

Fight Global Warming With Disruptive Innovation – Not Mandates

WASHINGTON – The Paris event on climate change will probably yield nothing really concrete. The fact is that, despite the rhetoric and the contrived “emergency mode”, there is a huge disconnect between the desired result to stop and possibly reverse global warming and the tools available for this enormous undertaking.

Impossible targets

Whatever the environmentalists may preach or demand, it is essentially impossible to put the entire world, or even most of it, on a stringent, low-carbon diet. Western politicians who claim that they have a plan are pandering, posturing, or dreaming. We could do this only if we had viable, truly cost-effective technological alternatives. And we do not have them. At least not yet.

Renewable energy? Not quite here yet

Of course, there is renewable energy, the miracle cure. We have solar and wind power, and a lot more. But, so far at least, these are not really cost-effective solutions. Otherwise, they would have been already adopted –on a massive scale.

Sure, today we can install solar power plants in Namibia and Arizona or Morocco, and in other countries where there is a lot of sunshine all year round. As prices for this technology are coming down, this is beginning to make economic sense. But what about Sweden, Siberia, or Belgium? Not much sun there.

Mandates are a bad idea

The worst public policy mistake has been to mandate the adoption of still imperfect renewable energy technologies, so that politicians could show that “we are doing something”. This is a bit like governments, circa 1980, mandating the purchase for every public office of the first generation of PCs running on the first Microsoft operating system. This would have created a rent position for PC manufacturers and for Microsoft, therefore diminishing the incentives to innovate and out-innovate each other.

Real innovation, not subsidies

Indeed, if I know that whatever renewable technology I produce today, it will be adopted for political –rather than cost-effectiveness– reasons, why bother to invest more, refine it, perfect it and make it wonderful, as opposed to barely passable? I know that, because of the mandates, utilities are forced to buy my stuff. I make enough money this way. Then why push the envelope?

No real results out of Paris

So, here is the thing. The big Paris gathering may yield something. But it will not be much. And we can be sure that measures promised eventually will not be implemented, at least not in full.

By the same token, it is obvious that poor countries do not have the luxury to tax carbon, or to subsidize solar.

In fact, guess what, the use of coal –by far the most hated carbon-based fuel– is going up, worldwide. Yes, up.

More coal plants in Japan

Look at Japan, for instance. The Japanese have come up with a new generation of cleaner burning, lower emissions, coal-fired plants. They are better, for sure. But they still pollute a lot more than comparable gas-fired plants. Let alone zero

emission solar.

Coal everywhere

And yet the Japanese are merrily marching ahead. And they are actively marketing their “clean coal” plants in Indonesia, and elsewhere. India depends heavily on coal. And so does China. Ditto for America, even though coal in the US has been gradually displaced by cheaper (and much cleaner) natural gas.

Add to the mix parts of Africa, beginning with South Africa, the number two economy in the Continent, heavily dependent on coal. So, forget about abolishing coal. Right now, it simply cannot be done.

The revolution

Can this change? Of course it can. But we need some truly disruptive innovation in non carbon energy that does not need political coercion for early adoption.

Look, imagine that tomorrow we get state of the art, truly affordable and super efficient solar power. At the same time, Tesla or some other manufacturer comes up with a really cheap electric car that you can drive for 400 miles without recharging. Assuming all this, we are done.

It would take no more than a few minutes for millions and millions of price conscious consumers, and later on the whole world, to switch to the new technologies.

The end of coal, gas and oil

Millions would install cheap and highly efficient solar panels on their roofs, this way making their own electricity, at home. Then they would dump their cars with gasoline engines and buy an electric vehicle that they can charge at home at almost zero cost. People would make this switch not because they are pious environmentalists, but because they want to save money.

This way, in no time we would have eliminated coal, natural gas (power generation fuels) and oil (transportation fuel) as our key energy sources. Think of that. And we would have achieved the dream of a mostly carbon-free world.

Not enough R&D

This is what we should aim for. Whereas, right now we get little investment in R&D in new energy technologies, and plenty of mandates, regulations, and subsidies for still rudimentary renewable energy solutions.

We should spend real money on “Moon Shot” projects. Bold stuff, out of the box ideas. Of course, most of these efforts will lead to nothing. Lots of money will be burnt on crazy ideas. But this is what happens when you go into uncharted territory.

Fantastic energy future?

Nobody really knows what our main source of energy will be in 50 years. I hope it will be something fantastic, clean and cheap. But if we continue at this pace, chances are that in 50 years we will continue to have debates about “clean coal”, and “lower emission”, gasoline-fired internal combustion engines.

And, if that is so, forget about “solving” global warming.

