►On Target

Martin Spring's private newsletter on global strategy

May 6, 2017   No.214

Europe Takes the Lead

After years of disappointment for investors, Europe is performing at last. This year so far it's the best of the world's major regional markets, up twice as much as the US. That's despite the political risks of growing populism -- a "tax" that it's estimated cut three-quarters of a percentage point off economic growth last year, perhaps more.

Despite much loose talk about the risk in major elections, investors have seemed to be taking the view that the most dangerous of the populist challengers, Marine Le Pen, won't succeed in France, while in Germany there is no significant threat. The outcome of Brexit is too far ahead to be relevant.

Money is pouring out of America as Donald Trump is increasingly seen as a busted flush. In the first week of April alone, more than $14 billion exited US equities. There are "big flows out of the US into foreign markets," says Wells Fargo strategist Paul Christopher.

Europe is particularly favoured because of its improving economic situation. Factories are reporting their strongest activity since 2011 and unemployment has fallen to its lowest level in eight years. Retail sales are gathering momentum. Private-sector loan growth has accelerated to the strongest since 2009. Confidence has surged to its highest level in a decade.

Europe's leading economy, the export giant Germany, is particularly strong and generating the world's biggest foreign trade surplus. But even Italy is doing relatively well, despite all that gloomy news about its banks and rising populism.

Economic growth is underpinned by a continuing abundance of nearly-free central bank credit, although the indications are that the bank will soon start to raise interest rates and wind down its bond-buying programme. President Mario Draghi says the economic recovery has moved from "fragile and uneven" to "solid and broad."

KKR, the New York private equity group, is predicting "robust growth" this year, lifting its forecast to 2½ per cent for the 19-nation Eurozone group. "European equities… are poised to perform well."

It says investors should think about shares of companies that focus on domestic consumption rather than exports, and on markets for "experiences" – services such as travel, restaurants, health and beauty, home improvement.

The group also favours financials. And tech stocks, which it says have largely been ignored. "The entire technology sector in Europe is only 4 per cent of the [stock market] index, compared to 21 per cent in the US, despite… delivering the same performance during the 2012-2016 period,"

KKR says European stock markets could enjoy a "catch-up rally" after the French elections, particularly in financial stocks. Positive factors for them include a shift in central bank policy that will encourage a steeper yield curve, higher inflation, and "some increase in risk taking."

European companies are much, much cheaper than the Americans in terms of their earnings per share. Among them, the large-caps are more attractive than mid- or small-cap counters as their earnings potential appears to have significant upside.

Education: No Longer Fit for Purpose

While there are jobs a-plenty in America for those with top-flight academic qualifications, and for burger flippers… there aren't for those in-between, Rana Foroohar reports.

Although 3½ million well-paid jobs in manufacturing will need to be filled by 2025, 2 million will remain unfilled "because neither high schools nor colleges are turning out enough technology-literate and communications-savvy students." There aren't enough factory workers who know how to use robotic equipment, or "entrepreneurial middle managers who can navigate across a variety of technologies, industries and geographies."

The problem lies in education, which isn't sufficiently career-focused. Too much of it is used to acquire "useless credentials in subjects such as sports marketing," whereas "whatever else they study, students need to graduate with basic science, technology, engineering and maths skills."

The failure is rooted in the breach between schooling and employers. In the 1970s "liberals fought to do away with vocational education on the grounds that it was racist and classist: reformers believed that everyone had the right to study Herman Melville rather than welding."

The resulting lack of skills is now being worsened by the emergence of "new-collar" jobs positioned between those suited by liberal arts or science education and vocational skills, with "a highly trained machinist with two years of college education" easily able to get a higher starting salary than "a four-year political science graduate from a second- or third-tier university."

In the US, but also in other countries such as the UK and Australia, there is now some focus by policymakers and some major corporations such as IBM, Microsoft and Google on reshaping education to prepare more youngsters with the skills, especially in technology, appropriate for the "new-collar" jobs that are abundant.

Meanwhile the costs of providing often-inadequate education are soaring. In the US tuition charges at four-year state colleges are reported to be rising at an annual rate of 9 per cent, while those at up-market private institutions are doing so at 13 per cent a year, compared to general inflation of less than 3 per cent.

One reason for the higher charges is that less public funding is available. "Beleaguered governments are pushing more and more of the responsibility for the things that make a person middle-class – education, healthcare and pension – on to individuals," Foroohar says.

