

Italian Prime Minister Talking Nonsense

WASHINGTON – Yes, there is something to be said about optimistic political leaders who inspire their people to hang on and do the impossible, even when things do not look so good. Sometimes convincing leadership can perform miracles. Think of Winston Churchill during WWII, or Ronald Reagan in the 1980s.

The South comes back to life

Well, so what do we make of this statement by Italian Prime Minister Matteo Renzi during a recent visit to Naples? This is what Renzi said; *“If the South [of Italy] restarts, Italy will restart, this way becoming Europe’s locomotive”*. Think of that: Italy (11% unemployment, practically zero growth for a decade) transformed into Europe’s engine. And all this because of the South, (one of the most depressed regions within the EU), all of a sudden roaring into action. What do you know, in the blink of an eye Italy will be ahead of Germany!

Laughable

Is this sunny optimism or laughable stuff? Please pick the latter. The South of Italy has been and is a perennial tragedy of malinvestment, corruption, stupidity, apathy and desperation leading young people to emigrate. And please do not forget the almost complete dominance of organized crime, (Mafia, Camorra and N’drangheta), in practically all matters.

How The Economist sees it

If you want details, here is how The Economist put it a while ago:

“The south [of Italy] grew more slowly than the north before

the financial crisis. But the main source of the divergence has been the south's disastrous performance since then: its economy contracted almost twice as fast as the north's in 2008-13—by 13% compared with 7%. The Mezzogiorno—eight southern regions including the islands of Sardinia and Sicily—has suffered sustained economic contraction for the past seven years. Unicredit, Italy's biggest bank, expects it to continue. [...]"

"Of the 943,000 Italians who became unemployed between 2007 and 2014, 70% were southerners. Italy's aggregate workforce contracted by 4% over that time; the south's, by 10.7%. **Employment in the south is lower than in any country in the European Union, at 40%**; [bold added] in the north, it is 64%. Female employment in southern Italy is just 33%, compared with 50% nationally; that makes Greece, at 43%, look good. **Unemployment last year was 21.7% in the south, compared with 13.6% nationally.** [bold added]. The share of northern and southern families living in absolute poverty grew from 3.3% and 5.8% respectively in 2007, to 5.8% and 12.6% in 2013."

"Downward pressure on demand is exacerbated by the south's lower birth rate and emigration northward and abroad. The average southern woman has 1.4 children, down from 2.2 in 1980. In the north, fertility has actually increased, from 1.4 in 1980 to 1.5 now. Net migration from south to north between 2001 and 2013 was more than 700,000 people, 70% of whom were aged between 15 and 34; more than a quarter were graduates. Marco Zigon of Getra, a Neapolitan manufacturer of electric transformers, says finding engineers in Naples, or ones willing to move there, is becoming ever harder. According to Istat, Italy's statistical body, over the next 50 years the south could lose 4.2m residents, a fifth of its population, to the north or abroad."

Add African immigrants to the mix

And let us not dwell on the dislocation and additional

problems created by the tens of thousands of poor African immigrants who land in the South of Italy every year. They cause huge frictions, while straining modest resources. And, by the way, youth unemployment in the South reaches 60% in some regions.

OK, now we have some context within which to place Renzi's optimistic comments. Think of it for a moment: *"If the South restarts"*. This is total and utter nonsense.

Stupid statements

Given the bleak picture presented above, talking about such a *"restart"* as if it were achievable, and practically around the corner, is a bit like saying *"In a little while, when Afghanistan will be a modern industrial economy"...*; or *"Next year, after Venezuela's economy will be back on track"...*; or *"in 2017, after all of Africa will have electricity and clean water"...* For any of these highly desirable scenarios to materialize, every sane observer knows that we are talking generations, even assuming good policies and strong perseverance over decades.

Yes, it would be nice if overnight, magically...*"Puffff"*...the South of Italy became a modern Region, this way energizing the rest of the country, leading Italy to unimaginable new heights.