US Economy Slowing Down

WASHINGTON – The US stock market, while not doing great, is still up. And yet the US economic outlook is not that good anymore. In fact it is getting worse. So, why the continued confidence in fairly expensive stocks? This is a mystery to me.

Bad numbers

Here are some alarming figures. As reported by the WSJ, US corporate profits are down. In the third quarter they declined 1.1% from the second. But compared to the same period last year they are down 4.7%. This is a bad trend, and it should be noticed by investors.

Domestic profits fell by 2.8% from 2014. More significantly, profits derived from foreign operations fell by 7.4% compared to 2014. Several analysts quoted by the WSJ expressed the opinion that the US economy –and exporters in particular– has been hit by a global slump that is not going away.

Oil doing badly

On top of this, the US oil sector is in a horrible situation. Oil prices are less than 50% of what they were more than a year ago. Some energy companies that had invested heavily in shale oil may survive even with drastically reduced profits. However, extracting oil from shale is expensive. It made sense to invest in this once booming sector when oil was up at \$ 100 a barrel. But now it is at \$ 40. Therefore expect more jobs losses, bankruptcies and consolidations in this once thriving sector. Certainly no major contribution to overall economic growth from oil in the near future.

A global slump

Around the world, wherever you look, it is mostly bad news. Europe's economies are doing poorly. In fact, the European Central Bank, ECB, is contemplating more Quantitative Easing, QE. Japan is also stuck in a low to zero growth zone. Brazil is in a recession made worse by a huge political scandal. Perennially mismanaged Venezuela essentially imploded. Saudi Arabia is running serious budget deficits. Russia is also in a recession. Argentina, now under new management after the election of Mauricio Macri as President, will have a tough time extricating itself from the consequences of the

disastrous economic policies of his Peronist predecessor.

Most of Africa has been hit hard by the collapse of commodity prices. Therefore, do not expect much new demand from there. China is slowing down. As a consequence, all China's suppliers, from South Korea, to Chile and Australia, are suffering because of falling exports.

None of this looks good.

(And I am not even going into the scenarios of possible economic crises stemming from the simmering conflicts in the Middle East, with ISIL, Assad, Iran, Russia, Turkey, Iraqi Shia, Kurds, and what not engaged in an endless battle. And what about a possible flare up of the underlying tensions between China, its neighbors, and the US emerging from China's expansionist policies in the South China Sea?)

Do US stock investors seriously believe that the US will not be affected by these global negative trends? All alone, the US will power ahead, while the rest of the world slows down, or worse?

Lower consumer spending

And, to make matters even worse, US consumer spending, the main driver of GDP growth, is also slowing down. It had increased by 3.6% in the second quarter, and it is now down to 3% in the third.

As I said, with this rather uninspiring picture in front of them, I do not see why US investors keep buying overvalued stocks.

“And The Fair Land”: Freedom Is America’s True Blessing

WASHINGTON – *Thanksgiving 2015* –

The Wall Street Journal has been publishing the same “Thanksgiving” Editorial since 1961. It is titled “And The Fair Land”. it depicts America as a land of opportunity and resourcefulness. But also a land of self-doubt, fears, and internal conflict.

However, the hope expressed in this enduring essay is that we Americans shall reflect on the fact that this land was built by confident people. And they were, and we are, the spiritual heirs of the Pilgrims who came to America, so long ago, carrying with them only a hope for a better life.

They celebrated the first Thanksgiving in 1623, beginning a tradition that was later on institutionalized, and that we still honor today.

And The Fair Land

“Any one whose labors take him into the far reaches of the country, as ours lately have done, is bound to mark how the years have made the land grow fruitful.

This is indeed a big country, a rich country, in a way no array of figures can measure and so in a way past belief of those who have not seen it. Even those who journey through its Northeastern complex, into the Southern lands, across the central plains and to its Western slopes can only glimpse a measure of the bounty of America.

And a traveler cannot but be struck on his journey by the thought that this country, one day, can be even greater.

America, though many know it not, is one of the great underdeveloped countries of the world; what it reaches for exceeds by far what it has grasped.

So the visitor returns thankful for much of what he has seen, and, in spite of everything, an optimist about what his country might be. Yet the visitor, if he is to make an honest report, must also note the air of unease that hangs everywhere.

For the traveler, as travelers have been always, is as much questioned as questioning. And for all the abundance he sees, he finds the questions put to him ask where men may repair for succor from the troubles that beset them.

His countrymen cannot forget the savage face of war. Too often they have been asked to fight in strange and distant places, for no clear purpose they could see and for no accomplishment they can measure. Their spirits are not quieted by the thought that the good and pleasant bounty that surrounds them can be destroyed in an instant by a single bomb. Yet they find no escape, for their survival and comfort now depend on unpredictable strangers in far-off corners of the globe.