In the US, to pay these higher costs, and because the sub-prime crisis destroyed housing profits that were used by families to finance education, students increasingly borrow – and their debts are inflating into a bubble comparable to sub-prime's.

The average debt load of individual graduates has risen 70 per cent over the past decade. 44 million Americans now have student loans and their total value is now larger than the total of subprime loans just before the debt bubble burst -- $1.3 trillion. The default rate on student loans as reached 11.2 per cent, almost as high as the peak mortgage default rate in 2010.

Making the situation more dangerous is that with mortgage loans, the creditors had collateral -- real estate that could be sold for partial recovery of capital. With student loans there is no collateral. Lenders are fully exposed to the risk -- although hundreds of billions of these loans are either owned or guaranteed by the US government, where it's taxpayers at risk rather than banks.

Simon Black makes the point on the SovereignMan website that there's "an absurd amount of pressure to force young people" into a system "that heaps debt upon them," but often doesn't make sense.

Federal Reserve data shows that for at least a quarter of college graduates, salaries are no higher than for those with just a high school diploma. Youngsters are taking on debt, typically $50,000, for achieving qualifications that may not even help them to get a job, let alone one that pays well. Between September 2008 and September 2016 the unemployment rate rose for college graduates when it fell for all other workers.

Good and Bad Aspects of Passive Funds

Investing via exchange traded funds (ETFs) and other forms of index-tracking management can make sense, as it minimizes costs and avoids manager selection risk.

The trouble with its alternative, active management, is finding those who are consistently good at it, without most or even all of the gains being gobbled up by fees and other costs. Usually such managers are too frightened of the risk to their careers in making idiosyncratic decisions to stray far from being almost-trackers. They are poor value for investors.

The trouble with passive management is, it means putting your money into the most popular shares, which are the most expensive because of their popularity, and may be the poorest choices for the longer term.

As Ian Lance of RWC Partners reminds us: "Passive investors in 2000 were allocating large chunks of their money to bubble stocks like Cisco, Sun and Yahoo, and also to accounting frauds like Enron and Worldcom, which were on their way to zero."

The bias towards buying the biggest stocks, which are not likely to be the best, seems to be particularly true in the emerging markets sector.

Well-known fund manager Terry Smith says increasing amounts are being allocated to its largest companies, but “they are not good companies.”

Last year the return on capital employed of the top ten constituent stocks of the MSCI Emerging Markets index averaged just 12 per cent. Over the past ten years their returns have shown a more or less continuous decline. That has been particularly true of Chinese companies, “which seem to be investing on the basis that debt capital… for them is close to free.” Such an assumption is always dangerous, “as the Dotcom era and Japan in the late 1980s illustrated.”

These giant companies are expensive, currently trading on price/earnings ratios averaging 28 times, compared to 23 for all firms in the MSCI index. It doesn’t seem likely that this reflects expectations of significant improvement in earnings.

Trouble is, “if money pours into markets via ETFs, it will cause the shares of the largest companies… to perform well irrespective of their quality or value, or lack of it, even though active managers seeking quality and/or value will not want to own them.

“The weight of money flows will make it a self-fulfilling prophesy that the index will outperform the active managers who behave in this rational manner.”

Longer-term, it makes sense to buy more shares in good companies. They will eventually produce superior returns. But you need patience to wait for that to happen. In the meantime, the weight of index-tracking buying makes it difficult to manage actively, focusing on good companies that are not popular. That’s why most investors would do better to opt for index funds such as ETFs.

A courageous admission by an expert who himself manages an emerging markets fund.

Simplifying Your Affairs While Living Overseas

By Chad & Peggy Creveling

Living overseas can be filled with adventure, but it can also add complexity to your financial affairs. Even if you’re assisted by your company’s HR department, the complexity can make day-to-day management and long-term financial planning a time-consuming and overwhelming burden.

Here are tips to help simplify the management of your finances, save time, and remove stress so that you can focus on the more enjoyable aspects of expat life.

Limit the number of financial accounts. Many expats collect bank, investment and credit card accounts as they move from country to country, as well as maintain accounts in their home country.

You should be able to get by with a global brokerage account (a US brokerage account for Americans) to hold your investments, and a premier account at one of the international banks serving the offshore marketplace to meet your commercial banking needs.

If you maintain property in your home country or a third country, you may also need to hold an account in that country to collect income and pay expenses.