This is not going to happen

But no, this is not going to happen. The South is trapped in its culture of short termism, thievery, corruption, organized crime, and unbelievable levels of maladministration. The notion that one or two initiatives, and a sprinkle of investments will trigger a systemic transformation of this perennial economic swamp is not just naive, it is frankly stupid.

I am not sure why the Italian Prime Minister said this. But I

find it remarkable that nobody called him on this. Nobody pointed out how preposterous all this is. No media comments. No requests for clarifications as to how this magic “restart” will materialize itself.

The Dream Of A Modern Saudi Arabia

WASHINGTON – Bloomberg Businessweek placed Saudi Arabia’s Deputy Crown Prince Mohammed bin Salman on its cover (April 25 – May 1) underneath a caption that says he is “*preparing Saudi Arabia for the end of oil*”. The lengthy cover story is all about this energetic young Prince who –all alone– is determined to spearhead a series of bold initiatives and reforms aimed at re-engineering a country whose vast richness come from gigantic oil revenues, and not the skills of its citizens. Of course, being the son of the King helps a bit in what is still a top-down, absolute monarchy.

Plan to diversify the economy

The long article explains how the Deputy Crown Prince plans to diversify the economy. He wants to start selling shares of Saudi Aramco, probably the single largest oil company in the world. He would then invest the proceeds in a number of global companies. After this diversification, in the future Saudi Arabia’s economic fortunes will be less tied to the ups and downs of oil prices.

No more subsidies

At a different level, the Prince wants to cut back the vast web of subsidies provided by the Royal Family to almost every

Saudi citizens. But this may be a bit tricky. It is an open secret that direct or indirect payments to millions of people are the means through which the Saudi government keeps a lid on Saudi society. In a region marred by unrest and civil wars, not much anti-government unrest in Saudi Arabia, since almost every citizen gets a regular check from the government.

Problem: no real middle class

Well, so far so good. Except for one thing. Even assuming that all these reforms will work, at best Saudi Arabia can become more efficient. But it simply cannot become a modern society the way we understand it. For the very simple reason that Saudi Arabia does not have basic political freedoms and a modern middle class that can act as the engine of self-sustaining growth.

Here is the simple truth. Except for vast amounts of easy to extract and therefore highly profitable oil, Saudi Arabia does not have a real economy. Saudi Arabia does not have a sizable educated middle class with a fair number of entrepreneurs engaged in profitable, innovative businesses.

Monarchy controls oil

Saudi Arabia is an oil Kingdom (second largest crude reserves in the world) essentially "owned" by a mostly parasitical elite. This elite, (the extended Royal Family), controls all the oil wealth. The same leadership distributes some of the oil revenue proceeds to the rest of the country, in many cases via bogus government jobs that produce no value. It is fair to say that most Saudis do not do any real work. In the Kingdom real labor is provided by foreign workers.

No modern middle class

Now, given this picture, I submit that unless these fundamentals are drastically transformed it is essentially impossible to re-engineer the Saudi society. Capitalistic

economies succeed mostly because of the existence of basic political freedoms and because of a solid, entrepreneurial middle class. By that I mean large numbers of reasonably well-educated, driven individuals who engage in money-making enterprises. Their activities are supported by bankers, lawyers, accountants, marketers, public relations professionals and what not.

In other words, modern competitive economies do not exist without a vibrant middle class that can produce at least some capable entrepreneurs. These entrepreneurs understand the value of innovation. They understand competition within a rules based system fairly managed by an independent judiciary that can act as a reliable referee in case of disputes.

Oil is the only productive sector

Well, guess what, none of this exists in Saudi Arabia. And I sincerely doubt that any of this can be created –essentially out of nothing– by an energetic Crown Prince eager to modernize a rent based economy in which, with the exceptions of the few skilled people who are in charge of the highly profitable energy sector, nobody has done anything even remotely approaching real, productive work for decades.