How can they turn from melancholy when at home they see young arrayed against old, black against white, neighbor against neighbor, so that they stand in peril of social discord. Or not despair when they see that the cities and countryside are in need of repair, yet find themselves threatened by scarcities of the resources that sustain their way of life. Or when, in the face of these challenges, they turn for leadership to men in high places—only to find those men as frail as any others.

So sometimes the traveler is asked whence will come their succor. What is to preserve their abundance, or even their civility? How can they pass on to their children a nation as strong and free as the one they inherited from their

forefathers? How is their country to endure these cruel storms that beset it from without and from within?

Of course the stranger cannot quiet their spirits. For it is true that everywhere men turn their eyes today much of the world has a truly wild and savage hue. No man, if he be truthful, can say that the specter of war is banished. Nor can he say that when men or communities are put upon their own resources they are sure of solace; nor be sure that men of diverse kinds and diverse views can live peaceably together in a time of troubles.

But we can all remind ourselves that the richness of this country was not born in the resources of the earth, though they be plentiful, but in the men that took its measure. For that reminder is everywhere—in the cities, towns, farms, roads, factories, homes, hospitals, schools that spread everywhere over that wilderness.

We can remind ourselves that for all our social discord we yet remain the longest enduring society of free men governing themselves without benefit of kings or dictators. Being so, we are the marvel and the mystery of the world, for that enduring liberty is no less a blessing than the abundance of the earth.

And we might remind ourselves also, that if those men setting out from Delftshaven had been daunted by the troubles they saw around them, then we could not this autumn be thankful for a fair land.” [emphasis added]

—The Wall Street Journal

Trump Is Still Ahead, But His Core Constituency Is Narrow

WASHINGTON – Yes, despite the crazy things he says about immigrants, China, Mexico, and Muslims, and despite the grandiose yet content-free promise of “Making America Great”, Donald Trump is still ahead in all the polls in which likely Republican primaries voters express their preferences.

Trump is at 25%, or more

He is up there, at around 25%, or more, depending on which polls you are looking at. Alright, all this is truly remarkable. However, Trump’s popularity, while real and perhaps consequential, should not be exaggerated.

It is true that Trump’s aggressive populism, with all his promises of breaking all the crockery as soon as he gets into the White House, truly resonates with a large segment of the frustrated American conservative electorate.

Small numbers, after all

However, when we say that Trump is favored by 25% or even 30% of the probable Republican primaries voters, we are not saying much. Let’s understand that, compared to the size of the entire national electorate, these are small numbers.

As the WSJ pointed out, Republican primary voters comprise only about 16% of overall US voters. Trump is favored by 25% of them. Well, this translates into about 4% of the national electorate. Not insignificant; but these are hardly overwhelming numbers. Unless these numbers grow significantly, “Trump for President” is still mostly a dream.

Loyal base

Yes, Trump is consistently leading, and his supporters are

steadfast. No matter what he says, Trump is still ahead. In fact, many analysts believe that he is ahead *precisely because he is outrageous, and openly offensive towards the political establishment*. This is his trade mark, his appeal. Fine, we understand that his (let's say unusual) style keeps his base energized.

The open question is whether Trump will be able to build on this loyal support, now strong mainly among frustrated White, middle class, and lower middle class conservatives. For the moment, this segment of likely Republican voters is willing to bet everything on a feisty outsider, with zero political experience, who makes outlandish promises.

Can Trump build a coalition?

However, party nominations usually go to candidates who can build coalitions. Can Trump transform his skills as a deal maker into a (so far non existent) ability to reach out and appeal to diverse supporters?

Keep in mind that while a 25% or even 30% base is remarkable, this is not a majority of the Republican voters, let alone a majority of the American electorate.

Of course, the number of Republican contenders will get smaller as we move into the actual primaries season next year. As some candidates will drop out, will Trump be able to get the support of the more moderate, centrist Republican voters who favored them? If he cannot sway many of them, hard to see how he gets much beyond 25% or even 30%.

Convince the independents

That said, even assuming that Trump somehow will get the Republican nomination, will his "unconventional" style really appeal to the millions of uncommitted independents who in the end determine national elections?

Securing the strong support of a large segment of middle class, (mostly male) White voters is important. But they are not the majority of the national electorate, not even close. Without the backing of at least some women, Latinos, some Blacks, and millions of independents nobody gets elected President in America.

In the end, we know that Trump is getting a lot of attention because he is an outsider, and because he is ahead in the polls. But this level of support, and all the media buzz that it creates, while significant, is just not enough to get him into the White House.

