

Is a political leader on the stump, the unspeakable in pursuit of the unobtainable?

Oscar Wilde was unimpressed by fox hunting; the rest of us by electioneering. Politicians may get our vote, but rarely our trust!

Nobody knows the future, but everybody remembers the past.

In elections, unlike law courts, the guilty are nearly always punished.

Brown has much for which to answer; Cameron is not untainted.

Is the Governor looking for a new career?

Does he think, as do some others, that he'd be . . .

. . . no worse an astrologer than a central banker?

Elections look backwards, not forwards. Voters don't pick candidates they think will be competent in the future, but dismiss those whom they perceive to have been incompetent in the past. Britain's poll next week will conform to this rule: Labour being censured and the Conservatives installed.

The only uncertainty is how severe will be the defeat of the one, and how comprehensive the victory of the other. Not very, according to most opinion soundings! Despite innumerable policy errors—illegitimate wars in the Middle East, ill-advised financial support for bankers, unconscionable double-dealing over the constitution—about a quarter of those questioned say they intend nevertheless to vote for the incumbents.

That's a dreadful indictment of the Tories. It's impossible not to conclude that they're still deeply distrusted; that they're only preferred *faute de mieux*. Whether that's because the Party is thought to have retained too much Thatcherite ideology (Cameron's view), or because Cameron is deemed to be too much like Blair (Thatcher's view) is not clear. But it looks as if a newly installed Conservative administration will not enjoy much goodwill. Indeed, voters may not be at all indulgent of its early misjudgments.

Governor King took up this point last week. He is reported to have said that, as a result of the spending cuts it'll have to impose, the next Government is likely to become profoundly unpopular. It was his assessment that the Party held to be responsible for the austerity mightn't get re-elected for a generation!

Will the Governor's sociological forecasts be any more accurate than his economics ones? Probably not. Fiscal policy is a zero-sum game. There are always losers, but always winners as well. Lower public spending hurts some people, but, by releasing resources, helps others. Cuts in public sector pensions entitlements reduce the spending power of one group, but enhance that of others: the civil servant being squeezed; the taxpayer relieved.

The issue is one of perception (do the gains seem to outweigh the losses?) and simultaneously one of equity (do the winners deserve what they are being given?). The Governor is in no position to be able to understand these questions, let alone answer

them. No more is Brown or Cameron. But it's likely is that, so long as GDP is progressing at a reasonable pace, the "net" pain occasioned by the cuts will seem only moderate, possibly non-existent.

Fiscal policy is over-rated.

As always too much attention is paid to fiscal affairs and too little to monetary ones. The tragedy in Greece demonstrates the point. The borrowing requirement there is relatively unimportant; it's the country's inefficiency and uncompetitiveness that have to be tackled.

Greece is being destroyed as a result.

The ECB and the Commission acknowledge the problem, but argue that the remedy must be effected via lower inflation rather than currency depreciation. Really? Can they foresee the consequences? If falling goods prices are set in the context of rising nominal interest rates, aren't they worried that activity in Greece will be crushed?

Its economy needs to be freed, not tortured.

In competitive Germany, real interest rates are close to zero. But that's not low enough to lift GDP significantly. So what happens when uncompetitive Greece has to contend with real rates that are 8% or more? The economy will be savaged, of course. Output will decline at an annual rate of about 5% in the twelve months to mid 2011, and continue to fall, probably at a slower pace, for a couple of years after that.

If in doubt, ask the people.

And what will that do to the fiscal deficit? Send it through the roof, of course. As tax collections collapse, borrowing will rise even in the face of spending austerity. The non-interest charge element of public outlays will have to be cut by upwards of 10% a year just to stabilise the deficit. The risk is that the Greek people, whose opinion on these matters has not yet been sought, will revolt. Perhaps it was in relation to Greece that Governor King made his sociological comments last week. If so, it may be that something was lost in the translation.

America, though often talking foolishly, usually acts sensibly.

It's the US that's coming out of the crisis best. Of all the developed countries, its growth and inflation are the most satisfactory; its financial and social stability are the least troubled. How was it done? By focusing on the important, not the trivial; by monetary accommodation not fiscal stimulus; by cutting interest rates sharply, allowing the dollar to fall steeply and supporting financial institutions minimally.

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