Rules based democracy

You want modernity? Well, then you need a rules based democracy in which people really understand and agree upon the proper balance between private and public, in which all players agree that the private sector is the driver of economic growth, while all economic actors appreciate the need to have and follow clear rules. You also need a government that is efficient, open, transparent, and fully accountable. Finally, you need basic freedoms, including laws that guarantee freedom of expression, and therefore truly free media.

Tinkering is possible; but no transformation

I see none of this in Saudi Arabia. Despite formidable constraints, I can see that some tinkering is definitely possible within the existing environment. If his reforms work, Prince Mohammed may be able to make the existing system less wasteful, less corrupt, and less dependent on the price of oil. And this is a good thing.

But he cannot create a brand new country and a new Saudi society. And without these two prerequisites in place, there will be no modern country.

Oil Prices Will Stay Low

WASHINGTON – I am not at all surprised to see that the Doha oil talks aimed at finding an agreement about stabilizing output among major producers failed. Saudi Arabia would have liked to freeze production at current levels, which means at the Kingdom's highest level in modern times, (more than 10 million barrels a day).

No deal with Iran

However, it was obvious that Iran could not possibly have agreed to freeze its own production at current levels. Tehran wants to ramp production up to its pre-sanctions peak. And how could anybody have assumed anything else? Of course the Iranians want to increase their oil production and regain lost market share.

Therefore, no deal. As a consequence, oil prices are once again headed lower. There was a time in which low prices were really good news in the West. But now it is a mixed bag,

especially in the U.S.A.

Oil was good news in America

And how so? Well, because “unconventional oil” exploration and recovery –we are talking about shale oil– has been one of the brightest spots in the otherwise timid U.S. post 2008 economic recovery. Tens of thousands of new, high paying jobs made things better in many oil-producing states, from North Dakota to Texas.

U.S. oil in recession

But now, lower prices are bad news for a sector composed primarily of small to medium-sized companies, many of them under capitalized and highly indebted.

For small U.S. energy companies it was easy to get bank loans when oil was at \$ 100 a barrel, and therefore future profitability was not in question. But now it is at \$ 40, possibly headed even lower. And therefore the U.S. oil patch is in a recession. Moody’s just downgraded many U.S. energy companies. Tens of thousands of good jobs have already been lost, with more losses to come. This will have a nasty effect in the affected regions, and some negative impact on the overall American economy.

Resilience

Things are not awful across the board. In fact, the shale oil sector has proven to be much more resilient than most analysts had predicted. A combination of aggressive cost cutting and vastly improved production technologies allows at least some shale oil companies to stay profitable even with oil at \$ 40. But this is only about some companies.

The other good news is that shale oil production is relatively flexible. It is not too complicated to shut down wells and then start production again in better times, when prices have

recovered. Still, idled wells do not generate any income. Weak producers close down, or go bankrupt. Some may be bought by bigger competitors with deeper pockets.

Sure, at some point this cycle will end. Saudi Arabia cannot afford huge budget deficits for ever. Its bizarre policy of keeping production at these levels, (this way depressing prices), while the Kingdom needs to get into debt in order to fund current government operations (and that includes almost the entire country getting some money from the Royal Family) will end. But it will take a while. In the meantime, hard for U.S. oil workers to find other jobs that will pay so well.

Good news for consumers

That said, depressed oil prices, while they hurt an important sector of the U.S. economy, on balance are positive. America is still a major net oil importer. Lower prices translate into a smaller balance of trade deficit. And for the average consumer cheap oil must be good news. Who can complain when finding lower prices at the pump? For tens of millions of American drivers low gasoline prices are equivalent to a tax cut. More money in their pockets.

The future of oil

That said, going forward, the real challenge for the U.S. oil sector is not Saudi Arabia flooding the global market. The real challenge will be new, non oil-based technologies.

