

Economic Views for Investors

by Roger Nightingale

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Europeans like to believe
Americans are naïve.

It used to be said that Americans didn't understand irony. When they mocked the pretentious, their approach was unobtrusive. It employed the bludgeon, rather than the rapier. But that charge may no longer be valid. In New York last week, Gordon Brown was named World Statesman of the Year!

That satire is an exclusively
old-world art form. Not
true, of course.

Presenting the Prime Minister with a silver bowl, Henry Kissinger, spokesman for the "Appeal of Conscience Foundation" demonstrated consummate virtuosity. He said, face and voice displaying not a trace of sarcasm, that the UK's Prime Minister had defended freedom and human rights, had demonstrated intellectual and compassionate leadership in critical times, and had dealt expertly with financial upheavals and societal tensions!

Brown is scorned by
everybody.

Quite brilliant. And who had previously been honoured in this way? Nicolas Sarkozy and Angela Merkel. So Gordon Brown was deemed by the Americans to be as distinguished as them. More of a back-handed compliment then!

Justifiably so. Why didn't he
sack Scotland?

Things were worse at home. Back in London, the Attorney General was found to have broken the law. It was a "civil" offence, she whinged, not a "criminal" one. I was guilty only of failing to photocopy some documents, she claimed.

She's certainly incompetent
...

Not so. If her employee had been legally entitled to work in the UK, the Attorney General's crime would indeed have been merely administrative. But that wasn't the case. The employee was an illegal alien. Her documents were either false, or weren't inspected. The Baroness ought to tell us which.

... possibly worse.

There is a suspicion, of course, that the Lady didn't look at the papers, and that she is attempting to cover up her oversight with a falsehood about not doing the photocopying. If so, her offence is more serious. Possibly unpardonable.

And she's brought the law
into (even more) disrepute.

In any event, her action (and the leniency with which she was treated) must have set a precedent for the rest of society. Anybody charged with a similar transgression will be able to claim that the error was made in "good faith." Anybody lacking the photocopied documentation to support his story will have only to claim that the mistake was an "administrative lapse." And who will say that the credibility of the one

The last nail in the coffin?

The debacle will have rendered the legislation entirely useless, of course. But the Attorney General will still be drawing generous emoluments and uncontested expenses! If the country were to want to re-enact the regulation, it'd have to do so in a future Parliament peopled with less unreliable politicians.

And what of the economy?

There was no relief either on the economics front. World activity seemed to be subsiding again and nowhere more worryingly than in Britain. The Governor of the Bank of England gave vent to his anxieties. He feared that Britain's economy was "unbalanced." That meant, it transpired after the text's translation into English, that he thought consumers were pre-empting resources, and thereby prejudicing the performance of exporters!

Does King really think the
problem lies with
consumers?

Really? Consumers who were being feather-bedded? Which planet does the poor chap live on? What about civil servants, local authority workers, politicians and central bankers? Isn't the most obvious source of imbalance the disparity between the public and private sectors? Sadly, the man seems to lack analytical ability. It was apparent when he failed to spot the danger signs in financial runes in 2007, and it is apparent still in the comments he makes these days.

Was the devaluation
deliberate or accidental?

Unsurprisingly, his words had a dramatic impact on the value of sterling. It was presumed that he was signalling a desire to see the currency decline, and a warning that there'd be no official support if it did. Perhaps he was looking for a rerun of the events of September 1992. That was when sterling, in another period of turmoil in the Bank and confusion in the Treasury, left the ERM. A happy accident! It induced rapid economic growth, improving external balances and strengthening currency.

Is he aiming for a reprise of
1992?

Will that happen again? Possibly. But then, the public sector was restrained; now, it's not. Does the Governor recognise the distinction? If so, let him call for appropriate changes. Let him set the ball rolling with, for instance, a cull of the Bank's economists.

No matter; the bull run
continues.

Happily, amid all the gloom, the one bright shining light is the stock market. The indices are rising and will continue to do so. No matter the failings of leaders, valuations are low, but set to recover.

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