affect the party's future).

MCCONNELL SAYS REACHING AN ECONOMIC STIMULUS DEAL IS 'JOB ONE' WHEN SENATE RETURNS (CNBC, Thomas Franck)

- After winning a seventh six year term in the Senate, he told a news conference in Kentucky, the day after Election Day, that another relief package would be the Senate's chief focus when it reconvened on November 9th. More specifically he noted "As I've said repeatedly in the last few months, we need another rescue package ... Hopefully the partisan passions that prevented us from doing another rescue package will subside with the election. And I think we need to do it ... before the end of the year ... that it is job one when we get back ... Hopefully we get a more cooperative situation ... I think now that the election's over, the need is there and the need to sit down and work it out.
- Prior to the elections he had warned that the potential US\$2TR package negotiated between Treasury Secretary Mnuchin & House Speaker Pelosi might be too big to get support in the Senate out of fears it might be too large, and he repeated that on November 4th when he said "The Speaker laid out a US\$2.5TR package with all kinds of things that I felt were simply unrelated to the subject ... I laid on the Senate floor not once, but twice, half a trillion dollars ... targeting the school situation & the need to replenish the PPP small loan program " (*that, among others, omitted another round of US\$1,200 direct payments to most Americans*) that were rejected by the Democrats who said it lacked enough relief, as well as by some Republicans who said that even that was too costly.

After the Senate had returned on November 9th, the very next day he was quoted as saying that "I don't think that the current situation demands a multi-trillion package ... I think it should be highly targeted ... It seems to me that snag that hung us up for months is still there." Meanwhile, Phase Three of the pandemic is now in full flight; on Thursday November 12th the number of new cases reported was 153,000 (bringing the total date to 10.6MM), while the aggregate number of deaths had risen to 243,000+, with the 153,000 number up from 99,356 on November 1st, from 38, 38,476 on October 1st, and from the recent low of 23, 204 on September 10th (that had been a big comedown from the Second Phase high of 74,354 on July 19th).

LOEFFLER AND PERDUE CALL ON GEORGIA'S REPUBLICAN SECRETARY OF STATE TO RESIGN (Politico, Marianne Levin & James Arkin)

- On Monday November 9th they declared in a joint statement "There have been too many failures in Georgia elections this year and the most recent election has shined a national light on the problems ... The Secretary of State has failed to deliver honest and transparent elections. He has failed the people of Georgia, and he should step down immediately."
- Their target, Georgia Secretary of State Brad Raffensperger, lost no time saying he would not resign & defending his office's handling of the election that, he said, had been a "resounding success" from an administrative perspective since the process of reporting results had been orderly and followed the law. Furthermore, that "I know emotions are running high ... If I was Sen. Perdue., I'd be irritated *too that* I was in a runoff. And both Senators and I are all unhappy with the potential outcome for our president. But I am the duly elected Secretary of State. One of my duties involved helping to run elections for all Georgian voters. I have taken that oath and will execute that duty and follow Georgia law ... As a Republican I am concerned about Republicans keeping the US Senate ... I recommend that Senators Loeffler and Perdue start focusing on that".

The last thing the GOP needs is for its locals to start washing their political laundry in public. While Sen. Perdue's lead was thin enough not to make the outcome of his runoff a foregone conclusion, Sen. Loeffler's chances of success are far less promising, if only since she was a fairly distant second in the election and because many Republicans feel that the number three in the election, Rep. Don Collins, had 'deserved' to be named Senator. Moreover, she is a 'white girl' who is not

Georgia born & bred, and has married “rich”, whereas her opponent, Rev. Rafael Warnock, is a local boy who, as the pastor of the Martin Luther Kings’ old church, has ‘made good’ & is black in a state 42.2% non-white in which Stacey Adams in her run for the governorship two years ago succeeded in having the names of many non-whites added to the voters’ lists ³. And elsewhere Politico reported that Senate Republicans hesitate to recognize Joe Biden as President-elect for fear of upsetting Trump, whom they believe is needed in Georgia to mobilize his base to support Sens. Loeffler & Perdue in the runoffs, or as Sen. John Thune (R-SD), the Senate Majority Whip, puts it, “We need his voters ... he has a tremendous following there ... we want him helping us in Georgia.” (which, if anti-Trumpism is really a factor, could prove counter-productive?).