Despite its uncertain beginnings, the electric car sooner or later will become economically viable. Elon Musk of Tesla has bet everything on making affordable, mid-sized electric vehicles, EVs. We are not there yet. Money losing Tesla may be will fail. But even if it does, others will follow. And when someone will hit the sweet spot with easy to recharge, attractive EVs with a good range that the average consumer can afford, it is good-bye to oil.

Saying good-bye

And that will be a real good-bye. It will not be about temporary sector recessions, or fluctuating prices due to Saudi shenanigans. It will be the end of the oil era.

Here in the U.S. at least someone will be prepared for this gigantic transformation. But economies such as Russia, Venezuela and Saudi Arabia which depend entirely on oil revenues to fund *“everything”* will be in deep, deep trouble.

All told, better to be in America. This society, with all its problems, is still capable of promoting change while embracing it when it comes.

Living In A False Data World

WASHINGTON – We are used to hear that we live in a “data driven” world. Thanks to ICT and the computing power explosion, it is possible to gather, streamline and organize millions, in fact billions of bits of information. All this intelligently organized and sifted data provides precious information that will influence, in fact will determine investments, marketing strategies, purchases, and even the pitch of political campaigns.

Reliable data

Fine, all well and good. But this “data revolution” assumes that we do have reliable data; and it also assumes that we have a good sense of *“what all this means”*, once we have carefully looked at all the available information.

And here I see serious problems. At one level, we may engage in self-deception by giving excessive weight (or not enough

weight) to some data. And, on a different level, what if the data is false, or heavily manipulated? In both cases we are in trouble.

Data in context

Let's talk about exaggerating the importance of some data. For example, take unemployment. The US Government is proud to tell us that at around 5% the unemployment rate is back to "normal". True. Except that this unemployment statistic, while correct, is rarely placed in context.

Unemployment is definitely way down, and this is good news. However, the percentage of the US population that is actually working compared to the entire working age population is well below what it used to be 10 or 15 years ago. Indeed, labor participation reached 67.3% in 2000. And now in 2016 it is at down to 63%. Which really means fewer people employed. In other words, the often cited unemployment data omits the fact that millions of Americans simply dropped out of the work force, and therefore are no longer counted. Therefore, if we look at how many Americans are actually working compared to the overall working age population the picture is not so good.

Likewise, when employment statistics are presented, we usually get an aggregate number or percentage. The conventional wisdom is that if unemployment is down this must be good news. This means that the economy is growing, and therefore there is demand for more labor. What can be wrong with this? Well, nothing wrong really.

From a different angle

However, if we look just a bit under the surface, we see that among the millions of new jobs that have been added in the last few years very few are related to productive activities (manufacturing, mining, energy) that produce new wealth. We have millions who found work in the hospitality industry, or who are on the lower echelons of the health care industry,

along with many janitors and landscaping workers. Most of these are low pay, often part-time, marginal jobs.

Therefore, if you focus only on the overall unemployment figures and conclude that all is well, because a healthy labor market is a powerful indicator of a healthy economy, you are engaging in self-deception.

Over valued stock market

On a different level, a buoyant stock market used to be considered a sign of a healthy economy. But these days it is no longer so. US share prices are dangerously inflated for reasons that have nothing to do with any misinterpretation of the real economy and market forces.

They are inflated because the US Federal Reserve continues to keep real interest rates at historically low levels. This unusual ZIRP policy created a bias against any form of saving. Since they get zero per cent keeping their money in the bank, people seeking some return on their money are induced to invest in the stock market. And since millions started buying stocks for lack of any alternatives, this has inflated stock values.

So, at this time the stock market data is not a helpful indicator of anything regarding the real economy because valuations are grossly inflated. High valuations are disconnected from economic performance. Of course, there have been bubbles before and we can expect more in the future. But this is a gigantic bubble created by the Federal Reserve and its monetary policies. The shares valuations data does not capture any of this.