You Cannot Kick Start Innovation

WASHINGTON – The Emirates News Agency a year ago announced a partnership between the UAE Ministry of Economy and General Electric, the giant US technology multinational. They just signed a Memorandum of Understanding whose objective is “to strengthen the culture of localised innovation, and inspire UAE government employees with deep insights on the innovation and entrepreneurship ecosystem”.

GE will show how to do innovation

The Emirates News Agency explained that “GE will organise leadership speaker sessions to be led by experts at the GE Ecomagination Innovation Center in Masdar City, a regional hub that promotes collaborative research and innovation, for 30 government employees nominated by the Ministry of Economy. The Speaker Series will specifically address the areas of FastWorks, GE’s new initiative to promote the ‘start-up’

culture, which emphasises the disciplines of lean manufacturing and agile software development.”

There was also an announcement about “discussions on entrepreneurship and innovation, the role of education in innovation, and the Industrial Internet, GE’s path-breaking approach to digital industrialisation through the power of big data and advanced analytics. All workshops are designed to promote the integration of innovative thinking into our everyday lives to achieve significant leaps in productivity and efficiency.”

And there was more. A variety of workshops on this and that, demonstrations of how 3D printing works, and so forth.

The UAE government promotes innovation

This agreement with GE supposedly demonstrated how deeply the UAE government is committed to the promotion of innovation in the UAE. As a high level official put it: *“The MoU with GE is a strong testament to the commitment of the Ministry, and indeed the UAE Government, to promote a culture of innovation and entrepreneurship nation-wide. With a focus on sharing best practices, the MoU will help provide deep insights into the newest trends in innovative thought processes, manufacturing, and technologies among the government staff through high-caliber workshops.”*

And the article reported many other lengthy quotes from other high level UAE officials. It is all about “bringing new insights”, “creating a culture of sharing”, enhancing “co-creation”.

Mostly nonsense

Looks promising, doesn’t it? Well, no. In fact, most of this is just nonsense.

Here is the thing. The UAE may have the money and the

resources to convince GE, and may be other tech companies, to engage in these kinds of exercises. But they are generally futile.

And here is why.

You can import innovative technologies. But you cannot import a culture that breeds innovation.

No, "an innovation culture" cannot be imported, prescribed, or mandated. Innovation happens because a self-renewing, innovation friendly eco-system has been created, quite often by accident, may be around a research university, or another prominent R&D facility or laboratory.

Generally this happens in dynamic, open economies that encourage entrepreneurship, with a history of applied science and technology and successful commercial applications of new developments.

And this is certainly not the profile of the UAE, not even close.

The building blocks

We know what the essential building blocks for an innovation-driven economy are; at least the big ones that make innovation possible.

For starters, you need a dynamic, free market economy. Then you absolutely need laws and a judicial system that protect private property and intellectual property. Then you need human capital that can be successfully mobilized. And this means that you need some very good science and engineering schools. And top-notch business schools. This type of high quality education system will create a chance that at least some of the graduates will develop a passion for working on new ventures.

Keep in mind that most of these budding would be entrepreneurs

will try and fail. In some cases multiple times. But some of them will come up with something. Those who do will need additional support to bring their idea or prototype to the next level.

Hence the critical importance of networks created by top-notch academic institutions, research labs, and other R& D outfits. And, of course, you need developed capital markets, and a robust venture capital industry capable of spotting new comers and willing to risk real money on what look like good prospects that could very well turn out to be duds. And finally you need real and well-regulated stock markets where a successful new venture that plans to go public can receive new funding from willing investors.

Just the minimum

Please note. This is just the beginning. These are just minimum prerequisites. You may have all this and still no consequential innovation is produced. And why so? Because “creating innovation” is still more art than science. Many would-be innovators fail. Some give up. Some don't. Sometimes they pursue something, and then stumble into something else. Not infrequently, there are strange, totally unexpected discoveries.

What about GE in the UAE?

Anyway, what has this to do with GE trying to foster a culture of innovation in the UAE? Plenty. The UAE may be trying to promote good things. But the notion that a Ministry can energize the creative juices of the people by signing an MoU with a large US multinational is mostly a dream, unless it is a mere public relations exercise.

Do the Emirates have an innovation friendly environment?

Sure enough, if indeed the UAE were a modern, market-driven free economy with lots of talented entrepreneurs already

working on next generation stuff, then some practical advice delivered through workshops by real pros could make a real difference. But this assumes the existence of a solid foundation that we are not sure is really there.

You cannot copy successful models

Here is the basic point. You simply cannot make things happen if the fundamentals are not already well established. For instance, the whole world knows about Silicon Valley in the U.S. And yet nobody has been able to replicate it. And this is because in Silicon Valley there is a unique culture, peculiar sets of non linear connections and relationships, and cross-pollination that sometimes may take place in counter intuitive ways. There is no formula for this.

