

A pension takes resources from the worker, and allocates them to the non-worker.

It's an admirable principle. But the indulgence of the latter depends on the consent of the former. And, currently, in the public-private arena, there is none.

How are the mighty fallen.

Fifty years ago, the BBC was bold and imaginative. It was a technological colossus and an innovative broadcaster; it was a trusted reporter of news and a popular provider of entertainment. For decades, it set the standard by which others were judged.

Few used to be mightier
than the BBC . . .

Why it lost its pre-eminence isn't clear. But there's no doubting the decline. Its technology stagnated and its programming languished. Its coverage of sports became less comprehensive and that of news less authoritative. By the beginning of the new millennium, it was unloved and unwatched.

. . . and few have fallen
further.

What a surprise then that the corporation demonstrated last week a renewed ability to think logically and radically about an important issue. Which issue? Pensions provision. It had resolutely ignored the problem for decades. Though the actuarial deficit had soared, nobody fussed. The *luvvies* had always assumed that the licence fee would be raised by whatever was necessary to pay them their gilded superannuation benefits.

But a change may be in
the offing.

What a shock it must have been when the BBC was finally told that the taxpayer could no longer be called on to bail it out. The total amount of support was to be set, and executives would have to choose how to use it. Not easy: more on one thing would mean less on another. What were to be its priorities?

It's possible the iniquity of
public sector pensions . . .

Unsurprisingly, those who looked at the numbers recommended that cuts occur in pensions benefits. Their cost was extortionate. Savings there would protect large numbers of employees and lots of inflated salaries as well.

. . . will shortly be tackled.

The initial reaction from workers and unions was shocked, but muted. Outrage was *affected* rather than *genuine*. There was talk of industrial action, but it wasn't taken seriously. Everybody knew that the tired old diet of ancient repeats and banal reality shows wouldn't be missed. It was even possible that a blackout would be welcomed; not inconceivable that the corporation would fade unnoticed into oblivion.

If so, it'll not be before
time.

But the consequences of the BBC's new pensions thinking will not be lost on the rest of the public sector. It may well set the standard that others, willingly or otherwise, follow. Excellent. Let a deal be done with civil servants and local authority workers, doc-

tors and teachers, police officers and firemen. Let logic finally prevail and costs start to become transparent.

The sums involved are huge.

The savings would be immense. Multiples of tens of billions! At a stroke, the fiscal environment would become manageable. The deficit wouldn't just be halved during the life of the Parliament; it would, if economics growth were moderately satisfactory, be all but eliminated!

But there's less good news on the economics front.

But will activity be satisfactory? There's the rub. The latest indications are not looking good. Numbers released in Europe and America in recent weeks have been distinctly disappointing. The business cycle may already have entered a phase of moderating growth. If so, 2011 is likely to be a year of pedestrian progress, and 2012 one of potential decline.

The pesky banks are still a drag on activity.

Nobody knows how severe conditions might become. But there's an anxiety that any downturn will be exacerbated by new banking failures. The countless billions of taxpayer funds given to delinquent lenders seem not to have restored them to health. They're as sickly as ever. The EU is still the focus of the frailty. But it's not a localised malaise. The sickness extends across a broad front; not just to the periphery, but the core as well; not just to the previously recidivist, but to the previously blameless as well!

And storm clouds may be gathering over China!

Nor is China any longer being seen as immune to the problems afflicting the rest of the world. There are some who doubt the strength of the figures published in the last year or so. And others who fret that protectionist policies will devastate China's economy in the next decade—much as Argentina's was destroyed in the thirties!

Investors are downgrading their expectations.

It's been the belated realisation of the risks that we're running that has sent equity valuations tumbling in recent weeks (*happy-clappy* investors having previously taken their lead from *happy-clappy* central bankers). The latter, now in retreat, are causing the former to panic—their positions being unwound in mid-flight.

But it may be less bad for equities than they fear.

It's not all bad news, though. Profits may hold up fairly well (wages suffering disproportionately). And interest rates are likely to stay at negligible levels (the authorities realising they have to fight depression not inflation). The bottom line may be indices that continue to creep ahead, erratically but perhaps significantly.

Contact us . . . For further information about Pointon York's SIPP products and services, call Natalie Oliver on 01858 419 371 or visit the corporate website at www.sippolutions.com. Alternatively, contact Roger Nightingale, by telephone, on 01858 419 300; by e-mail at rnightingale@sippolutions.com, or browse his web site at www.rogernightingale.com.

Disclaimer: This document reflects the opinions of Roger Nightingale, not those of Pointon York SIPP Solutions. It is for private information only. Pointon York is not soliciting any action based upon it.

Whilst information contained in Roger Nightingale's articles is based on sources believed to be reliable, neither the accuracy nor the completeness can be guaranteed. Any judgments articulated are Roger Nightingale's as at the date appearing on the material. They are subject to change without notice and might not be followed with a specific ad-hoc document.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Pointon York SIPP Solutions. It is intended for investment professionals only. It is not for public distribution.