False data

And now let's get to the bigger problem: false data. When the Greek debt crisis emerged back in 2009 it became obvious that the truth about the impending fiscal disaster had not emerged

up to that point in part thanks to the complicity of the national statistics agency, (Hellenic Statistical Authority, ELSTAT). At the behest of the Greek government, the agency was happily producing false data, with the obvious intention of hiding the truth about the huge fiscal hole for as long as possible.

More recently, right after Mauricio Macri was elected President of Argentina, one of his first moves was to get new staff in the national statistics agency, (INDEC). His goal is to recreate credibility for economic data published by his new government. It is clear that the previous administration published false (or distorted) data in order to convey the message that the tottering economy was in fact doing well under their stewardship.

Just a few bad apples?

Well, these are some of the cases we know about. But are these just a few exceptions? Are all other governments around the world complying with high ethical and professional standards when it comes to reporting economic statistics? I would not be so sure. For example, a major country in Africa, beyond inflating GDP growth statistics, cuts the actual number of its very large population in order to show a higher per capita GDP, this way trying to show a sign of economic progress that is not really there.

And then we have impeachment procedures against Dilma Rousseff, the President of Brazil, accused of manipulating public accounts in order to show a healthier fiscal situation. And what about India's GDP numbers? Most experts argue that they are inflated, even though it is not clear by how much. In other words, India is also under suspicion of "cooking the books" in order to create a brighter economic picture.

China's GDP numbers

And, finally, the real monster: China's GDP growth figures.

Nobody believes the official Chinese data anymore. No, China does not grow at almost 7% a year. The question is: how big a lie is this? Is the real GDP growth 6%, or is it 3%? We simply do not know. There are many theories but no hard facts, simply because nobody trusts the official Chinese data.

Now, think about all this for a moment. China is the second largest economy in the world. And yet most experts and analysts routinely argue that the official numbers are fake. But why would China do this? It is quite simple. In China positive economic statistics are necessary tools to strengthen the regime's political legitimacy. Inflated growth numbers tell everybody a good story: the Communist Party leadership is doing a splendid job.

What about everybody else?

Once again, are we talking about just a few cases of rogue governments that do not play by the rules? Or is this fraudulent manipulation of sensitive economic data far more extensive?

I would say that the likelihood of data manipulation increases with the degree of authoritarianism. A government not held accountable by any one is not interested in enforcing high standards of truth and transparency. You can bet that it will say whatever it can to make itself look good. As there are not so many accountable democratic governments around the world, we can safely conclude that much of what is published and is then used by analysts as "data" is at least inaccurate, in some instances totally false.

Bad consequences

And data manipulation has really bad consequences. Unless a company enjoys the benefits of political favors, it is hard to make major economic decisions when you literally "*do not know what's going on*" in any country that is in the habit of manipulating important economic data. Likewise, it is hard to

attract serious foreign investors when you cannot reassure them that the country is ruled according to proper transparency standards.

Data driven world, with many lies

So, here is the thing. We live in a very strange and paradoxical world. The IT experts tell you that they routinely capture millions of pieces of information on consumers, their preferences, their habits and buying patterns. And all this data drives decisions and investments by large corporations.

At the same time, we see how statistics, even when correct, are routinely manipulated in order to fit a preordained (and often dishonest) narrative. If you want to make the case that the US economy is doing fine, you can point to hard data: 5% unemployment, 2% GDP growth, historically high stock market valuations, low inflation.

But if you want to paint a darker picture, you will point to other hard data. 2% GDP growth is 1/3 below the historic 3% norm. On the basis of other real data, you will say that most of the new jobs are part-time gigs that at best provide survival wages, without creating any chance of upward mobility. You will argue that there are millions of part-time workers who would rather have full-time jobs but cannot get them. And you will also say that, based on hard data, (real corporate earnings for instance), the US stock market is over valued, thanks to Fed policies.