There is nothing wrong in the desire to promote innovation. But the best that governments can do is to make sure that they can and will establish the essential preconditions, the “enabling environment” which may lead to the create a business friendly eco-system.

First of all, you must have genuine freedom

And the most essential of all preconditions is genuine, unfettered freedom. Yes personal freedom. What's that got to do with science and technology? Plenty. If it did not, then the old Soviet Union , a country that gave eminent scientists a privileged status within its society, should have been a remarkably successful innovation factory. But this did not happen. And this is because those scientists were all state employees working on (mostly national security) assignments. They did not own their inventions. They could not market them. They could not start private companies. The state owned everything.

Free people have a chance to explore and discover

In Western countries it is different. When educated people

with advanced knowledge about science, technology and organizations feel genuinely free, then they are also free to think and experiment, sometimes in new and unorthodox ways. this environment is the precursor to innovation, sometimes very successful innovation.

Make money

Because they are free to think out of the box, some entrepreneurs may very well find or make something really new and become innovators. And part of the incentive is that the would-be innovators know that they will own their ideas, and that the system will allow them to market them without creating artificial obstacles.

Yes, they will be able to make money through the products of their intellect. All this happens because free people who are free to be innovators want to try to be innovators (at least some of them) and hopefully gain from their successes.

They did not get this urge and passion to try new things because they attended a state-sponsored workshop in an oil rich country that at best has a culture of trade, but certainly not of industry.

Argentina Chose Mauricio Macri, A Pro-Business Leader

WASHINGTON – After 12 years of semi-deranged left wing populism managed by Cristina Fernandez de Kirchner, the political heir of Peron's tradition, Argentina decided to

sober up. Contrary to expectations and many polls, Daniel Scioli, outgoing Buenos Aires Province Governor and designated successor to Fernandez, did not make it. As he did not get a majority in the first round, he was forced into a second round by Mauricio Macri, the Mayor of Buenos Aires and the founder of the "Let's Change" opposition coalition.

Macri won

Since he was leading after the first vote, Scioli could have won. But instead Macri finished ahead, by a good margin, (more than 52% of the vote).

This is a major political and hopefully economic transformation in one of Latin America's largest economies. Macri is a free market conservative who intends to do away with the crazy policies of the Peronists, including currency controls and the creation of a bloated public sector used almost entirely to give jobs to political supporters.

Difficult job for the new President

Will Macri succeed? Will he unleash private enterprise, create jobs and attract more foreign investors? I should hope so. But it will be extremely difficult. Argentina has been mismanaged for several years. And right now it is in a bad spot. The commodities boom is over. Revenue from exports has dwindled. Inflation is rampant. People look for US dollars in the black market.

It will take time

And it is to be expected that the voters' good will towards Macri will not last very long. People who voted for change are impatient and they expect quick results.

Understandably, they want jobs, higher salaries, the end of inflation, and more. Certainly Macri can put an end to the ongoing international litigation about some aspects of the

Argentine debt default (December 26, 2001) that have prevented Argentina to fully access international financial markets.

A pro-business government in Buenos Aires will attract many more foreign investors. And Macri can start work aimed at improving public administration. After all he got a pretty good training as the Mayor of Buenos Aires, Argentina's largest city.

Therefore, the prospects for an improved economy are good. However, it will take a long time before the average Argentine voter will see results. Structural reforms aimed at fixing old, systemic problems cannot be improvised. It will take time.

Tell the truth

Let's hope that President Macri will be able to tell the truth about the arduous road ahead and retain at the same time the confidence of the people who just elected him.

There is no doubt that he wants to be a pro-business reformer. The question is whether he will have the time to do what needs to be done while keeping a restless nation behind him.

I wish him well.

**Republican Voters Want
Change, Forget About
Experience**

WASHINGTON – Yes, Donald Trump is still the number one preference among likely Republican primaries voters. And the

rich New York real estate developer is followed by retired neurosurgeon Ben Carson. If you put them together, these two outsiders *who never held any public office prior to their candidacy for the Republican nomination* get almost 50% of the stated preferences of probable Republican primaries voters. Astonishing, but true.

Trump for President

And yet, we do know that Trump is at best a clever, media conscious populist who appeals to the raw emotions of lower middle class and working class Whites, an important but declining component of the national electorate.

His policy proposals are a mix of nationalism, protectionism, and grandstanding. With Trump as President –he tells everybody– we shall win again. We shall get really tough with China, Japan and Mexico, countries that steal our jobs.

We shall also engage in a massive deportation effort aimed at getting rid of all the 11 or 12 million illegal immigrants currently residing in America. We shall build a wall at the border with Mexico, and we shall force the Mexican Government to pay for it.

