Economic Views for Investors

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Representative democracy demands that the executive...	Not many States claiming democratic credentials would countenance an unelected political Executive. The European Union is, of course, the exception. It suffers from institutional schizophrenia: it sees its Commission, though neither elected nor representative, as a model of liberalism and egalitarianism!
...be capable of occasional dismissal by the people.	Has it sought treatment for the malady? Sadly, it has not. It's probably unaware of its psephological sophism. Indeed, it now proposes to substantiate the principle with a President cast in the same mould as its wretched Commissioners!
The European Union fails the test.	And the greatest irony of all is that one of the candidates for the post of Chief Executive is Tony Blair. Do Europeans really thing the man who launched two illegitimate Middle Eastern wars is suitable for the job? If they do, it's clear their psychiatric disorder has got worse.
Unabashed, the Constitution proposes a psephologically repugnant president.	Gordon Brown's opinion on the matter is intriguing. He's reported to be canvassing in favour of his predecessor. A cunning plan worthy of the great Baldrick? A case of Orwellian doublethink? Does Brown realise that he is now so devalued as a statesman, his opinion so despised by contemporaries, that anybody who gets his vote is bound to fail?
Gordon, unsurprisingly, says such a role would suit Tony!	What, meanwhile, is David Cameron's view? Has he been canvassing for or against Blair? Has he decided yet whether he'll renege on the promise to hold a referendum on the constitution? He won't be able to avoid the issue for much longer. In every interview he does between now and the election, the question will be posed.
And what does David think? Will he ever say?	He'll be the next Prime Minister in any event. But his decision on this issue will reveal whether he's to be trustworthy or not. He's said he wants to clean up politics, and he's certainly taken a fairly tough line on expenses. But that'll be small compensation if he should let the Constitution be implemented against the will of the overwhelming majority of the electorate.
Happily, the US economy seems to be on the move again.	On a brighter note, the US produced some encouraging economics numbers last week. Between the second and third quarters of the year, GDP was reported to have risen at an annual rate of 3½% per annum. That was a little ahead of consensus estimates, and consistent with the less bad trends in the labour markets at the end of the third quarter.
A single swallow? Or a full blown summer?	Will things continue to improve? That's open to a good deal of doubt. The most recent data have been unimpressive. Consumption is not reviving strongly because pay settlements are softening at a time when people wish to lift their savings. And the still fairly difficult labour market is reflected in deteriorating sentiment readings.
The outlook is not unambiguously bright.	Nor is corporate investment likely to be robust. Profits are quite strong, and external finance is now available as well, but companies are not keen to spend. They think they have sufficient capacity already. Time enough to lift capital outlays when consumption embarks upon sustainable growth.
Consumption, investment and public spending are all constrained.	Public spending, meanwhile, looks set to grow more slowly, possibly to decline a little. The problem is partly that tax revenues are inadequate, partly that voters don't want bureaucrats to spend their money (they'd prefer to do it themselves). The result, in any event, is that congress will become progressively less accommodative as the months go by.
But less so than in Europe or Japan.	That said, the US economy looks as if it's responded better to government policies than has Europe or Japan. The former bit the labour market bullet speedily and forcefully. It shook out excesses twelve months ago and is consequently in a reasonably good position now to stabilise or rebuild. Europe and Japan, on the other hand, procrastinated then and is poorly placed for the future. There'd have to be a huge surge in demand in the next twelve months to justify their current workforces. Failing such a surge, there'll be the continual drip of job losses and the continual negative therefore of poor sentiment.
Equities everywhere will continue to advance.	The equity market is set fair, of course. There's no near-term chance of a worryingly fast pick-up in activity, and none therefore of any deliberate monetary tightening. Instead, activity will be dull and inflation negative. But profits will be quite strong. They'll be driven, not by sales growth, but by wage compression. There'll be a transference of resources from worker to company, from spender to saver. The equity indices will reflect these shifts. They'll rise briskly in the remainder of 2009; satisfactorily in 2010.

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