No reliable data without accountable governments

Once again, regarding the wider world, you can rest assured that every non democratic regime in which leaders are not held accountable –and there many of them– economic numbers are either false or heavily manipulated, so that they can be used by the leaders to support a self-serving political narrative.

Yes, this is a data driven world. And data analysts can indeed

perform wonders, provided however that they have real data to work with. And this is not the case. At least not in large parts of the world.

In the end, there is no chance to have true data driven decision-making processes without true democracy, real accountability and transparency.

In the final analysis, good governance is the precondition for getting good data.

In Japan Corporate Losses Are Not Revealed

WASHINGTON – The WSJ commented in an editorial, (*Japan's Sharp Turn*, March 31, 2016), that the Foxconn (Taiwanese electronics giant) acquisition of the beleaguered Japanese consumer electronics icon Sharp may represent a turning point for Japan.

No help from the state

Sharp was in deep financial trouble. But the company decided not to seek help from the state backed Innovation Corporation of Japan, so that it could arrange a merger with another Japanese electronics manufacturer, this was probably getting to an honorable settlement, while hiding its awful conditions. Sharp decided instead to seek a foreign buyer.

This however created problems. When Foxconn gave a second look at Sharp's books, huge additional (and previously undisclosed) losses were exposed. Foxconn demanded and obtained a deep discount on the original price in order to go ahead with the

purchase.

A turning point?

The WSJ argues that Sharp did something that most Japanese companies would not do. It went abroad with the hope that a foreign buyer would be able to inject not just capital but a different corporate culture and managerial style that would revitalize the electronics company. The editorial argues that this may be a turning point for insular Japan whose under performing economy is in part the outcome of its secretive and opaque way of conducting business.

Do not tell the truth

I would not be so sure. Indeed, reading between the lines of this WSJ editorial we get a positively unflattering, in fact alarming picture of Japanese big business. This is a world in which essentially the truth is never told.

As the editorial itself puts it, the Japanese economy is an elaborate system of cross-shareholding structures designed to prevent real outside control on corporate activities. This system in which all the big companies have investments in other corporations created a web of shared interests. The net outcome is that no one has any real incentive in revealing other companies embarrassing secrets. *"I cover you, because I know that will you cover me"*

Discretion?

This "discretion" may be a wonderful recipe for the survival of the Japanese corporate elites. But it is also a perfect tool for hiding poor management and worse. For example, there was a huge scandal involving Toshiba last year when it was revealed that the company had engaged in a major \$ 2 billion accounting fraud that had gone on for quite a long time, undetected. With adequate corporate governance control systems in place, along with internationally recognized disclosure

standards, keeping this massive fraud secret for so long would have been impossible.

The WSJ argues that Sharp's decision to let everything out in the open, exposing its own bad management and huge losses before being taken over by a foreign firm, shows courage and therefore a major transformation in Japan's corporate culture. This means that from now on there will be more openness, more transparency, while more foreign investors will be welcomed.

Sharp is the exception

I wish this were true. I really do. But I suspect that Sharp is an exception, may be a big one; but not the beginning of a new trend. Sadly, Japan is an ossified society run mostly by old people afraid of change. Corporate leaders know one another very well, and instinctively cover for one another.

I do praise the courage of Sharp's managers who in fact took a bold new direction. But they were also desperate. Others who may not be in such dire straits probably see nothing wrong in cooking the books and hiding their tracks with the help of complicit boards all composed of other corporate managers who also have something to hide.

This is the root of Japan's decline

if you want to know what is at the root of Japan's economic decline, it is right here: a risk averse corporate culture in which lying is actually considered good manners, because the truth may be too embarrassing. This approach may be good for smoother social relations. But it is a lousy way to run a profit based capitalistic economy.

Real capitalism needs true numbers. Hard to get those in Japan.

