

## Economic Views for Investors

by Roger Nightingale

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They *talk* always about the long-term, but *think* only of the short-term

Politicians and Stockbrokers have much in common. They praise strategy, but practise tactics; pretend to respect the fundamental, but really prefer the superficial. Both are showmen; adept at arguing a case. Both make the implausible sound plausible.

Is that because investors and electors have short memories

David Cameron, son of his father, illustrated the similarity at the Tory Conference last week. He made a good speech. It roused the delegates and impressed the wider audience. But it was short on analysis. Was that because the work hadn't been done, or because, though it had, its findings were too sensitive to be revealed?

Cameron, in Manchester, was fuller of words than meaning

On Europe, for instance, he resolutely refused to lay to rest the uncertainties surrounding Tory policy on the Constitutional issue. Journalists repeatedly asked him whether there'd be a referendum on the Lisbon Treaty if he were to come to office after it had been ratified by the rest of the EU. He wouldn't answer. Why not? Hadn't he decided? Did he not want to offend Europhiliacs? Or was there another reason?

On Europe, he's playing sneakily—and unconvincingly

The third, of course. Cameron wanted the problem to go away of its own accord. He'd have liked the Irish to sink the Treaty by voting against it. They didn't. So now he's hoping the Czech Court will do so. Its members, of course, will be less likely to oblige if they know they're going to be saved from its implications by an eventual British rejection. To maximise the probability of a Czech "No" in the weeks ahead, therefore, Cameron has now to appear indecisive or duplicitous or both! It's not a dilemma that the stockbroker in him finds intolerable.

Similarly on public spending cuts at home

His position on public expenditure has been similarly ambivalent. A year ago, he was a tree-hugging big-spender; a supporter of the NHS, State Education and Public Transport. It was only when it became apparent that voters thought otherwise, that they had a low opinion of bureaucrats, that they would prefer to spend their money themselves, that his stance changed.

Why is he such a wimp on pensions?

But not by very much. He talks of the need to make *bold* savings, but his recommendations are *timid*. On pensions, for instance, he suggests that the retirement age be raised to 66 in 2016. He doesn't explain why the increase should be so modest, nor the starting date so distant.

And why doesn't he question the bankers' boondoggle?

On banking, he's no more imaginative. It should have become clear by now that the decision to bail out delinquent banks was a fiscal catastrophe. To take resources from the *good* and give them to the *bad* (Robin Hood in reverse) is not just morally crass, but economically counterproductive. It'll have delayed the recovery, not hastened it.

Vice should be censured, not applauded

Electorally, it's a time bomb. While the rest of the community is hard pressed, the banks are flush—not because of virtue but because of sequestration. It's not the market that awards them their riches, but the regulator. Brown can't reverse policy because he'd have to admit that he was previously wrong. Cameron could, but apparently won't.

War also

On Afghanistan, the man's thinking is as blinkered as Brown's. He doesn't see the comparison with Vietnam: the war in the one being fought, as it was claimed at the time, to restrict the spread of communism; that in the other to contain the spread of terrorism. If so, the first was an obvious waste of money; and it's likely the second will be as well.

Especially the one that creates more problems than it solves

Communism was *sustained* in the late sixties and early seventies by Vietnam. It collapsed under the weight of its own inefficiencies only after the war ended. The same might be true of Middle Eastern terrorism. If the injustice were to be removed, the reaction provoked by it might diminish. It's not a view held by Brown; nor indeed by Cameron. Both, contrariwise, propose to raise troop numbers! Maybe General Westmoreland will lead them into action!!!

For the moment, though, bad economy equals good stock market!

The economics runes, meanwhile, are proving a little disappointing. There's some growth in the system, but it's slow and getting slower. The inventory rebuild is over and public spending has started to lose momentum. What lies ahead is a huge increase in unemployment. It'll undermine sentiment, spending and the tax base. We're not at the beginning of the end, merely the end of the beginning. Only stock price indices will keep our spirits up, and those, not indefinitely.

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