Populism sells

Yes, to be charitable, none of this is doable. Most of it is just hot air. And yet a large segment of the potential voters love it. And they love the fact that Trump shoots from the hip. He rambles, he says amazingly crude things. But he says all this with vigor and conviction.

And he always reminds his audiences that he is not a traditional politician. The pros are weak, unimaginative, and stupid. He is very rich, and therefore smart. And he is his own man. He does not need funding from special interests.

Anyway, whatever the experienced Washington pundits may say,

the package sells. Trump is ahead.

Not enough to get elected

Of course, the caveat is that Trump is favored by a significant but narrow segment of the Republican voters. While lower middle class White people are important, they are not even close to being a national majority. In today's America they constitute an important voting block, but not big enough to get anybody elected.

And so, while Trump consistently polls around 28% or even 30% among Republicans he does not go beyond that ceiling. And it is obvious that 30% or even 40% of GOP primaries votes, while they may get Trump the Republican nomination, are simply not enough to win the national election in November 2016.

Carson is even worse

Anyway, if Trump at number one is a bizarre leading candidate, Ben Carson at number two is an even more improbable would-be President. Carson has a compelling personal story. He was born Black and poor; and yet through personal effort and perseverance he got a good education and he became a famed neurosurgeon.

This is a great American story, very appealing. And yet in the give and take of debates and interviews Carson has demonstrated to know almost nothing about major public policy issues. The man is obviously intelligent. But he is completely untutored. He cannot handle a serious conversation about the Middle East, or US fiscal policy. And yet at least 20% or more of would be Republican voters would pick him because he is likable, and because he looks honest.

Have the Republicans gone mad?

What's going on here? Why select weird candidates who have no chance to win a national election? Have the Republicans gone

mad? Yes, something like that.

Look, I do understand the yearning for change. Clearly there is deep frustration with unimaginative establishment politicians. There is a widespread perception that America is stuck; and yet the people we've been sending to Washington are not doing anything about it.

New faces

Hence the desire to look elsewhere: new faces, fresh ideas. Yes, except that Donald Trump and Ben Carson, while undoubtedly new, are also spectacularly unsuitable and inexperienced. Trump promises impossible or truly bad policies. Carson has no idea about most of the issues, let alone putting together a policy platform to deal with them, and a team that will execute.

If you want to dig deeper into this baffling picture, take a look at the highlights of a recent Washington Post poll. What motivates Republican voters to select their favorite? 52% replied that they picked the candidate who will bring needed change to Washington. (OK, so you get why Trump and Carson are popular. Most certainly they will bring change). 28% replied that their choice is for the most honest among the candidates. (A very low percentage. This means that for most Republican voters bringing change is more important than personal integrity. Not a good thing).

Prior experience not needed

But it gets worse. Only 11% indicated that their choice is based on who has most experience. (And this explains why Jeb Bush and John Kasich are so far behind in the polls. They are proven and capable policy-makers. But right now very few voters care about real qualifications).

But wait, it gets even worse. Only 4% of potential Republican voters responded that they picked the candidate most likely to

win against Hillary Clinton in the 2016 general election. In other words, almost zero consideration about which candidate can appeal to the (relatively narrow) Republican base but also to the millions of uncommitted voters who normally decide the outcome of a general election.

Change above all

Here we go. In picking the person likely to become a national candidate in a presidential election, experience and electability at this stage hardly matter at all. The GOP primary voters are inclined to pick really strange “change candidates” simply because they are fed up with the old party leaders.

Broadly speaking, in a democracy change is good. There is inherent danger when we create a class of perennially re-elected professional politicians who dominate the scene with their established biases and prejudices.

What kind of change?

Therefore, let’s open up the field, by all means. Let’s not go for yet another member of the Bush dynasty. (Jeb would be the third President Bush, after George Senior, and George Junior).

But if the GOP idea of change is Ben Carson or Donald Trump, then the Republican Party is in real trouble.

The Terror Threat Will Not

End

WASHINGTON – Terror attacks hatched by crazy militants underscore the deep vulnerabilities of modern, open societies. They trigger an avalanche of emotional and sometimes useless reactions. After Paris was hit hard (yet again) by another cell of Islamic radicals, French President Francois Hollande declared passionately that France is clearly under military assault, and that this is “war”.

Hit them hard?

Well, this being war, as a response to this ISIL-led “military operation” aimed at Paris, Hollande dispatched French jet fighters to hit targets in Raqqa, Syria, the de facto capital of the ISIL-led, “Caliphate”.

Does this response make any sense? Symbolically, may be. But as a military reaction, not a lot; unless Hollande intends to engage up to the end, namely until the complete annihilation of the Caliphate. Well, first of all, France does not have the military tools to do this. Besides, even complete success would only be a partial victory.