Angry American Voters Cannot Coalesce Around A Real National Leader

WASHINGTON – The American voters are angry and upset. They “feel” more than know that the country is losing ground. Many look at their own circumstances and see that they are not moving ahead in terms of disposable income and new opportunities. In fact, millions have been treading water, or lost ground.

The game is rigged

Right at this juncture, the same despondent and disgruntled Americans are told by aspiring national leaders that this is happening because a few clever scoundrels, domestic and foreign, rigged the game, (“Wall Street”, the 1%”, “large corporations”, “big oil”, “China”, “Japan”, you name it). The wealthy and powerful and our dishonest international competitors get all the financial gains squeezed out of a not so hot US economy, while the vast majority of the American people is left with nothing.

Confused people, confused politics

All this –unhappy citizens and populist politicians promising quick and sweeping change– is coming together, (in a rather confused and disjointed way), in this election year.

The Republican Party, excluded from real power since it lost the White House in November 2008, decided that the best course of action was to tear itself apart.

There are some within the party who think that only a radical conservative revolution could save them, and the country. Motivated by this belief, they proceeded to attack all the "Establishment Republicans", found guilty of having sold out. These are politicians willing to compromise with the other side, essentially traitors who need to be humiliated and defeated, so that the true orthodox principles can be restored.

But then there are many other Republicans who do not want to go back to first principles of pristine conservatism. They want something completely different. They want national leaders who are completely outside the existing parameters of professional politicians beholden to the "special interests".

No more "Establishment Politicians"

The net result of this confused political upheaval is that the (once respected) experienced candidates for the GOP nomination have been wiped out, simply because they are "same old".

In his quest for the Republican party nomination, early favorite Jeb Bush, (twice Governor of Florida, and a recognized national leader in education reform), hardly registered anywhere. Despite enormous financial backing, and despite spending much of it on hundreds of expensive TV ads, he failed –miserably. So, he is gone. And so are all the others.

Who's left standing? Texas Senator Ted Cruz, a right-wing populist, (ostensibly a "true conservative"), and Donald Trump, a wealthy celebrity TV personality, (he is the populist with no well-defined program, except for his promise to "change everything" in Washington in order to make "America Great".)

Trump's moment

The considerable (although not overwhelming) support Trump is

getting represents the purest expression of a yearning for “something totally different”. Oddly enough, Trump’s main qualification for the highest office in the land, according to his supporters, is that he is a complete novice.

Indeed, the fact that he plainly admits that he does not know much about the complex policy implications of complicated issues is viewed by his supporters as refreshing. And they are not worried about electing to the highest office in the land someone who does not have governing experience. *“Trump is rich. He is very successful. Therefore, he must be clever. Of course, he will figure out some common sense solution for this and that, once he is in the White House.”*

This is where we are now

That said, here is the odd (provisional, as we are months away from the actual nominations, and then the elections) outcome of the generic anger vented by the Republican base. The old guard (Walker, Bush, Christie, Jindal, and Rubio) has been attacked and discredited by the “revolutionaries” and wiped out. They all abandoned their quest for the Republican nomination. (Ohio Governor John Kasich survives as a contender. But his chances of getting anywhere are very, very low).

No national leader

The yearning for total change promoted two potential candidates, Trump and Cruz. However, both of them have limited appeal beyond their grass-roots supporters.

In other words, this revolution produced mostly internal disruption and feisty factional leaders. There is no new Republican leader here with a good chance of getting real national support.

Disaster

And here is why this odd season most likely will spell political disaster for the Republicans. Trump is the most likely Republican nominee. However, this is not due to his ability to attract broad-based support from a variety of Republican constituencies, hopefully extending it later on to millions of independents who will vote in the November general elections. No, this is due to the fact that he has a strong, but limited base of support among the “insurrectionists”, while the other more “traditional” candidates have been abandoned by the base.

