



Investment Commentary by Roger Nightingale

To deal logically with bankers, we ought to start from scratch. But where is scratch?

Elias Canetti—banking miscreants, like their first cousins, the criminals, are likely always to be with us.

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It's natural for humans to judge each other.

If members of the public were to witness a man beating a dog with a stick, they'd probably be sickened. The spectacle would evoke in them sympathy for the dog and disgust for the man. But what about the stick? How would they feel about it? Largely neutral. They'd know it was inanimate; that it had neither the will nor the intelligence to set an agenda of its own; that its actions, good or bad, were the responsibility of those who wielded it.

But it'd be better if the process were less biased.

There's a potentially illuminating financial parallel to be drawn here: the dog represents the economy; the man, the regulatory authorities; and the stick, the commercial bankers. What's clearly happened in recent years is that the economy has been savagely thrashed. What's equally clear is that the banks were the instrument through which the drubbing was inflicted. But where does culpability lie? With mindless bankers or those who wielded them?

In identifying *minor* malefactors, *major* ones often escape censure.

The latter, of course. Bankers could only inflict the damage the authorities allowed them to. The problem arose partly because central bankers created immoderate amounts of extra liquidity (to prevent the economy slipping into recession), and partly because banking regulators failed to monitor the uses to which the liquidity was being put (the FSA seemed to model itself on Haringey Council's Child Protection Agency).

The Treasury and the Regulators were primarily responsible for the financial chaos.

The consequences of these errors were exacerbated by HMG's actions in the immediate aftermath of the thrashing. The Prime Minister and Chancellor claimed they wanted to help the dog. To this end, they drew blood from the poor creature and transferred it to the stick! They said that the procedure would make the dog better!!! They said that, if the industrialist were to be extended extra credit, the banker would have get addition funds. The solution was that the industrialist *give* money to the banker in order that he could *lend* it back: Monty Python could never have dreamt up so ridiculous a proposition!

Bankers were very greedy, but only moderately culpable.

Of course bankers didn't lend the money back to industrialists. They kept it for themselves. Why didn't politicians, so well versed in avarice and venality, anticipate the problem? Was their misanalysis deliberate or accidental?

Tories seem to be out of their depth when the writing gets joined up.

It wasn't just the Old Labour *dozos* who misread the situation; their New Conservative equivalents were equally foxed. Cameron and Osborne proved themselves clueless about the causes of the crisis and ill-informed about the value of commercial bankers to the economy. Like so much of the Press, they seemed to regard the latter as an integral part of the City's financial services. Not so, of course. It's the *higher* forms of animal life that make worthwhile contributions. It's fund managers and brokers, actuaries, accountants and lawyers—most of them vertebrate—that do so.

Don't let's wait for the bankers to go; let's expel them!

If the commercial bankers were to up-stakes and leave London, it'd be a cause for celebration, not commiseration. If the Goodwins and Hesters were to inflict on other economies the damage they've done here, Britain's competitive advantage would soar into the stratosphere!

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