Destroy the Caliphate

I have argued here, several times, that the destruction of the self-described Caliphate would help the “anti-Islamic radicalism” effort. Indeed, the very existence of this bizarre but quite real state, right in the heart of the Middle East, is a source of pride and inspiration for all Islamic militants, and a powerful tool to get more recruits willing to go there, and fight “for the cause”.

That said, I am under no illusion that even the complete and final destruction of the Caliphate will take care of the anti-Western terror problem. At least some of the more committed militants will melt away from the ISIL-controlled territories

in Eastern Syria and Northern Iraq and will regroup somewhere else.

A difficult agenda

Well, so what is to be done? There is no simple answer. There is no clear recipe that will quickly lead the West to “victory”. Let’s be clear, even in this strange conflict, “victory” will take place only when all the known and unknown terrorists have been caught, and I mean all of them; and –most crucial– nobody else will be willing to follow their example and engage in any fresh terror plots.

In other words, as in all conflicts, large or small, all the enemy combatants and would-be combatants have to say clearly and unequivocally: “We lost. We are done. No more fighting”.

This is the strategic objective of any conflict, and the only possible definition of “victory”. This must be the goal.

But in this conflict against a variety of terror groups it is an extremely difficult goal. And here is why.

Many foot soldiers

Whether we like it or not, there are thousands and thousands of people across the Muslim world, and within Muslim communities in Western countries, who now see the West as their mortal enemy. They are not going to change their mind on this any time soon. And there is not much we can do to about any of this.

It is easy

Besides, planning and executing acts of terrorism targeting civilians in Paris, New York, or Berlin is very easy. Right now, it only takes a few motivated people willing to die in a suicide mission to hatch a terror plot. And, sadly, there seem to be plenty of them.

The idea that the Paris terror attacks are the result of a highly sophisticated command and control structure is nonsense. Sure enough, it takes some planning and coordination to plot and execute, simultaneously, multiple attacks. But it is not that complicated. The terrorists identified a number of unprotected, soft targets, (a soccer stadium, a concert hall, and restaurants). Going there and opening fire, indiscriminately, against unarmed civilians is not that difficult.

It is cheap

And it gets even worse. These type of attacks against soft targets are cheap. Very cheap. A recent Reuters story quoted some experts who calculated the up front cost of the Paris terror attacks: about 7,000 Euro, approximately US \$ 7,500.

Well, this is next to nothing. Even if the real amount spent is higher, say 20,000 Euro, it is still a very low bar. So, here is the thing. The barrier to entry to be a terror group is extremely low. You need a few, motivated people who know how to handle fire arms, and some cash.

How to protect ourselves

Having said all this, how do we protect ourselves? Sadly, a perfect shield does not exist. The main line of defense has to be more and better intelligence. Admittedly, this is a never-ending, thankless job.

There are millions of young, unhappy Muslims who may fit the profile of a would-be terrorist. How do you vet all of them? Impossible. Sure, we can get better at this. But we cannot become perfect.

In the meantime, we can extend police and intelligence services powers. But this creates a conflict with the need to protect our civil liberties. Therefore, here we have an issue. How far can we go? Do we want to become a police state, so

that the police can better protect us? It is obvious that this can lead us down a dangerous road.

There is no strategy

Anyway, here is the thing. Bombing Raqqa a couple of times is not a serious strategy. A serious strategy would have to include the complete destruction of IS and the Caliphate. But even this would not be enough.

A serious strategy would have to include the creation of an alternative message that could be embraced by those who now choose militancy and terror plots. This would be the real "silver bullet" that would defeat terrorism. But I doubt that anybody can come up with a new, more appealing "peaceful package" that would actually "sell". The end game here is to convince young militants that there are better ways to get more opportunities in the societies they live in. Unfortunately, nobody is that smart. As yet, nobody developed a new message that can gain real traction.

Silly grandstanding, empty talk

In the meantime, though, we waste time grandstanding with unproductive talk of "war". Here in Washington, we waste time with stupid debates about how we should vet Syrian refugees who want to come to America. The idea that several US Governors and a majority of the members of the House have really nothing better to do other than demanding more stringent vetting of poor souls from Syria, in case some of them may be terrorists in disguise, is disheartening. Yes, potentially this may be an issue. But we already have a very stringent vetting process. Refugees do not just walk in. It takes several months of checks and re-checks.

In any event, is this all we can do? How about giving more resources to the FBI, the federal agency with the people who know something about the threat? And how about getting serious about destroying the Caliphate?