Get a local credit card. If you earn a local-currency salary and can maintain the discipline of paying off your balance each month, then having access to a local-currency credit card can make sense. Such a credit card allows you to avoid the foreign exchange charges and international transaction fees that typically come with a home-currency credit card.

To get a local-currency credit card, you may need to show greater proof of your creditworthiness than in your home country (banks worry that foreigners could disappear without paying).

Get an online brokerage account. Use one to hold your investments, allowing you to manage your investments at one account.

Look for a broker that will provide you with a greater range of investment products at a significantly cheaper cost than your commercial bank or the insurance-linked savings/investment schemes heavily marketed offshore.

For Americans, the best bet will be a US-based discount broker to avoid the tax complications of holding non-US-domiciled investment products.

For non-Americans, look for a global discount broker in an offshore jurisdiction that does not tax nonresidents.

Maintain joint accounts. Generally, both spouses should have access to the main household financial accounts to ease financial management and to handle emergencies.

To preserve a degree of financial independence and marital bliss, each spouse can maintain an individual bank account for discretionary spending.

If main accounts have to be individually owned, consider giving your spouse a power of attorney over your account.

Have account statements delivered online. This avoids wasted paper, makes changing addresses easier, and helps avoid late bills and missed payments due to mail delays.

Use online bill pay. If your bank or broker allows it, use the bill pay feature to automate recurring payments. This helps you avoid writing cheques and making late payments, and makes it easier to stay on top of your bills.

Get a multicurrency personal financial software program. When you evaluate a property as an investment, you'll want to calculate an expected internal rate of return (IRR).

Use a multicurrency financial software program such as Quicken to track your finances. This allows you to maintain all your assets and liabilities in one place.

Using the software to track your spending can also help you develop a financial plan and stay on course. Account values and asset prices can be set up to be automatically updated online.

Organize and store your financial records. Photocopy your key records, and store the originals in a fireproof safe at home or in a safe deposit box.

You could also consider scanning your documents and maintaining them on an encrypted portable drive using free encryption software such as TrueCrypt.

Another option is to store them online with a commercial document storage service, which would give you access to your documents from anywhere in the world.

Keep a photo inventory of your belongings. Use your digital camera to make a record of all your personal belongings. This record can be used for insurance purposes or when moving. You can store your photo inventory on your home computer and keep a copy on your encrypted portable drive along with your other key documents.

Get Skype. This (or other online variants) lets you communicate cheaply from anywhere. It allows you to keep up with advisors, property managers, friends, and family. You can also use the video option to stay in touch with and monitor ageing parents.

The Crevelings operate a private wealth advisory firm specializing in helping expatriates living in Southeast Asia to build and preserve their wealth. For more information, visit their website www.crevelingandcreveling.com.

Marketing Your Product or Service

Mark Reijman, a Malaysia-based adviser, reports on popular and successful business pricing strategies

There are many different pricing strategies that all attempt to do the same thing: to make you voluntarily spend as much money as possible…

1. The number "9" is a very powerful psychological number: many would perceive something which costs 199 as much cheaper than something which costs 200, while the difference is only a single [digit]. This explains why so many prices end with a 9. In fact, when two promotions of the same product originally priced at 60 were tested, the one that was discounted to 49 did better than the one discounted to 45, despite the latter being discounted to even less.

2. Freemium pricing is used in many apps, notably Angry Birds, Farmville and the ever-popular Pokémon app. Although the games are free to download, once you are addicted you will have to spend real money to buy a virtual currency to continue to play, to upgrade or to buy tools.

3. Anchor or decoy pricing is used to manipulate your reference set. By offering one extremely expensive product (typically called the diamond, VIP [or] premium package), all the other packages seem reasonably priced in comparison. How do hotels sell a 10,000 VIP suite? By putting it next to a 60,000 presidential suite. The presidential suite is not even meant to be sold (although it would be nice if it was occasionally rented by a rock star or celebrity)!

4. The aversion to extremes that many people have is used by fast food chains around the world who offer "small," "medium" and "large" sized meals, making it easy for people to choose the middle size. The extremes of "small" and "large" seem less appealing and require more justification than the middle-of-the-road.

5. Premium pricing is used by monopolists and companies that want to project a perception of high quality, by asking a high price, hoping consumers will think price and quality are correlated. Nowadays it is almost synonymous with Apple, which by itself takes more than 90 per cent of the total profits that are made in the smartphone industry. But it is also used by all luxury fashion brands, watches, bags, clothing and fragrances.

