

Stranger in a strange land

Politicians' absurdities have gone unchallenged

Sir, How welcome to read in your editorial (June 7) the clear recognition of the role the economy should have played in the UK election. Too many politicians have been allowed to mislead the electorate by promising to end austerity without defining any plausible economic delivery process. What a sad indictment of the current political class, the electorate and the media that such economic absurdities go unchallenged.

All should reflect that the UK national debt is heading for £1.9tn and increasing at over £5,000 per second. Austerity will only end when the UK earns more than it spends; this requires a competence absent from too many seeking election today to the House of Commons.

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- Letter to the *Financial Times*, 8 June 2017, the day of the UK General Election.

“If you have been voting for politicians who promise to give you goodies at someone else’s expense, then you have no right to complain when they take your money and give it to someone else, including themselves.”

- Thomas Sowell.

It is difficult to know where to begin. That 262 British parliamentary seats fell to a party led by a self-confessed Socialist is bad enough. That said leader lacks the support of 172 of his own MPs is troubling. But that someone who has publicly supported the IRA, Hizbollah and Hamas could attract 12.9 million votes *while the United Kingdom is under attack by terrorists* simply beggars belief. Sir Richard Dearlove, the former head of MI6, the British Secret Intelligence Service, points out that Jeremy Corbyn – who seeks the office of Prime Minister – would not be cleared to join either his former agency, or GCHQ, or MI5; and indeed would,

in the past, have been actively investigated by the latter. It is said that you get the politicians you deserve. So what on earth did we do to deserve this ?

Nor are we making a narrow party political point. As Clive Crook [points out](#) for Bloomberg, while Jeremy Corbyn offered the UK electorate the sort of swivel-eyed Trotskyism that ought to have died out in the 1970s along with flares and safari jackets, Theresa May was making her own lurch towards the left:

..instead of championing a solidly pro-market centrism, May adopted a semi-skimmed leftism heavy on industrial-policy meddling and other piecemeal dirigisme.

So a plague on **both** your houses.

Many investors today were forged in the crucible of the Global Financial Crisis. This was, no two ways about it, a crisis originating in debt. The plain numbers are stark. Simon Mikhailovich of Tocqueville Bullion Reserve reminds us of those numbers with a sobering tweet:

A bit of math. With the global debt / GDP ratio at 320% and the cost of average debt service at 2%, it takes 6.4% growth per annum just to service the debt. Not happening.

Our politics have gone mad, and our markets have gone mad with them. As Ronni Stoeferle and Mark Valek point out in their latest, magisterial study of the yellow metal, *In Gold We Trust*,

We live in an age of advanced monetary surrealism. In Q1 2017 alone, the largest central banks created the equivalent of almost \$1,000 billion worth of central bank money *ex nihilo*. Naturally the fresh currency was not used to fund philanthropic projects but to purchase financial securities*. Although this ongoing liquidity supernova has temporarily created an uneasy calm in financial markets, we are strongly convinced that the real costs of this monetary madness will reveal themselves down the line.

*With that amount of money, one could purchase 20 Big Macs for every person on the planet. Notably in Switzerland – according to the Big Mac Index – the most expensive jurisdiction worldwide. Alternatively, one could also buy one 1/10th oz. gold coin for every person on the planet. We would recommend the latter.

Faced with universally expensive bonds and predominantly expensive stocks, there seems to be little point in low cost index tracking – at present, at least. This is an investment ‘strategy’ that Jim Mellon describes as “pass the parcel for investment morons”. The only sensible and credible responses to the investment challenge of our times can be to diversify broadly, and then invest selectively, and defensively. (Longstanding readers, along with our clients, will know that we put particular emphasis on Benjamin Graham-style value stocks, systematic trend-following funds, and gold.)

This is also a crisis of education. How, aside from craven bribery, could so many young Britons flock to the sirens of socialism ? How did so many millions manage to avoid any grasp of history (or choose to ignore it) ? Eamonn Butler of the Adam Smith Institute, however, is not defeatist. He quotes from the master, Hayek:

We must make the building of a free society once more an intellectual adventure, a deed of courage. What we lack is.. a truly liberal radicalism which does not spare the susceptibilities of the mighty.. and which does not confine itself to what appears today as politically possible. We need intellectual leaders who are willing to work for an ideal.. They must be.. willing to stick to principles and to fight for their full realisation, however remote.

There is otherwise the very real likelihood of nasty intergenerational conflict. The Baby Boomers already ate most of the pies. The millennials and Generation Z are right to be angry. But last week this anger manifested itself in the form of some Corbyn supporters [burning newspapers](#). To anyone with a sense of history, the UK today feels like a very strange, and disturbing, place.

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