

Economic Views for Investors

by Roger Nightingale

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- Things are getting less bad Last week's economics data, though mostly weak, were better than the consensus had expected. Politicians and investors breathed an audible sigh of relief. It began to look as if a recovery of sorts was under way. But would it be robust or ephemeral? Was the world headed for vitality or lassitude? Was the currently better news a true or a false dawn?
- Hiatus or revival? Nobody knew. Significantly, though, central bankers chose to keep credit on a loose rein. Those that could do so, cut interest rates; and those that couldn't, stepped up their QE programmes.
- Banks, smothered in taxpayer funds, are surviving News that most US banks had passed the "stress test" was thought to be particularly encouraging. If the banks were stable, said some, activity would shortly rebound. Not necessarily so, said others. The onset of banking stability in 1933 had signalled, not incipient recovery, but continuing debility!
- White elephants? And the rehabilitation of the banks had not been a costless exercise. It had been effected by taking huge swathes of resources from the rest of society. Who was to say the survival of the one justified the sacrifice of the other?
- Let history and voters judge Only if the economy as a whole were to bounce back sharply would the programme will be thought to have been worthwhile. Only then would the truckers and construction workers who'd lost their jobs, the pensioners and consumers who'd been impoverished, forgive the wretched bankers and politicians who'd caused the problem. It'd be a close run thing.
- Incumbent politicians will be dismissed In the States, Obama had the advantage of having been recently elected, of not being held responsible, therefore, for the mess. In Britain, conversely, Brown was deeply implicated. He could not escape blame: he had been arrogant beforehand and complacent afterwards. If the economy were shortly to recover, it would be his successor who got the credit; if it didn't, bad memories of him would handicap his Party for a generation!
- Britain's MPs are shameless And then there was MPs' expenses. An absolute disaster. Politicians were not technical experts, nor moral paragons, but they were supposed to have a finger on the public pulse. They should have known the mood of the electorate. But they quite clearly didn't. They displayed contempt for the people they'd been elected to represent, and seemed surprised when the feeling was shown to be mutual.
- Their failure to understand. . . To argue that they had done nothing wrong because the claims were permissible under the rules was to make a bad situation worse. It was they who had written the rules! The implication was that their misdemeanour had not been committed on impulse, but with premeditation.
- . . . just makes things worse To argue that faulty claims were occasional errors and that they had been put right as soon as they'd been spotted just added mendacity to venality. Harriet Harman said she wanted to install a system that'd restore the public's confidence in their MPs. She needed to be told that it wasn't the system that had to be changed, but those who operated it. Respect had to be earned. She and her colleagues might try being honest for a change.
- Happily equity valuations are rising The good news was that the securities markets were rising fairly impressively. Corporate profits were holding up well and were prompting pleasant surprises on the dividends front. That, set in the context of extravagantly easy money, but no near term threat of inflation, provided an excellent background for equities.
- Good for the pensioner The London indices had risen 25% from their low points a couple of months ago, and could rise as much again by the year end. That'd be welcome news for the DC pensioner. He'd had a miserable time of it recently. If the politicians knew up from down, it'd be he who now was given a helping hand.
- MPs should do more for those . . . Here's a programme to rebuild trust and respect, Harriet: eliminate MPs expenses altogether; cut Ministers' salaries by 20%; discontinue DB pensions for the public sector; and raise the retirement age to 70. That would not just save money, but, more importantly, level the playing field on which the teams had to compete.
- . . . who create the wealth For too long, the benefits of the Whitehall bureaucrat have gone unassessed. For too long the misbehaviour of MPs has gone uncriticised. If there's to be zero tolerance of the hoodie on the council estate, the same sanction ought to be applied to his opposite number in the Palace of Westminster.

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