



## Investment Commentary by Roger Nightingale

# Those who can, do; those who can't, teach.

It's said, probably unfairly, of the Chair of Ofsted that she used to teach in school,  
but that now she's lost her class!

16<sup>th</sup> July 2010

---

Regulators profit from  
their own incompetence.

Regulatory agencies are an expensive indulgence; they cost a fortune but don't prevent malpractice. The surprise is that society puts up with them. Gullibly, it accepts the argument that their failures are the consequence of insufficient resources. And it gives them more!

Quangos have been quick  
to follow suit.

The message isn't lost on other elements of the public sector. Quangos might have come late to the party, but they've made up for it since. These days, they gorge voraciously on the body fiscal. They've learned that failure, so long as it's spun appropriately, is rewarded rather than censured!

Ofsted demonstrates the  
phenomenon.

State education demonstrates the phenomenon. Nobody doubts that it's in a mess. Nobody's fooled by the dumbed-down examinations that produce superficially improving results. It's recognised that teachers themselves are ill-educated. They're in no position, therefore, to help the children entrusted to their care.

It's as neanderthal today  
as was the NUM in the  
'70s.

Governments understand this, so do local authorities. But both refuse to act. The public sector knows how to look after its own! Zenna Atkins, Chairman of Ofsted, demonstrated the technique earlier this week. It was desirable, she claimed, that there always be a proportion of bad teachers in schools: it helped prepare children for later life. How? By teaching them to cope with numbskulls! Regulators and Quangoists?

Margaret Thatcher was a  
match for the one; Michael  
Gove for the other?

How is Michael Gove going to react? He's known to be looking for budgetary savings in his Department. So he'll probably downsize Ofsted. If radical, he'll abandon it altogether. He ought to. It's failed its mandate. It's switched from promoting the interests of the consumer (the child) to defending those of the supplier (the educationalist). It's become a trades union.

The FSA is similarly counter-productive.

The same analysis applies to virtually every other quango and regulator. Who could defend the FSA, for instance? Did it spot the vulnerabilities of the banks before the recent crisis? Has it panned them for their abuses since? Did it suspect Nick Leeson of fraud in the nineties or Robert Maxwell in the eighties? Is it worth its budget? Of course not.

Its enforced demise might promote economics renaissance.

The public sector is riddled with non-jobs—possibly 5% of the economy's total. If they were eliminated, the fiscal deficit would be halved. If real jobs were substituted in their place, the deficit would have disappeared by 2012. It'd not be impossible, in such circumstances, though not particularly likely either, that the economy enter upon a virtuous circle of tax cuts and growth.

More likely, though, there'll be another recession in 2012.

The immediate future, however, is grim. The world's major economies are slowing perceptibly and Britain's is matching them. The numbers coming recently from America, Europe, Japan and China all hint at deceleration. There's no immediate danger of double-dip, but the second half of next year looks set to be difficult.

Only security prices will advance.

Equities may hold up reasonably well, though. It's wages that'll take most of the strain. Downwards pressure on them will generate persistently low (possibly negative) inflation and that will justify persistently negligible interest rates. Set all this in the context of slightly stronger profits (themselves the consequence of the squeeze on wages), and investors may feel inclined to bid up valuations.

The facts and opinions contained within this newsletter have been provided by Roger Nightingale; Buckles Investment Services do not take any responsibility for the contents.

Issued by Buckles Investment Services Ltd. Authorised and Regulated by the Financial Services Authority  
Buckles Investment Services Ltd. Derwen House, Ffordd Derwen, Rhyl. Denbighshire LL18 2LS  
Telephone 01745 345131 [enquiries@buckles.ltd.uk](mailto:enquiries@buckles.ltd.uk) [www.buckles.ltd.uk](http://www.buckles.ltd.uk)