



Investment Commentary by Roger Nightingale

Public Relations is the process that transforms the
partially true into the wholly false.

Edgar Shoaff—credit isn't provided well by commercial bankers, nor regulated
adequately by central bankers! Quis ergo custodiet custodes?

9th July 2010

Who'd have thought, just
two years after financial
meltdown, that . . .

How susceptible is public opinion to corporate PR? Nobody knows, but the banks are keen to find out. They're trying to rehabilitate themselves, to improve their image, to draw a veil over their past misdemeanours. To this end, they're running a set of saccharine-loaded television commercials. In environments of nauseating jollity and optimism, loan officers are presented as insightful women, not blundering men; their customers as willing partners, not as hapless victims.

. . . commercial bankers
would dare show their
faces in public . . .

Will the ploy work? Will history be rewritten? Banks forgiven? Possibly. In recent weeks, when the coalition has been announcing huge cuts in public spending, there's been lots of criticism of politicians, but virtually none of banks. Nobody's said that, but for the delinquents being bailed out a couple of years ago, there'd be sufficient money in the Exchequer now to maintain public spending at something approaching its prior levels.

. . . let alone pretend to
be "good guys"?

Anger ought not to be levelled at the politicians who've had to balance the books, but at the creatures whose errors made the process necessary. Who precisely? The boards of directors of RBS and HBOS as *initiators* of the catastrophe; the court of directors of the B-of-E as *intensifiers* of it—the one handicapped by an insufficiency of intellect, the other by a surfeit of arrogance.

They oughtn't to get
away with it.

It was an explosive mixture. When ignited, it burned long and hot. The rest of us have been disfigured. So it's a little irritating to see both sets of malefactors luxuriating still in taxpayer financed splendour. When belts everywhere else are being tightened, an element of contrition wouldn't go amiss; a degree of physical and psychological discomfort wouldn't be unwelcome.

Nor should Central Bankers escape censure.

Governor King could, for instance, make it clear at his next Press Conference that the decision to use taxpayer funds to bail out the Scottish banks was made by a tiny group of the B-of-E's officials (none of them elected of course, none of them sackable by the public therefore). It was that decision, more than any of those of spendthrift Ministers running Health and Education and Transport, which necessitated recent public spending cuts. Can it be justified?

They are largely responsible for the fiscal mess.

It wouldn't butter many parsnips to say, as he has done in private in the past, that the judgment was right because the economics and financial outlook would otherwise have been even worse. He'd be asked how he knew. He'd surely not answer that his forecasts told him so! That'd just provoke howls of derision.

Heads should roll, salaries be cut, pensions slashed.

The Bank's forecasts aren't worth the ink they're written with. If they had been any good, the crisis might have been anticipated. But they weren't and it wasn't. So why trust the Governor's analysis of the *aftermath* of an event when his assessment of its *beforemath* was so faulty?

They should share the consequences . . .

The economics are grim and are likely to stay so; miserable here and elsewhere. The next setback is due to occur in autumn 2011. It might be severe.

. . . of the mess they created.

Security markets have been weak, but probably unjustifiably so. Interest rates and inflation will stay low, corporate profits fairly strong: a favourable combination for valuations.

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