6. Tiered pricing is used to get you to buy more in exchange for a discount. You will see this often in B2B environments: the more you buy of an item, the more the unit price will drop.

7. Bundle pricing is used by companies who want to sell you something you don't really want by combining it with a product you do want and offering a package price that seems reasonable. You will see the "set lunch" inviting you to shell out more than the price of the main course in order to also get a soup or an iced lemon tea.

8. Dynamic pricing is the most sophisticated pricing mechanism and is used mostly online. Airlines and retailers have so much data at their disposal they are able to change the price of millions of products instantly, based on the time, inventory, competitor prices, day, location, device and hundreds of other variables. For example, iPhone users will be given higher prices and served different ads because companies know [that] iPhone users, in general, have a higher income than Android users.

There are also some pricing strategies that benefit consumers, at least in the short term…

Penetration pricing is used by new market entrants to quickly steal market share from competitors by pricing their products or services with virtually no profit margin.

Predatory pricing is used by monopolists to either deter new entrants from entering the market or to drive competitors out of the market, by offering low prices at which [they] cannot be profitable.

China: Its Powerful, More Stable Economic Driver

China plans to reduce its economy's over-dependence on real estate investment by switching policy emphasis to its OBOR (One Belt One Road) project -- the plan to invest in global infrastructure on a mindboggling scale – 12 times as much as the Marshall Aid that rebuilt Europe after the Second World War.

Michael Jones of the American investment house RiverFront says China aggressively stimulated real estate as a growth driver following the loss of momentum in exports in the Great Recession.

The policy worked, but it has had negative consequences. Smaller 'third tier' cities have experienced severe over-building, with huge housing projects that stand empty of occupants (the so-called "ghost cities"); major centres have experienced such large increases in property prices driven by speculation that there are escalating fears of a bubble that could burst.

In response to these concerns, the Chinese government periodically withdraws its real estate stimulus. Down payments are increased. Banks are instructed to stop lending aggressively to property projects. But this slows the economy, bringing a growth scare. Real estate stimulus efforts are resumed and the cycle starts over again.

Over the past year there has been an “alarming” 19 per cent increase in real estate prices. Consequently, RiverFront expects the Chinese government to “once again take its foot off the accelerator in 2017 and withdraw… stimulus policies.” Already, down-payment requirements in the largest cities have been increased.

Past experience suggests that investment portfolios should now be reshaped to prepare for another downturn in the Chinese economy, with a potential ripple effect across other emerging markets with interdependence on the Chinese market. However, this time things could be different. OBOR could replace real estate as a significant driver of economic growth.

OBOR, announced in 2014, is now getting greater priority. New projects have been coming on line fairly rapidly over the past few months and $1 trillion worth are currently under construction. China hopes to eventually scale the programme up to investment of $2-3 trillion every year. (To put that in perspective, the Trump administration plans to boost US infrastructure spending to $1 trillion over ten years).

Benefits for more than half the world’s population

OBOR is a plan to make massive investment in upgrading of transport links between China and Europe. The goal is to integrate China much more closely with the rest of the global economy through infrastructure projects, including enhanced port facilities for shipping lanes, new highway and high-speed railway connections for overland routes, all the way to the Atlantic coast. Ancillary development will include new industries made possible by these transport links in sectors such as metals and energy.

It will embrace more than 60 countries accounting for more than half the world’s population and a third of its economy. More than a dozen of them have already signed free-trade agreements with China under the umbrella of the plan.

OBOR will provide a healthy outlet for China’s extraordinary abundant savings, reducing the speculation in residential property and over-investment in domestic infrastructure, while creating what RiverFront describes as “an almost limitless ability to stimulate the China economy.”

When China builds infrastructure across the world, its firms “supply all engineering and construction services… tend to supply all steel, concrete and other manufactured inputs. In many instances even the construction workers are flown in from China.” OBOR projects directly stimulate the Chinese economy no matter where actual construction takes place.

“However, unlike borrowing and building in Chinese real estate, we do not think [OBOR] projects will create the same imbalances in the Chinese economy. China may, therefore, be able to provide more consistent economic stimulus and avoid the periodic growth scares that have plagued China… in recent years.”

Trump: Victim of a False Flag Coup?

Syria's government may well be guilty of using chemical weapons against rebel areas, motivating President Donald Trump to unleash 59 cruise missiles on a Syrian base and destroying (maybe) one-fifth of its air force. But the evidence is not conclusive, as the US administration insists.