TRUMP IS GONE, NETANYAHU IS NEXT (al-Jazeera, Marwan Bishara)

- No one is more devastated by Trump’s defeat than Israeli Prime Minister Benjamin Netanyahu, not even the Crown Princes of Saudi Arabia & the UAE; for they are just sad to see him go while he has lost his soul mate, his American alter ego.
- They saw eye-to-eye on almost everything, starting with their mutual hatred of the Obama administration, to the point where both spent much of the past four years doing everything possible to undo what he had done. Both praised Arab dictators (& worked diligently to establish a new strategic partnership between those autocrats & Israel), and ganged up on the Palestinians, aided & abetted by Trump’s son-in-law Jared Kushner, a Zionist extremist & the architect of Trump’s infamous “Deal of the Century” (*his “Peace Plan”*). Both are serial liars & adulterers, have been divorced twice, and have faced charges of misuse of public office for personal & political gains, and yet command the support of religious fanatics who consider them morally challenged sinners who do, however, serve a divine purpose. And both are populist showmen rallying the right wing constituencies around populist agendas, despite their incompetence in managing national crises such as the coronavirus pandemic.
- But now, after driving itself to the edge, America has gazed into the abyss & past week pulled back, voting for restoring the country’s democratic & liberal institutions and healing the nation’s wounds. And just as Trump sought to undo all Obama-era achievements, Biden is going to reverse Trump’s reversals, rejoining the Paris Agreement & WHO, and bringing the Palestinians back into their Obama-era policy framework. But where Israel is concerned, he needs to do more & deliver a clear message to the Israeli Right with “tough love” & threatening to withdraw aid, especially since Bibi’s successor (*Naftali Bennett?*) may be as bad as-, if not worse than-, him.
- Netanyahu has been telling Israelis not to worry about Washington because he knows how to deal with it. So now is the time to prove him wrong and, having defeated America’s Netanyahu, Biden now must take on Israel’s Trump.

The writer (age 51) is an al-Jazeera senior political analyst, has taught International Relations at the American University in Paris & at the École de hautes études en sciences sociales (one of France’s more prestigious graduate schools of social sciences and has had articles published in major newspapers & periodicals in the US & UK. Of Palestinian descent & born in Nazareth, Israel, he has, of course, an ax to grind, but nevertheless makes some good points.

³ According to the COLLECTIVE PAC, a group focused on growing black political power no fewer, after it had made more than 2MM phone calls, nearly 370,000 black voters who hadn’t voted in 2016 & 2018 did so in 2020.

“IT MAY BE DIFFICULT TO ACHIEVE THE GOAL OF CROSS-STRAIT REUNIFICATION WITHOUT USING MILITARY FORCE “ - Wang Zaixi in an Op-Ed piece in the official publication of the Chinese People’s Political Consultative Conference.

- Outlining the state of China’s efforts to reunify Taiwan with the Mainland, he opined that the combination of domestic political change in Taiwan & its warming ties with the US has diminished the possibility of a peaceful reunification, saying “US policy has changed from ‘not supporting Taiwan independence ... to encouraging separatist activities ... and US-Taiwan relations have changed from purely unofficial to ... semi-official.” And, furthermore, that the election victory *last January 11th* of President Tsai Ing-wen’s DPP (Democratic Progressive Party), that the more Beijing-friendly Kuomintang party had been unable to prevent, had made it less willing than ever to “sit down and discuss reunification.”

Now age 74 but once Vice-Minister of the State Council’s Taiwan Affairs Office, Wang was always hawkish on the Taiwan issue; but him now saying so publicly should give US decision makers food for thought. For this is the first time since Deng Xiaoping in 1979 proposed peaceful reunification that a former head of the Taiwan Office has publicly raised the possibility of reunification by force.

There has been a big change in Taiwan politics in the past two years. In 2018 President Tsai got her head handed to her in local elections due to popular discontent with her policies on, among others, pensions, same sex, pollution & labour reform [to the point where the Kuomintang’s Han Kuo-yu (who was her opponent in last January’s presidential election) actually got himself elected Mayor of Kiaohsiung, the country’s third biggest city but its largest port & a major commercial-industrial centre, and long a DPP stronghold]. But then came 2019. In January President Xi Jinping sent Tsai an open letter proposing a ‘one country, two systems’ basis’ for eventual reunification. But then came the events in Hongkong, after which President Tsai gained much support by, among others, coining the slogan “today’s Hongkong and tomorrow’s Taiwan”.