Japanese Women Still Excluded From Management Positions

WASHINGTON – One of the key promises of “Abenomics”, the far-reaching economic reforms package put forth by Prime Minister Shinzo Abe, was to shake up Japan, so that it would shed its time-honored but inefficient traditions, and become a more dynamic society. An important element of the “Abenomics” plan was to incentivize a much stronger participation of women in the Japanese work force.

Cash rewards for companies that promote women

To this end, a year ago the government launched a scheme that offers cash payments to small firms that would promote women to management positions. Well, a year after its launch, the program received just one applications.

Yes, just one.

Government officials argue that may be the scheme was presented in difficult to understand technical language, and this is why it has been ignored by small firms managers.

Women at the top still not welcome

May be. But most likely the truth is that the Japanese business world is still not ready for a new era in which a large number of women are in executive positions dealing with men as peers. And so here we see the negative effects of outmoded but entrenched cultural prejudice on economic dynamism and eventually improved performance.

Rich but stagnating society

By most accounts Japan is still a very rich society. (The number three economy in the world, after the US and China). But it has been stagnating for decades. Despite world leadership positions in some key tech sectors, Japan is stuck. Deflation, low productivity and an astounding public debt, now above 240% of GDP, prevent growth. Add to this depressing mix a (terminal?) fertility collapse that combined with long living seniors is slowly transforming Japan into a large geriatric ward.

Strengthen the economy?

For sure, adding the contribution of women to the national economy would be beneficial, especially if combined with generous child care assistance programs that would help working women who want to have a career and a family.

But this is not happening. Notwithstanding some progress, according to a recent [FT](#) report, Japan has one of the lowest ratios of women in executive positions among all OECD countries.

With good intentions, Prime Minister Abe wanted to pull down these gender barriers. Hence the government scheme that would reward companies that promote women, or train them for management positions.

But there are no takers.

The government indicated that this will change now that the application procedures for the cash bonuses have been simplified.

Entrenched culture prevents growth

I would not be too sure of that. The sad truth is that Abenomics failed. The currency has been devalued. Therefore, some exporters are doing a lot better. But overall debt is still unsustainable.

Much worse, the old habits and traditions that now make Japan brittle and structurally inefficient still prevail. The inability to create new career paths for professional women is just one illustration of a change averse, sclerotic society.

Africa's Debt Is Back – Bigger Than Ever

WASHINGTON – There was a time, about ten years ago, in which world-famous rock stars like Bono of U2 used their name and influence to convince governments and international institutions that it was wise to forgive large amounts of debt that African countries could not possibly repay.

Debt is back

And the effort worked. As the WSJ reports, more than \$100 billion of African government borrowings was forgiven a decade ago. But guess what: “Now the big debts are back, and it’s getting tougher for countries to pay them off”, says the paper.

Indeed, Mozambique is right back where it started. When its debt was erased, it was 86% of GDP. Now it is 61% of GDP. Not quite as bad, but close. The same applies to Ghana and to a lesser extent Zambia, according to data reported by the WSJ.

What happened?

Well, what happened? A few bad things happened. After the massive debt write-off, many African countries were doing better financially thanks to a new commodities boom that boosted their revenue. China was buying “everything”, in

massive quantities. The Africans were selling. Prices went up.

Comforted by this trend, African governments started borrowing again in international markets. They were confident that the revenue stream derived from commodity exports, plus solid currencies would enable them to repay these new obligations with relative ease.

Well, it did not happen this way.

First of all, much of the money borrowed did not go to new investments; but to finance current government spending, always a bad development.

Secondly, the commodities boom suddenly crashed, bringing down the currencies of the borrowers. No, China is not buying anymore.

So, here is the picture. In many African countries debt levels are high again, while it is not clear how borrowers can pay back, given higher interest on their new debt, (10% or more), and devalued currencies.

Borrow more just to pay old debt

In fact, countries such as Ghana and Angola had to borrow more money, at 10% or above, just in order to repay earlier debt obligations. As indicated, the fiscal picture is very tight. There is far less revenue available. Commodity prices are depressed, while new wealth-generating sectors, part of feeble efforts to diversify commodity dependent economies, still struggle to emerge.

Unless a miracle comes about, it looks as if the presidents of Ghana, Mozambique, Nigeria and Zambia will need U2 and Bono's help all over again.

Quite depressing.

The way out

Well, is there a way out of this? Yes, of course there is. But not in the short term.

In the medium and in the long term Africa needs to build a more viable, internationally competitive economic base. It needs all the usual things. Decent infrastructure, better access to credit, more foreign direct investments, improved education, a more business-friendly regulatory environment, a serious anti-corruption effort.

Yes, it is a tall list. It will take time. And yet, as many stories of successful emerging markets show us, all this has been done; and so it can be done again.