Unfortunately there is a long history of using doubtful evidence in the Mideast to promote political agendas, even start wars.

► President George W Bush later admitted he was misinformed about unambiguous evidence that Iraq was hiding weapons of mass destruction – false intelligence that led to the invasion of that country, with catastrophic consequences.

► President Barack Obama is greatly criticized for not attacking the Syrian government for breaching his "red line" by using poison gas in 2013. But we now know Obama refused to do so because he was warned by his Director of National Intelligence that the evidence was not solid. The administration's published report on the matter was found to contain numerous false claims.

Later independent reports pinned the blame for the nerve gas attacks on anti-Assad forces. In May 2013 members if the al-Nusra Front arrested in Turkey were found to possess several kilograms of Sarin nerve gas. British analysis of the Sarin used in August to kill civilians in Ghouta, a Damascus suburb, proved that its source was not the Syrian army. US intelligence knew this.

► President Donald Trump seems to have been conned by his intelligence chiefs into taking precipitate action without insisting first on a proper investigation of the latest poison gas event.

According to Professor Theodore A Postol, an MIT weapons expert, the White House intelligence report published on April 11 "contains false and misleading claims". Videos readily available on *YouTube* make nonsense of the allegation that deaths at Khan Shaykhun were caused by Sarin dropped by government aircraft.

Russia, the Assad government's ally, says that there was a regime airstrike, but it was conventional bombing of a rebel ammunition dump. That must have released chemical weapons stored – illegally -- in that dump.

The Americans say the on-scene evidence counters that. Russia's allegations "fit a pattern of deflecting blame from the regime."

I have no idea who's telling the truth. But immediately following the rebel defeat in Aleppo, it was clearly not in the interests of the Assad government to attract the world's ignominy by using outlawed chemical weapons. On the other hand, it was certainly in the interests of its enemies, including powerful hawks in the Republican establishment and US intelligence agencies, to accuse it of doing so.

Trump is clearly naïve about how things work in the system of government. It didn't prove hard to talk him into doing things the hawks wanted.

One Reason Putin Is So Popular

Russia's economy is doing well, despite European sanctions that were imposed as a response to its seizure of Crimea.

It's bounced back from a contraction of 3.7 per cent in 2015 and is heading for growth forecast to reach 1.5 per cent next year. Its currency has strengthened 19 per cent in euro terms over the past 12 months. Its share market has soared 71 per cent since the last-year January low.

One reason is the recovery in the prices of oil and gas, the nation's biggest export. Despite the sanctions preventing international majors from supplying their advanced technical expertise, Russia is stepping up exploitation of its immense resources.

Last year Gazprom Neft raised its average output per oil well by 11½ per cent. Proving its fracking skills, it drilled a kilometre-long horizontal well in the vast Bazhenov field, estimated to be the world's largest shale oil deposit. In the Russian Arctic, thought to contain $20 trillion worth of oil and gas, Rosneft has started drilling down 5,000 metres to bring in the first well in Russia's northernmost oilfield.

In agriculture the progress has been spectacular. As recently as 15 years ago Russia imported grains. Last year it became the world's biggest exporter, shipping 34 million tonnes. In response to sanctions, Russia has fully substituted imports with domestic production of pork and chicken. It has become a top producer of sugar beet, and a fast-growing cultivator of greenhouse vegetables.

Agriculture has overtaken the weapons industry to become Russia's biggest exporter after oil and gas.

Migrants Still Flooding Into Europe

181,436 illegal migrants arrived in Italy by sea last year. Almost none were refugees. Almost all were young men from West Africa. But most extraordinary of all, every one was brought to Europe by the European Union or non-government aid agencies.

Here's how it works, Nicholas Farrell reports…

The migrants pay about €1,500 to people-smugglers who ship them out of Libya on flimsy boats, often unseaworthy rubber dinghies. Once they've left Libyan territorial waters, a distress signal is sent out by the smugglers. The migrants are then "rescued" by the European boats, usually ones operated and paid for by NGOs (the Germans alone have five agencies operating six boats), and brought to Italy (never returned to Libya or another African country). The smugglers prefer to work with the NGOs as this avoids the risk of arrest.

It's a huge and profitable smuggling racket, and it's growing. The Italian interior ministry expects 250,000 more illegal migrants to arrive by sea this year. At €1,500 apiece, that's a €375 million business.