And the Trump Administration in recent months seems to have been ‘upping the ante’ with Beijing on the Taiwan issue. For on Thursday November 12th Secretary of State Mike Pompeo, in an interview with Hugh Hewitt at his talk show on the Salem Radio Network (Dallas, TX-based, it specializes in ‘syndicated Christian political talk’) told him “Taiwan has not been a part of China ... That was recognized with the work that the Reagan administration did to lay out the policies that the US has adhered to now for three-and-a-half decades”. Prior to that it had irked Beijing with the September 17th visit to Taiwan of Keith Krach, the US UnderSecretary of State for Economic Growth, Energy and the Environment, and a month prior to that of US Health Secretary Alex Azar, and by a July 13th Press Statement issued in Pompeo’s name that said among others “In the South China Sea (that Beijing claims is an “inland lake” despite the fact that it is and long has long contained major maritime traffic lanes) we seek to preserve peace and stability, uphold freedom of the seas in a manner consistent with international law (that Beijing does not recognize) ...”.

-0-0-0-0-0-0-0-0-0-

US Election – In some ways, the GOP did better than generally surmised. For, while it lost the Presidency (*in the nation’s best long-term interest?*), it held its own better than expected in the Senate & the House, as many Americans seem to have voted **against** Trump, but **for** the GOP.

At last report in the Senate the two parties’ seat tally was 48-46 but since two independents caucus with the Democrats, that really made for a 48 seat tie. Four seats were yet to be determined. In Alaska the Republican incumbent did a lot better-, & the Democrat challenger a

lot worse-, & in North Carolina the Republican incumbent a bit better-, and the Democrat challenger (who had been far more successful raising money), a bit worse-, than expected; and with 98% of the votes counted the Republican incumbent was leading 48.7-47.0, making it mathematically impossible for his Democrat challenger to beat him (*and he has since conceded*). And with Alaska a sure thing for the Republicans, this would make for a 50-48 Senate seat 'score'.

The remaining two Senate seats are in Georgia. By Friday night November 6th Biden had beaten Trump in that State 49.5-49.3, with a 20,196 edge of the 4,920,806 votes cast (& the Libertarian candidate accounting for the remaining 1.2%), although on Saturday November 7th Fulton County, where Atlanta is located ⁴, announced that "out of an abundance of caution" it was running 5,012 "cured" provisional-, & overseas and domestic military-, ballots through the scanner again, & the state has since ordered a hand-counted, ticket-by-ticket audit of all votes cast.

But under Georgia law both of its Republican Senators now face run-offs, on January 5th; for in the case of the regular election the Republican incumbent Sen. David Perdue's voter support at the very last moment slipped marginally below the 50.00% mark (*which under Georgia State law mandates a runoff*), while in the Special election there were 21 names on the ballot with the result that the appointed freshman Sen. Kelly Loeffler only mustered 26.0% voter support vs. her Democrat challenger's 32.6%

This raises the three possibilities :

- *Both Perdue & Loeffler get re-elected and the Senate seat score will be 52-48;*
- *Democrat Rev. Rafael Warnock beats Kelly Loeffler; making it 51-49; or*
- *The Democrats capture both seats; an unlikely, but not altogether impossible, outcome.*

The latter outcome would put matters altogether beyond Mitch McConnell's reach; for with a tie in the Senate seat count the Vice-President casts the deciding vote (and has been done 268 times since 1789 ⁵). The other two will still pose problems for him. For there are at least three-, & supposedly several more-, Republican Senators believed willing to 'kick over the party discipline traces for the nation's common good' & vote with the Democrats-, abstain-, or be absent when the vote is called-, on specific issues. Then he will have two options, let Nature take its course & leave it up to individual Senators to decide what to do [thereby undermining his (already teetering?) position as Senate Majority Leader?] or swallow his pride & name what Senators let the Democrats have their way on an issue-by-issue basis.

By the way, both Sen. Loeffler & Sen. Perdue were among a small group of Senators investigated last spring by the DoJ for stock market transactions that had violated the STOCK Act of 2012. For on January 24th they had been among the members of the Senate Health and/or Foreign Relations Committees who, in closed meetings, had been briefed on the COVID -19 outbreak, & its possible implications for the US economy, after which Loeffler & her husband, multi-millionaire Jeff Sprecher, sold between US\$3.1MM worth of stock & Sen. Purdue US\$825,000 worth.

⁴ Another one of those seriously gerrymandered Senate constituencies that in this case is 112 kms. long and on average just 12.3 kms. Wide.

⁵ Incl. 13x under Trump, 0 under Obama, 8x under Bush 43, 4x under Clinton & 7x under Bush 41.