Trump’s support at 40% looks a lot more impressive when the number two contender gets 18% and number three, four and five (when they were still in the race) were way behind, in single digits. Trump has won most Republican primaries. But usually with strong pluralities, hardly ever with clear majorities.

This is important. The fact is that Trump, although clearly on top, is not an exceptionally strong candidate. In reality he looks stronger that he is because very few primaries voters were supporting the other candidates. Again, getting 40% or even 45% of Republican primaries voters is impressive; but it is not good enough to win a national election in November.

High negatives

But this is only half the story. The other half is that, while 40% to 45% of Republican primaries voters are definitely for Trump, the rest of the country finds Trump an unappealing (or worse) choice. Trump has an incredibly high unfavorable score. According to the most recent polls, about 63% of all voters (this includes Republicans, Democrats and Independents) do not like him, while 30% like him. Many Republicans have stated that if Trump is the nominee they will not vote for him.

Trump will not get elected

So, here is the thing. Trump in the end may get the GOP nomination because a large plurality of Republican primaries

voters supports him, while nobody else has emerged who looks like a plausible alternative, not even number two Ted Cruz.

However, the support Trump is getting represents less than half of the GOP base, and 1/3 or less of the national electorate. If these polls do not change, nominating Trump spells defeat for the Republicans in November.

The Democrats have their own problems

Yes, this would definitely be the case, if the Democrats would nominate a strong candidate. But guess what, they will not. In the Democratic Party we also see an insurrection against the establishment. But it played out differently.

The Republicans essentially “killed” the Establishment candidates and promoted populists like Trump and Cruz. The Democrats are still going with Hillary Clinton, their anointed “Establishment Candidate”; but many are having buyers remorse. Hence the rise of ultra-leftist Senator Bernie Sanders.

The surprising resilience of this most improbable challenger may be due to the fact that Clinton also has high negatives. She started with 40% and now she is at 54%. Not as bad as Trump. But not very promising either, for a national politician with a long CV, (former Senator and former Secretary of State), who wants to be President.

In what is now a two candidates race, Clinton is definitely ahead and likely to finish ahead. But it is astonishing that Senator Bernie Sanders, until yesterday a complete nobody who promotes idiotic ideas about wealth redistribution and “free everything” for the masses, has become a real challenger, with a massive national following and unsuspected fund-raising abilities.

Voting for a lunatic

Many Democrats go for Sanders as their way to show that they

do not want Clinton, that is business as usual. They want someone entirely different. And, boy, is Sanders “different”. That he is.

However, the very notion that mature voters would vote for a left-wing lunatic who would destroy the American economy just to show that they are fed up with the Establishment represented by “Clinton Inc.” gives you pause.

Again, let me stress that Sanders’ chances of getting the Democratic Party nomination are really slim. Still, on a national basis, Democrat Sanders is getting millions of votes, while Republican Jeb Bush, an accomplished Governor with a real record, got almost nothing. But who is Sanders? What has he done? What following and national recognition did he have prior to these primaries? Notwithstanding years in national politics, practically zero.

Populists and lunatics

So, here is the thing. These days, populists (Trump) and lunatics (Sanders) are in. Experienced politicians, (granted some of them shopworn and fatigued), are out.

Just like what is happening in Europe, here in America voters are also upset and angry. They want immediate positive change (impossible in any democracy); and they are willing to vote for the clever (or unhinged) new aspiring leaders who promise it.

Dangerous immaturity

Whatever the outcome of this confused political year, one thing is certain. The American society is not becoming more mature. Picking untested populists and “socialists” as the best people to run the most important country on earth is not a sign of maturity.

On the contrary, as these strange (frankly dangerous)

political choices reveal, we are regressing into infantile temper tantrums, (“kick everybody out”), mitigated by foolish dreams of complete fixes magically carried out by super smart outsiders.

If this is the approach that most Americans these days have towards the political process, let me just say that emotions and childish dreams are a pretty lousy foundation for a functioning modern republic.