

Economic Views for Investors

by Roger Nightingale

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It's difficult to hold bankers responsible for the damage they cause

If a toddler is allowed to play in the sitting room, he has to be expected to do some damage. And, afterwards, whether the mishap be great or small, the blame for it should be levelled less at the little creature than at the adults whose job it was to supervise him. It's much the same with the infant banker. Young Freddie Goodwin should have been restricted to the scullery. There, it wouldn't have mattered so much if he'd he knocked over the paint pots and spilled the water. His parents, had they been responsible, had they recognised the risks posed by the combination of gaucheness and pigment, would have taken steps to minimise the threat.

To do so would assume they knew what they were doing

After the event, moreover, once the deed has been done, the room wrecked, it's best that the adults take charge. One parent might remove the little chap from *ground zero*, while the other starts the clean-up process. It's not a good idea to ask the toddler himself to put things right. He might agree to do so, but the chances are he'll exacerbate the problem – in trying to clean the carpets, he'll spoil the sofas and curtains as well.

The blame has instead to be levelled at the grown-ups

But what if the parents are not to be trusted? What if they should be delinquent? Their judgment clouded by inadequate education? Their minds befuddled by substance abuse? In such circumstances, it wouldn't be sufficient to send the young banker to the naughty chair. His parents would have additionally to undergo therapy. Does that imply that key figures in the Bank of England, the Treasury and the FSA are sent to detox farms? If so, who should be given the job of tidying the sitting room? Somebody, presumably, with a relatively high IQ and comparatively few psychological defects! No easy task in early twenty-first century Britain.

The Bank, the Treasury and the FSA are the principal culprits

But Gordon Brown doesn't see things in this way. He's asked those who created the problem to make recommendations about solving it! And he's let it be known that there are certain proposals that he'll view more favourably than others. It's a technique he's used to great prescriptive effect in the past.

Brown disagrees; he's going after hedge funds and tax havens!

What's on his agenda? Hedge funds and tax havens. Though neither played any part in causing the current crisis, the Prime Minister is going to try to inhibit the activities of each. Will he succeed? Probably not. He's lost his authority. He'll stay in office until an election is called, but he'll not be able to change much.

He'll probably fail; he's become a figure of fun

Last week, the Governor of the Bank told him that there was no more capacity to raise public expenditure, and the point was emphasised the following day by the gilt market's failure to absorb a new tranche of debt. It was made even more plainly by Daniel Hannan's speech from the floor of the European Parliament. In a blistering attack (totally unreported by the Europhiliac BBC), Hannan spoke for the hitherto silent majority in claiming that the Brown administration was duplicitous and incompetent, venal and spendthrift.

How will the G20 conference go? Badly

The poor Prime Minister knows he's finished, but doesn't know how to withdraw. Instead, he continues on his world tour, humiliated at every turn. He'll shortly host the G20 summit in London, and it'll be a disaster. There'll be no agreement because Europe and much of Asia are unconvinced (correctly so) of the virtues of fiscal stimulus. Nor will there be any substantive commitment to eschew protectionism because most countries are already hatching plans to subvert free trade.

Disagreement amongst politicians; protest from voters

Will London see street protest? Possibly. Public feeling is running much higher than Ministers and bureaucrats appreciate. They were taken aback by the raid on the banker's home. Had they been closer to the people, they wouldn't have been.

Meanwhile, Parliamentary sleaze just gets worse

They may be similarly surprised by voters' reactions to Ministerial expense claims. Tony McNulty and Jacqui Smith (to name but two) have been caught with a hand in the till. And the shameless creatures, instead of admitting their misbehaviour, have tried to justify it. We did nothing wrong, they claimed. It was within the rules. Yes; rules that they wrote for their own benefit. Doesn't that make the morality of their actions worse, rather than better?

Green shoots in the US? Don't hold your breath

There's not much good news. But the US economy does appear to be contracting less quickly in the spring than it was in the winter. And the markets have taken heart. A single swallow? Yes, but one is better than none.

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