The EU's border agency, Frontex, accuses aid agencies of activities which "help criminals achieve their objectives at minimum cost, [and] strengthen their business model by increasing the chances of success."

Incidentally, one indication of the negative consequences of the migrant inflow into Europe is that there's been a big pick-up in crime committed by asylum-seekers in Germany. Of 2 million arrests last year, 30 per cent involved non-Germans.

Fat Fees for Thin Performance

In his latest letter to the shareholders of his $420 billion conglomerate Berkshire Hathaway, Warren Buffett again takes aim at the folly of paying investment professionals far too much.

Hedge fund managers, for example, typically make an annual charge of 2 per cent of assets plus 20 per cent of profits earned.

"Under this lopsided arrangement, a hedge-fund operator's ability to simply pile up assets under management has made many of these managers extraordinarily rich, even as their investments have performed poorly." Over a nine-year period 60 per cent of all gains achieved by five funds-of-funds in the sector were diverted to two levels of managers.

"That was their misbegotten reward for accomplishing something far short of what their many hundreds of limited partners could have effortlessly – and with virtually no cost – achieved on their own," investing in index-tracking passive funds.

Germany's Superb Industrial Machine

Latest figures confirm the impressive strength of the German economy, whose growth rate surged to 1.9 per cent (real GDP) last year.

In a world where almost all nations run fiscal deficits, Germany recorded a record budget surplus of nearly €24 billion in 2016, fuelled by higher tax revenues and low debt costs. It was the third consecutive surplus.

Unemployment is at a post-reunification low of 5.9 per cent, with a labour-force participation rate of 68 per cent.

However, inflation is starting to break out, notably in real estate, where record low mortgage rates are driving rapid expansion.

Long-term, there is the challenge facing Germany's superb industrial machine from China, the principal market for its exports but also its emerging rival. The growth of the latter's expertise has come at the expense of major foreign industrial equipment providers.

Tailpieces

Westinghouse: How did it plunge into $6 billion of overruns on two US nuclear power station projects that have driven it into insolvency and largely destroyed its owner, the famous Japanese giant Toshiba?

Almost two-thirds of the deficit came from additional labour costs. Westinghouse had huge problems finding the welders, steamfitters, equipment operators and experienced supervisors they needed. Many of the best ones have taken jobs with shale oil companies or related pipeline construction.

Westinghouse is years behind with completing its projects. Interestingly, an equivalent one being built at Sanmen in China is on time, and on budget.

Loan cover in Africa: Commercial banks in Zimbabwe will soon be forced to accept livestock such as cattle, goats and sheep as collateral for cash loans to informal businesses under a new law. The African nation, once called Rhodesia (we lived there for two wonderful years when we were young), is currently experiencing yet another severe economic crisis. It has used two foreign currencies, the US dollar and the South African rand, as its money since it destroyed its own currency through mismanagement eight years ago.

Bonds: Growing evidence of confusion and division in Washington over tax reform, and continuing lack of evidence of a pickup in the US economy, suggest that Treasuries will continue to strengthen. The yield on ten-year issues has fallen back sharply after the Trump rally and seems to be heading for 2 per cent.

Once again the markets have failed to confirm the pessimists' claim that the decades-long boom in bonds is finally over.

Tech stocks: The Nasdaq Biotechnology index, which has been "building support for the last 15 months," will show that it's returning to form if it makes "a sustained push above 3250," says renowned analyst David Fuller. Long-term, the potential for the technology and biotech sectors is "exceptional."

Oil-from-coal: It's starting to come back in favour. The Chinese government has approved a mammoth plant in Ningxia, a desert region with some of the world's richest coal reserves.

No longer funny: Britain's comedians are almost all anti-Brexit… which shows how disconnected they have become from society, Brendan O'Neill writes in *The Spectator*. Their recourse to "lazily branding 52 per cent of voters as racist… confirms the colonization of British comedy by a breathtakingly narrow strata of society…

"The same is now happening in the pop and acting worlds… The cultural elite now thinks one thing, and ordinary people think another."

One consequence, he says, is "the spectacular failure of the Left," which has been reduced "from a dreamer of rebellion to the obedient propaganda wing of a clapped-out oligarchy that millions hate."

Wise words: *Democracy must be something more than two wolves and a sheep voting on what's to have for dinner*. James Bovard.

Martin

Know someone you'd like to receive ►On Target, click on Reply and send me his/her email address. Or email your request to me at: afrodyn@gmail.com.