



## Investment Commentary by Roger Nightingale

In politics, as in high finance,  
duplicity is regarded as a virtue.

Mikhail Bakunin. Brown and Clegg must then be exceedingly virtuous;  
Cameron less so because he's too easily conned

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Even the fanatic core of  
Brown's administration has  
now conceded defeat.

In his bunker in Downing Street last Tuesday, in one last throw of the dice, Brown and Mandelson and Campbell toyed with the idea of a Lib-Lab pact. But it was rejected by virtually all members of the party who'd been elected to their jobs. It'd go down very badly with the general public, argued John Reid. It'd be seen as a coalition of losers.

Cameron and Clegg,  
unconvincingly victorious,  
will take over.

That left the way clear for the other coalition of losers, the Lib-Con one, to take centre stage. It did so. By the end of the day, Cameron was Prime Minister and Clegg his Deputy. All that remained to be decided was policy. A veritable minefield! There were two obvious areas of contention: public spending and Europe. On both, it looked as if Cameron had made the greater concession.

The LibDems seem to have  
been calling the shots.

Likewise, "electoral reform." The coalition partners recommended that there be fixed Parliamentary terms and a referendum on Proportional Representation. But what would the electorate as a whole think? What, in particular, would be the reaction of Tory activists?

Stability? Transparency?  
National interest? Hmph!

Cameron and Clegg both maintained that the proposals, designed to protect the national interest, would promote stable Government. Really? To many observers, the plans looked shambolic; a recipe for instability; justified only by personal interest. Time would tell.

Germany's debt may be  
stable, but its politics are  
not.

The political news from Germany, Clegg's model because it gave the country's least popular party an almost continuous role in government, was not good. Elections in North Rhine Westphalia were disastrous for the coalition partners. The CDU's share of the vote fell from 45% to 35%; the FDU's from 15% to 7%. The coalition no longer commanded a majority in the Upper House.

The will of the electorate is  
likely to be ignored again.

There would have to be a session of wheeling and dealing amongst the parties. The German equivalents of Mandelson and Campbell would shortly emerge from their dens and engage in secret negotiations.

Would that demonstrate political transparency? Or governmental stability? Was that the model to which New Britain aspired?

No party reflects the views of the people.

The German coalition's problem stemmed from its persistent refusal to listen to the people. Voters didn't want to bail out Greece. They knew how much it had cost to deal with the DDR. They knew they couldn't afford to do the same to the EuroZone's failing economies. But German voters could find no party to voice their concerns! The SPD was as Europhiliac as the CDU or FDP. Henry Ford had said his customers could have a car of any colour so long as it was black; German politicians were pursuing a similar line in relation to EuroZone integration!

The pace of economics activity is worryingly slow.

The world's economics numbers, meanwhile, have been quite good. But *only* quite good. The revival in demand has been modest in comparison with what had occurred in equivalent phases of previous cycles. Given the extent of the stimulus, monetary and fiscal, it's been exceedingly modest.

The banks may be in trouble again.

That being the case, there's unlikely to be a significant monetary tightening for a while, possibly for a couple of years. Investors are relieved. They'd begun to worry about another banking meltdown. Two years ago, the threat was posed by the private sector's debt; today by the public sector's.

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